IV.3

STRUCTURAL FUNDS IN THE UK

1. United Kingdom Programmes 2000-2006 (excluding PEACE II)

Introduction

The United Kingdom (59 million inhabitants) is composed of four separate nations: England (49 m), Scotland (5 m), Wales (3 m) and Northern Ireland (less than 2 m). Each nation has a different degree of devolved responsibility: Scotland has its own parliament with substantial devolved powers, the Welsh Assembly enjoys a more limited degree of autonomy and devolution has taken place but is now suspended in Northern Ireland.

Within England there are proposals for regional assemblies in three parts of the North of England. A referendum was held in the North East region on 4 November which resulted in a 3 to 1 rejection of the idea of the regional assembly. The notion of English regional assemblies was closely associated with Deputy Prime Minister John Prescott. In a statement to the House on 8 November Mr Prescott confirmed that the results of the referendum meant that, under existing legislation there can be no further referendum in the North East for at least 7 years. He also stated that he would not bring forward orders for referendums in either the North West or Yorkshire and the Humber, the other two potential candidate regions for elected regional assemblies.

The UK’s heterogeneous system of governance is also reflected in the management of the structural funds programmes.

For the programming period 2000-2006 Structural Funds finance 6 Objective 1 programmes and 14 Objective 2 programmes for a total contribution of € 11.3 billion and leveraging additional € 15.9 billion in national match funding, as well 11 URBAN II and 4 Interreg IIIA programmes. The financial allocations per programme are as follows:

Financial Allocations

Objective 1 Financial allocations (in Mio EUR, including transitional support)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Total eligible cost</th>
<th>Total contrib.</th>
<th>ERDF</th>
<th>ESF</th>
<th>EAGGF</th>
<th>FIFG</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Wales &amp; Valleys</td>
<td>4,022,8</td>
<td>1,933,9</td>
<td>1,163,0</td>
<td>615,2</td>
<td>133,0</td>
<td>22,7</td>
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<tr>
<td>Merseyside</td>
<td>3,631,2</td>
<td>1,389,1</td>
<td>930,6</td>
<td>452,5</td>
<td>5,7</td>
<td>0,3</td>
</tr>
<tr>
<td>South Yorkshire</td>
<td>3,088,2</td>
<td>1,221,4</td>
<td>833,7</td>
<td>364,7</td>
<td>23,0</td>
<td>-</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>1,492,5</td>
<td>929,1</td>
<td>537,1</td>
<td>285,0</td>
<td>78,0</td>
<td>29,0</td>
</tr>
<tr>
<td>Cornwall &amp; Scilly</td>
<td>1,206,4</td>
<td>523,3</td>
<td>326,6</td>
<td>100,9</td>
<td>78,9</td>
<td>16,9</td>
</tr>
<tr>
<td>Highlands &amp; Islands</td>
<td>864,4</td>
<td>319,8</td>
<td>190,1</td>
<td>62,3</td>
<td>38,3</td>
<td>29,1</td>
</tr>
<tr>
<td>Total Objective 1</td>
<td>14,305,5</td>
<td>6,316,6</td>
<td>3,981,1</td>
<td>1,880,6</td>
<td>356,9</td>
<td>98,0</td>
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Objective 2 Financial allocations (in Mio EUR, including transitional support)

<table>
<thead>
<tr>
<th>Objective 2</th>
<th>Total eligible cost</th>
<th>Total contrib. S.F</th>
<th>ERDF</th>
<th>ESF</th>
</tr>
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<tbody>
<tr>
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<td>2.324,8</td>
<td>889,5</td>
<td>745,1</td>
<td>144,4</td>
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<tr>
<td>North West of England</td>
<td>1.947,8</td>
<td>841,4</td>
<td>841,4</td>
<td>-</td>
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<tr>
<td>North East of England</td>
<td>1.922,7</td>
<td>746,5</td>
<td>610,9</td>
<td>135,6</td>
</tr>
<tr>
<td>Yorkshire &amp; Humber</td>
<td>1.439,4</td>
<td>538,7</td>
<td>469,2</td>
<td>69,5</td>
</tr>
<tr>
<td>Western Scotland</td>
<td>1.444,9</td>
<td>504,5</td>
<td>437,6</td>
<td>66,9</td>
</tr>
<tr>
<td>East Midlands</td>
<td>1.013,8</td>
<td>393,9</td>
<td>358,8</td>
<td>35,1</td>
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<td>London</td>
<td>679,3</td>
<td>273,9</td>
<td>242,6</td>
<td>31,3</td>
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<tr>
<td>East of Scotland</td>
<td>661,4</td>
<td>261,5</td>
<td>261,5</td>
<td>-</td>
</tr>
<tr>
<td>South West of England</td>
<td>459,1</td>
<td>199,9</td>
<td>164,8</td>
<td>35,0</td>
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<tr>
<td>East of England</td>
<td>431,9</td>
<td>164,7</td>
<td>150,2</td>
<td>14,6</td>
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<tr>
<td>East Wales</td>
<td>308,5</td>
<td>126,4</td>
<td>126,4</td>
<td>-</td>
</tr>
<tr>
<td>South of Scotland</td>
<td>176,1</td>
<td>76,3</td>
<td>76,3</td>
<td>-</td>
</tr>
<tr>
<td>South East England</td>
<td>100,0</td>
<td>35,7</td>
<td>35,7</td>
<td>-</td>
</tr>
<tr>
<td>Gibraltar</td>
<td>20,3</td>
<td>8,7</td>
<td>8,7</td>
<td>-</td>
</tr>
<tr>
<td>Total Objective 2</td>
<td>12.930,0</td>
<td>5.061,6</td>
<td>4.529,2</td>
<td>532,4</td>
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</tbody>
</table>

As regards Community Initiatives, there are URBAN II programmes in Belfast, Bristol, Burnley, Halifax, East Durham Coalfield, Derby, Peterborough, London Stockwell, Thames Gateway, Clyde Waterfront and West Wrexham. There are Interreg IIIA programmes for Ireland/Wales, Gibraltar/Morocco, United Kingdom/France and Ireland/Northern Ireland.

Overview of priority action in programmes

All Objective 1 and 2 programmes follow more or less the same of the following priorities:

a) Competitiveness of small and medium-sized enterprises.

- development of new businesses and the strengthening of existing ones with a strategic potential;

- efficient utilisation of ICT, transfer of new technology to business, adaptation to changing market or socio-economic conditions, development of clusters;

- access to capital, mentoring and tutoring, facilitating the co-operation between the knowledge institutions of the regions and the businesses.

b) Strategic development opportunities:

- development of strategic sites (offering opportunities for business or employment development);
• development of strategic sectors (e.g. ICT, environmental businesses and products) and clusters.

• tackling specific problems of urban, rural and fishery areas.

c) Skills

• reducing the knowledge gap that regions suffer from;

• developing the specific skills required in order to fully benefit from the opportunities offered by the changing market and socio-economic conditions.

d) Community economic regeneration

• addressing of specific problems of poorest parts of the regions: capacity building (making people employable), sustainability (making the deprived areas attractive and viable), community based enterprises (support to small businesses run by local people), urban/rural regeneration.

e) Environmental and energy infrastructure

• increasing exploitation of renewable energy resources

f) Transport infrastructure

• rebalance modes of transport (e.g. improving public transport) remove bottlenecks, improve links to Trans-European Networks and emphasise on small scