



Northern Ireland Report of the Task Force

Forewords



It was on the first of May in 2007 that I had the pleasure to visit Belfast and to meet the then incoming First Minister of Northern Ireland, Ian Paisley, and the Deputy First Minister, Martin McGuinness. These appointments were confirmed just days later when the devolved institutions were re-established, a truly historic event that confirmed the strong and sincere political commitment of the parties involved to create a new beginning for a region which, up until comparatively recently, had been known to the rest of Europe for many of the wrong reasons.

The First Minister and Deputy First Minister were able to convince me then of their determination to succeed, and everything that I have seen since has confirmed that, indeed, this is a region with a new dynamic. I have been particularly pleased that the European Commission has been able to accompany the region in this process. Indeed, in a Union that is founded on preserving and promoting the principles of peace and prosperity in Europe, I feel that the Commission is performing its natural role.

Following my Belfast visit, I immediately asked my colleague, Commissioner Danuta Hübner, on the basis of her experience in regional policy, to put in place a group of experienced officials from different Commission departments to act as a special Task Force on ways in which Europe can help to underpin change in Northern Ireland. The emphasis has been on helping the region to become more firmly embedded in the dense formal and informal networks that make up the knowledge economy. Northern Ireland's leaders, like those in many other European regions, want to take the regional economy higher up the value chain, with a greater concentration of activities, and new jobs, in research and innovation especially in the private sector.

The results of the work of the Task Force, which has worked closely with the administration in Belfast, and also with the UK national authorities and with the authorities in Dublin are set out in the report attached. It contains a long list of leads for the region to follow-up as part of the effort to develop a high added value economy, and to provide lasting jobs that will do much to secure the basis of the political process. The Task Force will continue to work closely with the administration in Northern Ireland, and to accompany the region in the follow-up to the report.

I also have to say that for me personally, as President of the Commission, this has been a most interesting experience, for two reasons. First, it provided a point of comparison with my previous experiences of seeing peace come to areas previously in conflict. I am very proud of the role that the EU is playing in helping to consolidate the Northern Ireland peace process. Secondly, it brought home to me what the European Union really means to its regions. In particular, through this experience, I am convinced that the Commission needs to do more to "bring Europe to the regions". We can and should reduce the barriers that exist, either real or perceived, that may sometimes prevent regions from participating in the many initiatives that can help to generate new opportunities and to reinforce competitiveness in the age of globalisation.

Against the expectations of only a few years ago, Northern Ireland has now emerged as an example to the world on how to succeed in promoting peace and reconciliation in a deeply divided community. Its political leaders have recognised the importance of economic success in this process, and of the role of the European Union in the drive for growth and jobs. Just like the emerging European Community of 50 years ago, the story of Northern Ireland shows that people from different communities, sometimes with fundamentally different opinions, can overcome the divisions, work together and share a common future.

I wish the First Minister, the Deputy First Minister and Northern Ireland every success in the period that lies ahead.

José Manuel Barroso
President of the European Commission



It has been a great pleasure for me to have the opportunity to lead the work of the Commission's Northern Ireland Task Force and to present this report. It is a region with which I have had close contacts over recent years and I have always been impressed by the resilience, and by the determination, of its people in making a break with the past and in moving forward to an era of stability and renewed prosperity.

Northern Ireland was a giant of the first industrial revolution in Europe, and the home of world-beating enterprises in shipbuilding, textiles and engineering. With increasing global competition it has had to adapt to change at the economic level, a process which was more difficult over recent decades in the absence of consensus at a political level.

Today, the new political context has created the basis for a major step forward in economic terms. With peace and stability comes confidence, and with confidence comes new investment and new jobs. I am delighted that the political leadership in the region was quick to draw the conclusion that there is an important European dimension to building prosperity. Indeed, European regional aid programmes have contributed over many years to promoting growth and jobs and, since 1995, to promoting consensus through three generations of the programmes for peace and reconciliation.

For the period 2007-2013, six new European programmes will deliver € 1.1 billion for new investment in the region including in its urban, rural, border and coastal areas and also including the third PEACE Programme.

There is a vision that is shared between the Northern Ireland authorities and the Commission that these resources should focus on quality and added value. This is where the work of the Northern Ireland Task Force is important. Working with the key services of the Commission involved in the quality and added value agenda, our objective is to remove the obstacles facing Northern Ireland in participating in a range of programmes and initiatives and in competing for additional resources, for example, under the research programme, trans-European networks or the education programmes.

In Europe today, economic success is often dependent on a region's capacity to develop networks with other regions. The report of the Northern Ireland Task Force therefore places a particular accent on how Northern Ireland can learn from other regions, can combine forces with them, and can share its own particular experiences with others, for example, in the field of conflict resolution.

I look forward to cooperating with the authorities in Northern Ireland in the implementation of the ideas, suggestions and recommendations of the Northern Ireland Task Force report and in supporting the continuation of peace and prosperity in the region.

Danuta Hübner
Member of the European Commission
responsible for Regional Policy



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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND TO THE
EUROPEAN PARLIAMENT**

on the Report of the Northern Ireland Task Force

1. Introduction

The consolidation of peace in Northern Ireland is a matter first of all for the people of the region. But there is clearly also an important European dimension given that the people of Northern Ireland are citizens of a European Union that is founded on the principles of peace, stability and prosperity. This is why the Commission was particularly pleased to be invited to support the peace process in Northern Ireland, in particular, by helping the region in its efforts to improve its economic competitiveness and to create sustainable employment for its people. The Commission is particularly encouraged by the priority that has now been attached to economic development in Northern Ireland by the political leadership.

A key moment in the peace process was the re-establishment of a devolved administration in Northern Ireland in May 2007 based on the sharing of power between communities that have been deeply divided over recent decades. This historic event means that Northern Ireland has the potential to become an example of how deep political divisions can be permanently overcome, and how a more open, tolerant and democratic society can be created even in the most difficult of circumstances. It was also in May 2007 that, in the course of a visit to Northern Ireland, the President of the Commission, José Manuel Barroso, announced his decision to establish a Task Force inside the Commission, under the authority of Commissioner Danuta Hübner, in order to support the peace process, with particular emphasis on how to generate more growth and jobs in line with the Union's overall Lisbon Strategy¹. The NITF represents, in effect, a new and closer partnership between Northern Ireland and the Commission services as the region's long period as major recipient of European regional aid is gradually phased out, and where it will increasingly rely on its own resources.

In the annex to this Communication, the report on the results of the work of the Northern Ireland Task Force (NITF) is set out. Overall, the report confirms that Northern Ireland, in emerging from a prolonged period of conflict, faces many challenges of a socio-economic nature. While many of the headline economic indicators, for example, in relation to unemployment rates or GDP per head, compare very favourably today with the averages for the Union, the region bears the imprint of the period of conflict: a high dependence on the public sector, an inclination against risk-taking and a low level of entrepreneurship, the negative image of the region to international investors, and a high proportion of the population not engaged in economic activity. At the same time, the stability which has now been achieved provides the opportunity for a step-change in economic performance. It is against this background that the NITF has been examining how the region can become more involved in EU policies in order to help move the economy up the value chain and to enter the top league of innovative regions. As explained below, in parallel to the analytical work, a number of initiatives are already underway.

2. The remit of the Northern Ireland Task Force.

The specific remit of the NITF is to support efforts in Northern Ireland to improve competitiveness and create sustainable employment, mobilising the services of the

¹ http://ec.europa.eu/growthandjobs/pdf/integrated_guidelines_en.pdf.

Commission most concerned with the competitiveness and sustainable employment agenda². Particular importance is attached to reducing dependence on the public sector and to creating a more dynamic private sector. In taking this remit forward, and in preparing this report, the NITF symbolises a new partnership between the administration in the region and the Commission as well as being an attempt to stimulate a qualitative change in the region's fortunes. In operational terms, the NITF has:

- undertaken, against a background of an analysis of the socio-economic profile of the region, a detailed stocktaking of the achievements of Northern Ireland in different EU policies, especially over the previous planning period, 2000-2006, set where appropriate in a comparative context with other parts of the EU;
- formulated, on the basis of this stocktaking, suggestions and recommendations on how the administration, the private sector, universities and research institutes and other economic actors can contribute to, and benefit more from, Europe.

The Northern Ireland authorities have been consulted throughout the period since the NITF was established and in the preparation of this report. The authorities in the Republic of Ireland have been closely associated. Key players in Northern Ireland have also been consulted including the local members of the European Parliament, the voluntary sector, and the social partners.

3. Northern Ireland in the framework of EU policy

In the specific policy areas examined in detail in the report, a general conclusion is that Northern Ireland, although apparently less involved in EU policies than the rest of the UK and Ireland, has a creditable track record in general. First and foremost, the region has been able to draw down considerable financial support for investment under EU cohesion policy. There has been long-standing EU financial support for Northern Ireland as one of the priority "Objective 1" regions. In the period 2000-2006, the six programmes (including the 'Building Sustainable Prosperity' and the PEACE II programme) received EU aid of some EUR 2.2 billion to which was added the EU contribution to the International Fund for Ireland. One of the innovative features of EU cohesion policy in Northern Ireland has been the PEACE programme, first established in 1995, specifically targeted on support for joint projects of a socio-economic nature with the view to assisting peace and reconciliation between the two communities. For the current planning period, 2007-2013, Northern Ireland has 6 programmes with a financial contribution of EUR 1.1 billion, including a continuation of the PEACE programme. Through the programmes, the Union has been able, and will continue, to contribute to the improvement of the quality of life of the population.

The region has also been active in other EU policy areas, as detailed in the annex. For illustrative purposes, certain important achievements can be highlighted. In the field of enterprise policy, Northern Ireland has been active in supporting business and innovation through its INVEST-NI agency, the Euro Info centres and the Innovation Relay Centres. The Belfast Innovation relay centre is regarded as one among the five best performers in the EU-wide network, measured in terms of promoting transnational technology transfers having, with only a small team, acted as mediator for twenty-eight such transfer operations.

² DGs AGRI, EAC, EMPL, ENTR, ENV, FISH, RTD, TREN, SG together with the European Investment Bank

In the field of research policy, under the Sixth Framework programme (2000-2006), Northern Ireland was able to participate along with 161 partners in 146 research contracts, drawing down EUR 33.4 million from the EU budget. In the field of the environment, success stories include the action plan to reduce nitrates, and, in cooperation with Ireland, the preventive action in the field of illegal exports of waste.

In the field of employment and equal opportunities, given the unique experience of Northern Ireland, members of the region's equality authority participate in the steering committee overseeing the Commission's study of multiple discrimination, while NGOs from the region participate actively in anti-discrimination networks.

At the same time, in a forward-looking perspective, the region needs to do more to address the weaknesses of a socio-economic nature, and here a deeper involvement with EU policies, and with the services of the Commission represented in the NITF, are a source of support. In particular, economic prosperity today, in Northern Ireland as elsewhere, is no longer based on the kind of regional specialisation that made Northern Ireland one of the most dynamic regions in a global context at the end of the nineteenth and early twentieth centuries. This classical economy of *places* has been supplanted by an economy of *flows* of labour, capital, ideas and knowledge so that, more than ever, insertion into national, European and global networks has become important for economic competitiveness.

In raising levels of competitiveness, a key challenge is to dynamise the private sector and encourage the formation and development of new businesses. While there has been much progress in this field in Northern Ireland, it is felt that more could be done not only to support start-ups, but also to help sustain competitive enterprises over time.

Part of the effort in this respect is concerned with the development of closer links between business and the main sources of innovation: the universities, research institutes and other sources of knowledge and research, not just in the region but in the wider European context. In addition, increasing competitiveness depends fundamentally on qualified human resources, including the development of the linguistic and other skills needed to deepen relations with the rest of Europe, and indeed beyond. While educational standards in Northern Ireland are high, there are ongoing concerns about the educational attainment gap between those emerging with low or poor qualifications and the high performers. In the context of efforts to reinforce the knowledge economy in Northern Ireland, it is clearly important to exploit the human potential of the region to the full. Linked to this is the need to bring a greater proportion of the population into economic activity, notably by raising and up-grading the skills levels, by promoting risk-taking and enterprise and hence the creation of new small businesses or self-employment. Together with ongoing efforts to increase participation in the labour force on the part of inactive and marginalised groups, this would also improve the situation in Northern Ireland with regard to social inclusion and contribute to the fight against poverty.

There are also needs in more traditional fields. Among those that have been highlighted is the need to continue the process of modernisation of the agri-food sector which remains an important activity for the future of the region. In addition, a legacy of the past is that resources for investment in certain infrastructures have been lower than what might otherwise have been the case. This includes infrastructure for transport, and environmental infrastructure in view of increasing concern about the decline in the traditionally high quality of water where there are needs covering water and waste management and investment in eco-innovation and environmental research.

4. The work of the Northern Ireland Task Force, May 2007 – March 2008

As indicated above, the NITF, in parallel with its analytical work, has cooperated closely with the authorities in Northern Ireland since May 2007 in pursuit of the growth and jobs agenda. First, the Commission services gave priority to obtaining rapid decisions on the new generation of socio-economic development programmes for 2007-2013:

- By the end of 2007, five out of the six programmes had been agreed: PEACE III, the Competitiveness and Employment programme, the Northern Ireland European Social Fund programme, the territorial cooperation programme with Western Scotland and Ireland and the rural development programme. The decision on the fisheries programme, which is organised nationally for the whole of the UK, is expected to be taken in the coming months, assuming the programme is submitted according to the agreed timetable.
- The total financial allocation from the EU for the six programmes is over 1 billion euros. The significance of the decisions taken on the programmes is that they cleared the way for the payment of advances in 2007 of EUR 42 million, which will help the region to kick-start the new round of investment.
- Most encouragingly, the new ERDF Competitiveness and Employment programme, which is the largest of the six, with EU financial support of EUR 473 million, together with the Social Fund programme with EU support of EUR 165 million, have been set firmly within the context of the Lisbon agenda in the sense that more than 85% of the resources have been earmarked for investments directly targeting competitiveness. The Commission looks forward to the implementation of these important European programmes, with the prospect that Northern Ireland will become an example of best practice in the EU in using European regional policy to deliver the growth and jobs agenda.
- In an effort to increase the level of resources available for investment, the Commission has encouraged the authorities to explore the possibilities for loan-based financial support through the JEREMIE and JESSICA initiatives for SME and urban development, respectively. Contacts have already been held with the European Investment Bank (JESSICA) and the European Investment Fund (JEREMIE) to explore the possibilities.
- In addition, in the light of the major industrial closure (the Seagate factory), attention was drawn by the NITF to the new European Globalisation Adjustment Fund, which if the necessary criteria are met, can help to finance the costs of retraining, etc.

Second, the NITF has worked closely with the Northern Ireland administration in an effort to bring the region more firmly into EU networks:

- **Networking with the Commission.** Contacts with the Commission departments have been established on a more systematic basis and, as a result, there is improving awareness in Northern Ireland of the different possibilities offered by the EU policies and on how to compete for support in different fields. A number of actions are under consideration or already underway in this regard:
 - An early example was that of the call for tender under the Union's **transEuropean transport networks** (TEN) policy where, in the past, the region

had expressed relatively limited interest. By bidding in the framework of the UK proposal for the TEN-Transport programme, 2007-2013, the region secured support for a road project with an EU grant of €10.64m. The support rate will be the highest in the UK at 16% of total cost, compared to 5% for other UK road sections.

- In the field of **the knowledge economy**, the possibilities offered by the **Seventh Framework Programme** for the universities, research centres and the private sector represent a particular priority for the region. The Commission supports the authorities in Northern Ireland on the principle of concentrating participation in calls for proposals in fields where the region enjoys particular strengths: aeronautics, nanotechnologies, information society, food quality and services. In the field of small businesses, the possibilities offered to enterprises under the **Competitiveness and Innovation Programme** have been highlighted, in particular, under the **eco-innovation initiative** and in the field of **financial engineering**. In parallel, in the light of the important human resources dimension to the development of the knowledge economy, attention has been drawn to increasing Northern Ireland's participation in the different EU education, training and youth-related initiatives. The record suggest that more could be done to prepare Northern Ireland's students for involvement in the **ERASMUS** programme, which offers the possibility for students from the region to develop language and other skills through studying in institutions in other EU Member States.
 - In the field of the **environment and energy**, contacts with the Commission have revealed potential interest in EU transport and energy programmes (**Concerto, Intelligent Energy, Civitas**) which could help to reinforce the important steps already taken by the region in the field of renewable energy and energy efficiency, while there is more scope for involvement in the framework of the sustainable development strategy through projects supported financially under **Life+**.
 - Other actions underway include a peer learning seminar on EU **employment and social policy** which is scheduled for April 2008. Preparatory work is also well advanced for a conference on antidiscrimination which will take place in Belfast in early June 2008.
 - In addition, in the important domain for Northern Ireland of **agricultural policy**, the promotion of quality food has been identified as a priority using geographical denominations. Accordingly, applications for **quality food schemes** have been prepared and their submission to the Commission is imminent.
- **EU-financed network programmes.** The attention of Northern Ireland has been drawn to the opportunities for participation in **EU network programmes**. In particular, the region has expressed interest in taking the lead role in a network supported under the *Regions for Economic Change* initiative which is co-financed by the European Regional Development Fund. This is the first time NI has put itself forward as leading player, which reflects the fact that NI is gaining confidence in its own capacities in an EU context.
 - **Sharing experience with other regions.** Northern Ireland has been encouraged to share its specific - and in many ways unique - experience in the field of conflict resolution with other regions. In this regard, a first step was taken with the organisation in October 2007 of

a specific workshop in the annual regional event held in Brussels, known as **the Open Days**, on the theme of the PEACE experience in Northern Ireland in comparison with experience in Cyprus and the Western Balkans. As taken up again below, there is much interest in Northern Ireland in developing this area of activity into some form of **European institutional facility for conflict resolution**.

- **Combining forces with other regions.** As part of its integration into the less formal networks that characterise the EU economy, Northern Ireland has been encouraged by the NITF to engage, and exchange experience, with other regions on its own initiative. To start the process off, the NITF organised contacts with the successful Helsinki Innovation Strategy.

5. Northern Ireland and the Northern Ireland Task Force: next steps

As a result of the work of the NITF, as indicated above, a number of important leads have been identified for the region to follow-up. The Commission proposes to maintain the NITF in order to accompany the region in this work, and to monitor progress. As part of the effort to ensure its success, the exchange of officials, including for short periods, is envisaged. The Northern Ireland Office in Brussels will also have an important role to play in this regard.

The NITF will also continue to seek to raise the awareness in Northern Ireland regarding new European programmes, events and fora that could be of interest to the region.

The NITF will also support the region in its declared objective of becoming more involved in the shaping of the EU policies. This implies a change of perspective and role, from the status of a region receiving EU financial assistance to that of player in the development of the EU policy agenda. Success in this regard will depend on the national context through which consultation on EU policy is organised, although the NITF can help by ensuring that the authorities and other actors are fully informed, for example, using the Commission's office in Belfast.

Finally, as indicated above, the Northern Ireland authorities have expressed an interest in promoting the development of a facility to provide research and advice on the theme of conflict resolution. The role of such a facility, its organisation and sources of finance are under active consideration in Northern Ireland, taking account of the fact that there are already existing initiatives in this direction within the region itself and in Ireland. The Commission services have recognised the potentially valuable contribution which the experience of the Northern Ireland peace process could make in conflict prevention, resolution and peace building in other parts of the world, and have responded positively to a request from the authorities to examine together the ways forward. For example, within the context of the ongoing policy dialogue between the European Union and third countries and the rules that govern the current support programmes as well as in the specific context of the dialogue with countries such as China, Russia and Brazil on regional policy, the Commission will draw attention to the specific contribution of the PEACE programmes to social and economic development. It could be envisaged that this would give rise to cooperation with third countries specifically on peace and reconciliation issues as promoted under the PEACE programmes and which could benefit from expertise gathered within Northern Ireland.



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PART ONE: A SOCIO-ECONOMIC PROFILE OF NORTHERN IRELAND IN THE EU

Tab. 1 – Northern Ireland performance in comparison with the UK, the Republic of Ireland, EU-15 and EU-27

Indicator	Unit	Year	EU27	EU15	UK	Eire/ Ireland	Northern Ireland	EU27 ranking (268/271 NUTS2)*
GDP/head (PPS)	Index, EU27 = 100	2005	100	112,7	119,3	143,7	97,0	139
GDP growth	Average annual % change	1995-2004	2,3	2,3	2,9	7,6	3,0	91
Employment growth	Average annual % change	1995-2004	0,8	1,3	1,4	4,3	2,1	36
GDP/person employed (€)	Index, EU27 = 100	2004	100,0	117,0	123,0	159,4	115,4	103
Growth of GDP per person employed	Annual average % change	1995-2004	1,5	1,1	1,8	3,2	1,6	125
Population growth	Average annual % change	1995-2004	0,3	0,4	0,3	1,3	0,5	84
Population aged < 15 years	% of total population	2004	16,3	16,3	18,2	20,9	21,6	8
Old-age dependency rate	Population 65+ / population 15-64 (%)	2005	24,5	25,5	23,7	16,3	20,0	49
Natural population change	pro mille (annual average)	2000-2003	0,4	0,9	1,2	7,4	4,3	21
Net migration	pro mille (annual average)	2000-2003	3,0	4,3	2,6	8,8	-0,2	191
Employment rate, ages 15-64	% of population, aged 15-64	2006	64,3	65,9	71,5	68,6	66,3	116 *
Unemployment rate	% of active population	2006	8,2	7,8	5,3	4,4	4,4	223 *
Youth unemployment rate	% of active population, aged 15-24	2006	17,5	16,2	14,1	8,6	9,9	211 *
Long-term unemployment	% of total number of unemployed	2006	45,8	42,0	22,4	32,3	33,9	177 *
Population aged 25-64 with low educational attainment	% of population, aged 25-64	2005	29,1	31,8	14,8	35,4	25,7	119
Population aged 25-64 with medium educational attainment	% of population, aged 25-64	2005	48,6	44,1	55,6	35,5	47,8	147
Population aged 25-64 with high educational attainment	% of population, aged 25-64	2005	22,4	24,1	29,6	29,1	26,5	80
R&D expenditure	% of GDP	2004	1,8	1,9	1,9	1,2	0,8	123 **
R&D expenditure in the business enterprise sector (BERD)	% of GDP	2004	1,2	1,2	1,2	0,8	0,5	98 **
R&D expenditure in the business enterprise sector, as % of GERD	% of total GERD	2004	64,2	64,6	66,8	64,6	56,6	88 **
Employment in high-technology sectors	% of total employment	2005	9,8	10,2	9,9	9,6	6,9	192
EPO patent applications	per million inhabitants	2000-2002	125,0	157,6	126,7	80,4	36,6	158
Human Resources in Science and Technology (core)	% of total employment	2005	16,5	17,3	17,4	17,0	18,0	Insufficient data
Lisbon (economic) indicator	Relative to EU27 mean	2004-2005	0,51		0,79	0,77	0,62	

* Ranking ignores a few cases of "no data"

** Ranking ignores many cases of "no data"

CHAPTER 1: ECONOMY

- 1.1. Northern Ireland in the twenty first century appears to be on a rising trend of prosperity and economic stability. An attractive natural environment, a young and well-educated population and a robust economic performance over the recent past are illustrative of a change of fortune for a region whose economic performance, and image, has been adversely affected by the long period of social and political conflict.

With a population of 1.7 million inhabitants¹ and an area of some 14,000 km², the region is the smallest in the UK's regions. NI has traditionally lagged behind the rest of UK with respect to GDP/per head but the figure has risen in recent years to a level on a par with Wales and the North East. Northern Ireland's share of the UK GDP is 2.3%, somewhat under its share of population.

NI established an industrial economy in the nineteenth century, most notably in shipbuilding, engineering and textiles. Heavy industry has since been replaced by services which today account for the majority of employment (78%) and output (70%).

- 1.2. *Public sector expenditure* has reached a level equivalent to 63% of the country's GDP (substantially higher than 43% of the UK as a whole, although it is true that there are wide regional variations). This is in part explained by the fact that the regional budget (the NI block) covers certain public services such as health and education provided in other regions under the central budget.

In total, central government expenditure totals EUR 7,500 million (£5,000 million), equivalent to 20% of NI economic output². Employment in the industrial sector represents 24% and remains still above the UK share (21.9%) while in the agricultural sector, employment remains relatively important (3.7% of total employment) when considered in UK terms (1.3%).

- 1.3. *Manufacturing industries* are concentrated in and around Belfast, although other urban centres have industrial activities. Aerospace, machinery and equipment manufacturing, food processing, textiles (linen) and electronics constitute the main activities in the industrial base of the province with papermaking, furniture and shipbuilding of lesser importance. Although its share of economic output has declined, manufacturing output in NI has remained almost unchanged in the 5-year period to 2005³. A major shift has been in progress in the manufacturing sector, with the decline of traditional industries, such as textiles and shipbuilding, and the increase of high-tech and capital-intensive industries. In 2005, chemicals and engineering were the only two manufacturing sub-sectors to record output growth, while the output of textiles alone fell by 18%⁴.

¹ Estimate of 2005 average population, Eurostat.

² *Addicted to state subvention, north will suffer when it's gone*. The Times, 8 January 2006.

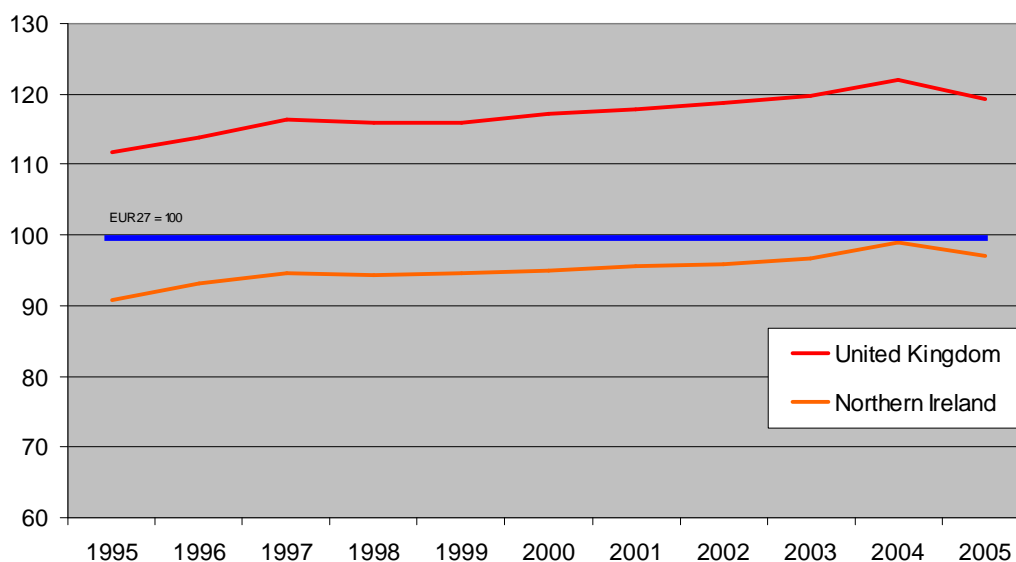
³ Quarterly Economic Review. Northern Ireland DETI. October 2005.

⁴ Index of Production. Northern Ireland DETI. April 2006.

- 1.4. *Engineering* is the largest manufacturing sub-sector in NI, particularly in the fields of aerospace and heavy machinery. Bombardier Aerospace is the province's largest industrial employer, with 5,400 workers at five sites in the Greater Belfast area. Reflecting the region's relatively high dependence on foreign direct investment (FDI)⁵, other major engineering employers include international companies such as Caterpillar, DuPont, Emerson Electric, Nortel, Northbrook Technology, Seagate and NACCO. Many of these companies engage in product and process development and enjoy close academic and business links with Queen's University Belfast, which has a favourable position among UK universities in engineering⁶.
- 1.5. In terms of *GDP trends*, throughout the 1990s (though particularly so in the early-90s), the economy grew faster than the economy of the rest of the UK and that of EU-27, due in part to some overspill from rapid growth in the economy of the Republic of Ireland and the increasing confidence deriving from the moves towards a political solution (the 'peace dividend').

In 2005, the economy is estimated to have grown by a further 3.2%, almost twice as fast as the UK as a whole and subsequent growth is expected to be stronger than that of the rest of the UK and the European Union, though lower than that of the Republic of Ireland⁷.

Graph 1: Evolution of GDP per capita (in PPS)



Source: Eurostat (regional accounts)

- 1.6. In terms of *productivity*, while GDP/person employed was 15% above the EU-27 average in 2004, NI productivity levels tend to be considerably lower (6%) than the UK average (which itself is at 123% of EU average), with NI having the lowest

⁵ Foreign Direct Investments – see: Growing Regions, growing Europe – Fourth report on economic and social cohesion. European Commission, 2007.

⁶ Good University Guide. The Times. 27 May 2005.

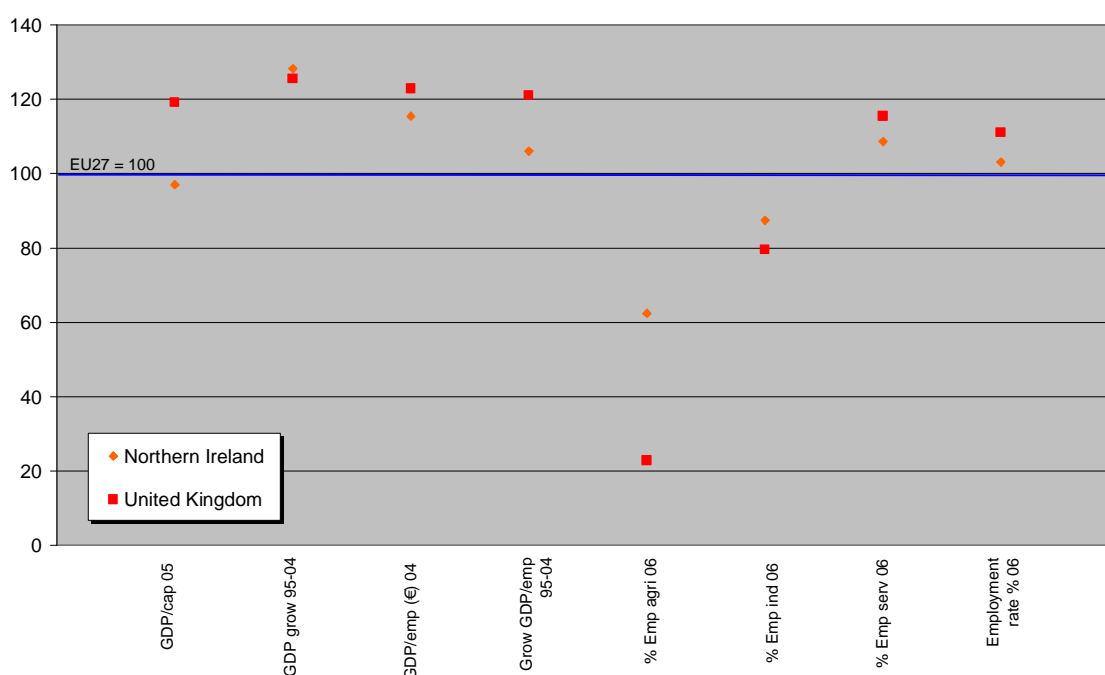
⁷ Economic Performance Briefing. Northern Ireland Executive, 25 January 2006.

productivity among the four principal territories of the UK (Wales 116%, Scotland 120% England 129%).

The difference between NI and UK *productivity rates* partly reflects higher growth rates in hours worked and employee jobs, as well as differences in the composition of the local economy compared to other UK regions. Workers in NI continue to work longer hours on average and the gap with the rest of the UK is widening. One consequence is that GVA in NI has not grown in proportion to the rise in the total workforce hours worked in the region. This suggests that recent employment growth has been primarily in lower added value sectors⁸.

The large differential in productivity between NI and the UK can be traced to a number of factors including innovation, entrepreneurship, skills and infrastructure.

Graph 2: Economic indicators



Source: Eurostat

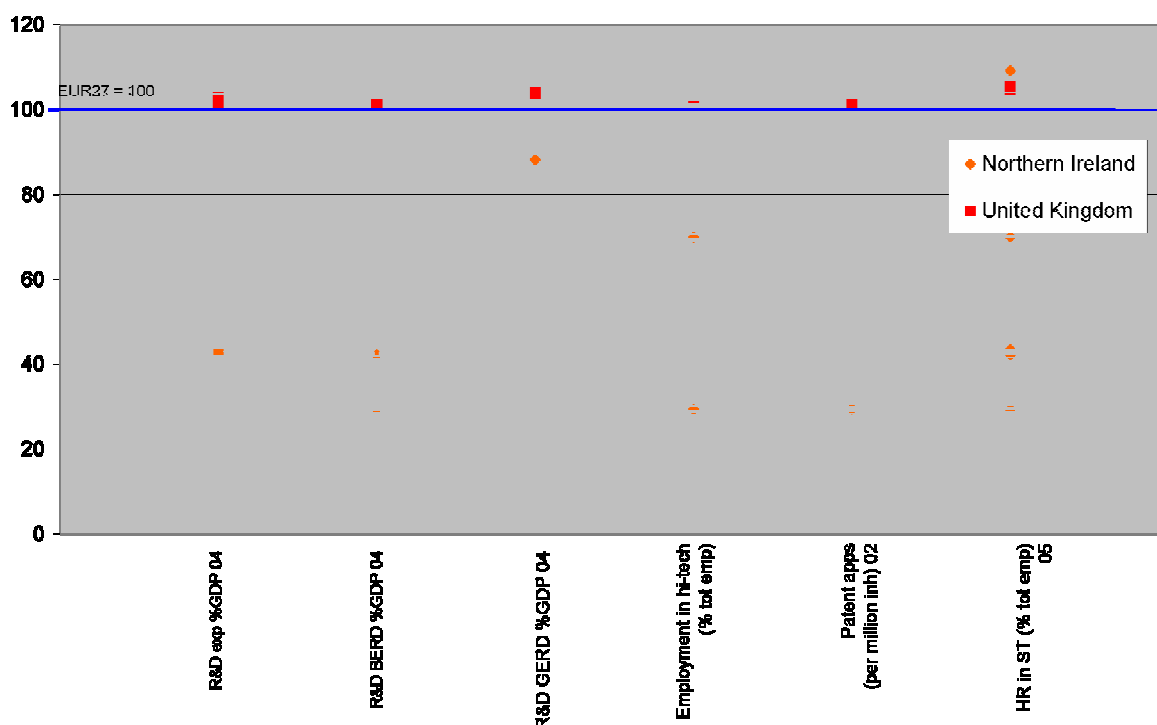
- 1.7. With regard to *Innovation, including R&D and knowledge economy*, in 2006, total expenditure on R&D in NI amounted to EUR 423.5 million (£ 319.2 million). Expenditure by the business sector accounted for the highest proportion of R&D expenditure, amounting for 48.7% of total R&D expenditure.

Expenditure by Higher Education amounted to 47% of total R&D expenditure with the remainder accounted for by other government expenditure. NI has considerably lower levels of spending on R&D as a % of GDP compared with the rest of the UK,

⁸ The European Sustainable Competitiveness Programme for Northern Ireland 2007-2013, Department of Finance and Personnel, October 2007, 1.8, page 14.

the Republic of Ireland, the EU-15 and the EU-27. It is also well below the Lisbon target of investing 3.0% of GDP in R&D by 2010.

Graph 3: Innovation, R&D investment



Source: Eurostat

The lack of financial capacity on the part of many NI firms constrains R&D investment. In a tightening economic environment, small businesses tend to be less inclined to dedicate funding and resources to areas they may regard as non-essential, including R&D. This represents a particular challenge for NI, as the private economy consists of a large number of small and very small businesses.

NI scores 0.41 on Regional Innovation Performance Index (RIPI)⁹, suggesting a below average score in R&D and high-tech domains.

Compared to other UK regions, NI records low performance in European Patent office applications (37 per million inhabitants, in a situation where the UK average is 127 and the average for the Republic of Ireland is 80) and in employment in high-tech sectors (6.9%) compared to 9.1% in the Republic of Ireland, 9.8% in the EU-27, and 10.2% in the EU-15.

- 1.8. With regard to *Enterprise*, measuring of entrepreneurial activity in NI suggests that, although increasing, the level remains lower than in the UK. However, comparisons with EU countries highlight that entrepreneurial activity in NI is relatively higher than in some Member States, for example Belgium and the Netherlands. In an EU context, NI ranks alongside Finland and Italy.

⁹ 2006 RIS by Hugo Hollanders from MERIT (Maastricht Economic and social Research and training centre on Innovation and Technology), November 2006. Study commissioned by DG ENTR.

Evidence from the Global Entrepreneurship Monitor Survey (2006) suggests that, culturally, entrepreneurship in NI is important relative to other UK regions. However, people generally appear more negative about their own entrepreneurial capacity than their counterparts in the UK. Fear of debt and fear of failure are particular barriers and fewer people feel they have the skills to set up in business. This negative self perception is felt most strongly by women and the gap between female and male entrepreneurship is one of the widest in the UK.

- 1.9. NI has consistently performed strongly in UK in the field of *educational performance*. However, it has a disproportionately high level of working age people with no qualifications. Lower educational achievement amongst the older age groups in the workforce and outward migration of qualified people are likely to be important factors in explaining this.

Estimations (by DG REGIO) of the development of attainment levels, crossed with population projections for 2020, indicate that while the region will perform well in terms of its share of high achievers, the pattern of polarisation is likely to persist to a certain degree.

- 1.10. In terms of *employment*, NI has experienced a period of sustained job growth. From March 1990 to March 2006, employee jobs in NI increased by 30.6% compared to 10.5% for the UK as a whole¹⁰. Much of this increase reflects of a growth in the service sector and the construction sector - increases of 48% and 35% respectively compared with an increase of 27% and a slight decrease of 0.47% respectively for the UK. Growth in jobs within these industries has more than compensated for the reduction in employment experienced within the region manufacturing sectors. Between 1998 and 2006, manufacturing jobs fell by almost 20% (107,690 to 86,180).

In terms of the *employment rate* of the population aged 15 –64 years, NI is in a favourable position for both males and females, with the employment rate at 66.6%. This is below the UK (71.9%) and the Republic of Ireland rate (68.8%), but 2.9% points higher than the average EU-27 employment rate (63.7%) and 1.5% points above the EU-15 (65.1%). This means that the region's employment rate is currently above the Lisbon target rate of 65% (by 2005), although more effort will be needed to reach the Lisbon Strategy target of a 70% employment rate by 2010.

A new feature has been the increase from 2000/01 in the number of migrant workers moving to NI¹¹. The arrival of workers from outside can be viewed as positive for the economy because they fill vacancies and help to bridge skills gaps, although the inflow also has implications for current and future educational provision and, in particular, in the area of language support.

- 1.11. In terms of *unemployment*, between 1995 and 2005 there was a more than halving of the absolute number of people unemployed in NI, from 77,000 to 36,000. This decrease has continued up to the present (35,000 at the beginning of 2007). This represents an unemployment rate of 4.4% for males and 4.2% for females with the

¹⁰ Department of Enterprise, Trade and Investment Labour Market Statistics, www.detini.gov.uk

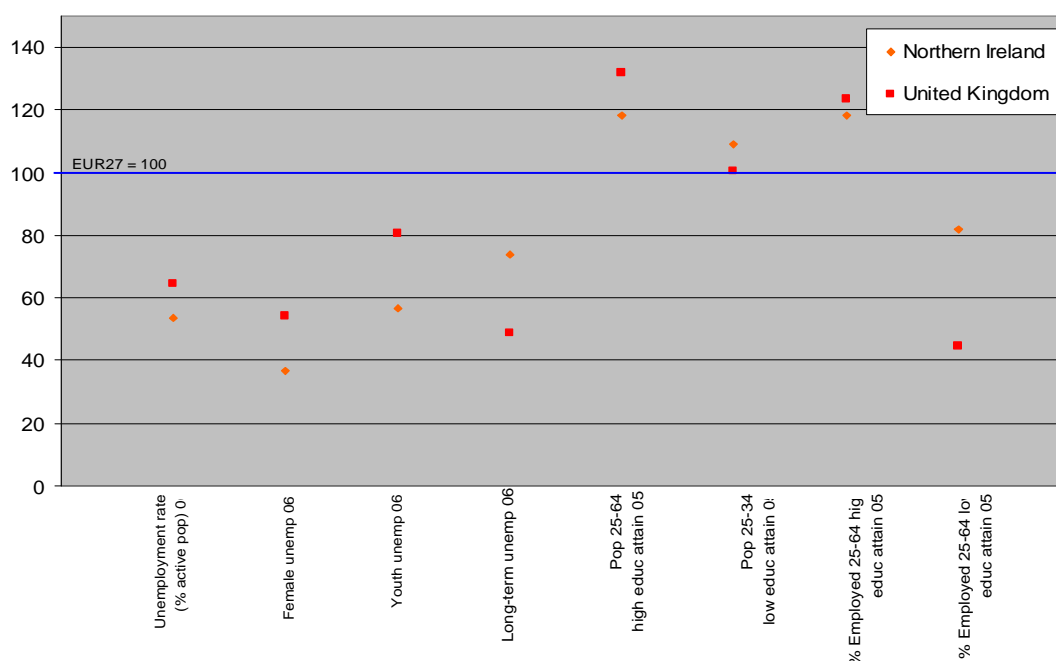
¹¹ Measured by the number of non-UK nationals entering Northern Ireland and allocated a National Insurance Number.

total unemployment rate for being 4.3% (2007 UK data). NI currently has the second lowest rate of unemployment within the UK, after the South West region. There are intra-regional variations within NI. In 2004 unemployment stood at only 3.2% in the East of the region, whereas the rate was much higher in the North at 8.3%. In European terms, in 2005, NI unemployment rate (4.7%) was significantly below the EU-27 average of 9.0% and the EU-15 average of 8.2%.

In NI, just under one third (32.7%) of the unemployed (11.000 people) have been unemployed for 1 year or more. Much of this unemployment is long-term in nature and geographically concentrated. Following the general trend in the UK, long-term unemployment has declined considerably in NI. As a result, its relative position has improved over the last decade. The region has had much higher long-term unemployment rates (40.7%) compared to the Republic of Ireland and the rest of the UK (21.1%) over the period 2000-2004. However, in comparison with the EU-27 (46.0%), it had a lower long-term unemployment rate and a similar rate to the EU-15 (41.8%).

- 1.12. Regarding levels of *economic inactivity*, this remains a persistent problem within NI labour market, which has been increasing over the last decade. In the period October-December 2007, the seasonally adjusted number of economically inactive persons was estimated at 547,000, unchanged over the quarter. The working age economic inactivity rate for NI is 27.1%. This is significantly higher than the UK average rate (21%) and is the highest of the twelve UK regions¹². Within a wider context, NI inactivity rate is higher than the EU average (2006 Q3) by 4% points.

Graph 4: Unemployment and educational attainment levels



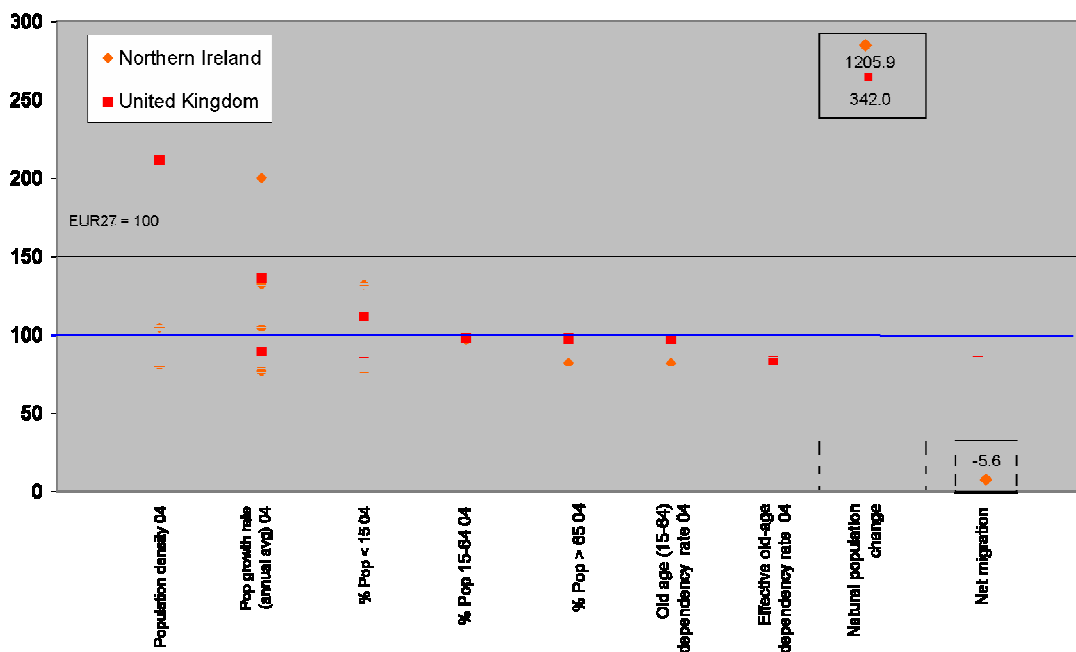
Source: Eurostat

¹² Department of Enterprise, Trade and Investment, www.detini.gov.uk

Chapter 2: Demography

- 2.1. The population of Northern Ireland is currently estimated at just over 1.7 million, 35% of which lives in areas defined as "rural". The population is projected to increase by about 40,000 (2.3%) by 2013 and reach 1.83 million by 2020¹³. Longer-term projections suggest the population will peak at first under 1.9 million in the early 2030s and then begin to fall gradually. Average population growth is currently running at twice the EU-27 rate and, unusually in the EU, is characterized by a very high rate of natural increase (birth rates minus death rates).

Graph 5: Demography



Source: Eurostat

- 2.2. These features give rise to a favourable demographic structure in European term, with 20.6% of the population aged less than 15 years compared to 18.0% of the UK population and well above the EU-27 average of 16.3%. Over-65s, at 13.4% of the population compare with 16.0% for the UK as a whole and 16.4% for EU-27 (2004).

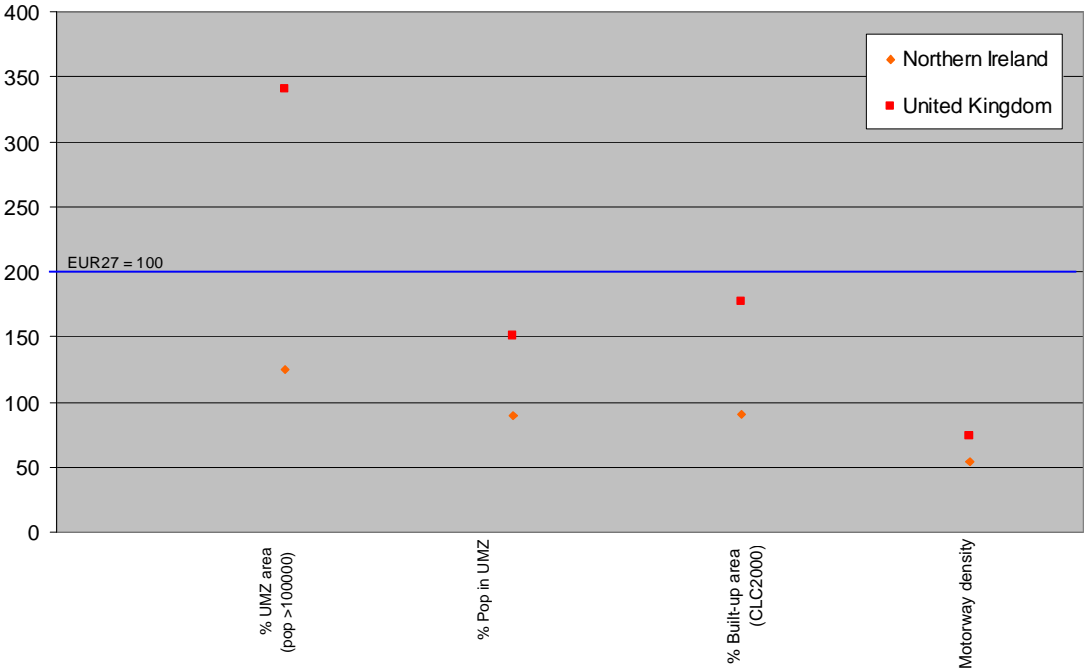
A youthful population is one of the factors that contribute to the relatively high dependency rate. This situation is unlikely to continue in the future, with dependency ratio expected to decline from 2011 as the currently youthful population moves into the working age population while birth rates also decline. This future increase in the supply of labour should have a positive impact on the economic growth of the region and act as a factor to attract investment from outside.

¹³ ONS (Office for National Statistics), 2007.

CHAPTER 3: TERRITORIAL CHARACTERISTICS AND INFRASTRUCTURE

3.1. Northern Ireland is a region of 14.160 km² (representing 5.8% of the national territory, 17% of the island territory and 0.3% of EU-27). It is situated on the periphery of the EU (the distance from Belfast to London is 700km, to Dublin 170 km and to Brussels 1000 km.).

Graph 6: Territory



Sources: Eurostat, EEA
 UMZ = Urban Morphological Zones (i.e. main morphological agglomerations)
 + The map of Northern Ireland+ 5 similar small regions (Poitou-Charrentes, Sardegna etc, see below Chapter 4)

NI has three main cities: Belfast, the capital city, with 269,000 inhabitants. Lisburn, the second city, with a population of 110,000 and is located just outside Belfast. Belfast and Lisburn are both part of the larger Belfast Metropolitan area which has a total population of 579,000 inhabitants. The third city is Londonderry in the North of NI with 105,000 inhabitants.

NI has five sub-regions (defined as level 3 in the EU regional classification system NUTS): Belfast, Outer Belfast, East of Northern Ireland, North of Northern Ireland and West and South of Northern Ireland. The five regions cover the three territorial types developed by the OECD: predominantly rural (West and South), intermediate (East and North) and predominantly urban (Belfast and Outer Belfast).

- 3.2. It is widely acknowledged that NI has suffered from underinvestment in *public transport* and compares unfavourably to levels of transport investment in England, Scotland and Wales. The population makes significantly less use of public transport than their UK counterparts. In autumn 2004, 4% of workers used the bus and only 0.8% travelled by train. The equivalent UK proportions were 7.6% and 3.9% respectively.
- 3.3. NI has well-developed *road infrastructure* with a total of 24,820 km of roads, or 1 km for each 68 people, i.e. considerably more than in the UK as a whole (1 km per 162 people)). However, in comparison to EU-27, NI has an underdeveloped motorway network. There are seven motorways, extending radially from Belfast, connecting to Antrim, Dungannon, Lisburn, Newtownabbey, and Portadown (see the map below).



Source: <http://www.wesleyjohnston.com/roads/networkmap.html>

The most important trans-European road connection linking Belfast and Dublin (A1) is currently being upgraded and the opening of the section Beech Hill to Cloghogue scheduled for 2010, should complete the dualling of this route.

- 3.4. In common with the rest of the UK, much of the *railway network* was removed in the 1950s and 1960s, declining from 1,500 km to 330 km at present.

At present, the railway network is concentrated around the Greater Belfast area, with the only significant "inter-city" route being the Belfast- Londonderry line. Northern Ireland Railways (NIR), the railway operator in NI, maintains the lines connecting Belfast with Dublin (from the border to Belfast), Bangor, Larne, Derry, Newry as well as lines Coleraine-Portrush (north) and Lisburn-Antrim (line maintained although passenger operations ceased in 2003). It is possible that the Lisburn-Antrim route, which passes very close to Belfast International Airport, could one day re-open and also serve the airport. The Airport has earmarked the building of a new station in its list of future plans.

NIR operates fast trains on the cross-border route between Belfast and Dublin, in conjunction with the national railway company of the Republic of Ireland. This service, while having modern intercity rolling stock, has experienced problems over ten years such as security alerts and lack of punctuality. The latter is due to the fact that the route, while only double-track, is shared with the suburban services outside both Belfast and Dublin.

On the positive side, new investment in the railways is ongoing. The Central Station in Belfast has been redesigned, while a more direct route out of Belfast was reopened for trains to Derry. The line to Bangor was re-laid. A new railcar fleet has entered service. Further investment leading to the reopening of existing but closed infrastructure (most notably the Lisburn-Antrim line), improvement of the infrastructure on the Belfast-Derry line (installation of passing loops to allow for service frequency increase, further upgrading of the track including re-laying the track between Coleraine and Derry) and renewal of rolling stock, are programmed. A Position Report on the Current Investment needs of NI Railways was issued in May 2004¹⁴.

3.5. NI is home to three *civilian airports*:

- George Best Belfast City: 2.1 million passengers in 2006 (up 41% over the past five years). The airport has 24 scheduled and 4 charter destinations;
- Belfast International: 5 million passengers in 2006 (up 28% over 5 years). The airport has 40 scheduled and 29 charter destinations;
- City of Derry: 342000 passengers in 2006 (up 45% over 5 years). The airport has 2 companies serving 8 destinations.

3.6. There are five *commercial ports* (Belfast, Larne, Londonderry, Warrenpoint and Coleraine). With the exception of Larne (which is privately owned by P&O) they are all public trust ports. The total tonnage through NI ports in 2005 was 24 million tonnes. This comprised 16.5 million tonnes of inward traffic and 7.5 million tonnes of outward traffic. Almost 60% of inward traffic in goods passes through Belfast Port, with 18% through Larne Port, 10% through Warrenpoint. More than 500 thousand tourist vehicles passed through NI ports in 2005.

¹⁴ <http://www.drndni.gov.uk/transportbookletcomplete.pdf>

- 3.7. In terms of *IT infrastructure*, NI has achieved 100% broadband availability. Every household, business, school and library is able to access broadband regardless of location. The latest industry figures for 2006 show 230,000 broadband users –up from 60,000 in 2004. However, within the wider context, comparative broadband penetration rates show that NI is significantly below the rate for the UK and the EU-15 average. It is currently only slightly below the rate for the EU-27 average.
- 3.8. With regard to *energy*, the NI administration has fully devolved powers, including legislative powers. NI also has separate electricity and gas regulation arrangements, including its own Regulator. Energy policy comes under the NI Department of Enterprise, Trade and Investment (DETI). Energy mix is split fairly evenly between oil, gas and coal.

Three major *power stations* provide 97% of power supplies: gas-fired Ballylumford power station, Coolkeeragh, (a new CCGT plant replaced the old oil-powered plant in 2005), and coal/oil-fired Kilroot power station (with some biomass co-firing). There are plans to add a gas-powered extension at Kilroot.

The electricity grid is connected to that of the Republic of Ireland by three cross-border interconnectors. The main interconnector, between [Tandragee](#) and [Louth](#) has a capacity of 1,200 [MW](#). Two back-up interconnectors have a combined capacity of 240 MW. This combined all-island grid is connected to the [National Grid](#) on the island of [Great Britain](#) by the 500 MW [Moyle interconnector](#). In practice, NI imports power from the UK mainland, and exports power to the Republic of Ireland. Finalised in 2002, the Moyle Interconnector was supported through an EU grant of EUR 81 million.

There is *no nuclear* production. Northern Ireland is developing an "all island" *energy market* with the Republic of Ireland. Priority is given to North-South cooperation and, in this framework, EU has provided substantial support.

NI is not part of the British Energy Transmission and Trading Arrangements (BETTA), which covers mainland UK. NI Electricity (NIE) (part of the Viridian Group, the major Irish energy company) is the former monopoly company and still the major electricity producer and supplier, owning and operating the electricity network in NI.

With regard to *natural gas and oil*, Northern Ireland, as well as the Republic of Ireland, is totally dependent on imports from the UK and mainland Europe. Gas comes via pipeline, oil via the sea. Phoenix Natural Gas is the principal gas supplier. NI Energy Holdings owns and manages the Moyle Interconnector and SNIP. The potential for natural gas storage in the Permian and Triassic salt strata in County Antrim is being studied.

NI no longer produces *coal*. Lignite reserves are available but no agreement over their exploitation has been reached due to environmental concerns. There are currently no plans to develop a "clean" coal industry (Carbon Capture and Sequestration).

Wind is currently the predominant *renewable energy source*. Nevertheless, non-wind sources of renewable energy for electricity generation are emerging. The major

biomass CHP plant opened by Balcas in Enniskillen in November 2005 produces both electricity and heat as well as wood pellets for energy production. Tidal power pilot projects are in development. There are two small hydropower plants.

There is a strong commitment to increase the use of renewable energies and to reducing CO2 emissions. The aim is to promote the development of indigenous renewable energy generation to the extent that it will be capable of providing 12% of the electricity consumed by 2012 and requiring that from 2007 overall consumption of electricity is reduced by 1% per year until 2012¹⁵. In April 2005, DETI introduced the "Northern Ireland Renewables Obligation" (NIRO) as the main mechanism for stimulating renewable energy deployment. The NIRO places a legal requirement on electricity suppliers to provide evidence that a specified and annually increasing proportion of their electricity supplied to final customers has been generated from renewable sources, or to pay a buy-out fee that is proportionate to any shortfall. For 2006-2008, a funding package of EUR 77.3 million (£ 59.2 million) has been allocated for renewable energy programmes in research and demonstration, building market capacity through infrastructure and supply chain development, commercial deployment of renewable energy and raising awareness activities¹⁶.

Finally, a Renewable Transport Fuel Obligation (RTFO) is being developed on a UK-wide basis by the national administration in liaison with the NI Executive.

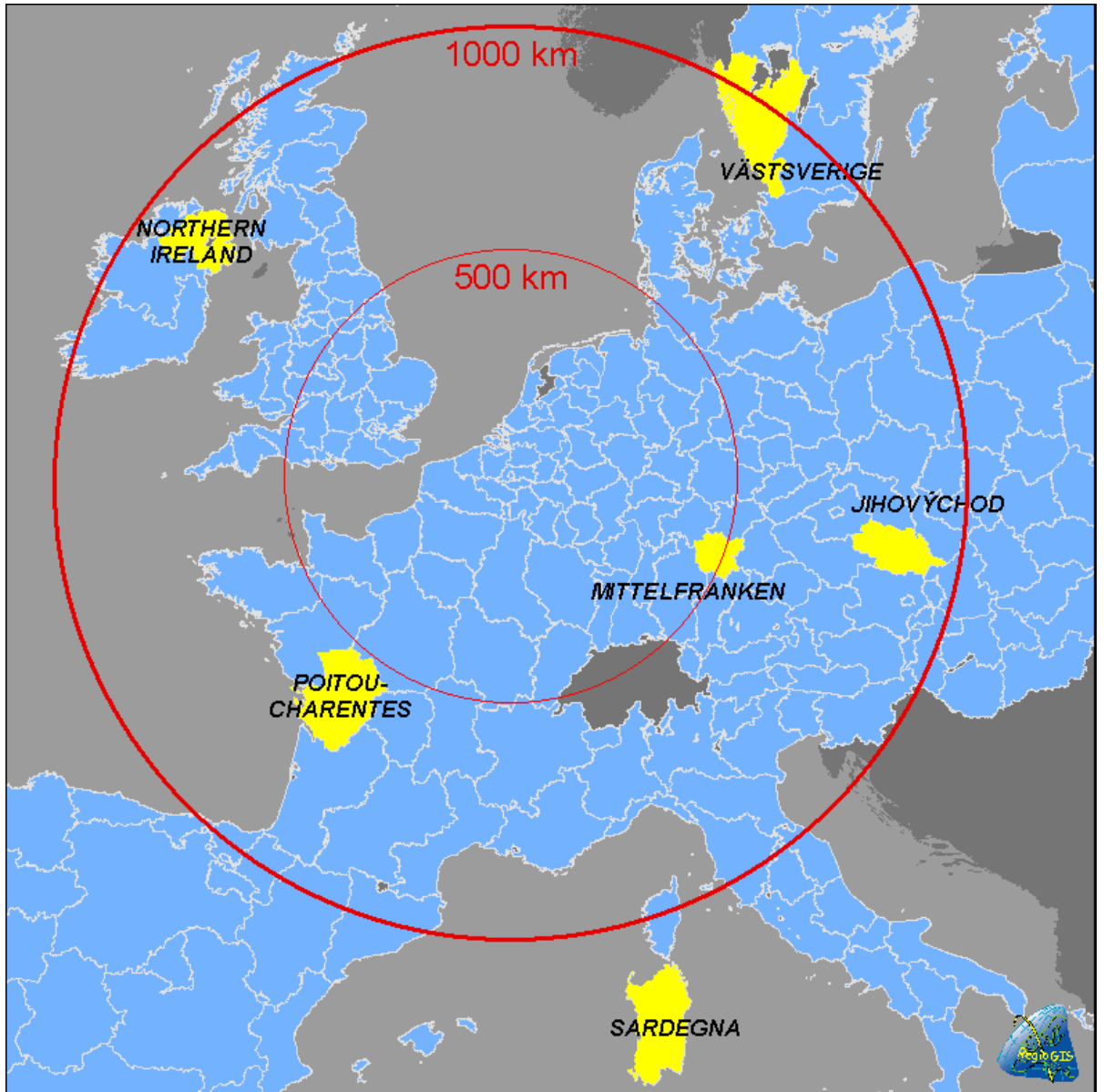
With regard to *the social dimension of the energy supply*, there is an important issue of fuel poverty. It is estimated that 170,000 households (25% of the total NI households) experience fuel poverty owing to low incomes, high fuel prices, little fuel choice and an inability to afford energy efficiency measures.

¹⁵ DETI: Energy: A Strategic Framework for Northern Ireland, June 2004, p. 15.

¹⁶ DETI: Environment and Renewable Energy Funding package- NI priorities and budget 2006-2008- February 2006.

CHAPTER 4: COMPARING NORTHERN IRELAND TO FIVE SIMILAR REGIONS

- 4.1. For illustrative purposes, the NITF has undertaken a comparison of Northern Ireland to five regions with similar level population: Jihovýchod (CZ), Mittelfranken (DE), Poitou-Charentes (FR), Sardegna (IT), Västsverige (SE). These regions have been selected primarily on the basis that their population is in the range 1.6 to 1.8 million, similar to NI.



Tab. 2 – Northern Ireland performance in comparison with the five regions with similar population

Indicator	Unit	Year	EU27	Northern Ireland	Jihovýchod (CZ)	Mittelfranken (DE)	Poitou-Charentes (FR)	Sardegna (IT)	Västsverige (SE)
GDP/head (PPS)	Index, EU27 = 100	2005	100	97,0	68,1	135,6	94,9	80,1	118,7
GDP growth	Average annual % change	1995-2004	2,3	3,0	1,9	2,3	0,5	1,3	3,1
Employment growth	Average annual % change	1995-2004	0,8	2,1	-0,4	0,5	1,3	1,4	0,9
GDP/person employed (€)	Index, EU27 = 100	2004	100,0	115,4	32,7	121,7	117,8	100,1	124,2
Growth of GDP per person employed	Annual average % change	1995-2004	1,5	1,6	2,3	1,8	-0,6	-0,1	2,2
Population growth	Average annual % change	1995-2004	0,3	0,5	-0,2	0,3	0,5	-0,0	0,3
Population aged < 15 years	% of total population	2004	16,3	21,6	15,3	15,3	16,8	13,4	18,1
Old-age dependency rate	Population 65+ / population 15-64 (%)	2005	24,5	20,0	20,6	28,1	26,9	24,5	25,3
Natural population change	pro mille (annual average)	2000-2003	0,4	4,3	-1,6	-1,3	0,2	-0,3	0,3
Net migration	pro mille (annual average)	2000-2003	3,0	-0,2	-1,2	4,8	6,8	1,0	4,5
Employment rate, ages 15-64	% of population, aged 15-64	2006	64,3	66,3	64,3	70,8	64,6	52,3	74,3
Unemployment rate	% of active population	2006	8,2	4,4	7,1	7,8	7,8	10,8	6,8
Youth unemployment rate	% of active population, aged 15-24	2006	17,5	9,9	18,7	8,8	19,8	31,0	20,4
Long-term unemployment	% of total number of unemployed	2006	45,8	33,9	52,0	49,7	42,9	52,5	14,3
Population aged 25-64 with low educational attainment	% of population, aged 25-64	2005	29,1	25,7	9,6	19,4	35,2	58,9	17,7
Population aged 25-64 with medium educational attainment	% of population, aged 25-64	2005	48,6	47,8	76,1	57,0	45,2	31,7	54,2
Population aged 25-64 with high educational attainment	% of population, aged 25-64	2005	22,4	26,5	14,3	23,6	19,7	9,4	28,1
R&D expenditure	% of GDP	2004	1,8	0,8	1,1	2,8	0,8	0,7	6,0
R&D expenditure in the business enterprise sector (BERD)	% of GDP	2004	1,2	0,5	0,6	2,3	0,5	0,1	5,3
R&D expenditure in the business enterprise sector, as % of GERD	% of total GERD	2004	64,2	56,6	55,8	80,4	56,0	7,9	87,3
Employment in high-technology sectors	% of total employment	2005	9,8	6,9	12,9	15,1	7,3	3,3	13,4
EPO patent applications	per million inhabitants	2000-2002	125,0	36,6	11,9	532,2	59,6	9,8	338,1
Human Resources in Science and Technology (core)	% of total employment	2005	16,5	18,0	na	na	na	na	na
Lisbon (economic) indicator	Relative to EU27 mean	2004-2005	0,5	0,6	0,5	0,7	0,6	0,2	1,0

- 4.2. In terms of GDP per head, NI has a central position compared to the five regions: similar to that of Poitou-Charentes, significantly lower than that of Västsverige and Mittelfranken, but significantly higher than that of Sardegna and Jihovýchod.

Between 1995 and 2004, NI experienced a GDP and employment growth which was the highest among the six regions. As a result, in 2004 its employment rate was above the EU average. Only two other regions had higher employment rates: Västsverige and Mittelfranken. The unemployment rate and the youth unemployment rate in NI are low compared to the EU average and significantly lower than in the other regions.

- 4.3. Its population growth was the highest among these regions, which is entirely due to a high natural population growth. NI also experienced a net outmigration, while all other regions with the exception of Jihovýchod had a positive migration balance.
- 4.4. Of particular interest is performance in the knowledge economy in the light of the Lisbon target of achieving R&D expenditure in the Union of 3% of GDP. NI's position in terms of R&D expenditure is very weak, at less than half the EU average. In the other regions, it is higher than NI, in Jihovýchod, Mittelfranken and, especially, in Västsverige, the same in Poitou-Charentes and lower in Sardegna (2004 data). R&D investment by the business sector is very low in NI. This low share is also reflected in the low share of employment in high technology sectors and relatively few patent applications per inhabitant.
- 4.5. NI, however, does have a high share of residents aged 25 to 64 with a high educational attainment. It is above the EU-27 average and among the other regions, only Västsverige scores higher. This may also explain why its share of human resources in science and technology is above the EU average.

The Lisbon composite indicator takes into account regional productivity, employment rates, general R&D expenditure, long-term unemployment and educational attainment of young people. On this indicator, NI scores close to the EU average. Again Mittelfranken and Västsverige score higher, Poitou-Charentes and Jihovýchod are similar and Sardegna scores much lower.

- 4.6. In conclusion, looking at the position of other small regions in the EU, NI demonstrates certain key strengths in terms of economic growth, employment, population growth and the educational attainment of its labour force. Of particular interest in this framework are the performances of Västsverige and Mittelfranken, which outperform Northern Ireland in R&D and in high-tech employment and, possibly as a direct consequence, in levels of GDP per head.

**PART TWO: NORTHERN IRELAND ACHIEVEMENTS IN THE FRAMEWORK OF EU POLICIES
(2000-2006)- SUGGESTIONS AND RECOMMENDATIONS**

CHAPTER 1: AGRICULTURE AND RURAL DEVELOPMENT

I. EU policy and perspectives

- 1.1. During the last 15 years, the common agricultural policy (CAP) has changed radically in response to pressures from European society and its evolving economy. The 2003/2004 reforms marked a new phase in this process, introducing decoupled direct payments via the Single Payment Scheme (SPS) in most sectors of the so-called first pillar of the CAP, while strengthening Rural Development (RD) policy as its second pillar. This process continued with reforms in the sugar sector (2006) and the fruit, vegetables and wine sectors (2007), as well as in the general movement towards CAP simplification.

Producer support is now to a large extent decoupled from production decisions, allowing EU farmers to make their choices based on market signals, the capacity of the farm and their preferred method of adapting to economic changes, thereby contributing to the improvement of the competitiveness of the agricultural sector.

These CAP reforms seem to have delivered as expected and price support, widely viewed as the principal cause of the surplus problems of the past, has been reduced. EU support prices are by now close to those of the world markets. The competitiveness of EU agriculture is increasing in key sectors, despite the decline of the EU share of most commodity markets, and the EU is already the largest agricultural exporter, mainly of high value products. It is also the biggest agricultural importer in the world, remaining by far the largest market for developing countries.

In addition, the CAP increasingly helps to attenuate the risks of environmental degradation and delivers many of the public goods that modern society has come to expect. Support for producers is now only available if they adhere to national and European standards relating to the environment, food safety and quality and animal welfare.

- 1.2. Following the different CAP reforms, rural development has become a key means for the restructuring of the agricultural sector and for the encouragement of diversification and innovation in rural areas. The modern approach is therefore to combine a market-orientation in agricultural production with innovative rural development measures¹⁷.

¹⁷ In this context, it is worth mentioning certain success stories around the EU: A call network which is bringing together people living in sparsely populated areas and helping to develop tourism (Spain); Local bakeries have been assisted in village renewal (The Netherlands); Flax fibre has been processed for the production of thermal and noise isolation slabs (Austria); support has been granted for a children's home (Germany); aromatical and medicinal plants have been supported as farm diversification measures (France); to aid the environment, there have been water conservation, flood protection measures and water quality schemes (Greece); and to aid farm competitiveness the EU has supported investments in dairy hygiene (Denmark).

This strengthened rural development policy supports the protection of the environment and rural landscapes, as well as creating helping to promote growth, new jobs and innovation in rural areas.

EU rural development policy is today focused on three fields:

- increasing the competitiveness of the agricultural sector;
- enhancing the environment and countryside through support for land management;
- promoting the diversification of economic activities and enhancing the quality of life in rural areas, favouring in particular the so-called "Leader method" (in its essence, a bottom-up approach driven by local groups).

1.3. The implementation of the interventions co-financed by the European Agricultural Fund for Rural Development¹⁸ is based on the strategic guidelines for rural development agreed by the 27 Member States, on the basis of which each national authority prepares its national rural development strategy and national or regional rural development programme or programmes¹⁹. The latter is presented by the authorities for final approval by the Commission.

1.4. On 20 November 2007, the Commission formally launched the CAP "health check". This examines both the production and rural development aspects of the CAP and seeks to address three key questions:

- how to make the direct-aid system simpler and more effective;
- how to make market-support instruments relevant in the new context;
- how to address new challenges such as climate change, water conservation, biodiversity and bio-fuels.

After the completion of the consultation process, the Commission intends to present legislative proposals by the end of 2008.

II. Agriculture and agricultural policy in Northern Ireland, 2000-2006

1.5. Agriculture is much more important in NI than in the rest of the UK. It represents 3.9% of civil employment and produces 1.1% of the GVA. It is characterised by a decreasing number of farms (from 42,000 in 1980 to 26,700 in 2006) with an average size of 38.5 hectares (small in relation to the UK average of 54 hectares, but about double the EU-15 average of 20.7 hectares). Some 25% of the NI population lives in areas defined as rural.

¹⁸ Council Regulation (EC) N° 1698/2005 of 20.9.2005 on support for rural development from the European Agricultural Fund for Rural Development, OJ L 277 of 21.10.2005, p.1.

¹⁹ Council Decision of 20 February 2006 on Community Strategic guidelines for rural development (programming period 2007-2013), OJ L 55 of 25.2.2006 p.20.

Areas meeting the definition of "less-favoured" when it comes to competitive agricultural production constitute 70% of the agricultural land. The nature of the land and the climate have produced a reliance on grass-based production, with the main farming activities being rearing of beef cattle and sheep, together with dairying on the better quality land. Crop production accounts for only 5% of agricultural land use.

Despite relative under-investment which has delayed the speed of modernisation in the agriculture sector, the evidence suggests that productivity has improved over recent years in the dairy and cereal sectors. For example, the productivity of dairy cows has grown steadily over the past 20 years, increasing by 45% in terms of average milk yield per cow. This has been achieved through improved cow genetics and livestock management practices. Similarly, there has been a steady increase in cereal yields. In contrast, beef and sheep production has remained relatively small scale, with many part-time producers at the margins of viability. They have relied significantly on EU support through the CAP.

- 1.6. On the other hand, in the pursuit of higher productivity has consequences for natural habitats, and for maintaining biodiversity and the quality of the landscape. The historically high quality achieved in the water supply in the region seems now to be in decline. In the framework of the action programme introduced to implement European nitrates directive²⁰ which is designed to reduce water pollution by nitrates from agricultural sources and to prevent such pollution occurring in the future. A financial commitment of around EUR 200 million has been made by the NI Authorities to support investment by farmers in increased slurry storage to meet the nitrates requirements (see below Chapter 5 "Environment").
- 1.7. To address the biodiversity and landscape issues, farmers have been encouraged to enter agri-environmental scheme agreements. These schemes (now operating for 20 years) are designed to support farmers and other land managers introducing or continuing to apply agricultural production methods compatible with the protection and improvement of the environment, the farmed landscape and its features, natural resources, the soil and genetic diversity. By 2006, around 40% of NI farmland (approximately 400,000 hectares) was under agri-environment scheme agreements. The agri-environment schemes in NI have led to-date to a reduction of overgrazing, retention of some threatened grassland habitat species, an overall increase in farm woodland habitats and the retention and improvement of heath and upland habitats.
- 1.8. In NI, agricultural and rural development policy lies within the responsibility of the Department of Agriculture and Rural Development (DARD) and, in the environmental area, of the Department of Environment (DoE).
- 1.9. For 2000-2006 the NI rural sector is set to receive from the EU budget some EUR 602 million, of which EUR 268 million is under four EU programmes: the multi-fund "Building sustainable prosperity" programme (EUR 78 million), the PEACE II programme (EUR 44 million), the Leader+ (EUR 16 million) and the Rural Development programme (EUR 130 million). Moreover, under the Single Payment

²⁰ Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources, OJ L 375, 31.12.1991.

Scheme²¹, NI farmers receive in the region of EUR 334 million each year, an average of EUR 12.900 per farm. The programmed support contributed to the implementation of a wide range of projects, from processing and marketing, tourist investments and cross-border cooperation, to micro-enterprise and forestry (for more details see table 1 in the Annex). The closure of these programmes is ongoing. Preliminary evaluations suggest that, in general, the quality of projects implemented has been high.

- 1.10. Regarding the Leader+ programme in particular, while it has been successful in general, there has been a rather narrow focus on micro-enterprise development in the private sector which has made it difficult for NI Local Action Groups to find suitable partners elsewhere. The narrow focus has also meant that the benefits deriving from participation in the UK Leader Network have also been limited.
- 1.11. In the field of the promotion of agricultural products²², following the launch by the Livestock and Meat Commission of Northern Ireland of a competitive procedure, Northern Ireland was successful in being awarded EUR 203.862 for the promotion of beef which is produced under the "Farm Quality Assurance" scheme. This scheme is concerned with giving assurances to farmers' customers (abattoirs, wholesalers, retailers and consumers) about the quality of the farm on which their beef has been produced. Farm quality refers to the scrupulous production methods that are used to ensure uncompromising food safety, high animal welfare and care for the environment. This demonstrates to the consumer that the beef produced is wholesome and free of unnatural substances.

III. Northern Ireland's priorities for 2007-2013

- 1.12. Under the new NI Rural Development Programme (2007-2013) which was agreed on 27 September 2007, the priorities initially established under the UK national strategy plan are translated in three axes:
- improving the competitiveness of the agricultural and forestry sector (axis 1);
 - protecting the environment and countryside (axis 2);
 - raising the quality of life in rural areas and promoting diversification (axis 3). This axis will be implemented by the NI Local Councils and Local action Groups following the Leader method, in other words, enabling the development of local

²¹ The "Single Payment Scheme" (SPS) or "Single Farm payment" is a grant scheme independent of the production (decoupled) replacing many of the production-based subsidy schemes existing before the CAP reform. In order to receive the SPS, farmers need to meet cross-compliance conditions on their land. These conditions are:

a) the statutory management conditions (SMR), set-up in accordance with EU Directives and Regulations relating to the protection of the environment, public animal and plant health and animal welfare;

b) the "good agricultural and environmental conditions" (GAEC) which are standards established by Member States, under headings set out in Annex IV of Regulation 1782/2003, covering such matters as soil protection.

²² Commission Regulation (EC) N° 1071/2005 of 1 July 2005 laying down detailed rules for applying Council Regulation (EC) N° 2826/2000 on information and promotion actions for agricultural products on the internal market, OJ L 179, 11.7.2005, p.1.

strategies, partnership, co-operation, networking and acquisition of skills by local action groups through the so-called "bottom-up" approach.

The total level of financial support for the programme amounts to some EUR 322 million of which EUR 171 million is from the EU. In terms of the three priority axes referred to above, the aid is distributed so that environmental measures will receive 60% of the total, followed by the quality of life measures which will receive 29% and competitiveness which will receive 10% (see table 2 of the Annex).

The main priorities of the programme are the following:

For axis 1:

A more competitive agricultural industry achieved through:

- Increased business and technical competence
- Improved market focus
- A dynamic approach to innovation and uptake of new technologies
- Improved physical capital

A more competitive food processing industry achieved through:

- Increased added value processing
- Better product development
- More effective marketing

For axis 2:

Delivering environmentally sustainable land management through:

Appropriate management of Natura 2000 areas:

- Increasing biodiversity by farmland habitat preservation and creation including investing in High Nature Value farming systems
- Appropriate management of the environment to ensure an improvement in water quality and a reduction in the emission of greenhouse gases
- Conserving and enhancing the character of the farmed landscape through appropriate land management practices, particularly in more marginal areas
- Promoting alternative land use options through
- Increased conversion of farmland to woodland

- Increased exploitation of renewable energy opportunities

For axis 3:

Greater economic opportunities in rural areas through:

- Supporting the creation and development of micro-businesses
- Development of innovative products and services
- Encouraging farm households to diversify into non-agricultural activities to increase their incomes
- Encouraging the development of activity tourism
- Sustainable development of the natural and built environment
- Encouraging greater usage of ICT (Information Communications Technology) and broadband
- Improving the quality of life and creating strong and vibrant rural communities and community infrastructure through:
 - Engaging with rural communities to identify and address problems and opportunities
 - Building community capacity and leadership
 - Social and economic regeneration of rural villages and their surrounding areas
 - Improving access to basic services by rural dwellers

In taking these priorities forward, the programme emphasises support for vocational training, farm modernisation and supply-chain development. It will also support the less-favoured areas, agri-environment schemes and forestry environment measures. In seeking to diversify the rural economy to promote new activities, preserving the cultural heritage and promoting tourism, the projects will be developed by the local communities themselves.

In addition, as a result of close cooperation between the UK authorities and the Commission the legislation relating to the implementation of a new system for "voluntary modulation"²³ was quickly approved, increasing the resources allocated to rural development. As a result, an additional amount of EUR 157 million will be transferred from pillar I of the CAP in NI to the new rural development programme. This transfer will be formalised through a decision to modify the programme in 2008.

²³

"Voluntary modulation" is the transfer of funds from farming subsidies to rural development schemes.

- 1.13. The approved rural development Programme contains all the measures foreseen in the National Strategy Plan. The forthcoming modification to the programme will therefore be used simply to adjust the financial allocations and targets to show the correct position for these measures. It is not planned to use voluntary modulation to introduce additional measures or to refocus existing measures. As stated above, voluntary modulation was factored into the design of the programme from the beginning.

Within the confines of the criteria to be applied to the use of voluntary modulation, where possible voluntary modulation will fund measures which are of direct benefit to farmers. These are:

Measure 1.1: Vocational Training and Information Actions

Measure 1.3: Modernisation of Agricultural Holdings

Measure 2.1: Less Favoured Areas Compensatory Allowances Scheme

Measure 2.2: Agri-Environment Programme

Measure 2.3: First Afforestation

Measure 2.4: Forest Environments

Measure 3.1: Diversification into non-agricultural activities

- 1.14. For the future, a major challenge for NI agriculture is linked to the need to adapt the production, manufacture and distribution of products to the requirements of EU and international markets. Two sectors facing particular challenges in NI are the red meat and dairy sectors.

- 1.15. The red meat industry has been facing particularly serious problems. Although NI has been successful in building its market share in Great Britain, currently the sector is generating an estimated loss of over EUR 350 million per year.

In response to the challenges, the NI Department of Agriculture and Rural Development (DARD) joined with industry representatives to form a Task Force. After a broad consultation (a survey of over 1000 producers and over 100 in-depth interviews with stakeholders and experts) and an investigation of the issues and options, facilitated by international consultants the Task Force submitted its recommendations²⁴ (October 2007) which were endorsed by the DARD and, subsequently, the Commission. It suggested that NI producers should:

- engage with core customers (e.g. serve the UK mass market sector as its core customer and test the interest of retail customers in maintaining a commercially viable local supply base);

²⁴ Available at web site: <http://www.niredmeattaskforce.co.uk/progress-report/>

- build efficient and commercially viable supply chains for dairy-origin beef and upland-lowland (grassland) sheep production;
- in the event that the necessary, substantial “farm-gate prices”²⁵ increases are achieved, build efficient and commercially viable supply chains for suckler-origin beef and/or hill sheep;
- in the absence of a sufficient rise in “farm-gate price”, facilitate the anticipated decline of the suckler-origin beef herd and the hill sheep flock.

The Red meat Task Force is now working to implement these recommendations and, in this perspective, the possibilities offered by Rural Development Operational Programme, where appropriate, can also be examined.

The dairy sector, currently focused on exports to third countries and on fresh milk supply to the Republic of Ireland, needs to respond to the challenge of the removal of the CAP quota system by 2014/2015. It will face increased competition and will need to develop new product ranges. The restructuring of the sector seems inevitable, so it is necessary to anticipate and prepare for the impact this will have on the livelihoods of farmers and their families by the promotion of alternative activities.

- 1.16. In parallel, registration under the appropriate EU quality schemes (the "Protected Designation of Origin", "Protected Geographical Indicator" and "Traditional Speciality Guaranteed"²⁶) would enormously facilitate the distribution of certain NI products with clear benefits for these sectors and the rural economy. At this stage, the likely products to be covered are NI beef and lamb, Comber potatoes and Armagh Bramley apples. Other opportunities could be explored, for example in the dairy sector, such as cheeses.
- 1.17. In order to streamline agricultural support and regulation and to make it more user-friendly for agricultural producers and the rural economy, an in-depth review is being undertaken by DARD and DoE to simplify procedures. This exercise aims to achieve an overall reduction in the administrative cost to the agri-food sector of implementing agricultural rules and regulation of at least 25% over 5 years, in line with the approach adopted in Great Britain, while maintaining existing policy objectives and effectiveness²⁷.

IV. Suggestions and recommendations

- 1.18. With regard to the new rural development programme, the use of the voluntary modulation allocation referred to above will provide additional resources on a significant scale compared to the initial allocation, with the overall resources increasing by about 50%. Although NI does not intend to use Voluntary Modulation

²⁵ A basic price with the “farm gate” as the pricing point, that is, the price of the product available at the farm, excluding any separately billed transport or delivery charge.

²⁶ See Council Regulation (EC) N° 510/2006 of 20 March 2006 on the protection of geographical indications and designations of origin for agricultural products and foodstuffs, OJ L 93 of 31.3.2006, p.12, and Council Regulation (EC) No 509/2006 of 20 March 2006 on agricultural products and foodstuffs as traditional specialities guaranteed, OJ L 93 of 31.3.2006, p.1.

²⁷ http://www.dardni.gov.uk/index/strategies-reports-accounts/better_regulation_and_simplification_review.htm

to introduce additional measures or to refocus existing measures (see above 1.12 and 1.13), it would seem important to consider the strategy of the programme for review and possible redesign. This might make it possible to seize additional opportunities and reap greater benefits from the programme.

NI aims to promote environmentally sustainable and responsible development in rural areas, as of course do the other Member States and regions of Europe. NI could explore the possibility of drawing lessons from successful projects and approaches to rural development elsewhere.

To take on board good practice from other counties or regions in the EU, and adapt it to its own situation, NI should promote a comparative exercise using for example the EU rural development network which will be set up in 2008/09.

In addition, given the relatively small size of the region, all opportunities should be exploited to develop synergies with the other areas, and most notably the Republic of Ireland and Scotland. To this end, greater use could be made of the programmes specifically targeting cooperation across European regions.

- 1.19. Given the importance of the agricultural sector for the regional economy and in the light of the process of CAP reform, it would be advisable for the NI authorities to take as pro-active a stance as possible, bearing in mind the broader UK context. This would include participation in the dialogue on the future shape of the CAP at the appropriate national and European levels, as well as maintaining close contact with the Commission services to gain a detailed understanding of the issues at stake and to be able to take more effective anticipatory measures in advance of change. As indicated, this would seem particularly important for the dairy sector, in the light of the future removal of quotas. In this context, the Office of the NI Executive in Brussels could play a particularly important role as intermediary.
- 1.20. Support for the modernisation of the red meat and the dairy sector is possible under the programme. Actions that could be undertaken include:
 - a benchmarking exercise based on the accurate collection and collation of farm business data. Such benchmarking is intended to allow comparison of the efficiency and/or effectiveness of farms. It could for example compare production costs/100kg milk, feeding costs/100kg milk, capital costs/100kg milk, labour use/100 kg milk, etc. The best performing farms in this way would become the point of reference for other farms. Alternatively, it could be decided to use a non-NI farm as a reference.
 - a marketing development support scheme aiming to add value to agricultural products through the application of high-tech processes, to produce high value added products such as dairy products for specific needs, for example, for children or other consumer groups.
 - a supply chain development programme to improve logistics from "farm to fork". The challenge is to deliver the right products at the right time or to improve quality of products or to improve the product range of a given supplier. For example, a better planning of the marketing of milk could be established. This means that processing facilities would be upgraded. Current practice in the dairy

sector appears to be to seek to fill gaps between demand and supply on a somewhat ad hoc basis. If there is excess demand, profit can be made (as in 2007), but if there is excess supply, then the prices received tend to fall. In short, the sector is de-stabilised.

- farm modernisation measures to encourage greater integration and cooperation, including those addressing the concerns expressed in the Red Meat Task Force report.

Regarding the dairy sector, its importance for agricultural incomes in NI means that its future is of a priority concern. Northern Ireland could look at the Danish example based on a single co-operative, where farmers own the processing capacity. This is a good example of integration, cooperation, supply chain management and the creation of value added products. In the rural development programme, the level of support to increase the competitiveness of both the beef and dairy sector is certainly too low. This could be an example of where some of the money resulting from voluntary modulation may be allocated.

By way of comparison, the Republic of Ireland designed a programme valued at EUR 300 million (through state aids) to improve some of these aspects of the dairy sector, mainly by supporting new, added value products.

- 1.21. The promotion of exports both within the EU internal market and in third countries needs to be supported by measures available under Article 2 of Council Regulation (EC) No 3/2008²⁸, in particular highlighting the advantages of EU products, especially in terms of quality, hygiene, food safety, nutrition, labelling, animal welfare or environment-friendliness of their production in accordance with the guidelines of annex II of Commission Regulation (EC) No 1071/2005²⁹ and Commission Regulation (EC) No 1346/2005³⁰.

These measures can also cover participation at events, fairs, information campaigns as described in article 2 of Council Regulation (EC) No 3/2008 organised by professional or inter-professional organisations or the competent authorities under the rules described in aforementioned Regulations. In particular, with regard to promoting NI quality food within the EU and for export, the available Community instruments of Protected Designation of Origin (PDO), Protected Geographical Indication (PGI) and Traditional Speciality Guarantee (TSG) should be exploited as far as possible.

The NITF has encouraged the NI Authorities to apply for registration under the EU quality food schemes for the selected food specialities (NI beef and lamb, Comber potatoes, Bramley apples). The NI authorities could learn from neighbouring

²⁸ Council Regulation (EC) No 3/2008 of 17 December 2007 on information provision and promotion measures for agricultural products on the internal market and in third countries, OJ L 3, 5.1.2008, p. 1

²⁹ See footnote 22.

³⁰ Commission Regulation (EC) No 1346/2005 of 16 August 2005 laying down detailed rules for the application of Council Regulation (EC) No 2702/1999 on measures to provide information on, and to promote, agricultural products in third countries, OJ L 212, 17.8.2005.

Scotland, adopting a similar product quality approach. The Republic of Ireland also has considerable experience in quality food schemes.

- 1.22. As regards the marketing/promotion of agricultural products, NI could encourage organisations to organise information and promotional campaigns within the framework of Council Regulation (EC) No 3/2008. The NI Authorities (possibly jointly with Scotland and/or the Republic of Ireland) could envisage common actions on the basis of multinational or national promotion programmes based on the rules of the aforementioned Council Regulation.

For the UK as the whole, the 12 already approved promotion programmes (2000 schemes) concern milk and milk products, ornamental horticulture and quality meat for a total budget of EUR 18 million, co-financed by the EU at 50%. Northern Ireland needs to continue developing such programmes.

- 1.23. State aid can be granted with varying aid intensities for investments into undertakings of different sizes active in the food processing sector. If the end product falls under Annex I of the EC Treaty support should be in line with the Community Guidelines for State aid in the agriculture and forestry sector 2007 to 2013³¹. If the end product does not fall under Annex I of the EC Treaty, regional aid can be granted in accordance with the Guidelines on National Regional Aid for 2007-2013³² or in accordance with Commission Regulation (EC) No 1628/2006 on the application of Articles 87 and 88 of the Treaty to national regional investment aid³³. Regardless of the end product, the possibility of granting *de minimis* aid in the value of EUR 200 000 per beneficiary and per three fiscal years remains available for the whole food processing sector under the conditions of the Commission Regulation (EC) NO 1998/2006.³⁴
- 1.24. Animal and plant health should also be considered on the basis of an all-island approach in particular when activities are in place across the border to harmonise monitoring and control strategies for animal and plant health diseases. Mutual advantages for farmers across the border would derive, for example, from a reduction of the risk of exposure to pathogens such as bovine brucellosis. Efforts to harmonise the compatibility of animal identification and registration databases improving traceability would also be useful. Trans-border cooperation of phyto-sanitary services will improve the effectiveness of the selection of plant protection products in particular when pest resistance is detected.
- 1.25. Regarding the streamlining of policy implementation, the NI Authorities could take as their lead the orientations and findings of the Health Check. Certain aspects of the single payment scheme that seem to be somewhat rigid and complex may be simplified. Cross-compliance may also be adapted in terms of scope and better targeting. Market challenges will be better addressed by adapting some supply control instruments, such as the phasing out of dairy quotas, whilst at same time looking at measures to attenuate impacts in fragile areas. This will be important for

³¹ OJ C319, 27.12.2006, p.1.

³² OJ C54, 04.03.2006, p.13.

³³ OJ L302, 01.11.2006, p.29.

³⁴ OJ L379, 28.12.2006, p.5.

the dairy sector and its adaptation to new market demands. The Health Check will also address the new challenges the CAP is facing through the reinforcement of Pillar II (Rural Development).

- 1.26. Alongside the actions supported under the rural development programme, the development of a competitive agriculture sector itself provides many opportunities to embed high environmental standards and other public goods into the industry: the use of good farming practices (and beyond), measures ensuring bio-diversity, integrated farming management, organic agriculture, the sustainable use of genetic resources, soil and water protection, the improvement of irrigation infrastructures and irrigation techniques, the use of agri-environmental indicators and the conversion of agricultural land to woodland.

V. For further information

Directorate General for Agriculture and Rural Development:

http://ec.europa.eu/agriculture/rurdev/index_en.htm

LEADER+:

http://ec.europa.eu/agriculture/rur/leaderplus/index_en.htm

Environmental measures:

http://ec.europa.eu/agriculture/envir/index_en.htm#measures

PDO, PGI, TSG: <http://ec.europa.eu/agriculture/quali/en.htm>

Success stories:

http://ec.europa.eu/agriculture/publi/newsletter/lisbon/special_en.pdf

Annex

Table 1: 2000-2006 EU allocation for Structural interventions in Northern Ireland

Programme	EAGGF	Type of projects
Building sustainable prosperity	EUR 78 million	Processing and marketing (52%); rural heritage (10%) , training, farm relief services, marketing of quality products, basic services, diversification (38%).
PEACE II	EUR 44 million	Training (36%), diversification, investment on agricultural holdings, basic services, renovation of villages, tourist and craft activities (32%), cross border cooperation (9%) and locally strategy in the border region (managed by IRL) (23%).
Leader +	EUR 16 million	Micro-enterprise development
Rural Development Programme	EUR 130 million	Agri-environment, forestry, less favoured areas.
Single Payment Scheme	EUR 334 million (annual)	

Table 2: EU allocation for rural development 2007-2013 (excluding the new Voluntary Modulation)

Measure/Axis	Title	Public	Private	Total
111	Vocational training and information actions	1,000	0	1,000
121	Modernisation of agricultural holdings	359,600	0	359,600
123	Adding value to agric and forestry products	31,440,716	47,161,074	78,601,790
124	New products, processes and technologies	3,674,554	145,000	3,819,554
Total Axis 1	Competitiveness	35,475,870	47,306,074	82,781,944
212	LFA other than mountain areas	50,626,682	0	50,626,682
214	Agri-environment payments	134,670,471	0	134,670,471
221	First afforestation of agricultural land	1,638,818	0	1,638,818
225	Forest environment payments	565,182	0	565,182
Total Axis 2	Improving the environment and the countryside	187,501,153	0	187,501,153
Total Axis 3 (*)		0	0	0
413	Quality of life/diversification	94,923,932	37,969,973	132,893,905
421	Co-operation	4,996,050	1,998,420	6,994,470
431	Running costs, skills acquisition, animation	1,000	0	1,000
Total Axis 4		99,920,982	39,968,393	139,889,375

511	Technical Assistance	0	0	0
GRAND TOTAL		322,898,005	87,274,467	410,172,472

Additionally, a nationally funded top up of EUR 85 million is planned to support the less favoured areas.

CHAPTER 2: EDUCATION & TRAINING.

I. EU policy and perspectives

- 2.1. The EU's strategy to develop jobs and growth in the face of the challenges presented by economic globalisation, and the development of the knowledge economy, is set out in the Lisbon agenda. In realising this agenda, Europe's principal asset is its people. If we are to make the most of this asset, knowledge and skills must be kept up-to-date throughout working life. This, in turn, will provide people with greater flexibility and, therefore, the security ("flexicurity") needed to achieve more and better jobs. European education and training policy gives priority to lifelong learning, and to promoting linguistic and cultural diversity and mobility among young people. This, in turn, will help to improve levels of creativity, innovation and participation.

The Education and Training 2010 Work Programme sets out the education and training policy actions held to be required for the realisation of the Lisbon strategy. It receives financial support from the programmes on Lifelong Learning Programme, Youth in Action, and Culture and Europe for Citizens. The financial programmes cover 2007-13. While the evidence suggests that, in terms of implementation, significant progress has been achieved (joint report of the Council and the Commission of 2008)³⁵, yet more effort is needed from the Member States, particularly in:

(i) raising skill levels. Most Member States still have problems with early school leaving, low participation in lifelong learning by older workers and the low-skilled and poor skill achievement by migrants;

(ii) providing sustainable funding for lifelong learning strategies that can ensure high quality, efficient and equitable education and training; innovative learning partnerships have an important role to play here;

(iii) accelerating reform in higher education and in the development of business-university partnerships, so that all sectors of education and training play their full role in promoting creativity and innovation.

- 2.2. The combination of education, research and innovation (the pillars of the so-called, "Knowledge triangle") plays a vital role in boosting jobs and growth. The *European Institute of Innovation and Technology*³⁶ (EIT), which will be established in summer 2008, will develop excellence-driven partnerships (*Knowledge and Innovation Communities, KICs*) between the three actors of the knowledge triangle in order to

³⁵ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions "Delivering lifelong Learning for knowledge, creation and innovation (draft 2008 joint progress report on the implementation of the "Education and Training 2010 work programme", COM (2007) 703 of 12.11.2007 and SEC (2007) 1284 2.10.2007- Progress towards the Lisbon objectives in education and training- Indicators and benchmarks.

³⁶ COM(2006) 604 final - 2006/0197(COD).

achieve commercial innovation. These KICs will generate spill-over that can contribute to regional development.

- 2.3. Taking forward the priorities under the renewed Lisbon Strategy, the programmes supported by the Structural Funds, 2007-13, put particular emphasis on supporting national and regional level programmes for education and training. In this way, they seek to support investment in knowledge and innovation and improve employability, consistent with the principles of "flexicurity". Further, some EUR 25.3 billion is available to support the reform of education and training systems in the Member States³⁷ and the Structural Funds programmes provide major support in achieving the goals of the Education and Training 2010 Work Programme.
- 2.4. The year 2008 is the European Year of Intercultural Dialogue. The Year aims to promote more active European citizenship and a sense of European belonging. It is targeted at European civil society, particularly young people and disadvantaged social groups. It is an instrument for mutual understanding and for exploring the benefits of cultural diversity³⁸.
- 2.5. 2009 will be the European Year of Creativity and Innovation. Year 2009 actions will be implemented by the Commission and the Member States (through a national coordinating body) in the framework of the Lifelong Learning Programme. It will provide a framework for initiatives at all levels - European, national and, importantly for Northern Ireland, regional – to promote creativity and innovation.

II. Northern Ireland's achievements in period 2000-2006

- 2.6. The NI Departments of Education (DE) and Employment and Learning (DELNI) address the education of young people and the promotion of learning and skills. Northern Ireland is part of the framework for qualifications in England, Wales and NI. The region has two universities (Queen's University and University of Ulster), the Open University and two University colleges: St Mary's University College and Stranmillis University College. Northern Ireland is represented at EU level by the UK authorities.
- 2.7. On education, NI has consistently been among the better-performing regions of the UK. The quality of its teachers has been one of its strengths³⁹. However, it has areas of relative weakness. It has a relatively high share of working-age people without formal qualifications. This is partly explained by the relatively low educational attainment of older age groups and by the loss of qualified people through migration. While significant numbers participate in lifelong learning, learners are not

³⁷ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "Member States and Regions delivering the Lisbon Strategy for growth and jobs through EU cohesion policy, 2007-2013", COM (2007) 798 of 11.12.2007.

³⁸ With a budget of EUR10 million, EYID finances: i) actions at European Level, notably co-financing of 7 flagship projects, a launch and a closing event (EUR 3 million); ii) projects at national level, one in each Member State (EUR 3 million); iii) an information and awareness raising campaign (EUR 3.3 million) and studies and evaluation (EUR 0.7 million).

³⁹ OECD – Country report for Northern Ireland "Improving school leadership", May 2007.

progressing up the qualification ladder. For some, their performance is inhibited by their lack of essential skills in numeracy and literacy.

2.8. Progress towards the Lisbon objectives in education and training is measured against 5 benchmarks for:

- i) early school leavers;
- ii) completion of upper secondary education;
- iii) adult participation in lifelong learning;
- iv) low reading achievement; and
- v) graduate numbers in Maths, Science and Technology (MST).

2.9. NI performance against the benchmarks since 2000 is at or above the EU average, but slightly below the UK average. It has a lower share of early school leavers and has made more progress in reducing this share than the EU average. It has also made good progress in participation in non-compulsory education (see table 1 of the Annex).

Low-achievement in reading raises certain issues. Although NI had better results than the EU average in 2000, Pisa⁴⁰ showed a deterioration of more than 5 percentage points for the period 2000-2006. Its level of low-achievement is nearly 2 percentage points above the UK average (20.9% versus 19.0%). For the reading score in PISA 2006, NI had a similar score to the UK overall and performed above the EU average.

NI has a lower share of early school leavers and made more progress than the EU average (the share dropped from 16.3 to 13% 2000-2006).

At 76.3% in 2005, NI has a level of completion of upper secondary school comparable to the EU median. It is consistently amongst the best performing regions in the UK at GCSE and A-level⁴¹.

NI produced some 4000 MST graduates in 2005, around the UK average share, and above the EU average. However, it appears to have a problem in reaping full advantage of its MST graduates. Some 30% of them leave to take their degree outside the region and, it appears, do not return.

⁴⁰ The Programme for International Student Assessment (PISA, managed by the OECD, is an internationally- standardised assessment that has been jointly developed by participating countries and is administered to 15-year-olds in schools. PISA assesses how far students near the end of compulsory education have acquired some of the knowledge and skills that are essential for full participation in society. In all cycles, the areas of reading, mathematical and scientific literacy are covered not only in terms of mastery of the school curriculum, but in terms of important knowledge and skills needed in adult life.

⁴¹ OP Sustainable Competitiveness OP, point 1.7 or OP 2007-2013, 1.16.

Participation in lifelong learning is lower than the rest of the UK, but still higher than the EU average (13.3 % in 2006 compared to 26.6% for the UK and 9.6% for the EU).

NI benefits from a relatively young population and workforce, with higher than average birth rates. This provides a stream of relatively large youth cohorts, an asset on which it could capitalise.

- 2.10. NI participates in all the main EU education and training programmes: Erasmus (Higher Education); Comenius (Schools); Leonardo da Vinci (Vocational Education and Training); Gruntvig (Adult Learning).

Northern Ireland, with 156 school applications in 2005, from a population of 1.6m, has higher participation in Comenius than the rest of the UK.

Participation in Erasmus is low relative to most European countries, though comparable to the rest of the UK. All 4 eligible bodies in NI participate and again, as with the UK generally, receive more Erasmus students than they send. Financial pressures and, mainly, tuition fees have a dissuasive effect in the participation of NI students in Erasmus. The recently introduced tuition fee waiver, exempting more UK Erasmus participants from fees is expected to increase the UK participation in the programme. Table 2 of the Annex summarises NI participation in Erasmus for 2004-2005.

- 2.11. While formal communication on these programmes is channelled through UK representatives, working-level communication also exists between the Commission services and the NI authorities, including the Office of the NI Executive in Brussels.

III. Northern Ireland's priorities for 2007-2013

- 2.12. The NI authorities have indicated a wish to participate more actively in European education and training initiatives. They have expressed particular interest in ways to promote language skills and to participate in peer learning initiatives. A particular concern has been to increase the numbers of graduates in technology-related disciplines including PhDs from NI or other EU universities, to raise skill levels and support social inclusion through lifelong learning⁴². The commitment of the NI Executive is to increase by 300 the number of PhD research students at local universities by 2010⁴³.
- 2.13. Efforts should certainly be made to maximise Northern Ireland's participation in the EU programmes. Education and training providers, institutions and other interested parties could be encouraged to do so. Implementation of the skills strategy should improve the level of skills⁴⁴. The cross-border cooperation mechanisms in the field of skills already in place (Joint meetings with the Universities and Institutes of the Republic of Ireland, skills expert group from both sides of the border) can also contribute to maximise the effect of this policy.

⁴² Northern Ireland OFMDFMI: "Taking our place in Europe", p.4.

⁴³ "Building a better future", Draft programme for Government 2008-2011, p.5.

⁴⁴ Draft budget 2008-2011, page 68.

ProfitNet: Creating business-led learning networks with support from universities to maximise growth and development opportunities- South England-UK: The ProfitNet was set up by the University of Brighton. The formats used were teaching sessions, learning networks and in-company workshops to enable company owners and senior employees to use knowledge more effectively. The range of sectors supported included manufacturing, creative industries, construction, hotels, start-ups, care homes and social enterprise. Key business issues were tackled at each meeting with the help of local facilitators through action learning, business planning and creativity workshops. In-company interventions were also delivered to some businesses where a specific support was needed.

The Better Concept: Distance learning University Courses for SME Employees-West Sweden: The objective of the project was to promote further training of SME employees and to build confidence between universities and SMEs in the region. The following courses were developed by teams from the university colleges, based on need analyses with local companies: Better automation, Better economics, Better Logistics, Better Product Development and Better Total Production Management. The courses were accredited through the normal university system and the points earned would count towards a degree. Participants met once a week in a local learning centre and had to submit project work related to real issues arising in their companies. A major part of the project was the needs analysis and marketing of the courses to SMEs-to convince them of the benefits they would experience from their employees participating. Most course participants were in their 40s without university level education. Therefore, the project had to support students not used to study.

IV. Suggestions and recommendations

- 2.14. Clearly, the issues that NI has to address in the field of education and training fall within the set of priority issues currently being developed across the EU. As has been pointed out above, the EU offers support in policy development and in particular through the Lifelong Learning Programme and the Structural Funds programmes. The key field for future action is to ensure that NI is equipped with the best possible human resources to play its part in meeting the Lisbon goals. Achieving this requires the identification of priorities, the development of policy measures to deliver the priorities and the support of those policies with appropriate funding. A number of areas merit particular emphasis.
- 2.15. The main issue is to close the relatively wide educational gap between the top and bottom performers, while raising educational standards and ensuring equality of access to education. As a result of this gap, NI has a relatively high number of people of working age with poor qualifications.

Following this, overlapping and completing it, is the need for a fully developed approach to lifelong learning. This should include updating, up-skilling and re-skilling, across all levels of Education and Training, so that every member of the NI population is actively encouraged to participate. A qualifications framework with learning pathways that have no dead ends is a necessary part of this, for which the groundwork has been well laid.

A further issue is to increase the supply of high-level knowledge (seen in the number of PhDs available) that it is well-adapted to the needs of the regional economy. Closer co-operation between NI universities and local enterprises should help. The additional, by 2010, 300 PhDs (see above, 2.12) will be focused on areas of economic relevance to the region.

- 2.16. Closer engagement with the Education and Training 2010 Work Programme, in particular as regards Lifelong learning, could help address the design of policy instruments for these problems.

An effective way to do this would be through well-targeted and active participation in one or more of the 8 Commission-coordinated Peer Learning Clusters. These support Member States to implement effective reforms of their education and training systems and to learn from good practice (see table 3 of the Annex).

The 8 clusters provide the main focus of policy learning under the Education and Training 2010 Work Programme. They comprise groups of Member States, of variable size, which work together to learn on the basis of good practice. The UK is represented in 5 of these clusters: Modernising Higher Education; Recognition of Learning Outcomes; Maths, Science and Technology; Making Better Use of Resources; and Key Competences. The presence of NI officials in the UK representation in suitable clusters could provide useful policy insights. Experience suggests that it is vital that the cluster should be central to current, active domestic reform and that the officials present should be closely connected to the thinking on reform.

- 2.17. The NI authorities have also the possibility to use EU resources over the current programming period 2007-2013. The Structural Funds programmes are the largest source but they are not alone. Town-twinning encourages an outward-looking mentality and supports bridge-building between communities. More active participation in the Lifelong Learning Programme, for example in programmes such as *Erasmus*, which is now attracting more attention as a result of the work of the NITF, would be welcome. Participation by NI-based students is far too small. The Culture, Youth in Action and Europe for Citizens Programmes concern a broad range of potential beneficiaries, including cities.
- 2.18. The NI authorities could encourage centres of excellence to participate in setting up consortia to bid to become Knowledge and Innovation Communities under the EIT. Areas such as climate change and renewable energy will be early contenders. There may be scope for different levels of participation including close association with other key players. Above all, centres of excellence will need to network with other key players across the EU and to be prepared to integrate with them in joint activity.
- 2.19. The European Year of Intercultural Dialogue (2008) and the European Year of Creativity and Innovation (2009) each offers scope to give a higher profile to some of NI successes, or to draw in European interest in regional issues. For this, the NI authorities should maintain close relations with the national coordinating bodies.

V. For further information

Directorate General for Education and Culture:

http://ec.europa.eu/education/index_en.html

Lifelong Learning (and success stories by programme):

http://ec.europa.eu/programmes/lfp/index_en.html

Annex

Table 1: NI achievements against the 5 EU benchmarks

DG EAC/A-4/Last update: June 07	
European benchmarks for education and training, data on:	Northern Ireland
<p>Northern Ireland (NI) performs in general on or above EU average (but slightly below the UK average) against the EU education benchmarks and has made good progress since 2000 in participation rates in non-compulsory education.</p>	
<ul style="list-style-type: none">✓ Northern Ireland has according to Eurostat data a lower share of early school leavers and made more progress in the period 2000-2006 in reducing this share than EU 27 (however, the Department for Education and Skills believes the data shown in the table are a bit too optimistic and that performance is in reality nearer to the UK figure, which was 13% in 2006. However, this would still be better than the EU average). ✓ As regards low achieving pupils in reading Northern Ireland had better results than the EU in 2000. The 2006 survey results showed that Northern Ireland had 20.9% of its pupils classed as low-achieving in this field. ✓ As regards upper secondary attainment Northern Ireland performs today on a similar level as EU 27 but NI made more progress since 2000. ✓ In the UK there are more MST graduates per 1000 young people aged 20-29 than in EU 27. However, growth in the number of graduates is slower (a break in series has even led to the 2004 figures being lower than the 2000 figures). In 2005/06 N. -Ireland produced 4000 MST graduates -a higher share than its UK population share. Since N-Ireland has a younger population than the UK the number of MST graduates per 1000 young people is probably similar to the UK level- and thus above EU average. Northern Ireland has one university (Queens University Belfast in the Shanghai top 500 list, it is ranked 201 -300). ✓ Lifelong learning participation in Northern Ireland is higher than in EU 27. However, it progressed less since 2000 and it is lower than in the rest of the UK.	

Benchmark area	Benchmark 2010	EU 27 average	Result for Northern Ireland	Trend
Share of early school leavers (18-24) in the EU	No more than 10%	17.6% (2000) 15.3% (2006)	Eurostat data: 16.3 % (2000) 11.1% (2006)	+
Ratio of low achieving 15-year olds in reading literacy	At least 20% decrease (to reach 15.5%)	21.3% (2000) 24.1 % (2006) Increase of 13.1%	20.9 % (2006)	?
Upper secondary completion rate (20-24)	At least 85%	76.6% (2000) 77.8% (2006)	DFES data: 76.3% (2005)	+
Graduates in MST (data for the UK)	Increase of at least 15%, reduce gender imbalance	yearly growth 2000-05: 4.7%	yearly growth 2000-05: -0.1	-
		Grad. per 1000 inhab. 13.1 (2005)	Graduates per 1000 inhab. 18.4 (2005)	-
		Female share (2000/05) 30.8/31.2 %	Female share (2000/05) 32.1%/30.5%	-
Adult participation in lifelong learning (25-64)	At least 12.5%	7.1 % (2000) 9.6 % (2006)	Eurostat data: 12.5% (2000) 13.3 % (2006) DFES data: 18.9% (2005)	0+

+: getting better, 0+ positive trend but improvement below EU progress, 0: not changing much, - getting worse

Investment in human resources

Only UK data are available. In the UK education spending has increased strongly in 2000-2004.

Public education spending as a % of GDP	Lisbon target: Significant increase	4.7 % (2000) 5.1% (2004)	4.64 (2000) 5.29% (2004)	The UK has boosted education spending in recent years and overtaken the EU level. However, spending growth didn't continue in 2004.
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Table 2: Academic year 2004-05:

Institution Name	Incoming Erasmus	Outgoing Erasmus	Student Number	% Incoming	% Outgoing
QUEEN'S UNIVERSITY OF BELFAST	158	58	25540	0,618637	0,227095
UNIVERSITY OF ULSTER	202	53	26,360	0.67	0.2
STRANMILLIS UNIVERSITY COLLEGE	43	22	1460	2,945205	1,506849
ST MARY'S UNIVERSITY COLLEGE	47	30	1135	4,140969	2,643172

Table 3: Overview of Peer Learning Clusters (2006-2007):

Overview of other main measures:

Clusters	Scope, transversal themes and synergies
Modernisation of Higher Education	<p style="text-align: center;"><u>Scope:</u></p> <ul style="list-style-type: none"> • Increasing excellence and improve links to research and innovation • Increasing the attractiveness, including through curricular reforms <ul style="list-style-type: none"> • Increasing mobility. <p style="text-align: center;"><u>Transversal themes and synergies:</u></p> <ul style="list-style-type: none"> • Better models of governance and partnerships <ul style="list-style-type: none"> • More and more efficient funding • Synergies with clusters on resources and on MST.
Teachers and Trainers	<p style="text-align: center;"><u>Scope:</u></p> <ul style="list-style-type: none"> • Continuing professional development • Attractiveness of teaching/training professions <ul style="list-style-type: none"> • Societal challenges facing schools. <p style="text-align: center;"><u>Transversal themes and synergies:</u></p> <ul style="list-style-type: none"> • Adult learning • Better models of governance and leadership • Synergies with the clusters on resources, MST, key competences and ICT.
Making best use of resources	<p style="text-align: center;"><u>Scope:</u></p> <ul style="list-style-type: none"> • Institutional reforms and incentive mechanisms to increase efficiency and equity <p style="text-align: center;"><u>Transversal themes and synergies:</u></p> <ul style="list-style-type: none"> • Better models of school governance and leadership • More and more efficient investment in pre-school education <ul style="list-style-type: none"> • Reforms targeting disadvantaged learners • Synergies with the clusters on access and social inclusion in LLL, teachers and trainers and higher education.
Maths, Science and Technology	<p style="text-align: center;"><u>Scope:</u></p> <ul style="list-style-type: none"> • Benchmark on Maths, Science and Technology, including the gender imbalance <ul style="list-style-type: none"> • Increase participation in MST studies and careers • Improve the scientific culture of citizens. <p style="text-align: center;"><u>Transversal themes and synergies:</u></p> <ul style="list-style-type: none"> • Synergies with the cluster on higher education, teachers and trainers and key competences.
Access and Social Inclusion in LLL	<p style="text-align: center;"><u>Scope:</u></p> <ul style="list-style-type: none"> • Benchmarks on early school leavers and on completion rates • Inclusion of low skilled and disadvantaged groups in LLL <ul style="list-style-type: none"> • Access to pre-school education. <p style="text-align: center;"><u>Transversal themes and synergies:</u></p> <ul style="list-style-type: none"> • Adult learning • Transition key points • Synergies with the cluster on resources, key competences and ICT.

Clusters	Scope, transversal themes and synergies
Key competences	<ul style="list-style-type: none"> • Scope: <ul style="list-style-type: none"> • Follow-up to the key competences framework, curricular reforms <ul style="list-style-type: none"> • Benchmark on literacy. <p><u>Transversal themes and synergies:</u></p> <ul style="list-style-type: none"> • Adult learning <ul style="list-style-type: none"> • Synergies with the clusters on access and social inclusion, teachers and trainers and ICT.
CT	<p><u>Scope:</u></p> <ul style="list-style-type: none"> • Integration of ICT in education • Increasing access to ICT • Empower educational actors <p><u>Transversal themes and synergies:</u></p> <ul style="list-style-type: none"> • Synergies with the clusters on teachers and trainers and on key competences.
Recognition of learning outcomes	<p><u>Scope:</u></p> <ul style="list-style-type: none"> • Recognition of formal, non-formal and informal learning in a lifelong learning perspective • The shift from learning input to learning outcome in the governance of education, training and learning systems <ul style="list-style-type: none"> • Workplace learning (including SMEs). <p><u>Transversal themes and synergies:</u></p> <ul style="list-style-type: none"> • Adult learning.

Overview of other main measures:

Indicators and Benchmarks	<ul style="list-style-type: none"> • Standing Group on Indicators and Benchmarks • Centre for research on lifelong learning (CRELL/JRC) • Ensuring cooperation especially with Eurostat, Eurydice, Cedefop, ETF, OECD and IEA • Taskforces of national experts i.e. on teachers' professional development, basic competencies (learning to learn skills), adult skills and civics. <p><u>Synergies:</u> Clusters on maths, science and technology, on access and social inclusion and on key competences.</p>
Quality assurance for VET	<ul style="list-style-type: none"> • Copenhagen Process • European <u>network</u> for quality assurance in VET (systems and providers levels), with the support of <u>Cedefop</u> (including scientific support and <u>virtual community</u>) and <u>ETF</u>. • 5 <u>peer learning activities</u> planned for 2006, including links between QA in VET/ HE (also the subject of an Austrian Presidency Conference). • 3 thematic groups. <p><u>Synergies:</u> Cluster on making best use of resources.</p>
Sector-level initiatives	<ul style="list-style-type: none"> • Copenhagen Process • <u>Cedefop</u> support, including the mapping exercise of education and training initiatives at sectoral level, and the <u>virtual community</u>. Construction of a <u>database</u>. • Ensuring close co-operation with sector level initiatives of DG Enterprise and DG Employment <p><u>Synergies:</u> EQF and the cluster on recognition of learning outcomes.</p>
Credit Transfer for VET	<ul style="list-style-type: none"> • Copenhagen Process • <u>Technical working group</u> on credit system for VET, with support of <u>Cedefop</u>, including scientific support, and <u>virtual community</u> <p><u>Synergies:</u> Cluster on recognition of learning outcomes and EQF.</p>

CHAPTER 3. EMPLOYMENT AND SOCIAL POLICY

I. EU policy and perspectives

- 3.1. Closely linked with Education and Training initiatives set out in the previous chapter, the Commission's Social Agenda for the period 2005-2010 has set out a roadmap for development and reform in the field of the labour market and social protection. The aim is to help citizens take full advantage of the opportunities created by international trade and technological advance, while protecting the most vulnerable in society. The agenda has two key priorities: first, employment and, second, fighting poverty and promoting equal opportunities.

For the implementation of the Social Agenda, actions take three principal forms: legislation, social dialogue and financial instruments. Of particular interest are the European Social Fund (ESF), the PROGRESS programme⁴⁵, the coordinated network of EURES (the EUROpean Employment Services)⁴⁶, the EQUAL initiative etc. A new financial instrument, the European Globalisation Adjustment Fund, was put in place on 1 January 2007, in order to enable the Community to provide targeted support for the re-integration into employment of workers made redundant as a result of a major structural changes deriving from changing world trade patterns⁴⁷.

A further important instrument for the implementation of the Social Agenda is the European Employment Strategy (EES) which is also a key component of the Lisbon Strategy for Growth and Jobs. It identifies three priority areas which should be addressed by Member States in their reform programmes:

- attracting and retaining more people in employment, increasing labour supply and modernising social protection systems;
- improving adaptability of workers and enterprises; and
- increasing investment in human capital through better education and skills.

⁴⁵ Decision N° 1672/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Community Programme for Employment and Social Solidarity- Progress, OJ L315 of 15.11.2006, p.1. The PROGRESS programme has replaced for period 2007-2013 existing Community programmes and budget lines in the fields of employment, social inclusion and protection, working conditions, gender equality and anti-discrimination.

⁴⁶ Set up in 1993, EURES is a co-operation network between the European Commission and the Public Employment Services of the EEA Member States, Switzerland and partner organizations. The purpose of EURES is to provide information, advice and recruitment/placement (job-matching) services for the benefit of workers and employers as well as any citizen wishing to benefit from the principle of the free movement of persons. EURES has a human network of more than 700 advisers. In European cross-border regions, EURES cross-borders partnerships (EURES-T) provide information and assistance on both sides of the border and foster mutual understanding, economic development and research on labour market conditions at cross-border level.

⁴⁷ Regulation (EC) N° 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund, OJ L 406, 30.12.2006, p.1.

II. Northern Ireland's achievements under EU interventions, 2000-2006

- 3.2. As indicated in the socio-economic profile above, the labour market in Northern Ireland shows a varied picture. In terms of employment, NI has experienced a period of sustained growth and from March 1990 to March 2006, employee jobs have increased by 30.6%. The employment rate in NI at 66.3% (2006) remains, however, below the overall UK rate of 71.5% and the lowest of all the UK regions⁴⁸.
- 3.3. In social terms, NI is becoming more diverse with an increase in inward migration from outside the UK and the Republic of Ireland, particularly from Eastern European countries. This has had positive results for the economy, but has also led to new challenges, in particular for the housing sector, health services and education. The EURES cross-border partnership Republic of Ireland/Northern Ireland (EURES-T NI/I)⁴⁹ has likewise had the added dimension of addressing the challenges posed by migrant workers settled along the border. The partnership is organising actions involving migrant workers, seeking to assist them to settle into their chosen community and to travel to work on a daily basis. This initiative also involves the integration of the migrant workers' families.
- 3.4. In terms of unemployment, in 2006 data indicate that the unemployment rate in NI, at 4.4%, was lower than the equivalent rate for the UK overall (5.3%) and the lowest unemployment rate among the four UK territories, well below the EU-27 average. In terms of those not engaged in any economic activity, the working age economic inactivity rate for NI in 2006 stood at 30.7% of the total in this age group. This is significantly higher than the UK average rate (24.6% in 2006) and is the highest of the 12 UK regions.
- 3.5. Employment and social policy lie within the competence of the Departments for Employment and Learning (DEL) and the Office of the First Minister and Deputy First Minister (OFMDFM). Arising from its role in the management of ESF, DEL has regular direct contacts with the geographical ESF unit in the Commission's DG for Employment and Social Affairs. For other Member State-level matters relating to employment policy, DEL liaises with the UK Department for Work and Pensions. The Equality Directorate within OFMDFM deals with, among other issues, gender equality, wider equality issues, anti-discrimination and disability and coordinates the NI strategies to combat poverty and social exclusion which correspond to core European social and equality policy areas which come under the day-to-day responsibility of DG Employment.
- 3.6. In the 2000-2006 period, the European Union, using the resources of the ESF, sought to contribute to employment and social policy development in NI. Under three programmes, the total contribution from the EU budget was EUR 444 million⁵⁰. In addition, individual projects also benefited from other sources of funding, such as the diverse Community Action Programmes as well as EURES.

⁴⁸ Data source: Eurostat. Figures may differ from national data (ONS).

⁴⁹ The partnership covers all of Northern Ireland and the border counties of the Republic of Ireland (Louth, Cavan, Monaghan, Donegal, Sligo and Leitrim).

⁵⁰ This contribution is broken down as follows: PEACE II (EUR 147.6 million), ESF participation in the Building Sustainable Prosperity OP (EUR 285 million), Equal (EUR 11.8 million).

The projects that have been supported financially cover a broad range of activities, from projects addressing labour market needs, reducing the gender gap and facilitating cross-border cooperation to those reinforcing peace and reconciliation, reducing inequalities and combating discrimination (see table in the annex).

The Cedar Foundation (BSP OP - ESF Measure 2.3)

The Cedar Foundation Training Services provides people with physical disabilities and people with brain injuries with support to access socially inclusive training and employment opportunities and its success was recently recognised at a gala awards ceremony.

The EFQM Excellence Award is Europe's most prestigious recognition for organisational excellence and is given to Europe's best performing companies and not for profit organisations. This year, the Cedar Foundation, a voluntary organisation supporting people with disabilities, not only won the European Excellence Award for the public and for not profit sectors, but also picked up a Judge's Special Award for Customer Focus. The Awards recognise organisations with an undisputable track record of progress and results.

- 3.7. In the fields of equal opportunities and anti-discrimination, NI has performed well. There is a positive public perception of bottom-up approaches and initiatives, in particular as developed through the PEACE programme, enabling the involvement of many small community groups.

This good performance and active participation is not limited to the programmes supported by the ESF and the EQUAL interventions but applies also to other actions such as the European Year for Equal Opportunities for All, Equal Opportunities and Antidiscrimination and the EURES-T NI/I.

- 3.8. The EURES-T NI/I constitutes a unique example of cooperation between NI and the Republic of Ireland. The rapid economic growth in the Republic of Ireland and the political steps taken in Northern Ireland towards a stable devolved administration have contributed significantly to the growth of employment and business activity. The EURES-T for cooperation has worked remarkably well and has paved the way for further economic and social cooperation. The partners are the public employment services (PES) and the social partners' organisations of the two border countries. Among the examples of good practice in the field of cooperation are: the sharing of job vacancy information, and the creation of an all-island jobs database, on the part of the DEL (the Employment Service of NI) and FAS (the Employment Service in the Republic of Ireland). They also advertise jointly all cross border vacancies in the local press as well as co-operating in the running of events designed to facilitate cross-border working involving the Chambers of Commerce in the major towns on each side of the border and in the move towards joint strategic initiatives in terms of policy development involving the trade union partners under the auspices of the North/South Forum.

Other areas in which EURES is involved include the holding of joint job fairs along the border involving both Public Employment Services and the private sector as well as coordinating these activities.

- 3.9. There is active participation by NI representatives in different fora, conferences etc. Their experience on equality legislation, data collection and positive action is unparalleled in the EU. Members of the NI equality authority are also on the steering committee for a study currently being undertaken by the Commission on multiple discrimination. NGOs from NI are also represented in the four antidiscrimination EU-co-financed NGO networks (e.g. the Northern Ireland Council for Ethnic Minorities (NICEM)).
- 3.10. There are policy processes or committees such as the ESF committee and working groups on thematic issues, such as evaluation, which draw participants from the national level. This is necessary to ensure that the numbers of participants on such committees and groups are kept to manageable proportions. In the case of ESF, the devolved administrations within the UK and other Member States are normally kept informed and consulted, and regular contacts with central services in the Department for Work and Pensions (DWP) are maintained. Moreover, for the first time, in June 2007, the negotiations on the UK National Reform Programme were carried out with the participation of the devolved administrations.
- 3.11. The relations between the Commission and the NI authorities (including the Office of the NI Executive in Brussels) are constructive. Contacts over recent years have been of a regular, but not necessarily of a systematic, nature. Usually, this would concern invitations to deliver presentations to diverse visitor groups (on ESF programmes, employment policy, etc).

Northern Ireland Union of Supported Employment

The Northern Ireland Union of Supported Employment (NIUSE) is a member based organisation representing organisations and individuals promoting employment for people with disabilities to access and stay in employment through the Supported Employment Model. The organisation has been involved in European Networks for nearly 15 years and has found them to be very beneficial both at operational level and strategic level.

NIUSE is also the lead partner in a trans-national Development Partnership (DP) under the Northern Irish ESF-funded EQUAL Community Initiative. The Development Partnership is called "Supported Employment in Action (SEA)" with a funding volume of EUR 436.000 (£ 324.779) of ESF and partners in the Czech Republic, France and Great Britain. The DP has the aim of exploring the use of the Supported Employment Model for other socially excluded groups and to explore how other EU countries have mainstreamed that model. A comparative study, a booklet on best practice and a toolkit are envisaged as concrete outcomes.

Addressing Disadvantage in the Workplace

NI Department for Employment and Employment and Learning implements programmes which train and up skill both the unemployed and employed. The European Social Fund through the Transitional Objective 1 and EQUAL 2000 – 2006 programmes has been used to train and enhance the skills of the hard to reach people, who face specific disadvantages when trying to enter the labour market. These include, among others, long-term unemployed, people with disabilities, lone parents, people with poor literacy and numeracy skills, ex-offenders. In November 2007 Northern Ireland's EQUAL Managing Authority hosted a two-day Policy Forum in Belfast share our experience to examine means and best practices to empower people, who face disadvantages in the workplace influence regional and local employment policies. This was attended by 120 delegates, from the Commission and 24 Member States, representing Voluntary and Community sector organisations, employers and employment policy makers. The detailed findings and recommendations of the forum are in the report of this meeting that can be found on the http://ec.europa.eu/employment_social/equal/data/document/0802-diversity-belfastrep.pdf. NI Ireland will seek to develop and further share this work with other EU Regions during 2007-13.

III. Northern Ireland's priorities for 2007-2013

- 3.12. The over-arching aim of the NI Executive is to build a peaceful, fair and prosperous society by pursuing an innovative and productive economy and a fair society that promotes social inclusion, sustainable communities and personal health and well-being. Equality, fairness, inclusion and the promotion of good relations are keywords across all government programmes and policies and crucial to achieving the goal of a "shared and better future"⁵¹.

To this end, two priorities of NI for the years to come are those of, firstly, attaining a high and stable level of employment for all groups in the labour market by raising the skill levels of the workforce and, secondly, supporting social inclusion through lifelong learning. Both priorities are key parts of the European Employment Strategy⁵².

The contributions received by the NITF from political and economic representative organisations in NI converge towards these points. Up-skilling the workforce is important for the economic development and the growth of the private sector. Another issue that needs to be addressed is the high inactivity rate (30.7%) that undermines the efforts for sustainable growth and employment.

- 3.13. This is also fully in line with major challenges identified for NI in the context of the Lisbon Agenda for Growth and Jobs and the National Reform Programme and the two priorities of the ESF programme for the period 2007-2013.

⁵¹ Building a better Future: Programme for Government 2008-2011.

⁵² Northern Ireland OFMDFMI "Taking our place in Europe", p.4

Under priority 1 of this programme, support will be granted to activities that extend employment opportunities to unemployed, long-term unemployed and inactive people. It aims to help 45.000 unemployed people, i.e. long-term unemployed (24.000), inactive people (16.500) and young people (4.500), to enter, remain and make progress in sustained employment

An additional 44.000 participants are targeted under Priority 2, with the objective being to develop a skilled and adaptable workforce by increasing the number of workers qualified to NVQ level 2 and level 3, reducing the number of workers without basic skills and reducing gender segregation in the workforce.

The programme offers also the possibility for cooperation with other partners in other Regions and Member States in the fields of mutual learning and development of innovative strategies on subjects of common interest. This would permit to satisfy the strong request for identification of other best practice in Europe involving SMEs that would permit NI enterprises to upgrade their existing workforces in terms of leadership and management skills.

The ESF competitiveness and employment programme has a total allocation of EUR 414 million, with the ESF itself contributing EUR 165.777 million and EUR 248.665 million coming from other public sources.

- 3.14. To mark the "European Year of Equal Opportunities for All" in 2007, which focused on the themes of Rights, Representation, Recognition and Respect, the Equality Commission for NI has continued an awareness raising campaign on this theme. The key projects to be delivered deal with: a public consultation and awareness campaign for young people on equality and anti-discrimination issues; a major EC conference on "Equal Opportunities for All in Northern Ireland"; and an annual campaign "Anti Racist Workplace Week". Alongside these actions, the Commission was also running an "Equality for All" promotional campaign during the year to reinforce the central themes and to ensure that they are widely understood.

As a follow-up to the "European Year of Equal Opportunities for All", Directorate-General for Employment, Social Affairs and Equal Opportunities is organising a conference on antidiscrimination in Belfast on 5th and 6th June 2008. The conference will bring together stakeholders in the field of equal opportunities to share plans and ambitions for the 2008 national awareness-raising projects and receive information about on-going developments on related EU policies.

- 3.15. Regarding a specific problem that arose at the end of 2007, the announcement of large-scale redundancies at the Seagate installation, the NI authorities are considering – subject to eligibility – the option of applying to the Commission for support under the European Globalisation Adjustment Fund.

IV. Suggestions and recommendations

- 3.16. In the conception and implementation of European social policy, awareness, knowledge and understanding is important for the key players at regional as well as at national level. In this field, the contribution of the voluntary and community sector constitutes an asset. While, as in the other policy fields, formal contacts are organised at national level, in the framework of the NITF, it has been agreed that a

workshop on different aspects of EU employment social policy will be organised together with DEL and OFMDFM (target date: April 2008) in order to permit NI officials to establish contacts with the Commission services and to identify the relevant networks.

- 3.17. With a view to the often-expressed need to learn about best practice in other Member States, NI should make full use of the possibility to get engaged in transnational networks in the framework of the Competitiveness and Employment ESF programme, 2007 - 2013.
- 3.18. Particular attention is drawn to the EU's new employment and social solidarity programme referred to above, PROGRESS, which aims to support the implementation of European priorities in the employment and social affairs area. PROGRESS will operate over the period 2007-2013 with a budget of EUR 743 million. The programme is managed by the Commission and it is implemented through calls for proposals in five policy fields: employment, social inclusion and protection, working conditions, non-discrimination and gender equality.
- 3.19. The EURES cross-border partnership activities between Northern Ireland and the Republic of Ireland (2007- 2010), also referred to above, represent another area for further development. EURES activities are designed on the basis of a three-year activity plan submitted by each EURES participating country. The level of budgetary appropriations earmarked for the partnership during the two coming years will possibly increase slightly, if more budget resources are allocated to EURES.

Recent political changes have further enhanced cooperation between public bodies of both sides and this seems set to continue. The six border counties of the Republic of Ireland and the six NI counties have seen a major shift in employment. The industrial sectors have shifted to the higher value customer services in the tele-service industries and the IT sector. The predictions for the next 3 years (2007-2010) expect growth in the Logistics, Financial Services, Health and ICT sectors⁵³. Growth forecasts for the whole island predict a need between 2005 and 2010 for around 50,000 to 70,000 additional workers per year with up to 60% of new posts being for those with skills⁵⁴. With this in mind, the EURES-T for NI/IRL could take a more proactive stance, developing, for example, strategic priorities for the next three years. This could include more emphasis on integrated activities in order to decrease obstacles to the mobility of cross border commuters.

- 3.20. Last but not least, besides these more tangible programmes and initiatives, there are a number of policy processes in the field of employment and social inclusion in which the NI authorities, in cooperation and in a coordinated way with the UK authorities, could contribute (e.g. peer reviews).

⁵³ EURES Activity Plan 2007-2010 from the IE/NI EURES Cross-border Partnership and from "A Study of the skills resource in the financial services and science sectors in the Newry and Dundalk area", by SMM Consulting on behalf of Dundalk Chamber of Commerce, March 2007.

⁵⁴ Medium Term Review 2005-2012", N° 10 / ERSI - The Economic and Social Research Institute (Ireland).

V. For further information

DG Employment, Social Affairs and Equal Opportunities:

http://ec.europa.eu/dgs/employment_social/index_en.htm

ESF:

http://ec.europa.eu/employment_social/esf/index_en.htm

PROGRESS

http://ec.europa.eu/employment_social/progress/index_en.html

EGF

http://ec.europa.eu/employment_social/egf/index_en.html

Annex

Employment – 2000-2006 EU allocations in Northern Ireland

Programme	EU/ESF	Type of projects
PEACE II	EUR147.6 million (Northern Ireland allocation)	Projects aiming to reinforce progress towards a peaceful and stable society and to promote reconciliation in the Region.
Building Sustainable Prosperity (BSP) OP	EUR 285 million	BSP Priority 2 Projects aiming to address specific labour market needs of those who are about to enter the labour market, those who are unemployed and those who are in employment
EQUAL	EUR 11.8 million	19 projects (Development partnerships) dealing with the following two themes: – Employability: Facilitating access and return to the labour market for those who have difficulty in being integrated or re-integrated into a labour market, which must be open to all; – Equal Opportunities for men and women: Reducing gender gaps and supporting job de-segregation.
EURES-T Ireland /Northern Ireland ⁵⁵	Around EUR 1.4 million (2002-2007)	– The principal aim is to remove barriers to mobile jobseekers and employers interested in cross-border work opportunities. It also contributes to make the cross-border labour market more transparent by identifying bottlenecks and surpluses on both sides of the border. Main activities: – Ensure that information on cross-border vacancies is readily available

⁵⁵ The cross-border EURES partnership Northern Ireland/Republic of Ireland was created in 1997.

		<p>through the PES (Public Employment Services) offices and the EURES Job Mobility Portal (http://eures.europa.eu). Awareness raising actions are implemented by means of: EURES-T website, publications, newsletters, information/advisory sessions, audiovisual material etc. A marketing plan is being developed since 2006 to enhance the visibility of the Irish EURES-T.</p> <ul style="list-style-type: none"> – Identify obstacles to cross border mobility and strive to overcome these. For this purpose, the EURES-T develops links with other relevant government and non-governmental bodies and creates a forum for dialogue and consultation. Support from partner organisations, labour market research on mobility flows and assistance to cross border commuters are also important tasks to enhance cross border mobility. – Cooperate with other EU programmes (namely, INTERREG) and also with other EURES members and partners throughout Europe. <p>Relevant publications:</p> <ul style="list-style-type: none"> – Surveys into Skills and Salaries in Companies in the Derry/Donegal cross border region (2007) – Mobility of Labour in the Cross Border Context (2003) – Study of Recruitment Practices (2001) – Report on obstacles to cross-border mobility (2001). An up-dating research study is on-going. It will probably be due by February/March 2008. – Note: any promotional or publication material should be requested to the relevant EURES-T directly
Community Action	i) EUR 800.000	i) Northern Ireland was involved

<p>Programme to combat discrimination (2001-2006)⁵⁶</p>	<p>ii) EUR 450.000</p>	<p>as a partner in two of the 50 transnational projects.</p> <ul style="list-style-type: none"> - Training programmes for local authorities: This project was carried out by two organisations, the European Jewish Information Centre and the Northern Ireland Council for Ethnic minorities. They worked with local authorities in Spain, Northern Ireland and A project was carried out by two organisations, the European Jewish Information Centre and the Northern Ireland Council for Ethnic minorities. They worked with local authorities in Spain, Northern Ireland and Germany to develop training programmes for local officials in education and health services. The programme addressed different forms of unequal treatment and focus on tackling multiple discrimination. - National Strategies on Litigation and support: The project focused on training NGOs representatives not only in the standards of the antidiscrimination Directives but also in strategic litigation and the development of “National Strategies of litigation and Support”. This created a pool of trained experts and a network of organisations which can identify test cases and work in partnership with other organisations –including national equality bodies, trade unions and other NGOs- to support victims of discrimination. <p>ii) NI was also involved in the Irish antiracist workplace week. It was an all-island initiative and the lead partner for this activity was the equality body in Dublin. The aim of the week was to support workplaces to:</p> <ul style="list-style-type: none"> - Be free from discrimination and harassment;
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⁵⁶ Council Decision 2000/750, OJ L 303 of 2.12.2000. This Action Programme aims to encourage concrete measures to combat discriminations and to supplement the activities of the Community and the Member States. This programme, which is carried out in cooperation between the Commission, the member States and the civil society, encompasses actions such as: the analysis of factors linked to discrimination; trans-national co-operation between the target actors and creation of European networks of NGO's, awareness raising as regards the European dimension of the fight against discrimination

		<ul style="list-style-type: none"> – Take practical steps to achieve full equality in practice; – Communicate a message promoting greater equality within the wider community.
Programme relating to the Community framework strategy on gender equality (2001-2005) ⁵⁷	EUR 388.290 (5 th programme)	NI was involved as a partner as to conduct a research on equal pay in Ireland, Finland, Sweden and UK.

⁵⁷

Council Decision 2001/5, OJ L 17 of 19.1.2001. This programme aims to promote and disseminate the values and practices underlying gender equality, improve the understanding of issues related to gender equality and develop the capacity of players to promote gender equality, in particular through support for exchange of information and good practice and networking at Community level.

CHAPTER 4: ENTERPRISE

I. EU policy and perspectives

- 4.1. EU enterprise policy is focused on improving the business environment and enabling enterprises to strengthen competitiveness, and to grow and develop in a way that is compatible with the overall priority of sustainable development. A range of enterprise-stimulating initiatives have been developed at EU level in, among others, the following areas: the Lisbon strategy process for growth and jobs, business innovation, sustainable industrial policy, sector-targeted initiatives in industries such as pharmaceuticals, automotive, textiles, engineering. In addition, there are actions to promote more business-friendly regulation and other policies to support the development of the SME sector in Europe and promote entrepreneurship.
- 4.2. In the period 2001-2006, the main policy instrument managed by the Commission to stimulate the development of enterprises was the Multiannual Programme for Enterprises and Entrepreneurship (MAP), together with the Innovation component of the Sixth Framework programme 2002-2006 (FP6). Since 2007, the enterprise-related measures of both programmes have merged into a single Competitiveness Innovation Framework Programme (CIP)⁵⁸ supporting the Lisbon strategy, with a budget of EUR 3.620 billion. CIP is sub-divided into three sub-programmes covering the themes of entrepreneurship and innovation, information and communication technologies and intelligent energy in Europe.

The main objectives of the sub-programme on entrepreneurship and innovation are to promote greater access to financial instruments (venture capital and loan guarantees), cross-border co-operation between SMEs, innovation and eco-innovation, a culture of risk-taking and entrepreneurship and new enterprise development policies on a pilot basis. Within this sub-programme, EUR 2.172 billion will be used for the development of SMEs and innovation.
- 4.3. The actions co-financed by CIP are selected following a competitive tender procedure and therefore have no geographical pre-allocations. An important exception to this is the network of "European Info Centres" (EIC) and of "Innovation Relay Centres" (IRC) which are established in most European regions. Under CIP, the two networks will merge into one in 2008. The role of the new Enterprise Europe Network will be enhanced with more focus on the promotion of SMEs, innovation, cross-border business and technology transfer.
- 4.4. CIP has the potential to act as a catalyst for economic modernisation in regional economies. Building on its previous experience, Northern Ireland could use the CIP for improvements in fields such as access to finance for the start-up and growth of SME's, SME cooperation, innovation and eco-innovation activities, entrepreneurship and innovation and administrative reform linked to enterprise and innovation. In this context, particular emphasis could be placed on two tasks:

⁵⁸ Decision N° 1639/2006/EC of the European Parliament and the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007-2013), OJ L 310, p.150.

- gaining policy and project experience in building the networks necessary to encourage the clustering of economic activities;
- improving access to financing for SMEs.

II. Northern Ireland's achievements under the EU interventions 2000-2006

- 4.5. According to the Global Entrepreneurship Monitor Survey (2006), entrepreneurial activity in NI is increasing, however, not significantly. The region compares favourably with the rest of the EU, although NI entrepreneurial activity is at a lower level than in the rest of the UK (for the explanatory factors, see above Part 1, Chapter 1, Section 1.8).
- 4.6. It has been recognised that developing the private sector is central to the region's overall ambition to reduce dependence on the public sector. In an effort to address the situation, the UK National Reform Programme⁵⁹ proposes the following set of measures for NI:
- the provision of a one-stop-shop for setting-up a company;
 - more flexible pathways to education;
 - the improvement of adult skills;
 - the development of essential skills for living.

In this context, both the UK and the Irish National Reform Programmes have developed a special focus on all-island economic cooperation. Since 2005, the countries have agreed to co-operate and pool resources in trade promotion, labour market skills forecasting, co-operation in science and technology, knowledge exchanges and development of networks and clusters.

The strategy papers "Regional Innovation Strategy for Northern Ireland (2004-2006)" as well as "The future of manufacturing and services in Northern Ireland" respectively provide similar indications on what needs to be done. They called for the promotion of industrial clusters in industries where NI has the highest potential for growth: Information & Communication Technologies, Life Sciences (encompassing Biotechnology), Aerospace Technologies, Nanotechnologies and, finally, Agri-food Technologies.

⁵⁹ <http://www.dti.gov.uk/europeantrade/europe/promoting-economic-reform/uk-nrp/page25236.html>

- 4.7. The Department of Enterprise, Trade and Investment (DETI) is responsible for the implementation of the majority of these policies.⁶⁰
- 4.8. Under the Multiannual Programme for Enterprises and Entrepreneurship (MAP), the Belfast European Info Centre (EIC) was established in 1989. Its host is INVEST NI, implementing agency for several departments of the NI Executive. The main tasks of the EIC network are to inform enterprises on Community matters and to advise SMEs on the application of Community legislation, regulations etc. During 2006, the staff of five people in the EIC in Belfast (Head of EIC, one project officer and three Information and Advice officers) received some 1263 queries, which represents 8% of all the questions posed to the UK network. The EIC in Belfast specialises in providing information on open tenders within the national territory and across the EU. The information on tenders is distributed regularly to over 250 subscribers.
- 4.9. The Belfast Innovation Relay Centre (IRC), also hosted by INVEST NI, is among the five best performers in the network with regard to the number of trans-national technology transfers facilitated. During the last three years, it acted as a mediator for 28 trans-national technology transfer agreements (with a team of two full-time equivalent staff). The IRC has helped in a number of success stories that have either exploited research originating in the region or sourced technologies from abroad. Many of the recent agreements are related to environmental technologies.
- 4.10. Invested NI also participated in a special project of the Sixth Framework Programme with the aim of establishing a Regional Innovation Strategy (RIS) based on co-operation with other European regions. The RIS for NI set the following priorities:
- Resourcing R&D & innovation;
 - Supporting knowledge & technology transfer;
 - Developing awareness on intellectual property management;
 - Efficient governance through the regional innovation system;
 - Promoting cross-sectoral collaboration;
 - Enhancing inter-regional collaborations.
- 4.11. NI did not participate in the MAP programmes aimed at enhancing the access to finance for SMEs. In fact, only ten UK funds were involved in these MAP initiatives, which possibly reflects the high level of development of financial services in the country. Nevertheless, the European Investment Fund (EIF) participated in the establishment of a venture capital fund, Crescent Capital, whose principal sponsor is Invest NI with a grant of EUR 10 million. Crescent Capital invests primarily in companies operating in the information technology, life sciences and manufacturing sectors. It currently manages two funds with a total value of EUR 48.3 million. (£36.5m) The typical investment range per project is between EUR 331.213 (£250,000) and EUR 1.9 million (£1.5m).

⁶⁰ Building a better future: Draft Budget 2008-2011, p.72.

Trans-national technology transfer and innovation policy learning

Innovation Relay Centre (IRC) established at Invest NI in Belfast was evaluated as one of the best performers in the whole EU network. It achieved a specialisation in facilitating trans-national technology agreement in environmental technologies. One of the most interesting cases of their assistance is a project on hemp isolation capabilities between Queen's University in Belfast and University of Minho in Portugal. Compared with gypsum boards, the hemp-based material is lighter, cheaper and provides better insulation. To facilitate a successful kick-off to the co-operative research project, IRC Belfast supported travel costs, and provided marketing and IPR advice. The research has attracted interest from businesses in France, Germany, the US and Portugal.

Invest NI and DETINI actively participated in the policy learning platform Innovating Regions of Europe (IRE). As a first result, they produced a regional innovation strategy based on the observation of best practices in other regions of the EU. The priorities of the regional innovation strategy are presented in paragraph 4.10. Within the IRE network, NI also took an active part in the Knowledge transfer subgroup, which consists of over 10 regions sharing experiences in overcoming barriers to effective knowledge transfer. The group's final report will be produced in 2008.

Since 2006 PRO INNO Europe provides a sister platform to IRE, which offers additional sets of learning and policy analysis instruments.

North Down- SIGNAL Centre of Business Excellence (ERDF Measure 1.4)

SIGNAL was conceived by North Down Borough Council in partnership with the local business community as a direct response to the needs of local businesses. Initially established as a pilot project to support and encourage Small and Medium sized Enterprises achieve sustained growth, expansion and economic development in North Down.

SIGNAL has now firmly established itself as a 'one stop' gateway for business growth assistance and provides a vital link to economic development agencies and their programmes.

The Nerve Centre – Creative Industries Training Course (ESF Measure 2.3)

The Nerve Centre in Londonderry is considered to be one of the leaders in the field of training in the creative technologies. They have received National Training Awards, an Adult Education Learners Award and a Royal Television Society Award not to mention an Academy Award/ Oscar nomination.

The training programme tackles skills shortages in the creative industries in Northern Ireland and provides an introduction for new entrants to the sector. European Funding has helped the centre to provide full and part time accredited training opportunities in Multimedia, Sound Recording, Media Techniques and Music Business and Technology. Students have gone on to great success, gaining employment within the industry, winning awards for their films and recording music for the latest bands.

III. Northern Ireland's priorities for 2007-2013

- 4.12. The first priority is to implement the Lisbon strategy by supporting the development of a more innovative and entrepreneurial economy. This will help to ensure that NI business can exploit the EU single market more effectively. Within this context, NI is pursuing a general objective of tackling the problems relating to the low labour productivity and employment rates⁶¹ and more specific objectives such as the development of sustainable tourism, the optimisation of the use of the e-business facility supported by the already existing extensive broadband coverage, the creation of databases of marketing expertise for enterprises, identification of the best performing regions in terms of innovation, which could provide NI with methodologies and experience, assistance and support of start-up enterprises⁶²:
- 4.13. In particular, for the period 2010-2011, DETINI has set the following quantified targets:
- attracting inward investment with a view to creating over 6,500 new jobs, with over 4,800 of these with salaries above the NI private sector median;
 - encouraging 600 companies to become exporters for the first time;
 - supporting 45 new start-ups exporting outside the UK, and 300 exporting to the rest of the UK;
 - increasing tourism revenue to almost EUR 673 million (£ 520 million)⁶³.

IV. Suggestions and recommendations

- 4.14. An evaluation of NI's performance in enterprise related community programmes and projects shows that the country participated comparatively well.

⁶¹ Building a better future: Draft budget 2008-2011, p.72.

⁶² OFMDFM "Taking our place in Europe": p.4.

⁶³ Building a Better Future- Draft Budget 2008-2011, p.72-73.

- 4.15. With regard to the Enterprise Europe Network activities, for the period 2007-2013, the decision to integrate the operations of EIC and IRC are likely to benefit NI and improve connections with other EU regions. The new enterprise centre will be hosted by the same organisation responsible for managing the current EIC and IRC, namely Invest NI. Positive experiences in running the network's core business provide a good base for improvement and better inclusion in accompanying policy learning actions.
- 4.16. The NI authorities have regularly proposed to the Commission's Directorate-General for Enterprise and Industry that they engage in secondments of personnel, which would help to increase NI's administrative capacities. Even short, week-long missions could be useful to raise awareness of EU opportunities. In this regard, the Directorate-General will stimulate short visits to SMEs via its "Enterprise Experience Programme." The possibility of long term secondment is being explored.
- 4.17. Best practices financed through MAP or the Sixth Framework Programme suggested that innovation and entrepreneurship policies work best when they are implemented by public bodies very close to companies. Even very small investments can make a difference and help to change established practices and cultures. The development of the Innovation Fund (in cooperation with the Republic of Ireland) is one such action. The participation of research institutions from the Republic of Ireland will help to add to levels of excellence in the scheme.
- 4.18. According to the Global Entrepreneurship Monitor, NI creates a reasonable number of fast-growth companies. However, in-depth observations by Invest NI suggest that their growth halts when they need additional capital to sustain fast development. NI did not participate in the Community projects aimed at development of new mechanisms for access to finance. With regards to this, participation in Competitiveness and Innovation Programme (CIP) instrument High Growth Innovative Facility (GIF2) should be considered. It provides risk capital for innovative SMEs in their expansion stage.
- 4.19. Only a few documents have identified cluster development as a policy priority. There are clusters well established in NI, however, only a few have set up a formal structure which would permit them to connect across the border with the existing networks in Europe. Development of more explicit cluster policy could be stimulated. Europe INNOVA platform provides a good learning tool in this respect.
- 4.20. Tourism is a field which sustained huge losses due to "the troubles" and has a large growth potential. The sector was - appropriately - identified as one of the priorities for public-private cooperation. Besides economic benefits, increases in visitors help to improve the region's image abroad.

V. For further information

Directorate General for Enterprise:

http://ec.europa.eu/enterprise/index_en.html

SME's

http://ec.europa.eu/enterprise/sme/index_en.htm

CIP:

http://ec.europa.eu/cip/index_en.htm

<http://ec.europa.eu/cip/cipgrants.htm>

CIP Calls

http://ec.europa.eu/enterprise/funding/files/themes_2007/calls_prop.htm

Access to finance

http://ec.europa.eu/enterprise/entrepreneurship/finnacing/index_en.htm

<http://www.eif.org/portfolio/ecport/index.htm>

Clustering

Pro-inno Europe: <http://www.proinno-europe.eu/>

Europe-Innova: <http://www.europe-innova.org/index.jsp>

Entrepreneurship- Examples of best practices:

http://ec.europa.eu/enterprise/entrepreneurship/index_en.htm.

CHAPTER 5: ENVIRONMENT

I. EU policy and perspectives

- 5.1. The Sixth Environmental Action Programme⁶⁴ sets out policy priorities for the period 2002-2012. These are four in number: climate change; nature & biodiversity; environment, health & quality of life; natural resources and waste. In addition, seven specific 'thematic' strategies have been developed covering: the marine environment, soil protection, pesticides, air pollution, the urban environment, the recycling of waste and natural resources.

The Action Programme is implemented both at national and Community level, using a range of measures including legislation, policy measures and financial support. At the level of the Community, the LIFE+ programme⁶⁵ will support the implementation of the Sixth Environmental Action Programme by financing measures and projects. LIFE+ has three components: nature and biodiversity; environment policy and governance; and information and communication. The total resources available from the Community budget for LIFE+ amount to EUR 2.143 billion over 7 years.

The beneficiaries of LIFE+ are mainly expected to be NGOs and public sector bodies. Environment-related actions implemented by SMEs are expected to be largely subsumed under the Competitiveness and Innovation Programme (CIP; see above Chapter 4).

- 5.2. The Sixth Environmental Action Programme forms the basis for the environmental dimension of the EU Sustainable Development Strategy (SDS)⁶⁶. Sustainable development is an overarching objective of the EU and combines economic, social and environmental dimensions. The key challenges of the renewed SDS, adopted in 2006, are coherent with the Action Programme priorities and include, among others, climate change, management of natural resources and public health. In addition to the EU SDS, many Member States and some regions have their own sustainable development strategies. The sustainable development strategy of Northern Ireland was adopted in 2006.
- 5.3. As in the past, programmes at national and regional level supported by the Structural Funds represent the main source of European budgetary support for environmental projects in regions such as Northern Ireland.

II. Northern Ireland's achievements under the EU interventions 2000-2006

- 5.4. The land area of NI extends to 14.160 km² of which lowlands account for about two thirds and uplands the remainder. Agriculture and forestry account for about 80% of land use, while 70% of land is in Less Favoured Areas. Perennial grassland is the

⁶⁴ Decision No. 1600/2002/EC of the European Parliament and of the Council of 22 July 2002 laying down the Sixth Community Environmental Action Programme, OJ L 242, 10.9.2002, p.1-15.

⁶⁵ Regulation No. 614/2007/EC of the European Parliament and of the Council of 23 May 2007 concerning the Financial Instrument for Environment (LIFE+), OJ L 149 of 9.6.2007, p.1-16.

⁶⁶ <http://register.consilium.europa.eu/pdf/en/06/st10/st10117.en06.pdf>

most common habitat but upland bogs are also important and to a lesser extent in terms of area, calcareous and other species rich grassland. Hedges and earth banks are common features but under threat from agricultural intensification as are wet bog and species rich grasslands. Neutral grassland (a less intensively managed semi-natural habitat) decreased by 32% between 1990 and 1998⁶⁷.

There is a rich and varied natural heritage, encompassing habitats and species of international, national and local significance. However, many of Northern Ireland's watercourses have been altered over the past decades and this has had adverse effects on biodiversity and water ecosystems. Whilst Eutrophication remains a problem, (for example in Lough Neagh) ongoing process in implementing environmental directives including the Nitrates, Urban Wastewater Treatment and Water Framework Directives is reducing the input of phosphates and nitrates. At the same time, the percentage of river length classified as being of good chemical status has risen from 44% to 58% in the period 1990 to 2003. However, the river length of good biological quality has fallen from 41% to 24% in the same period⁶⁸. The implementation of the Nitrates Directive⁶⁹ and the development of the agri-environment scheme for 2000-06 and 2007-13 are the key instruments for improving water quality. (see above, Chapter 1 "Agriculture"). In addition to water protection, their emphasis is on biodiversity, habitat and species protection and enrichment and the retention of farmland features.

Although there are zones of atmospheric pollution, compared to other parts of the UK, NI has low levels of such pollution. Emissions are reported to have decreased from 1990 levels by 6% for greenhouse gases and 4% for carbon dioxide⁷⁰.

NI must maintain its existing high environmental quality and ensure the highest standards of environmental protection. Environmental quality can be ensured at the same time as increasing productivity and economic growth and widening employment opportunities. Indeed a high quality environment is itself a driver for economic change in two significant ways. Firstly, by ensuring the pre-requisites for sustainable growth are in place, in particular modern water and waste management infrastructures. Secondly, investing in eco-innovation and cutting edge environmental research and technologies can increase comparative advantage.

All-Ireland cooperation is relevant through stimulating common environmental research activities, waste management, water quality management, natural heritage and biodiversity, promoting sustainable energy and transport modes (TENs), and common environmental policy formulation.

- 5.5. The evidence suggests that NI has performed well in terms of the implementation of some environmental Directives. Regarding, in particular, the Nitrates Directive,

⁶⁷ Strategic Environment Assessment Environmental Report, ADAS UK Ltd, Northern Ireland Regional Competitiveness Operational Programme, April 2007, p.43.

⁶⁸ Environment Agency, Scottish Environment Protection Agency, Northern Ireland Environment and Heritage Service cited in the Northern Ireland Rural Development Programme, 2007-2013, p.23.

⁶⁹ Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources, OJ L 375, 31.12.1991, p.18.

⁷⁰ <http://www.northernireland.gov.uk/news/news-doe/news-doe-september-2007/news-doe-180907-.htm>

Northern Ireland has designated its whole territory as nitrates vulnerable, adopted a nitrates action programme applicable to all farms in 2007 which, in turn, has enabled the Commission to agree its request for a derogation regarding the upper limit for manure nitrogen application in the action programme also in 2007⁷¹. Research data from the Agri-food and Biosciences Institute on Nitrogen played an important role in this area. NI is the first region in the UK to have achieved conformity with the Directive. Implementation of the action programme and derogation over the four year period until end 2010 and, as appropriate, thereafter will contribute to reduce both nitrate and phosphate pollution of Northern Ireland waters.

- 5.6. There have also been some recent successes in the fight against illegal cross-border waste transport with the Republic of Ireland. Areas identified by the Commission as requiring further attention include urban waste water treatment although here also considerable progress has been made, the aftercare of landfills due to late transposition of the EC Landfills Directive within NI, and designation of additional salmon areas as Natura 2000 sites under the Habitats Directive.
- 5.7. The implementation of environmental legislation and the promotion of environmental and sustainable development policies is the responsibility of the region's Department of Environment (DOENI). The Department cooperates closely with the Office of the First and Deputy First Minister (OFMDFM) on sustainability and with the Department for Regional Development (DRD).
- 5.8. As indicated above, European financial support for environmental projects is mostly delivered via the Structural Funds. In the European regional programme for 2000-06 (Building Sustainable Prosperity) one of the five Priorities was dedicated to improving the environment, with the ring-fencing of over EUR 46 million for activities promoting the management and protection of the environment and the sustainable promotion of the natural and built environment. So far, over EUR 40 million have been paid in this field, in particular, to support 4 water treatment schemes and 2 sewage treatment schemes. Air quality schemes, as well as actions for biodiversity and cultural heritage have also been financed in the 2000-06 programme. The successful achievement of targets set for water and sewage treatment under the Environment Priority was reflected in the award of additional EC resources from the Performance Reserve in 2003.

The investments in sewage treatment and water treatment schemes have assisted in bringing NI more in line with EC environmental regulations; whilst the Commission is still examining the final monitoring results, it appears that most agglomerations now have adequate waste water treatment facilities in place.

- 5.9. From 1992 to 2006, the LIFE programme co-financed throughout the EU some 2500 projects. There were two LIFE projects in the 1990s in Northern Ireland. In the same period, the number of LIFE projects where the main beneficiary was in the Republic of Ireland was 48 and for the UK as a whole it was 176.

A few examples from among these 2500 projects demonstrate practical ways of improving the environment:

⁷¹ Commission Decision 2007/863/EC, OJ L 337 of 21.12.2007, p.122.

LIFE03 UK/ENV/613 "Local Authority EMAS and Procurement (LEAP)": this project, involving local authorities from the UK, Denmark, Greece and Portugal, developed tools for local authorities to systematically, effectively and efficiently deal with green procurement as part of an environmental management system:

<http://www.iclei-europe.org/?leap>.

LIFE02 NAT/IRL/008490 "Restoring Active Blanket Bog in Ireland": demonstrates how to restore active blanket bogs on afforested peat lands:

<http://www.irishbogrestorationproject.ie/>.

The beneficiary is now working on a second project concerning raised bogs: <http://www.raisedbogrestoration.ie/>

LIFE03 ENV/NL/000465 "Environmentally friendly phosphorus removal in anaerobe effluent": showed how to remove phosphates successfully from waste water from a potato processing plant.

For all information on the LIFE programme and its projects please see: <http://ec.europa.eu/life>.

At present, Northern Ireland is involved in a LIFE project on "Remediation of agricultural diffuse nitrate polluted waters, through the implementation of a permeable reactive barrier (NITRABAR). This project is led by the University of Oxford and covers all UK regions; Queen's University Belfast is a project partner. Its total cost is just under EUR 1.5 million with an EC contribution of EUR 740 thousand, and should be completed by 2009. On completion, this project may be of relevance across the EU by contributing to the better management of manure at farm level and the protection of surface waters through the development of a system of permanent reactive barriers already in existence for industrial applications. The project aims to demonstrate an innovative, cost effective and acceptable technological solution that will aid the protection of surface waters from diffuse nitrate contamination arising from agricultural practices. It includes a tool that complements cross-compliance of agricultural and environmental requirements. The project has partners in Poland, Malta and Belgium and expected results include the widespread transfer of know-how to over 2000 stakeholders and the increased acceptance of the approach by environmental regulatory bodies throughout Europe. The NI First Minister commended the project at a NITRABAR stakeholders event on 12 February 2008⁷².

- 5.10. With regard to working relationships between the Commission services and the NI authorities, there are well-established lines of communication on matters such as the treatment of legal infringements, on casework in specific policy sectors (for example on water or waste), on the implementation of the regional and rural development programmes. However, there is clearly scope for deeper relations to be developed, using the contacts developed under the NITF.

⁷²

<http://ec.europa.eu/environment/life/news/newsarchive2008/february/index.htm#nitrabar>

III. Northern Ireland's priorities for 2007-2013

- 5.11. The NI priorities for the coming period are focused on air and water quality, on waste and flood risk management and on climate change issues. Moreover, the region aims to become more involved in new LIFE+ projects and address its low level of participation in the past, encouragingly via the formation of trans-national partnerships⁷³.
- 5.12. Under the new regional programme for the period 2007-13, investments in large environmental infrastructures (such as water supply facilities or waste treatment plants) are no longer a priority outside the very poorest regions in the EU. But actions in favour of the environment remain a priority and in NI some EUR 18 million has been allocated for actions in the field of air quality, biodiversity, conserving the natural and built environment, renewable energy and energy efficiency and improving sustainable transport.
- 5.13. The new cross-border and transnational cooperation programmes involving NI will also include opportunities for environmental investment, and the Commission's Regions for Economic Change initiative includes several networks on environment-related topics. The European Social Fund can be used for improving environmental capacity, by learning from other countries (e.g. the German Voluntary Ecological Year). Following the practices elsewhere in the EU such as Spain and other parts of the UK, NI could consider launching a project on Greening Public Procurement within the public administration.

In the perspective of establishing "Knowledge & Innovation Communities" under the new European Institute of Technology, the following example of "Green Chemistry", already up and running, illustrates experience in the field of environmental research that could be shared with other Universities and research centres in other Regions:

Green Chemistry represents a major challenge as industry and society seek to ensure that industrial processes are environmentally neutral or positive and that they are more energy efficient as well as cost effective. The theory and practice of Green Chemistry will offer solutions to enhance European competitiveness. Queen's University Belfast has an established Industry University Collaborative Research Centre with industry partners drawn from leading European chemical companies. In addition the University's research in the theory and application of catalysis and ionic liquids is widely recognised and is conducted in cooperation with leading laboratories across Europe. The University also has a significant education and training activity in Green Chemistry at postgraduate and postdoctoral level. Planning work undertaken in the context of the development of a G8 initiative in Green Chemistry provides a firm foundation for the establishment of a KIC that will create a critical mass of excellence in research, innovation and education that meets the aspirations and objectives of the EIT.

⁷³ OFMDFMI "Taking our place in Europe" and page 5, Building a Better Future "Draft programme for Government 2008-2011" page 10-11; contribution of the DFP to NITF (14 September 2007).

IV. Suggestions and recommendations

- 5.14. NI, in common with other regions, will need to improve systems of coordination between the different actors in the public and private sector to achieve EC policy goals, while drawing on the various national and European streams of public support. In this respect, a key goal to help economic growth in NI could be to invest more in environmental technologies. In January 2004 the European Commission produced an ambitious Environmental Technologies Action Plan (ETAP)⁷⁴ addressing three broad areas: getting from research to markets, improving market conditions, and acting globally. The Plan itself proposes 25 measures to be carried out by the European Commission, national and regional authorities, industries and research organisations. Member States have been asked to draw up national roadmaps indicating how they will implement the ETAP actions including those aiming to mobilise investment in environmental technologies, and provide valuable information that can serve as input to further cohesion policy on eco-innovation. NI needs to ensure that the responsible national ministry (Department for Environment, Food and Rural Affairs, DEFRA) is aware of their needs. The success in implementing ETAP will depend to a large degree on financial support from a broad range of sources (European and national financing programmes).

The ECREIN project (European clusters and regions for eco-innovation and eco-investment network)⁷⁵ aiming to improve knowledge about existing instruments in the European, national and regional levels is a successful example of how regional policies can be instrumental in setting up financial, economic and technical tools to stimulate eco-innovation.

- 5.15. NI could also play a more active part in the major European environmental networks such as ENCORE (Environment Conference of the Regions of Europe) dealing with issues such as climate change at regional level, as well as the Working Groups put in place by the Commission's Directorate General for the Environment (such as on the implementation of the EC Water Framework Directive). In addition, in the 2007-13 period, the region could participate more regularly than in the past in the UK-wide Environment and Structural Funds Group managed by the Department of Communities and Local Government (DCLG). An analogous group in the Republic of Ireland could contribute in addressing environmental issues in an all-island context.
- 5.16. Success in the implementation of EC environmental interventions largely depends on the respective capacities of the local and regional administrations. Networking within NI (public and private sector, higher education institutes, environmental NGOs), and learning from other European regions will be a key to making successful bids.
- 5.17. NITF will welcome and support initiatives, in line with the EU environmental strategic goals, for sustainable development in NI in particular in the field of innovation and development of knowledge technologies for practical applications.

⁷⁴ http://ec.europa.eu/environment/etap/index_en.htm

⁷⁵ <http://www.ecreinetwork.eu/>

V. For further information

Directorate-General for environment:

http://ec.europa.eu/environment/index_en.htm

LIFE + including NITRABAR and other success stories:

<http://ec.europa.eu/environment/life/index.htm>

Funding opportunities:

http://ec.europa.eu/environment/funding/intro_en.htm

http://ec.europa.eu/environment/integration/cohesion_policy_en.htm

CHAPTER 6: FISHERIES

I. EU policy and perspectives

- 6.1. In exploiting aquatic resources, the European Union's Common Fisheries Policy (CFP) aims to ensure that this activity is managed in a sustainable way in economic, environmental and social conditions terms, taking full account of the 'precautionary' principle. In 2002, the CFP underwent an important reform in an effort to secure a long-term future for fisheries, taking into account the urgent need to ensure recovery of depleting stocks. It addressed also the need for improved governance to secure the sustainability of the sector. While some progress has been made since 2002 through the development of long-term management plans for several stocks and by establishing the Regional Advisory Councils (RAC), both the economic and social sustainability of the sector remain somewhat undermined by the imbalance between the capacity of the fleet and the resource base. In this context, the part of the CFP concerned with the development and restructuring of the fisheries sector has an important role to play in particular by helping to adjust fishing capacity, the fleet, to the availability of fish stocks, and to create viable and competitive structures within, respectively, the catch, aquaculture, processing and marketing sectors.
- 6.2. During the period 2000-2006, the EU budget, in particular, the Financial Instrument for Fisheries Guidance (FIFG), complemented by resources from other Structural Funds (ERDF, ESF, EAGGF), was used to support the reduction of fishing capacity, the modernization of the fleet, the development of aquaculture, processing, marketing and port facilities, the identification and promotion of new market outlets as well as measures to improve the skills of workers in the sector and to attenuate the social consequences of restructuring.
- 6.3. For the period 2007-2013, the new European Fisheries Fund (EFF)⁷⁶ will continue to support the basic CFP objectives. In addition, as regards efforts to adjust the fishing effort to fishing resources and to strengthen the competitiveness of the sector, the EFF will have a strong focus on the protection of natural resources and on the global sustainability of the sector. The EFF also gives priority to the sustainable development of the socio-economic structure of areas dependent on fisheries and more generally on helping coastal communities.

The implementation of actions under the EFF is today based on national strategic plans, which serve as a basis for a single operational programme for each Member State which is prepared by the national authorities before approval by the Commission.
- 6.4. In view of further improving its impact in the medium term, the Commission has already launched a "health check" of the CFP and is investigating different options for further initiatives and further reform of the policy. After finalisation of the first investigation in cooperation with internal and external experts a proposal for a time

⁷⁶ Council Regulation (EC) N° 1198/2006 of 27 July 2006 on the European Fisheries Fund, OJ L 223 of 15.8.2006, p.1.

plan for new initiatives will be made and a dialogue with other EU Institutions, Member States and other stakeholders will be launched.

II. Northern Ireland's achievements under the EU interventions 2000-2006

- 6.5. In 2007 the NI fishing fleet accounted for 4% of the UK's total landings by value (England, 34%, Wales, 3% and Scotland, 59%), of which about a half was accounted for by nephrops. There is also a small but profitable pelagic fleet and a small but declining whitefish fleet. About 300 fishing vessels are registered in the three main fishing ports (Ardglass, Kilkeel and Portavogie).

Despite the decrease in the fleet size over the last years, the quantity and the value of fish landed has increased with recorded landings of 17.600 tons with a value of approximately EUR 30 million in 2006 in comparison to recorded landings of 13.800 tons with a value of EUR 21 million in 2004.

The employment situation in the catching sector does not reflect the reduction of vessel numbers. The total number of full- and part-time fishermen is stable and has even increased from 619 in 2004 to 679 in 2006. While the number of part-time fishermen has decreased from 84 in 2004 to 66 in 2006, the number of full-time fishermen working on the vessels has increased from 535 in 2004 to 613 in 2006.

Adding those engaged in the processing and marketing sector, the total number of full- and part-time employees in the fisheries sector has decreased slightly from 1660 in 2004 to 1601 in 2006.

The gross turnover of the NI fisheries sector is EUR 112.5 million contributing added value of EUR 30 million to regional GDP and export sales (outside UK) of EUR 45 million⁷⁷.

- 6.6. The aquaculture industry continues to grow. There are currently 103 licensed aquaculture sites. Of these, 66 are licensed for the cultivation of shellfish (64 marine and 2 land-based) and 37 for the cultivation of finfish (35 inland and 2 marine). Trout and salmon are the main species of finfish cultivated and total production for the sector is around 750 tons annually, which is valued at approximately EUR 2.2 million. Mussels and pacific oysters are the main species of shellfish which are cultivated and annual production is around 7 000 tons and 280 tons respectively. The total production of the sector is valued at approximately EUR 4.5 million. In total the aquaculture sector directly employs 145 full-time and 72 part-time workers.
- 6.7. Fisheries policy in NI is managed by the Fisheries and Rural Policy Division within the Central Policy Group of the Department of Agriculture and Rural Development (DARD) and is subject to the overall direction and control of the Minister with responsibility for the Department.

⁷⁷ Statistics are from DEFRA publication- UK Sea Fisheries Statistics and DARD (2006) Size and Performance of the Northern Ireland Foods and Drinks Processing Sector. Exchange rate used for calculation 1GBP=1,5EUR.

6.8. For period 2000-2006, the NI fishing sector received a total of some EUR 29.7 million under the FIFG and PEACE II programmes. The fisheries dimension was integrated into the overall Objective 1 programme for NI, under the heading of “Building Sustainable Prosperity”, priority 4. The major part of the resources, EUR 29 million, came from the FIFG. In parallel, under the PEACE II programme, EUR 757.172 was allocated to cooperative actions with Ireland in fishing and aquaculture. Some 200 projects, encompassing -among others- vessel decommissioning, compensation for the cessation of fishing activities in order to allow the recovery of stocks, aquaculture projects, marketing initiatives have been financed (see table in Annex).

6.9. The assessment of the impact of the actions is globally positive, although inevitably, the performance varies. For example, for projects aiming to adjust the fishing effort, to improve facilities at fishing ports, to promote processing and marketing of freshwater and marine products, and to decommission vessels, the conclusion is that the targets have not only been attained but in certain cases exceeded (in decommissioning vessels, the target of 30 vessels has been exceeded by 60%). On the other hand, for aquaculture, there is room for more progress.

With regard to the creation of full-time jobs, it seems that the programme is progressing well as far as fisheries is concerned, and with a target of 220 jobs, 191.5 (87%) have already been created.

Perhaps the main difficulty in the successful implementation of fisheries measures relates to the fact that the level of participation of the private sector in operations co-financed by the FIFG has been lower than initially expected.

6.10. In performing its duties, the programme managing authority is supported by a special Fisheries Working Group, which provides advice on implementation and on how to make the most of the EU resources available.

6.11. In the light of the fact that the 2000-2006 regional development programme was much broader in scope than the fisheries dimension, and given that the new fisheries programme for 2007-2013 is organized on a national, UK-wide basis, this has tended to limit opportunities for direct contact between the Commission services and the NI authorities (including the Office of the NI Executive in Brussels). However, NI representatives participate in the monitoring committee meetings for FIFG outside the Objective 1 programme as well as in the Annual Review meetings for FIFG assistance.

*Over the last eight years the Northern Ireland Fishery Harbor Authority, responsible for the three premier fishing ports of Northern Ireland (Ardglass, Kilkeel and Portavogie), has delivered a strategically focused series of **investments, which have linked improvements to the port's infrastructure and services, to improvements in safety, product quality and environmental performance.** All this has been aimed at helping improve and sustain the operational safety of the fleets and the excellent fishery produce available from the Northern Ireland fleets. Investments exceed EUR 19 million (£13 million) and have been funded by the Financial Instrument for Fisheries Guidance, with national match funding provided by the Department of Agriculture and Rural Development for Northern Ireland.*

In Ardglass, for example, among others, all existing quay-side ladders have been replaced, ladders and fenders have been installed to the North Dock, the old fish-market building is refurbished and racks are installed to provide secure storage of nets in the yard area.

In Kilkeel the examples of investment include the refurbishment of the slipway facility with three new state-of-the-art hydraulic cradles of 380t capacity. Uniquely, this slipway facility can accommodate mussel dredgers up to 40m in length. In addition the inner and the outer harbor quay walls have been repaired in Kilkeel and a 35 berth pontoon facility is being installed.

In Portavogie a chill room has been installed for storing the catch prior to sale, the setting out and surfacing of a dedicated net repair and stretching area is currently underway. As a part of this, net storage racking will be installed to enable nets to be boxed and stored off the ground when not in use⁷⁸

III. Northern Ireland's priorities for 2007-2013

- 6.12. Against the background of the small size of the NI fleet, and of the fishing industry as a whole, the region has set itself the priority of seeking to ensure that EU fisheries policy⁷⁹ evolves in a favourable way, through more active participation in policy development.

As indicated, for the new programme for 2007-2013, NI forms part of a single national UK programme bringing for the first time all parts of the country under one fisheries scheme. The total EU financial contribution for this programme is EUR 138 million of which EUR 43 million are for the least developed UK regions covered by the Convergence objective, and EUR 95 million for the rest, including Northern Ireland. Compared to the previous programming period, the UK receipts are reduced by some 30%. According to the UK authorities, NI will be allocated EUR 18.1million for period 2007-2013.

The national fisheries programme is still under preparation. According to the draft National Strategic Plan (February 2007) the overarching aim in NI will be to develop a fishing sector that is sustainable and profitable and supports local communities, and is managed effectively as an integral part of a coherent policy for the marine environment. As the OP was not adopted by the end of 2007, the two branches of the budget authority, the Council and the European Parliament will have to decide, by May 2008, whether and how the 2007 allocation will be redistributed over the years 2008-2013.

- 6.13. In preparing the UK Fisheries programme, the working relations between the Commission services and the NI Authorities are expected to deepen and become more systematic, given that the latter, after devolution, are playing a more prominent role in the preparation and implementation of the programme.

⁷⁸ FISHupdate, February 2008, page 21.

⁷⁹ OFMDFMI "Taking our place in Europe", page 3.

IV. Suggestions and recommendations

- 6.14. In view of the preparation of the UK programme, and in order to avoid problems encountered in the previous programming period, it could be helpful to reflect on difficulties encountered in 2000-2006, in particular, with regard to the rate of financial implementation of the programme (see above point 6.9). This could conclude that a closer alignment between the financial plan for 2007-2013 and the number, and value, of potential applications is achieved. Also, possibilities to encourage a higher private leverage effect by defining measures in a way that is attractive to the private sector and facilitating access to credits for fishermen and other beneficiaries in the fisheries sector could be considered. In general the impact of Community measures on the NI fishing industry and on their fisheries dependent regions should be maximised by choosing and designing measures in a way that meets best the needs of the sector in view of the current and future circumstances. Axis 4 for the sustainable development of fisheries areas might be particularly appropriate to maintain and foster the socio-economic viability of fisheries dependent areas in NI.
- 6.15. With regard to TACs and quota setting, the Commission welcomes the opinions from NI on TACs through the UK negotiating delegation and through the NI fishing sector participating in the RACs. The systematic approach to setting TACs for all stocks are set out in the annual Policy Statements, which form the basis for the negotiations on the principles and methods for achieving sustainable fisheries with the Member States and the RACs and Advisory Committee for Fisheries and Aquaculture (AFCA). The Policy Statement for 2009 is currently under preparation and is expected to be presented in the Council in June 2008.

Service for the facilitation of grant applications- England Northern Ireland could consider launching a service for the facilitation of grant applications similar to that implemented in England. The concept of the operation is built around a small team of facilitators who are first trained by the Management Authority and who then take initiative to promote the funding programme (currently FIGG, EFF in the future) and to monitor that the grant applications will actually be implemented.

V. Further information:

Useful links

1. Directorate-General for Fisheries: http://www.fish.cec.eu.int/default_en.htm
2. Department of Agriculture and Rural Development for Northern Ireland
<http://www.dardni.gov.uk/index/fisheries-farming-and-food/fisheries.htm>

Annex:

Fisheries- 2000-2006 EU allocations in Northern Ireland

Programme	FIFG	Projects
Building Sustainable Prosperity	€29 million	<p>In total 200 projects, including:</p> <ul style="list-style-type: none"> -48 vessels decommissioning; -29 vessel owners compensated for temporary cessation of activities to allow for recovery of cod stocks; -13 safety equipment awards; -15 awards under marketing and quality on board fishing vessels; -23 awards under improvement to facilities at NI fishing ports; -14 aquaculture projects supported; -5 marketing initiatives supported; -22 awards under the collective operations scheme (?); -17 fish processors awarded in schemes such as live shellfish export and value-added production
PEACE II	€757,172	<p>Two projects are being co-financed:</p> <ol style="list-style-type: none"> 1. "Cross-border Seafood project" under co-operative fishing actions. This project, through three inter-related elements, is focused on the fish processing sector, as well as the wider community and schools in the PEACE regions. It will engage all beneficiaries on a cross border and cross community basis in activities related to the seafood/fishing industry. 2. "Cross-Border Aquaculture initiative (Team) "under aquaculture cooperation. This project aims to provide a range of support services facilitating the sustainable development of the aquaculture sector with a view to increasing volume, value and employment in Northern Ireland and the six border counties of the Republic of Ireland. The Initiative will engage all fish farmers and related beneficiaries on a cross-border and cross-community basis in development activities related to the aquaculture sector.

CHAPTER 7: REGIONAL DEVELOPMENT

I. EU policy and perspectives for 2007-2013

- 7.1. The aim of EU regional policy is to strengthen cohesion by reducing economic, social and territorial disparities among regions and Member States. The emphasis in the EU's regional aid programmes is to ensure that all regions can compete *internally* in Europe in order to benefit from the opportunities for trade created by the single market and *externally* with the rest of the world in the face of the challenges of globalization. In political terms, EU regional policy is an expression of European Union solidarity, and of the drive for increased competitiveness throughout the Union.
- 7.2. For the period 2007-2013, the new programmes take as their point of reference the EU's Lisbon strategy for growth and jobs. To this end, they must therefore be based on the Community Strategic Guidelines agreed by all Member States in October 2006, the document on which the UK, like the other Member States, has drawn up its own the national strategy (National Strategic Reference Framework). The national strategy is the basis for each regional programme, including that for NI Implementation through partnership, remains the key involving members of civil society, the environmental actors, NGOs and bodies promoting gender equality.

The new programmes must continue to be run in accordance with key Community law and policy priorities in fields such as the environment or the prohibition of discrimination⁸⁰.

II. Northern Ireland's achievements under the EU interventions 2000-2006

- 7.3. As indicated, largely due to the difficult political situation in the past, Northern Ireland has some of the most serious socio-economic problems of all of the regions within the UK. Although, over recent years, NI has performed well, a number of structural problems remain to be tackled: low productivity, lower working age activity rates and the highest share of the working age population in inactivity in the UK⁸¹. This in effect constitutes a loss of economic potential to the region.
- 7.4. As a small region situated on the periphery of the EU, NI has to face certain handicaps relating to its geographical position. European programmes under PEACE and INTERREG have helped the establishment of relations with other regions of the EU, notably the Republic of Ireland. Of particular interest is the cooperative approach reflected in the "Comprehensive Study on the All-Island Economy" (2006). The document emphasises the importance of the economy and of the need for more innovation and identifies a number of opportunities for joint action on both sides of the border. These include: R&D and the development of knowledge economy; education and training; enhanced cooperation in the fields of health and educational

⁸⁰ Council Regulation (EC) N° 1083/2006 of 11 July 2006, OJ L210 of 31.7.2006, p. 25

⁸¹ NI has the highest percentage of households claiming incapacity benefit and over 300.000 people, or 29% of working age population are not economically active, Varney report "Review of Tax Policy in NI", Dec.2007, p. 7.

services; co-operation and coordination for the provision of key infrastructure (energy, transport and telecommunications); co-operation on trade and investment promotion; co-operation in support of enterprise and business development and improved regulatory environment. The document highlights the infrastructure needs and identifies the development problems of the North West of the island (on both sides of the border) where NI and the Republic of Ireland have already agreed the Northwest Gateway Initiative.

Also in the field of road infrastructure, a high quality road network on the inter-urban network linking the NW Gateway of Letterkenny with Derry and Dublin and the road connecting Belfast and Larne have been identified as priorities. The Irish Government has committed EUR 580 million for roads in Northern Ireland. The all island economy approach also favours the upgrading of cross-border intercity rail services between Dublin and Belfast and the further development of the single energy market (which is seen as a useful model for cooperation more generally between EU Member States).

- 7.5. The programmes supported by the EU through the regional aid fund (ERDF) are implemented under the responsibility of the Department of Enterprise Trade and Investment (DETINI), the Department of Finance and Personnel (DFPNI), the Department Regional Development (DRDNI), the OFMDFM, the Department of Social Development (DSDNI) and the Special EU Programmes Body (SEUPB).
- 7.6. During the period 2000-2006, NI benefited from programmes supported financially by the European Regional Development Fund including specifically regional programmes and under four Community Initiatives (EQUAL, URBAN, INTERREG, LEADER), as well as aid for innovative actions. From the different ERDF interventions, NI received EUR 929 million under the Building Sustainable Prosperity (BSP) programme, a further EUR 294⁸² million under the PEACE II programme.

With this allocation, a large volume of projects have been supported in the field of business, transport infrastructure, regeneration and community development, new technologies, environment etc. The major part of the PEACE II resources has been used in projects bringing communities together, overcoming divisions and creating new linkages. A more detailed description of the interventions can be found in the Annex.

- 7.7. The strategic aim of the BSP programme has been to promote the transition to a stable, prosperous, fair and outward looking society sustained by a better physical environment⁸³. In this context, the ERDF co-financed a broad range of projects, and certain qualify as "success stories".

⁸² The total ERDF support for PEACE II is EUR 368 million with EUR 294 million for Northern Ireland and EUR 81 million for the Border Region. Included in these amounts are EUR 30 million for Priority 5 "Cross Border Co-operation" supporting cross border projects which cannot be clearly allocated to Northern Ireland or to the Border Region alone.

⁸³ BSP OP (2000-2006) has been built around five priorities: i) Economic growth and competitiveness; ii) Employment; iii) Urban and social revitalisation; iv) Agriculture, rural development, forestry and fisheries and v) Sustainable environment.

The "Classroom 2k" project provided 23 000 computers to Schools across Northern Ireland enabling pupils to bridge the digital gap and become equipped with vital skills for the wider knowledge economy. The project received EUR 42 million from the ERDF.

The "North West Gas pipeline" project running from Carrickfergus to Londonderry received EUR 16 million of ERDF in a bid to supply cheaper energy to consumers in Northern Ireland and to reduce CO2 emissions therefore improving air quality in the province.

The 'Business Start Programme' throughout NI received an ERDF grant of EUR 3.2 million to support start ups in conjunction with Invest NI and the 26 Local Councils through a partnership approach. The programme provides a comprehensive package of support consisting on advice, guidance, business planning and ongoing post start up business support during the critical first twelve months of trading creating real opportunities for local entrepreneurs.

Interestingly, with European programme support, NI now has 100% broadband coverage, although there remains a need for further efforts to promote ICT technologies. The move now is to upgrade the network, improve speeds, increase connectivity and in particular encourage businesses to exploit the available facilities.

In general, so far, the monitoring results suggest that the implementation of the programme has been successful, although a fuller ex-post evaluation remains to be carried after the final actions have been realised (i.e. after December 2008).

- 7.8. The PEACE II programme, is recognised as having significantly contributed to restoring contacts and confidence and in addressing community divisions and conflict-related issues⁸⁴. PEACE established new ways of working together among the different stakeholders, emphasising the "bottom-up", inclusive approach. Its management and delivery mechanisms gave the opportunity to representatives of the main political interests to sit together with social partners, the voluntary sector and other stakeholders. Some of the PEACE projects constitute success stories and have been presented in the "Open Days" event in Brussels (10 October 2007). The peace and reconciliation experience, largely achieved thanks to the EU support, could be of value to other regions in Europe and in other parts of the world that are experiencing, or emerging from, conflict or deep community divisions.

The "Wave Trauma Centre" has received more than EUR 1.8 million under PEACE to promote social integration and develop the skills of individuals who have been affected by the troubles.

The "Institute of Electronics, Communications & Information Technology (ECIT)", Centre of Excellence at the Queen's University in Belfast which has

⁸⁴ Its predecessor, the PEACE I programme covered the period 1994 -1999. It has total cost of €695 million out of which €503 million were the Union's contribution coming from the four structural funds. It was implemented as a community initiative. It has attracted more than 30,000 applications and has funded more than 15,000 projects resulting in more than 7000 net jobs created. But the most important achievement is its contribution to the peace process by being a catalyst for change.

received more than EUR 9 million under PEACE to provide facilities and support for the development and growth of new hi-tech companies attracting inward investment and creating job opportunities for scientists and researches, mainly in the fields of:

- *Advanced broadband and wireless networks;*
- *High frequency electronic Circuits/antennas;*
- *Telecommunications software;*
- *System-On-Chip;*
- *Image and Vision Systems;*
- *Speech and language training/speech recognition systems.*

In addition, the peace process has been supported through the EU contributions to the International Fund for Ireland (IFI). Although the IFI and, moreover, the EU contribution to it does not come under the Cohesion Policy, this Fund has significantly contributed to reconciliation.

The "Integrating Education" project has received over EUR 800,000 from IFI to support the growth of integrated education schools in Northern Ireland by assisting schools in developing integrated education, developing and disseminating examples of good policy and practice and extending key principles of integrated education to other educational providers.

The "Glencree Centre" for Reconciliation has received more than EUR 2.5 million from IFI to support its activities and enhance its capacity to offer specific programmes to young people, schools, victims/survivors, former combatants, as well as political, religious and community groups from within the Island of Ireland, between Britain and Ireland and beyond.

- 7.9. The URBAN II has been, in general, successful and innovative in encouraging people from the two communities to work together in common projects. Supported by a very good management on the ground, people worked with great enthusiasm and the results are impressive.

Among the many success stories, it is worth mentioning the URBAN II interventions in Mount Vernon area, the Carrick Hill residents' association projects, the Ardoyne Youth Club Project and the Dockers ABC one. Moreover, Belfast has been quite active in URBACT and participated in five networks (Chorus, Partecipando, Regenera, UDIEX-ALEP, Youth URBAN II) projects in North Belfast showed how much a project success or failure can be dependent on the quality of planning, of community cooperation and on the taking ownership by the local society. The above mentioned best practices can serve as a legacy for the NI urban areas where there is still much to be done in the field of social exclusion.

Laganside Corporation Cathedral Quarter Streetscape (ERDF Measure 3.1): *The Laganside Corporation Cathedral Quarter Streetscape project implements environmental improvement works within Cathedral Quarter, in Gordon Street, Hill Street and the Alleyways of Exchange Place and Commercial Court. The aim has been to enhance the physical environment through quality innovative and exciting streetscape improvements as part of the Regeneration Strategy of the Cathedral Quarter as the Art/Cultural and Historic Quarter for Belfast.*

The Pre-School Education Expansion Programme (ERDF Measure 3.4): EU funding has contributed to the construction of 53 nursery units across all the Education and Library Boards, some of these located within primary schools, others stand-alone. Some 1,742 full-time places have been provided, with 2,942 children availing of these on either a full-time or part-time basis. New posts have been created for 65 teachers and 86 classroom assistants. The programme is part of the government's wider strategy to provide an integrated and coherent range of care and education services to meet the needs of young children and their parents.

7.10. NI participated also in three INTERREG programmes, Ireland/Northern Ireland, North West Europe and Atlantic Area.

i) The *Ireland/Northern Ireland cross-border programme* aimed to address economic and social disadvantage arising as a result of the existence of the border, by promoting the creation of cross-border networks involving and benefiting local communities. Some examples of projects in these areas directed to local communities are "Business Acceleration Programme"; "Alternative energy support programme"; and "Cross-border angling tourism development".

The project "North West Technology Zone (NWTZ)", formerly known as the "Virtual Cross Border Technology Park – VCBTP" is a good example of a joint initiative to promote cross-border infrastructure facilities for economic development. The ERDF grant is EUR 10 million for a total cost of around EUR 45 million. It is an initiative promoted by the Industrial Development Agency (IDA) from IRL and the Invest Northern Ireland from NI which will provide a networked physical cross-border technology park environment in the North West of Ireland. The NWTZ will incorporate Business parks in Letterkenny and Derry City. The project rationale is to create a business zone with sufficient critical mass to allow the North West region to compete more favourably internationally for inward investment. The primarily targeted sectors are ICT, Medical Technologies, Bio-Pharma, Global Traded Businesses and Financial Services. It seeks to harness the synergetic effects of linking the populations, the graduate pools, the education and research institutions, the business clusters and the enhanced property solutions of Letterkenny and Derry City. It will offer a wide variety of modern property solutions and will benefit a population of approximately 346,000 and a student population in excess of 10,000 in three separate third level institutions, making it the fourth largest conurbation on the island of Ireland.

Regarding actions on social and community infrastructure and health and well-being we find, for example, projects directed to community integration through sports or special devoted to help older people.

ii) NI has also been active participating in the trans-national programmes "North-West Europe" and "Atlantic Area" with a number of successful projects⁸⁵.

⁸⁵

North West Europe:
COREPOINT, creating a sustainable framework for integrated coastal zone management;
GEOPARKS, for a better knowledge of the geological diversity of North West Europe;

- 7.11. As regards the working relationship between the Commission services and the NI authorities (including the Office of the NI Executive in Brussels), this has worked well during previous programming periods, and provides a good basis for constructive dialogue on economic development during 2007-2013.

III. Northern Ireland's priorities for 2007-2013

- 7.12. The region's top priority is to create a dynamic and innovative economy. To help to achieve this, the aim is to maximise the impact of EU support for the regional programmes and to support this through enhanced involvement in other EU policies such as RDT, through more involvement in EU networks, including EU-financed initiatives such as "Regions for Economic Change", and through efforts to secure new, non-grant sources of investment over the longer-term by exploring the possibilities offered by financial engineering initiatives, JEREMIE and JESSICA and more generally from the EIB.

- 7.13. A flagship programme for the European Union, operating in NI and the Border Region, is that of the latest generation of the PEACE programme which the EU Member States agreed to in 2006. It will carry significant resources for 2007-2013, totalling EUR 333 million of which EUR 225 million is the European contribution, EUR 159.1 million from the UK and EUR 65.7 million from the Republic of Ireland. Its strategic aim is to consolidate the progress already achieved towards a peaceful and stable society and to promote reconciliation. It is focused on two priorities:

- reconciling Communities, and
- contributing to a shared society.

PEACE III will seek to build on the success developed under the two previous generations of this programme. The study on the impact of past PEACE programmes has underlined the long-term nature of the process, which suggest that efforts need to be maintained even in a situation where the EU budget is no longer able to take a the major share of the financial burden. In the same way, the specific community-based implementation method developed under PEACE deserves to be maintained as an effective way of generating the consensus necessary to underpin a competitive economy and a prosperous society.

- 7.14. For the period 2007-2013, the **Competitiveness and Employment Programme** is the main source of support for the growth and jobs strategy with an EU contribution of EUR 473 million. The priority given to the growth and jobs strategy is reflected in the allocation of 85% of the EU contribution to the programme to those investments promoting modernisation and competitiveness. The programme is constructed around three priorities:

MESH, for the development of a framework for mapping seabed habitats;

SPAN, a strategic planning action network for local development.

Atlantic Area:

AA-ECONET, a network of E-community centres of excellence;

EROCIPS, devoted to emergency response to coastal oil, chemical and inert pollution from shipping;

GREEN DAIRY, addressing the systems of Atlantic milk production and the environment;

RAFAEL, to restore the Atlantic food authenticity and to foster economic links.

- generating sustainable competitiveness and innovation;
- promoting sustainable enterprise and entrepreneurship;
- improving accessibility and protecting the environment.

The new programme carries the hopes not just of the region itself, but of the European institutions, since, because of its particularly high allocation of resources to the Lisbon strategy, holds out the prospect of becoming an example of best practice for the Union as whole. The Commission for its part is keen that the programme delivers. It is recommended that particular attention be paid to ensuring that, in the face of competing bids and many worthwhile causes, the projects that are finally selected for support are those that make the greatest contribution to growth and jobs; hence, the importance of developing and rigorously using a detailed set of project selection criteria, where possible at the level of each of the above priorities or at a lower level where appropriate. It is essential that a robust, measurable and transparent set of selection criteria are established, discussed and validated by the programme monitoring committee.

- 7.15. As in many European regional programmes, the urban areas have an important place as motors of development and as service centres for the region as a whole. Interventions in urban areas can also significantly contribute to social cohesion, and an inclusive society. The use of the JESSICA initiative to provide capital through revolving funds can increase the availability of funds for urban interventions for a period of time exceeding the current programming period. As a result of the work of the NITF, discussions between the NI authorities and EIB, responsible for managing JESSICA, are ongoing. The Department for Social Development and the EIB are now finalising the terms of reference for a scoping study to assess the potential for JESSICA in NI.

In parallel, participation in networks such as EUROCITIES, has permitted the city of Belfast to access a broad range of initiatives. Belfast has decided to join the recently launched "Covenant of Mayors" initiative, which reflects the city's commitment to the EU long-term strategy of reducing CO₂ emissions and increasing energy efficiency. The Covenant will create new opportunities for co-operation and for exchanges of experience with other European partner cities. Other urban centres in NI could also participate in this type of initiative.

- 7.16. As regards the promotion of cooperation with other parts of the EU, there are a number of programmes in which NI participates or can participate:

i) INTERREG IVA, Northern Ireland, the Border Region of Ireland and Western Scotland 2007-2012: EUR 256 million, of which EUR 192 million from the EU, EUR 139 million from the UK and EUR 53 million from the Republic of Ireland. Based, along with other strategic documents⁸⁶, on the "Comprehensive Study on the

⁸⁶ The National Development Plan 2007-2013 for Ireland; the Economic Vision for Northern Ireland; the Framework for Economic Development in Scotland; the Investment Strategy for Northern Ireland; the Investment Strategies in Scotland; the National Spatial Strategy for Ireland 2002-2020; and the Regional Development Strategy for Northern Ireland 2025.

All-Island Economy" the programme is intended to promote cooperation especially to develop enterprise, tourism and infrastructure.

ii) INTERREG IVB, North West Europe Programme with a total allocation of EUR 697 million, of which EUR 355 million from the EU, with the managing authority situated in France. For this programme, the main priorities are to develop the NWE knowledge-based economy; to promote the sustainable management of natural resources and of natural and technological risks; to improve connectivity in NWE by promoting intelligent and sustainable transport and ICT solutions; to promote strong and prosperous communities at trans-national level.

iii) INTERREG IVB, Atlantic Area Programme has a budget of EUR 159 million, of which EUR 104 million from the EU with a managing authority situated in Portugal. Its main priorities are to promote trans-national entrepreneurial and innovation networks, to protect, secure and enhance the marine and coastal environmental sustainability, to improve accessibility and internal links and to promote trans-national synergies in sustainable urban and regional development.

iv) INTERREG IVB, Northern Periphery Programme. This programme has a total budget of EUR 59 million, of which EUR 35 million is from the EU plus a Norwegian public contribution of EUR 5.5 million. In addition, there are four participating non-Member States contributing a total of EUR 10 million. The Managing Authority is situated in Sweden. The programme is built around the priorities of promoting innovation and competitiveness in remote and peripheral areas and the sustainable development of natural and community resources.

v) INTERREG IV-C and Networks, which has an EU-wide contribution of EUR 411 million from the EU budget, of which 321 million from the regional fund (ERDF).

- 7.17. Outside the regional programmes, the International Fund for Ireland (IFI) will wind up its operations in 2010. In December 2006 the Member States agreed to provide EUR 15 million per year to the Fund for the period 2007-2010⁸⁷.

IV. Suggestions and recommendations

- 7.18. The negotiations leading to the agreement on the new programmes, and the contacts established through the NITF, have identified skills, innovation, entrepreneurship and competition as the main priorities for the future. This is against the background of ongoing efforts to consolidate a peaceful, fair and prosperous society in NI, operating in full respect of the rule of law, which constitutes the appropriate framework for further economic development coupled with a high level of social inclusion.
- 7.19. A new forward-looking society is built on the experience of its own past. The NI legacy of conflict and reconciliation constitutes an asset for the future and an experience to be learned and shared with other parts of the world.

⁸⁷ Council Regulation (EC) N° 1968/2006 of 21 December 2006 concerning Community financial contributions to the International Fund for Ireland (2007 to 2010), OJ L 409 of 30.12.2006, p.86.

- 7.20. In moving forward, and in seeking to improve the quality of life for the citizen, the new context after EU enlargement is potentially helpful. In particular, NI is already attracting additions to its workforce from other parts of the EU, both bringing skills and helping to develop a more open multicultural and dynamic society.
- 7.21. Given its small size and peripheral location, the development of the economy depends on an balanced openness to neighbouring regions, to the rest of Europe and to the rest of the world. In this context, the all-island economy approach clearly represents an opportunity to be exploited and developed in the framework of the European cross-border cooperation programmes. Key areas for joint action include the promotion of research and innovation, infrastructure, the labour market, agriculture and, of course, trade.
- 7.22. Exploiting the East-West opportunities is of equal importance. The new geographical context arising from cross-border cooperation with Scotland will help to strengthen North-South cooperation and open new possibilities for joint action.
- 7.23. Openness to other regions with similar characteristics, especially where they have succeeded in developing a modern knowledge economy, could also be exploited in a more systematic way. This could come about through more participation in regional networks or initiatives or through EU trans-national cooperation programmes offering a unique opportunity to share views and engage in wider networks around strategic themes in coherent geographic areas. The initiative, Regions for Economic change, is also of importance in this regard and through the NITF there is increasing interest in NI in participating as lead region in one of the networks.

By sharing its own experience in project development with other regions in Europe, should gain more confidence in its own capacities. Projects as the "Northern Ireland European Centre for Connected Health", the "Northern Ireland Science Park" and the "Northern Ireland Science Industry Panel" (Matrix) give evidence of the region's capacities and perspectives at European level. These projects could be considered for ERDF funding provided they meet the eligibility criteria of the programmes.

The Northern Ireland European Centre for Connected Health was launched on 22 January 2008 as a source of best practice and advice for the application of new emerging technologies in the local health care system. It represents an EUR 58 million investment (£46 m) investment that seeks to: i) promote the use of Connected Health solutions throughout Europe; ii) act as a research and knowledge base for the development of Connected Health and its application; iii) act as a focus for attracting investment and know-how associated with Connected Health from private sectors partners; and iv) encourage the development of intellectual property associated with Connected Health from within Northern Ireland, and facilitate its transfer to commercial applications. In line with the EU strategy in the field of e connected health, Northern Ireland can to build on and share this expertise and to develop its European Centre as a centre of excellence in the delivery of these services throughout the EU in coming years.

- 7.22. As a relatively prosperous region in an EU-wide context, the transfers to NI from the EU budget for regional development are on a downward track. In order to increase the available financial means, the NITF has already encouraged NI authorities to

examine the possibilities to use not only the JEREMIE and JESSICA instruments for financial engineering in the fields, respectively of SMEs and urban development, but also to consider the use of competitively-priced EIB loans.

- 7.23. Finally, although there cannot be a one-size-fits-all approach, it is important to continue to support bottom-up approaches bringing together the public sector along with the private, business, community and voluntary sectors. The latter, having proved their capacity to deliver under difficult conditions, has a strong case for active involvement especially in social, educational, urban and cross-border fields.

V. Further information

Directorate-General for Regional Policy

http://ec.europa.eu/regional_policy/index_en.htm

Annex

Regional Policy- 2000-2006 EU allocations in Northern Ireland

<u>Programme</u>	<u>EU contribution</u>	<u>Type of projects</u>
<u>Building Sustainable Prosperity (2000-2006), Transitional objective1</u>	EU: EUR 1,490 million ERDF EUR 537m, ESF EUR 285m, FIFG EUR 29m EAGGF EUR 78m).	1534 projects in the fields of in the field of start-up business, business support, tourism, local economic development, information society, roads (e.g. Omagh Throughpass), rail investment, bus facilities, telecommunications, natural gas infrastructure, energy efficiency demonstration schemes, ICT support in education, urban revitalisation, water infrastructures, natural and built heritage.
<u>PEACE II (2000-2006)</u>	EU: EUR 609 million ERDF EUR 368 million, ESF EUR 194 million, EAGGF EUR44 million, FIFG EUR 3 million. 80% is allocated to Northern Ireland and 20% to the Border Region whereas 15% of the total allocation is attributed to cross-border projects.	More than 6500 projects have been approved, 5400 SMEs have been supported, 1950 jobs have been created, more than 9000 people gained qualifications, 115 cross border linkages have supported and 89.000 participated in cross-borders activities. i) Economic renewal; ii) Social integration, inclusion and reconciliation iii) Locally-based regeneration and Development Strategies iv) Outward and Forward looking Region and v) Cross Border cooperation.
<u>IFI</u>	EUR 289 million	<u>6000 projects</u>
INTERREG IIIA Ireland/ Northern Ireland	EU: EUR 182.7million ERDF: EUR 137 million	292 projects approved in the fields of business and economic development , knowledge economy, human resources development and skilling, rural development, physical infrastructure and environment, civic and community networking.
INTERREG IIIB North West Europe	EU: EUR 655.7million ERDF: EUR 330.6million (total allocation)	99 projects approved in the fields of integrated planning of cities, towns and regions, external and internal accessibility, management of water resources and prevention of flood damages, management and protection of other natural resources and of cultural heritage, maritime potential of NWE and its territorial integration across the seas.

<p>INTERREG IIB Atlantic Area</p>	<p>EU: EUR 205.7million ERDF: EUR120million (total allocation)</p>	<p>84 projects approved in the fields of polycentric structuring of the territory and development of competence poles, development of transport systems ensuring a durable mobility and improvement of the access to the information society, promotion of the environment, sustainable management of the economic activities and of the natural resources, reinforcement and promotion of the Atlantic identity in the context of globalisation.</p>
<p>URBAN II</p>	<p>ERDF: EUR 10.785 million</p>	<p>Projects in the fields of</p> <ul style="list-style-type: none"> - Sharing places, Physical Regeneration, Environmental regeneration, youth challenge, accessibility in labour market, educational opportunities , social economy, development of skills of local people, local employment access partnerships, integrated approach to community transport across Inner Belfast

CHAPTER 8: RESEARCH

I. EU policy and perspectives

- 8.1. The Member States of the EU, meeting in Barcelona in March 2002, decided to reinforce efforts to close the gap between the EU and its major competitors in the fields of Research Development and Innovation. It was agreed that the overall spending by the public and private sectors at EU level in this area should be increased from 1.9% of GDP to around 3% by 2010. While the main impetus to encourage higher and better investment lies within Member States themselves, the European Union seeks to strengthen and to complement this effort in order to stimulate, organise and exploit all the opportunities for EU-wide co-operation⁸⁸.
- 8.2. The basis for Community interventions is the successive Research Framework Programmes⁸⁹. The bulk of projects at present being implemented are financed under the Sixth Framework Programme (FP6) covering the period 2002-2006. Following its adoption in December 2006⁹⁰ the implementation of the Seventh Research Framework Programme (FP7) has now begun.

It should be noted that, under the Research Framework Programmes, there are no fixed national or regional allocations. Funds are disbursed through competitive calls for proposals under the various individual programmes and actions in a given FP. This reflects the aim of encouraging excellence, independently of geographical location.

- 8.3. For a variety of reasons, and unsurprisingly, it tends to be the case that participants from the more developed regions have higher rates of success in obtaining funding under the Framework Programmes. Arising from this, there has been greater consideration in recent years of the need to improve the capacity of research actors at the regional level, and especially in the less developed regions, to participate in EU funded research & development activities. As a result, there are now two actions under the 'Capacities' Specific Programme of FP7 that target the regional dimension: Regions of Knowledge and Research Potential.

The *Regions of Knowledge* action promotes the development of regional research-driven clusters and is open to participants from all regions of the EU Member States, as well as candidate and associated countries. Such research driven clusters comprise research entities, businesses and public authorities. The *Research Potential* action seeks to develop the capacity of research facilities but only in the less-developed, Convergence regions, equivalent regions in the candidate and associated countries and in the Outermost regions, which means that Northern Ireland is not covered in

⁸⁸ Common Actions for Growth and Employment: The Community Lisbon programme COM (2005) 330 final.

⁸⁹ Article 166 EC Treaty.

⁹⁰ Decision N° 1982/2006/EC of the European Parliament and of the Council of 18 December 2006 concerning the Seventh Framework Programme of the European Community for research, technological development and demonstration activities, OJ L412, 30.12.2006, p.1.

view of its relative prosperity. In each case, the participation of any given region is dependent on a successful bid by participants from the region.

II. Northern Ireland's achievements under EU RDT policy, 2000-2006

- 8.4. The resources devoted to research and development (R&D) are a broad indicator of the degree of innovation present in a region. The most recent information for R&D expenditure as a percentage of regional GDP relates to 2005. This shows that Northern Ireland (0.56%) was the third lowest of the twelve UK regions (a lower proportion was recorded in Yorkshire & Humber (0.44%) and London (0.30%)). NI businesses would have needed to invest some EUR 219 million (£164 million) more in R&D in 2005 to reach the UK average rate. NI also has considerably lower levels of spending on R&D as a percentage of GDP compared with the rest of the EU and is well below the Lisbon Target of investing 3.0% of GDP in R&D.

In 2006, total expenditure on R&D amounted to EUR 423.5 million (£319.2 million). Expenditure by the business sector accounted for the highest proportion of R&D expenditure, amounting to EUR 206 million (£155.4 million) or 48.7% of total R&D expenditure. Expenditure by the Higher Education sector amounted to EUR 199 million (£150.1 million) or 47% of total R&D expenditure with the remainder accounted for by other government expenditure. This is the first time that business accounts for the largest share of R&D expenditure in NI.

Despite the improved share of business in overall R&D expenditure, the structure of the NI business sector is an important factor limiting its capacity to undertake research. The lack of financial capacity amongst many firms is a growing issue in taking forward R&D activities. In a tightening economic environment small businesses will be less likely to dedicate funding and resources to areas they may regard as non-essential, including R&D. This represents a particular challenge, as the private economy consists of a large number of small and very small businesses.

- 8.5. During the 2000-06 programming period for the Structural Funds, an amount of EUR 65 million was allocated to R&D actions under the Building Sustainable Prosperity (BSP) Operational programme, EUR 13.4 million for research in universities and research institutes and EUR 52 million for innovation and technology transfer.

Under FP6, during the period 2002-2006, 161 NI partners (research entities or other participants) have been involved in 146 contracts with a total EU contribution to NI participants of EUR 33.4 million. In general, projects funded under the FP contain several (sometimes many) partners and are trans-national in nature. Thus, the total value of the contracts in which the region is involved in some way amounts to EUR 631 million.

- 8.6. Interventions under FP6 are divided into a number of broad categories defined as follows:

i) *Thematic Areas*: Life sciences, genomics & biotechnology for health; Information Society; Nanotechnology; Aeronautics & Space; Food quality & safety; Sustainable development, global change and ecosystems and Citizens & governance in a knowledge-based society.

ii) *Cross-cutting research activities*: Research for policy support, specific SME activities and international cooperation.

iii) *Strengthening the European Research Area (ERA)*: Stimulating the coherent development of research and technology policy in Europe.

iv) *Structuring the European Research Area*: Fighting structural weaknesses in European research by stimulating technological innovation and the utilisation of research results; support for human resources in research (Marie Curie actions).

The breakdown of Northern Ireland's project participants and funding across these broad categories is as follows (full table in annex):

Category	Participants	Percent	Funding (EUR million)	Percent
Thematic	105	65	22.1	66
Cross-cutting	29	18	3.3	10
Strengthening ERA	3	2	0.4	1%
Structuring ERA	23	14	7.3	22
EURATOM	1	1	0.3	1
Total	161	100	33.4	100

As can be seen, by far the most significant FP6 category supported is that of the *Thematic Areas*. Among the thematic areas mentioned above, those in which NI has a significant involvement include: Food quality and safety (20% of total FP6 funding to the region); Information Society (16 %; Nanotechnology (11 %) and Aeronautics (8 %).

In the *Cross-cutting* category the principal area of support is the SME sector, representing 6 % of total expenditure. In the category *Structuring the ERA*, the main area of support is human resources (Marie Curie) representing 16 % of total expenditure. Finally, the small *Strengthening the ERA* category is devoted entirely to support for coordination of activities category (1%).

Finally, although it has no nuclear facilities, NI has participated in one relatively small EURATOM project in the management of radioactive waste (1%).

In conclusion, the NI participation in R&D under FP6 can be considered satisfactory. The region participated actively in RTD projects, and these projects have been of good quality and a good use of the available EU resources has been achieved.

- 8.7. As regards the relationship between the Commission services and the Member States the management of the Framework programmes, is conducted largely at the national level via a series of Programme Committees Expert Groups and National/Regional Contact Points⁹¹. NI has its own Regional Contact Point.
- 8.8. It is useful to compare the participation of NI under FP6 with that of a number of similar sized regions in the rest of the EU. As indicated in Chapter 1, such regions could include Poitou-Charentes in France, Sardinia in Italy, Mittelfranken in Germany, Västsverige in Sweden and Jiovýchod in the Czech Republic. As can be seen in the table below, NI generally performs well, holding second place in the number of projects and participants and third place in terms of the EU contribution. However, the most striking thing is the degree to which the Swedish region, Västsverige, outranks all the other regions across all the measures. As Chapter 4 of Part 1 shows, this in turn is reflected in the region's very strong economic performance.

Region	N° of Projects	Number of participants	EU contribution (EUR million)
Northern Ireland	146	161	33.4
Poitou-Charentes	22	24	7.9
Sardinia	56	69	9.2
Mittelfranken	132	144	34.9
Västsverige	430	527	139
Jiovýchod	149	158	20

III. Northern Ireland's priorities for 2007-2013

- 8.9. Participation in high level R&D projects can strengthen and consolidate the place of NI as a "pole" of science and research excellence and, consequently, of international competitiveness. Therefore, NI's priority is to increase its participation in the EU research framework programmes. The achievement of this aim presupposes the active commitment and cooperation of the public sector, of the universities and of the private sector and the creation of relations with Universities and centres of research outside the region. The Seventh Framework Programme is now running and early indications are of a continuing high level of interest for NI.
- 8.10. NI envisages increasing the number of PhD's emerging from its universities and encouraging PhD's from outside NI to come and work there. In particular, the aim is to increase by 300 the number of PhD research students by 2010 and introduce a new

⁹¹ National/Regional Contact Points are a network of information and assistance providers to project promoters. The structure varies but in larger Member States, such as the UK, they operate at both the national and regional levels.

programme to increase the commercialisation of university and college research by 2010. There is a specific effort to increase by 25% the number of students, especially those from disadvantaged communities, at graduate and post-graduate level studying Science, Technology, Engineering and Mathematics⁹².

- 8.11. Moreover, NI aims to provide support for economically relevant basic research, working through INVEST NI and DETI. Finally, NI is exploring the possibilities to attract research work from companies based outside N Ireland for NI universities and research centres and to ensure the transfer of know-how to local companies⁹³.

IV. Suggestions and recommendations

- 8.12. As there are no fixed national or regional allocations under FP7, it is essential that local partners take the necessary steps to prepare high quality proposals, perhaps in a first phase focusing on sectors where Northern Ireland has been successful under previous programmes (especially ICT, aeronautics, nanotechnology and food science). It is particularly important not simply to participate in projects, but where possible also to lead them by taking on the role of coordinator.
- 8.13. The European Commission will work with the NI authorities to improve the information available to potential participants in the region in relation to funding opportunities under FP7. It will indicate examples of best practice projects funded previously under FP6 in other regions, both in the sectors in which NI is already strong and in those where the region has the capacity to improve its participation. In that regard, emerging findings from the NI Science Industry Panel (MATRIX) can provide a strategic roadmap of where NI can interface with FP7 and where it may be able to take a leadership position.
- 8.14. The clearer interrelationship between programmes supported by the Structural Funds and the Framework Programmes in terms of information and financial support will also help to achieve new synergies⁹⁴. Northern Ireland, although no longer eligible for the Convergence Objective for less developed regions, is still a significant beneficiary of Structural Funds in the R&D sector. It is estimated that for the period 2007-2013 the amount allocated to RTD activities will be more than EUR 200 million, invested mainly in technology transfer and assistance to the business sector, in particular SMEs.

⁹² Building a better future, Draft programme for Government 2008-2011, p.6.

⁹³ OFMDFMI "Taking our part in Europe", p. 4. and Contribution of the Department of Finance and Personnel (14 September 2007).

⁹⁴ The sum likely to be devoted to core R&D related activities in the Structural Fund programmes for 2007-13 and the FP7 budget for the same period are quite close, at approx EUR 50 billion each. As indicated in the Commission Communication "Competitive European regions through Research and Innovation" (COM (2007) 474) the exploitation of potential synergies between these funding sources, as well as the new Competitiveness and Innovation Programme, is a major priority. In order to assist this process, the Commission will shortly publish a "Practical Guide to EU funding sources for research, development and innovation".

V. For further information

The dedicated **FP7 web site on Cordis** at www.cordis.europa.eu/fp7/ contains a detailed description of FP7, including latest information updates, calls for proposals, frequently-asked questions (FAQs) and more.

The **Regional Contact Points (NCP)** for Northern Ireland can provide advice for potential applicants within the region. The list of NCP addresses can be found at www.cordis.europa.eu/fp7/ncp.en.html/

The dedicated **FP7 Helpdesk** at www.eu.europa.eu/research/enquiries can answer questions on all aspects of EU-funded research and assist parties new to participation in the Framework research programmes

Finally, much useful information can be found at the FP7 section of the website for **European Research** at www.ec.europa.eu/research/fp7/

Annex

FP6_PC_DM-R1 -Participation and EC Contribution in FP6 Signed Contracts by Priority Area & Instruments

Signature year (s):	2003	2004	2005	2006	2007	
Participant Country:	- UNITED KINGDOM					
NUTS Code(s):	Northern Ireland					
Legal Status Code(s):						
Activity Type Code(s):						

ALL Instruments

Integrating and strengthening the European Research Area		Contracts with at least one participation in selection		Participations in selection		All participations in selected contract		EC financial contribution to selected contracts		EC financial contribution to partners in selection	
Programme	Priority Area	number	percentage	number	percentage	number	percentage	Euros	percentage	Euros	percentage
SP1	1. Life sciences, genomics and biotechnology for health	9	6.16%	9	5.59%	161	5.98%	51,655,286	8.19%	1,199,044	3.58%
	2. Information society technologies	25	17.12%	28	17.39%	560	20.81%	107,850,053	17.10%	5,436,952	16.25%
	3. Nanotechnologies and nanosciences, knowledge based multifunctional materials and new production processes and devices	12	8.22%	15	9.32%	280	10.41%	36,032,311	5.71%	3,593,037	10.74%
	4. Aeronautics and space	9	6.16%	9	5.59%	267	9.92%	176,155,415	27.93%	2,667,059	7.97%
	5. Food quality and safety	15	10.27%	20	12.42%	380	14.12%	106,782,141	16.93%	6,697,724	20.01%
	6. Sustainable development, global change and ecosystems	16	10.96%	17	10.56%	362	13.45%	70,714,778	11.21%	1,901,926	5.68%
	7. Citizens and governance in a knowledge-based society	6	4.11%	7	4.35%	139	5.17%	16,479,913	2.61%	644,737	1.93%
	Policy-orientated research	9	6.16%	9	5.59%	155	5.76%	10,657,905	1.69%	990,628	2.96%
	Horizontal research activities involving SMEs	17	11.64%	18	11.18%	191	7.10%	17,246,984	2.73%	1,998,227	5.97%
	Specific measures in support of international co-operation	2	1.37%	2	1.24%	20	0.74%	3,200,000	0.51%	317,670	0.95%
	Support for the co-ordination of activities	3	2.05%	3	1.86%	55	2.04%	8,162,362	1.29%	411,043	1.23%
	Total	123	84.25%	137	85.09%	2570	95.50%	604,937,148	95.93%	25,858,047	77.27%

Structuring the European Research Area		Contracts with at least one participation in selection		Participations in selection		All participations in selected contract		EC financial contribution to selected contracts		EC financial contribution to partners in selection	
Programme	Priority Area	number	percentage	number	percentage	number	percentage	Euros	percentage	Euros	percentage
SP2	Research and Innovation	2	1.37%	2	1.24%	28	1.04%	1,485,000	0.24%	437,600	1.31%
	Human resources and mobility	17	11.64%	17	10.56%	52	1.93%	12,091,568	1.92%	5,362,777	16.02%
	Research and Infrastructures	2	1.37%	3	1.86%	18	0.67%	5,700,420	0.90%	1,464,000	4.37%
	Science and Society	1	0.68%	1	0.62%	3	0.11%	66,000	0.01%	5,000	0.01%
	Total	22	15.07%	23	14.29%	101	3.75%	19,342,988	3.07%	7,269,377	21.72%

Research and training on nuclear energy		Contracts with at least one participation in selection		Participations in selection		All participations in selected contract		EC financial contribution to selected contracts		EC financial contribution to partners in selection	
Programme	Priority Area	number	percentage	number	percentage	number	percentage	Euros	percentage	Euros	percentage
SP4	Management of radioactive waste	1	0.68%	1	0.62%	20	0.74%	6,330,000	1.00%	337,845	1.01%
	Total	1	0.68%	1	0.62%	20	0.74%	6,330,000	1.00%	337,845	1.01%

Total for All Priority Areas		146	100.00%	161	100.00%	2691	100.00%	630,610,136	100.00%	33,465,269	100.00%
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Structuring the European Research Area		Contracts with at least one participation in selection		Participations in selection		All participations in selected contract		EC financial contribution to selected contracts		EC financial contribution to partners in selection	
Programme	Priority Area	number	percentage	number	percentage	number	percentage	Euros	percentage	Euros	percentage
SP2	Thematic	92	63.0%	105	65.2%	2,149	79.9%	565,669,897	89.7%	22,140,479	66.2%
	Cross-cutting	28	19.2%	29	18.0%	366	13.6%	31,104,888	4.9%	3,306,524	9.9%
	Strengthening the ERA	3	2.1%	3	1.9%	55	2.0%	8,162,362	1.3%	411,043	1.2%
	Structuring the ERA	22	15.1%	23	14.3%	101	3.8%	19,342,988	3.1%	7,269,377	21.7%
	EURATOM	1	0.7%	1	0.6%	20	0.7%	6,330,000	1.0%	337,845	1.0%
	Total	146		161		2,691		630,610,136		33,465,269	

CHAPTER 9: TRANSPORT AND ENERGY

I. EU policy and perspectives

- 9.1. Efficient and modern transport and energy services are pre-requisites for sustainable economic development. As a matter of public policy, the provision of such services is not just a question of infrastructure development but also of the existence of a sound regulatory framework, aimed at a competitive market operation.

EU energy and transport policies address both aspects. The aim is to maximise the opportunities afforded by their infrastructures to all sectors of society, business, workers, urban and rural areas, and above all to the citizen. The energy and transport sectors are pivotal to the success of our modern way of life in economic, social, environmental and safety terms.

- 9.2. The EU intervenes financially in the fields of transport and energy by supporting investment in Trans-European Networks. The methods for programming, implementation and control of the TEN programme, and for the application of the Community financial aid by one or more Member States (or by other organisations, undertakings or bodies, with the agreement of the Member States concerned) should be in accordance with the Regulation (EC) No.680/2007 of 20 June 2007⁹⁵.

In the transport sector, the policy priorities are defined in the TEN-T guidelines, which were approved in April 2004 by the European Parliament and by the Council. The 2004 decision defines the TEN-T network in each of the EU Member States (Annex 1 of the decision), and 30 priority projects of European interest, three of which are of direct interest to NI⁹⁶.

In the energy sector, the political priorities of the implementation of the TEN-E stem from the creation of a more open and competitive internal energy market and from the growing importance of securing and diversifying the Community's energy supplies, as set up by the TEN-E guidelines, which were approved in September 2006 by the European Parliament and by the Council⁹⁷.

The financial envelope for the implementation of the TENs for the period 2007 to 2013 is EUR 8.168 million, of which EUR 8.013 million is for TEN-T and EUR 155 million for TEN-E.

- 9.3. In order to promote competitiveness and innovation in both sectors of transport and energy, the EU intervenes through the following programmes:

⁹⁵ Regulation (EC) No 680/2007 of the European Parliament and of the Council of 20 June 2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks, OJ L 162 of 22.6.2007, p.1.

⁹⁶ Decision N° 884/2004/EC of the European Parliament and of the Council of 29 April 2004 amending Decision N° 1692/93/EC on Community guidelines for the development of the trans-European transport network. The three projects are: PP9: Railway axis Cork-Dublin-Belfast-Stranraer; PP13: Road axis: UK-Ireland-Benelux; PP26: Road/railway axis Dublin-Belfast/Larne-Cork.

⁹⁷ Decision No 1364/2006/EC of the European Parliament and of the Council of 6 September 2006 laying down guidelines for trans-European energy networks, OJ L 262 of 22.9.2006, p.1.

- Under the themes of "Energy (no. 5)" and "Transport (no. 7)" of the programme entitled "Cooperation" of the Seventh Framework programme on RTD (FP7 RTD). For the period 2007-2013, the total budget for transport (including aeronautics) is EUR 4.1 billion, while for energy it is EUR 2.3 billion.
- The traffic management systems and the positioning and navigation systems included in the TEN-T programme. Such systems include the Air Traffic Management System (ATM), the River Information System (RIS), the Intelligent Transport System for road traffic (ITS Road), the Intelligent Transport System for rail traffic (ERTMS), and the Shipping Management and Information System. The indicative budget available from the TEN-T budget for these projects in 2007-2013 is EUR 1.2 billion.
- The "Intelligent Energy - Europe Programme" (IEEP) is the EU's financial instrument for actions to improve the market conditions to tap new opportunities for saving energy and to encourage the use of renewable energy sources in Europe. The IEEP is a part of the EU's Competitiveness and Innovation Framework Programme (CIP). The IEEP also supports the setting-up of local and regional energy agencies. The total budget of the IEE programme for 2007–2013 is EUR 730 million.

9.4. Within the context of the different Framework Programmes for RTD, two important initiatives have been launched in the transport and energy fields:

- CONCERTO, which aims to support local communities through demonstration actions which are both sustainable and energy efficient;
- CIVITAS, which aims to help cities to achieve a more sustainable, clean and efficient urban transport system by implementing, demonstrating, and assessing new and more innovative mixes of technology and policy-based measures.

9.5. In addition, under the MARCO POLO II programme, financial support from the Community budget can be granted to initiatives taken by commercial undertakings aimed at shifting freight transport away from dependence on roads⁹⁸. The financial envelope for the implementation of the Marco Polo II programme, for the period 2007-2013, is EUR 400 million.

9.6. The overall strategy for the European transport sector is set out in the 1992 and 2001 White Paper "The future development of the Common transport policy"⁹⁹ and the "European transport policy for 2010: time to decide"¹⁰⁰.

The objectives of EU transport policy, from the transport White Paper of 1992 via the White Paper of 2001 to the mid-term review of the White Paper of 2006 "Keep Europe moving – sustainable mobility for our continent"¹⁰¹ remain valid today: helping to

⁹⁸ Regulation (EC) No 1692/2006 of the European Parliament and of the Council of 24 October 2006 establishing the second Marco Polo programme for the granting of Community financial assistance to improve the environmental performance of the freight transport system (Marco Polo II) and repealing Regulation (EC) No 1382/2003, OJ L 328 of 24.11.2006, p.1.

⁹⁹ COM(92) 494 of 2.12.1992.

¹⁰⁰ COM(2001) 0370 of 12.9.2001.

¹⁰¹ COM(2006) 314 of 22.6.2006.

provide European citizens and businesses with efficient, effective transportation systems, which:

- offer a high level of mobility to people and business throughout the Union;
- protect the environment, ensure energy security, promote minimum labour standards for the sector and protect the passenger and the citizen;
- innovate in support of the first two aims of mobility and protection by increasing the efficiency and sustainability of the growing transport sector;
- connect internationally, projecting the Union's policies to reinforce sustainable mobility, protection and innovation.

9.7. The TENs financial regulation adopted in June 2007 agreed on new rules for the granting of Community financial support aiming at promoting the formation of financing partnerships between the public and private sectors. In this regard, on 11 January 2008 the European Commission and the European Investment Bank (EIB) signed a Cooperation Agreement establishing the Loan Guarantee Instrument for trans-European transport network projects (LGTT). This new instrument will facilitate greater participation of the private sector in the financing of transport infrastructure of European significance, especially for investments in TENs projects where there is a high level of revenue risk in the early operational period of a project. The LGTT, which forms part of the Trans-European Transport Network (TEN-T) programme and the EIB's Action for Growth initiative, will partially cover this risk and thereby significantly improve the financial viability of TENs investments. The capital contribution of EUR 1 billion (EUR 500 million each from the Commission and the EIB) is intended to support up to EUR 20 billion of total capital investment.

9.8. In addition, in October 2007, the European Commission adopted a package of measures to support freight transport including:

- a Communication on a freight transport Logistic Action Plan¹⁰²;
- a Communication on "Towards a rail network giving priority to freight"¹⁰³;
- a Communication on European Ports Policy¹⁰⁴;
- a Report on "Motorways of the Sea. State of Play and Consultation"¹⁰⁵;
- a Public consultation on an European maritime space without barriers reinforcing the internal market for intra-European maritime transport¹⁰⁶.

9.9. For the energy sector, the Spring European Council in March 2007 adopted an Action Plan for energy policy 2007–2009 and committed the EU to achieving at least a 20 % reduction in greenhouse gas emissions by 2020 compared to 1990. The European

¹⁰² COM(2007) 607 of 18.10.2007.

¹⁰³ COM(2007) 608 of 18.10.2007.

¹⁰⁴ COM(2007) 616 of 18.10.2007.

¹⁰⁵ SEC(2007) 1367 of 18.10.2007.

¹⁰⁶ SEC(2007) 1351 of 18.10.2007.

Council also endorsed - for the first time - a binding target of a 20 % share for renewable energies (RE) in the EU energy mix by 2020, supplemented by a binding minimum target of 10 % for the share of biofuels in petrol and diesel consumption for transport. In addition, the European Council stressed the need to increase energy efficiency (EE) in the EU so as to achieve the objective of saving 20 % of energy consumption compared to projections for 2020 (as set out in the EE Action Plan of October.2006).

On 23 January 2008, the European Commission agreed on a far-reaching package of proposals that will deliver the European Council's commitments to fight climate change and promote renewable energy. The Commission proposals demonstrate that the targets agreed in 2007 are technologically and economically possible and provide a unique business opportunity for thousands of European companies. These measures will dramatically increase the use of renewable energy in each country and set legally enforceable targets for governments to achieve them. All major CO₂ emitters will be given an incentive to develop clean production technologies through a thorough reform of the Emissions Trading System (ETS) that will impose an EU-wide cap on emissions. The package seeks to deliver the European Union to reduce greenhouse gases by at least 20% and increases to 20% the share of renewable energies in the energy consumption by 2020, as agreed by EU leaders in March 2007.

Finally, in November 2007, the European Commission launched a public consultation on a "European Strategic Energy Technology Action Plan" (SET-PLAN), Towards a low carbon future"¹⁰⁷, aimed at driving energy production, transport and consumer preferences towards a low carbon future.

- 9.10. As with other sectors where there are major investment needs, the largest source of European financial support for transport and energy comes from the Structural Funds and Cohesion Fund. The two Funds in the previous period, as well as in the new programmes for 2007-2013, have contributed considerably to achieving the EU objectives in these sectors.

For period 2007-2013, the priorities for the new programmes set out in the Community Strategic Guidelines highlighted the importance of investment in transport and energy in order to promote competitiveness, create growth and jobs and improve the environment. So far, with a EU-total allocation of EUR 344.184 billion, for energy EUR 10.766 billion have been allocated in all Member States, which represents 3,1% of the total EU-allocation and for transport, respectively, EUR 82.014 billion corresponding to 23,8% of the total EU allocation.

II. Northern Ireland's achievements in period 2000-2006

- 9.11. Prior to 2001, there had been a decline in parts of the NI transport network due to underinvestment. This is the case in public transport. For the future, and in order to address this particular deficit, a "Regional Transport Strategy for Northern Ireland 2002-2012" was unanimously agreed by the NI Assembly on 3 July 2002, with an indicative budget of EUR 5.25 billion for all transport sectors. Given the existence of a very substantial rural population, involving relatively longer distances to work, this has added

¹⁰⁷ COM(2007) 723 of 22.11.2007.

to pressure for improved transport networks and better public services in the less accessible areas.

- 9.12. Regarding **energy**, much progress has been made in diversifying energy sources from a dependence on oil. Energy prices have traditionally been higher in NI compared to other regions in the UK. However, while domestic electricity price converge, the same is not the case for business usage. Gas prices continue to have a differential compared to the rest of the UK. However, significant price increases in the rest of the UK in early 2008 have helped, at least temporarily, to close the gap: For the future, the priority is to continue efforts to overcome the isolation of the region, by developing interconnections with the Republic of Ireland and with the European continental networks. In general, the energy strategy in NI has much in common with other regions across Europe, with a concern for matters of security of supply, energy efficiency, increased use of renewable energies and maintaining competitiveness. In particular, NI has set a target that, by 2012, 12% of all electricity consumed should come from indigenous, renewable energy sources (currently around 5% is from renewables).

In April 2005, Department of Enterprise, Trade and Investment (DETINI) introduced the "Northern Ireland Renewables Obligation" (NIRO) as the main mechanism for stimulating renewable energy deployment. The NIRO places a legal requirement on electricity suppliers to provide evidence that a specified and annually increasing proportion of their electricity supplied to final customers has been generated from renewable sources, or to pay a buy-out fee that is proportionate to any shortfall.

A Renewable Transport Fuel Obligation (RTFO) is being developed on a UK-wide basis by the national administration in liaison with the NI executive as the support mechanism to increase the use of biofuels in line with the "Biofuels" Directive¹⁰⁸.

The Single Electricity Market (SEM) was established on 1 November 2007 and results in a market for electricity on an all-island basis. There are also plans being advanced to provide additional electricity interconnection between NI and the Republic of Ireland, which will enhance operation of the SEM, allowing easier power transmission between both jurisdictions.

Northern Ireland is also developing, with the Republic of Ireland, an "all-island" energy market. Thereby, a reinforced priority is given to North-South cooperation. TEN-E policy has provided substantial support to increasing the capacity of north-south transmission.

- 9.13. Transport policy interventions are the responsibility of the Department of Regional Development (DRD), with the exceptions of Roads Safety and driver and vehicle licensing, which are the responsibility of the Department of the Environment (DOE) and air and sea travel, which are reserved matters. Energy policy comes under the auspices of the Department of Enterprise, Trade and Investment for NI (DETINI). The NI administration has fully devolved powers, including legislative powers, with regard to energy policy.

¹⁰⁸ Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport, OJ L 123, 17.5.2003, p.42.

9.14. In the period 2000-2006, in the framework of the TENs, NI participated in a number of transport and energy priority projects

i) As regards the **transport sector**:

– *Under priority project N° 9*: This project contributed to the modernisation of the railway link of the main cities of the Republic of Ireland and NI, while improving the link with the rest of EU (via the Sealink Larne-Stanraer). The railway line is 502 km in length, providing passenger transport at a maximum speed of 160km/h. Other railway and road connections are also planned as well as the implementation of a driver information system to improve traffic management. The latter projects are intended to improve significantly transport performance in the zone between the two major cities on the island, Dublin and Belfast.

Moreover, in reducing considerably the travel time between Belfast and Dublin by 2 hours and with 9 departures in each direction, this project has met high demand. Finally, taking into account additional improvements on the section Bleach Green-Whitehead with the support of TEN-T funding as part of Axis No 26, the Belfast – Larne section of the scheme was completed 2006-2007.

– *Under priority project N°13*: This project concerns road transport and encompasses works on the roads A8-Belfast to Larne (completed in 2004); A1 Beech Hill-Cloghogue (started in 2007), and on A1/N1 Newry-Dundalk (started in 2005 and completed in 2007) (the M1-Westlink and M2 are on the priority project N°13 route, but no TENS allocation has been used to fund either). The project will contribute to the reduction of travel time for passengers and goods between Ireland and the rest of the UK, and with ports in Belgium and the Netherlands, as well as improving traffic management and safety.

– *Under priority project N°26*: This project follows on from improvements in the main north-south rail line in Ireland (see axis N° 9) and in the Ireland – United Kingdom – Benelux road links (see axis N° 13).

Further modernisation is needed to increase the frequency, reliability and safety of rail services. Investment is needed to complete the upgrading of the major inter-urban motorways, and to set up a driver information system to improve traffic management.

The new Irish rail projects will help further increase the speed and frequency of passenger and freight services. In particular, an estimated 30-minute saving on Dublin–Cork and 15-minute saving on Dublin-Belfast journeys will make rail a more attractive option. Road projects, particularly the development of a driver information system, will make the network more efficient, improving both traffic flow and safety. Investment on the Dublin border (northern) route will bring journey-time savings of 24 minutes, while savings of 58 minutes are expected on the Dublin-Cork route.

As previously mentioned, the TEN-T funds are also contributing to the upgrading of the Belfast-Larne rail section.

Further details on the TEN-T projects in which NI has participated are set out in the Annex to this chapter.

- In the framework of the Marco Polo programme, NI participated in a project led by EUCON Shipping and Transport Ltd (the container division of the Irish Continental Group). The total cost of the project is EUR 37 million, with a contribution from Marco Polo funds of EUR 1 million. This project aims at the implementation of a new "LoLo" (non-rolling stock) services with modern intermodal facilities between the Republic of Ireland, NI (Belfast) and the ports of Rotterdam, Antwerp and Le Havre. The objective was to shift at least 10% of the land traffic to sea transport, thus providing a more environmentally-friendly and sustainable means of supporting flows of trade. In all, it is estimated that this project has resulted in a shift from land to sea of 670 million ton-km of goods.
- The programmes supported by the Structural Funds, have been used in the transport sector, mainly co-financing road projects and rail equipment and infrastructure. Among them, it is worth mentioning 8 trains to enhance and modernise the operation of integrated transport across NI, 3 by-passes completed, 3 bus depots finished to encourage the efficient movement of people and an improved urban public transport system.

ii) As regards the **energy sector**:

In the TEN-E programme, Northern Ireland participated together with the Republic of Ireland in a number of studies concerning electricity interconnection and the possible integration of offshore wind capacity (see detailed presentation in annex). The studies permitted the identification of the specifications for the construction of an electricity interconnection of 400 KV between the Republic of Ireland and NI and the development of two lines each of 400KV between Kingscourt and Drumkeel and Kingscourt-Woodland. Work is being advanced to complete the new north-south interconnector for 2012.

Under the programme "Intelligent Energy Europe" (IEE), NI has participated along with "consortia". It is not possible to identify the precise projects in which the NI companies/Energy Agencies or organizations have participated. The participation in this programme facilitates cooperation and networking with other European and national bodies: In as much as the implementation of the European Energy Strategy requires close cooperation between Member States, the public and the private sector, networking will acquire increasing importance in the years to come. IEE helps to fund actions to improve market conditions and promote a more energy-intelligent Europe. The programme has a budget of EUR 727 million for the period 2007-2013 and is a part of the Competitiveness and Innovation Programme (CIP). It seeks to fund projects that remove barriers to the market uptake of innovative technologies. IEE is centrally managed by the European Commission, through the Executive agency for Competitiveness and Innovation (EACI). The national contact in the UK is the Energy Helpline and in the Republic of Ireland the Sustainable Energy Ireland.

Northern Ireland has established, with the support of the "Intelligent Energy Europe" programme the "Northern Ireland Energy Agency" (NIEA). This was formed at the end of 2006 following the merger of three regional SAVE agencies: Belfast Energy Agency (including EEAC), WREAN (Western Region Energy Agency Network) (including EEAC) and FREA (Foyle Energy Agency) (including EEAC).

- 9.15. As regards the working relations between the Commission services and the NI Authorities (the Office of the NI Executive in Brussels included), these relations have been improved considerably since the NI-TF was created.

Translink - Rolling Stock Replacement project carries programme (BSP) funding of EUR 22,2 million (£26.4 million) and has helped Translink to deliver modern, high quality trains for Northern Ireland. The trains are part of a Translink strategy to provide a strong and viable public transport alternative to the car that has recognised economic and environmental benefits. The trains have been built to NI Railways' specification, meeting the highest standards in terms of safety, accessibility and comfort. Each three-car train has seating for 200 passengers.

The Foyle bridge strengthening project received EUR 20 million from ERDF in order for the bridge to comply with current design standards that would enable it to cope with the significant increase of allowable vehicle weights.

Significant progress has been achieved in the development of the North-South rail and road axes (see annexed map):

-The Dublin – Belfast Cross border Intercity rail servicing the major cities of Dublin and Belfast.

-The Euro Route E01 linking the major seaports of Larne, Belfast, Dublin, Dun Laoghaire and Rosslare, as well as Dublin and Belfast airports.

In the energy sector, the cross border inter-connectors for electricity and gas, from NI to the Republic of Ireland and to Great Britain. The electricity interconnection North-South has been important for the setting up of the Single Energy Market NI – Republic of Ireland.

III. Northern Ireland's priorities for 2007-2013

- 9.16. With regard to **energy policy**, as indicated, NI is developing an "all island" energy market, linking NI with the Republic of Ireland. The successful opening of the Single Electricity Market (SEM) on 1 November 2007 is a key example of greater harmonization of electricity and gas markets with the Republic of Ireland, indicating the potential for the harmonisation in addition to the recently established arrangements for electricity within the SEM, as well as strengthening east-west links with Great Britain. The new market is the current key priority under the All-island Energy Market Development Framework¹⁰⁹.

The island of Ireland is totally dependent on oil imports and almost totally dependent on gas imports from the UK and mainland Europe. Gas comes via pipeline, oil via the sea. The potential for natural gas storage in the Permian and Triassic salt strata in County Antrim is being studied.

In addition, the recently completed all island-electricity grid study has reported that up to 42% of electricity from renewable sources is technically feasible for power

¹⁰⁹ The All-island Energy Market Development Framework signed by the two Governments in November 2004 sets out the areas where greater cross border cooperation can deliver mutual benefits from more competitive energy markets, reduced costs and improved reliability of supply in electricity, natural gas and renewable energy. This agreement was an outworking of DETI's energy strategy as set out in: Energy: A strategic framework for Northern Ireland, 2004.

generation. To realise this proportion of renewable energy for power generation will require significant investment in the electricity grid on the island and in the mix of conventional and renewable generation. The detailed cost and environmental implications will need to be examined. Plans to complete a tripartite study into potential for an off-shore electrical grid between Scotland and Northern Ireland are also being taken forward.

The NI Assembly has a target that, by 2012, 12% of all electricity consumed should come from indigenous, renewable energy sources (the current level is around 5%). Targets beyond 2012 will be considered in line with those contained in the forthcoming EU Renewables Directive. A study undertaken by Action Renewables, the organisation set up to promote renewables, estimated that NI could generate over 1100 MW from renewable energy sources, creating 109 full-time operating jobs and avoiding 2.500.000 t of emissions of CO₂ per year.

The NI energy strategy is consistent with the Union strategy on climate change, facing up the challenge of secure, sustainable and competitive energy, and making the European economy as a model of sustainable development.

The agreement of the March 2007 European Council to set precise, legally binding targets, should be a new opportunity for NI to make further progress in developing sustainable energy services in the period 2007-2013. The proposed Directive on Renewable Energy will provide an opportunity to make further progress on increasing renewable energy consumption in the region¹¹⁰.

9.17. With regard to **transport policy**, the priorities have been set out in the Regional Transportation Strategy (RTS) for Northern Ireland 2002-2012, which flows from the broader Regional Development Strategy (RDS). RTS sets out the spatial transport development priorities up to 2025 and is delivered through three action plans:

- The Regional Strategic Transport Network Transport Plan (RSTN TP), with an indicative total funding of £1 567,6 m. for the period 2002–2015;
- The Sub-Regional Transport Plan (SRTP), with total indicative funding of £2 360 m over the period 2002-2015);
- The Belfast Metropolitan Transport Plan (BMTP), with total indicative funding of £ 707 m (2002 – 2012).

Some of the principal initiatives include:

- upgrade of the existing rail network and services ;
- provision of new, modern trains and increased rail capacity;
- quality Bus Corridors (QBCs) on all main Belfast commuter routes;
- provision of new, modern accessible buses;

¹¹⁰ A study on the renewable energy resources in the six counties of Northern Ireland: Generic Resource Opportunities (March 2004) Action Renewables www.actionrenewables.org.

- commencement of a rapid transit system in the Belfast Metropolitan Area (BMA);
- local improvements in towns across NI to assist pedestrians and cyclists and to provide new bus services throughout the day;
- introduction of innovative demand responsive transport services in rural areas;
- elimination of 75% of the road maintenance backlog – with two-thirds of this expenditure in rural areas;
- local highway infrastructure measures to improve safety, such as accident remedial schemes and traffic calming schemes;
- strategic highway improvements.

The Regional Strategic Transport Network Transport Plan (RSTNTP) presents a range of multimodal transport initiatives to manage, maintain and develop Northern Ireland's Strategic Transport Network. The implementation of all transport initiatives in the RTS and associated transport plans will depend on the availability of finance, completion of relevant statutory procedures and economic appraisals.

- 9.18. In October 2007, the NI Executive announced an Investment Strategy for the period 2008 - 2018. The document was under public consultation until 4 January 2008.

The provisions for the transport sector and for the total investment strategy as are follows:

Pillar and Sub-pillar	£ m (Current prices)				
	Budget Period: 2008 – 2011		Indicative for the period: 2011/12 – 2017/18		Total
	NI Executive Funds	Additional Funds	NI Executive Funds	Additional Funds	
Roads	571,8		2 117	400	3 089
Public Transport	195,3		529		724
Gateways	5,6				6
Total Transport	772,7		2 646	400	3 819
GRAND TOTAL	4 982,8	588,8	11 535	1 571	18 678

- 9.19. Finally, in the framework of the all-island economy approach, the commitments of both governments to investment in infrastructure, which could amount to EUR 100 billion, will be directed to critical transport and energy investments such as Londonderry airport, increase of electricity generating capacity, promotion of renewable energies, co-

operation in rail services, completion of the upgrade of the Dublin-Belfast road, etc. This should pave the way for a better future on both sides of the border.

- 9.20. In the context of all-island cooperation, the NI Executive and the Irish Government have agreed on a major roads infrastructure package to include a high quality road network on the inter urban route linking the North West Gateway of Letterkenny/Derry and Dublin and between Belfast and Larne. The Irish Government has committed an investment of EUR 580 million in roads infrastructure in Northern Ireland in support of these projects. The further development of the Belfast-Larne route complements work already completed on the road linking Dublin and Belfast (the cross border section of which was opened in August 2007) and other upgrade works taking place in Northern Ireland. This will see significant developments in the Euro Route E01 linking the major seaports of Larne, Belfast, Dublin, Dun Laoghaire and Rosslare, as well as Dublin and Belfast airports. The scheme is located on the Ireland/UK/Benelux section of the trans-European road networks (Priority project 13).

Development of the Dublin – Belfast Cross Border InterCity rail servicing the major cities of Dublin and Belfast and a key economic corridor. Following discussions between the respective Transport Ministers in December 2007 active consideration has been given to upgrading the route including increased frequency, improved and more competitive journey times. The scheme is located on the "Railway/Road axis Ireland/United Kingdom/continental Europe" of the Trans-European Transport Network (priority project 26).

- 9.21. For the period 2007-2013, several NI projects have been identified as a "priority projects of European interest" by the TEN transport and energy guidelines. The TEN budgets can contribute to the studies and, in some case, to the works for the implementation of such projects. After systematic contacts with the Commission, NI participated in the UK proposal for the TEN Transport multi-annual programme 2007-2013 and succeeded in obtaining support for part of a road project "package for improvements and upgrade of road infrastructure", with a TEN-T allocation for NI section of EUR 10.64 million and a support rate of 16% (compared to 5% for the other UK regions).

In the energy sector, Northern Ireland jointly with the Republic of Ireland obtained assistance from the Annual 2007 TEN-E programme for two projects:

- E225/07: "Integration of wind generation on to the west of Northern Ireland and Ireland electricity networks. Technical, Routing, stakeholder analyses and preparation of build phase documentation" presented by NIE (eligible cost EUR 3.1 million, EU assistance 50%), and
- E230/07: "Network Reinforcement to integrate renewable generation in the North-West of Ireland and Northern Ireland – Technical and Feasibility Studies" presented by EirGrid (eligible cost: EUR 7.6 million, EU assistance 26,3%).

IV. Suggestions and recommendations

- 9.22. While, in purely financial terms, support for new infrastructure will have to lie within the framework of national UK policy, there are other potential possibilities for financial support including for innovative projects.

- 9.23. In this respect, it should be recalled that the European Investment Bank (EIB) is particularly active in the transport and energy sectors¹¹¹. In the transport sector, the EIB is strongly committed to the development of TENs, giving priority to transport modes which are held to be the most promising in terms of reducing greenhouse gas emissions, supporting research and innovation (RDI) activities, focusing on ensuring energy efficiency and emissions reduction, and giving more attention to energy efficiency in transport projects.
- 9.24. As regards the regional programmes supported by the Structural Funds (ERDF), NI falls within the "Regional Competitiveness and Employment" objective, which does not attach priority to supporting traditional infrastructure projects in energy and transport. Nevertheless, transport and energy activities supporting sustainable development, especially those related to renewable energies, are encouraged under the new programme for 2007-2013.
- 9.25. In order to complete the missing links in the infrastructure networks, the NI authorities could therefore deepen relations with the EIB including an examination of the possibility to implement infrastructure projects through public-private partnerships.
- 9.26. The "all-island" approach in the field of infrastructure is an important dimension, not only for projects that are part of the TENs. Given the small size of the region, shared investment in infrastructure is likely to yield a greater economic and social return.
- 9.27. The European Commission has published on 13.12.2007 a public consultation for a preliminary draft on "Community guidelines on state aid for railway undertakings". The consultation was closed on 25.01.2008. These guidelines will be shortly adopted by the Commission

V. For further information

Calls for proposals on the programmes managed by DG TREN

- All organisations, undertakings or bodies interested in submitting applications for programmes managed by the Directorate-General for Energy and Transports can find relevant information about the call for proposals at the following address:
http://ec.europa.eu/transport/index_en.html
- *Trans-European transport network (TEN-T)*

At the beginning of April 2008, the Commission will launch a call for proposals in the field of TEN-T for the year 2008 (annual programme) and for the period 2007-2013 (multi-annual

¹¹¹ The bank has defined its strategy in this sector in the following documents:
 - On October 2007, the Board of Directors of the EIB adopts two documents:
 i) Global warming and transport: A renewed policy for EIB bending to the transport sector;
 ii) EIB lending to the automotive sector.
 - On November 2006, the Board of Directors of the EIB adopts the "Energy Review 2005".
 Following the Commission's Energy Package in March 2007, the EIB adopted the "Clean Energy for Europe": A Reinforced EIB Contribution", that foreseen a reinforced contribution to the Energy objective which includes reinforcements for energy efficiency and renewables and specific screening criteria for coal and lignite power stations.

programme, MAP). The MAP part of the call will cover actions on Motorways of the Sea, Functional Airspace Blocks and River Information Systems.

The total amount of grant for projects in the annual 2008 call is EUR 140 million and in the MAP call EUR 20 million for Motorways of the Sea.

The tentative dates for other calls on the TEN-T programme have been indicated in the "work programme" adopted in 2007¹¹².

– *Trans-European Energy Network (TEN-E)*

At the beginning of April 2008, the Commission will launch a call for proposals in the field of TEN-E for the year 2008.

The total amount of grant for projects in the annual 2008 call is EUR 22.66 million.

MARCO POLO

The 2008 call was published in the Official Journal of the European Union on 05.02.2008¹¹³.

The NI administration has been informed in due time of this call.

The available budget for 2008 is approximately EUR 59 million, with which the Commission envisages funding a maximum of 35 projects.

CIVITAS

The next call for CIVITAS initiative will take place in 2010.

CONCERTO

The next call for proposals will be launched in 2008, but the date has not been defined yet. The indicative allocation for Community contribution on this call is EUR 40-50 million.

INTELLIGENT ENERGY - EUROPE

The 2008 call for proposals will be published in late February 2008. Some EUR 50 million will be available, supporting up to 75% of eligible project costs.

Directorate-General for Energy and Transport

http://ec.europa.eu/energy/index_en.html

http://ec.europa.eu/transport/index_en.html

http://ec.europa.eu/ten/index_en.html

<http://www.civitas-initiative.org/main.phtml?lan=en>

http://concertoplus.eu/CMS/component/option.com_frontpage/Itemid,239

¹¹² Decision of the Commission establishing a draft on the multi-annual work programme for grants in the field of trans-European transport network (TEN-T) for the period 2007-2013 (Doc. C(2007) 2158).

¹¹³ OJ C 31, p.13 of 5 February 2008 - Call for proposals for modal shift, catalyst, motorways of the sea, traffic avoidance and common learning actions under the second Marco Polo Programme (European Parliament and Council Regulation (EC) No 1692/2006).

Annex

NI co-financed TEN projects in period 2000-2006

i) Transport sector:

TEN-T (studies)

Projet	Total cost	TEN-T contribution	State of play
PP9 Railway Cork/ Dublin/Belfast/Stranraer	EUR 357m NI: EUR 119m IRL:EUR 238m	EUR14.1 m NI: EUR10,4 m	Completed
PP13 UK/IRL/ Benelux Road link section	EUR 6487 m NI:EUR 353 m	EUR 59.7m NI section: EUR 5.5m	Some sections completed in 2004, others by 2010. Total investement until 31.12.2006, €3175 m out of which EUR 37,74 m for NI.
PP UK/IRL/ContEurope Rail-Road	EUR 4097 m NI:EUR 149 m	EUR11,5m NI section: EUR2.14m	Project ongoing.Total investment until 31.12.2006. €2356 m , out of which EUR 40,89 m for NI

ii) Energy sector

Project	Total cost	TEN-E contribution	State of play
IRL/NI Electricity interconnection and possible integration of offshore wind capacity	EUR14,34m	EUR7,17m	Three out of the five studies completed. Investment until 31.12.2006, EUR 5,68 m.

Chapter 10: The European Investment Bank

- 10.1. The role of the European Investment Bank (EIB) is to contribute towards the integration, balanced development and economic and social cohesion of the EU Member States.

The EIB raises substantial volumes of funds on the capital markets which it lends on competitive terms to projects that further EU policy objectives and operates in keeping with strict banking practice and in close collaboration with the wider banking community, both when borrowing on the capital markets and when financing capital projects. The Bank is also involved in helping to run a number of recently developed joint Commission/EIB Group initiatives, in particular JEREMIE, to improve the financial environment for small businesses; JESSICA, for the development of financial mechanisms to support sustainable urban projects, and the Loans Guarantee Instrument for Transport TENS (LGTT). These can be of benefit to public and private investment projects in Northern Ireland.

- 10.2. In 2006, the Bank lent some EUR 40 billion for projects in the EU, of which about 9% went towards projects in the UK. For the five years 2002-2006, on a euro per capital basis, EIB lending in NI was close to the UK average (290).

Annually the Bank lends about EUR 3.5 billion in the UK. In the case of Northern Ireland, for the ten years 1998-2007, the region benefited from EUR 850 million in direct EIB loans that contributed to well over EUR 2 billion in new capital formation. On a sector basis, 54% (EUR 458 million) went to energy, 31% (EUR 264 million) to transport schemes, 10% (EUR 85 million) for water and sewerage; and 5% (EUR 43 million) for industry. In addition almost EUR 270 million went to support investment being carried out by some 440 small and medium sized enterprises in the region. This SME finance was made available indirectly through credit lines arranged with UK banks.

The EIB has recently signed two major loans for road and education investment in Northern Ireland. At end-2007, the Bank lent EUR 170 million for improvements to the A1 and A4/A5 road corridors, important links between NI and the Republic of Ireland and form part of the TENS-T network. In March 2008, the Bank lent EUR 71 million for the Belfast Schools PPP project, involving the construction, refurbishment and maintenance of five schools in the city. The Bank has also recently approved the financing of the NI hospital PPP programme.

- 10.3. Historically, the working relationship between the authorities in NI and the Bank has been good and this had led to the mobilisation of the Bank in financing a large number of projects in a variety of sectors (see annex). In the past, the EIB played a key role in implementing the financial elements of the Peace Process.
- 10.4. Looking to the future, the region has ambitious plans for renewal and modernisation which will require capital investment on a large scale. For example, Investment Strategy, 2008-2018, NI sets out an ambitious programme aiming "to address the existing patterns of socio-economic disadvantage and using prosperity to tackle poverty". Infrastructure investment amounting to some EUR 24 billion is planned for the next ten years. The investment strategy has been organized around six investment

pillars: networks, skills, health, social, environment and productive investment, with a particular focus on the cross-border dimension¹¹⁴.

The nature of the priority sectors themselves and the volume of capital required are such that the EIB could be called upon in support, and the NI authorities are encouraged to examine the possibility of EIB loans. Amongst the key orientations in the EIB's lending strategy¹¹⁵, there are priorities of particular relevance for the region, and it is keen to identify projects with private and public sector promoters.

- 10.5. In line with its strategy, the Bank is giving a special focus to financing projects encouraging *environmental sustainability*, in particular the management *and treatment of waste and water treatment schemes*, as well as improving the quality of life in the urban areas, particularly *urban renewal and sustainable urban transport projects*. The JESSICA programme is expected to play an important catalyst role in such urban development.

The Bank is also looking to finance major *social housing schemes and educational projects*, both university and schools' modernisation and expansion; a sector in which the Bank has been very active in the UK, particularly in supporting PPP projects. Other areas of particular interest to the Bank include major investment in *transport, especially railways* and communication infrastructure with an international trans-border component. Another target is *energy security*, especially in energy efficiency and renewable energy schemes, (which also contribute to the Bank's environmental objectives). In the *industry sector*, the Bank is seeking to finance projects with a significant high-tech, R&D and environmental components, to reinforce the Lisbon process. The Bank supports the activities of *small and medium-sized enterprises* indirectly through credit lines arranged with bank's operating in the United Kingdom.

¹¹⁴ Building a better future- Draft investment Strategy 2008-2016, NI Executive (2007).

¹¹⁵ EIB Corporate Operational Plan 2008-2010,
http://www.eib.org/attachments/strategies/cop_2008_en.pdf

Annex

EIB signatures in Northern Ireland 1999 – 2008

Sector	Year signed	Project name	Amount signed (EUR million)	Project description
Energy	1999	NORTHERN IRELAND POWER	154	This is a private sector project for which the promoter and EIB borrower is Northern Ireland Electricity plc. The project consists of reinforcement and renewal of the electricity transmission and distribution networks in Northern Ireland and construction works were completed in 2000. The project's objectives were to improve the reliability of Northern Ireland's electricity supply, cater for growth in demand, reduce technical losses and provide the electricity infrastructure to enable new customers to be connected to the distribution networks.
	2003	COOLKEERAGH ESB POWER (AFI)	216	<p>This project is promoted by the Electricity Supply Board (ESB) who is also the EIB's borrower. The project comprises the construction of a 398 MW combined cycle gas turbine (CCGT) power plant replacing an existing 40-year old oil-fired station on the same site at Coolkeeragh, Northern Ireland. Early works started on the site in 2002.</p> <p>By replacing obsolete fuel oil fired capacity, it is expected that the project will contribute to increased competition by improving efficiency and lowering end-user tariffs. In addition the Project's environmental benefits include reduced emission of greenhouse and other gasses.</p>
	2006	BORD GAIS GAS NETWORKS	88	The borrower/promoter for this project is Bord Gais Eireann ("BGE") - a regulated Irish semi-state body (fully state-controlled with its borrowings monitored by the Minister of Finance), which provides gas network services. The project forms part of BGE ongoing investment programme for the expansion and renewal of its gas transmission and distribution networks in Ireland and Northern Ireland. It includes in particular a 150-km gas interconnector linking the gas transmission networks of Ireland and Northern Ireland (between Gormanston and Belfast), new gas distribution grids in areas centred around ten towns ¹¹⁶ in Northern Ireland, the renewal of the Dublin gas distribution grid and the expansion of gas distribution grids in Ireland. Construction works for the South-North gas pipeline started during the first quarter of 2006 with commissioning in October 2006. The gas distribution elements of the project have relatively short implementation periods and they will be progressively commissioned during the investment period 2006-2009. The project is expected to increase the capacity and the security of gas supply to Northern Ireland and bring natural gas to towns and industries in the

¹¹⁶ Derry, Limavady, Coleraine, Ballymoney, Ballymena, Newry, Banbridge, Armagh, Craivagon, Antrim

				corridor from Newry-Belfast-Derry as well as new customers in Ireland.
Industry	1998	SHORTS CANADAIR CRJ 700 JET A and B	44	This is a private sector project promoted by Short Brothers Plc (Shorts) and for which the borrower is National Australia Bank Limited (NAB). The project comprises the design and production of major components of a regional passenger aircraft. The project objectives were to reinforce Shorts competitive position in order to attract future aerospace work and thereby local sub-contractors. Economic effects on the regional economy were anticipated to include employment creation and maintenance, enhancement of skills and wider regional effects.
Transport	2001	REGIONAL BUS RENEWAL	5	A project for which the borrower/promoter are Midland Bank plc (Midland), London, and its wholly-own subsidiary, Forward Trust Limited (Forward Trust), Birmingham. The project concerned the acquisition of 1200 buses which complied with euro II standards. These buses replaced existing vehicles and operated in urban areas throughout the UK. Vehicles acquisition was planned between 1998 and 2001. By making available better quality, more environmentally sustainable vehicles, the project should contribute to reducing noxious emissions and reduce excessive private car usage.
	2006	M1 WESTLINK AND M2 PPP	90	This is a PPP and Priority TEN-T project for which the promoter is the Department for Regional Development and the borrower is Highway management (City) Finance plc. The project consists of a 30 year concession to design, build, finance, operate and maintain a 60km section of the M1/Westlink and M2 motorways in Northern Ireland. Construction is expected to be complete by 2010/11. The project is expected to improve journey times and traffic flows as well as reducing vehicle operating costs.
	2007	A1, A4/A5 ROAD IMPROVEMENTS	170	Design, construction and maintenance of improvements to a 120 km section of the A1, A4/A5 trunk roads, to be carried out under a 30 year concession Agreement between Amey Lagan Roads Limited and the NI Department for Regional Development. The project forms part of the strategic TENs-T network and will reinforce communication links between NI and neighbouring EU Member States. It improves links between Belfast and Dublin (A1) and Belfast and south-west Ireland (A4/A5), and will ensure capacity needs, reduce journey times, congestion and danger of accidents. The works form part of the priority road improvements defined in NI's Regional Transport Strategy.
Water, Wastewater	2006	NORTHERN IRELAND WATER PPP	85	This is a PPP project for which the promoter is the Northern Ireland Water Service and the borrower is Dalriada Water Limited. The Project has been procured as a PPP and involves the upgrading and expansion of up to 5 existing Water Treatment Works (WTW) and their operation and maintenance under a 25 year Concession Contract with the Water Service. Construction started in May 2006 and is due to be completed by 27 th October 2008. The aim of the project is to ensure compliance by the Northern Ireland Water Services with EC Drinking Water Directive (80/778/EEC), the Water Supply (Water Quality) Regulations (Northern Ireland) 2002; and EU Revised Drinking Water Directive (98/83/EC).

Education	2008	FACILITY FOR EDUCATION IN NORTHERN IRELAND PPP – BELFAST SCHOOLS	71	Construction, refurbishment, and maintenance of four secondary schools and one primary school in Belfast. Works are to be carried out under a 30 year PPP concession contract by Amey Belfast Schools Partnership PFI Co Ltd for Belfast Education and Library Board.
		Total	921	



Consult this website for further information:

http://ec.europa.eu/regional_policy/index_en.htm

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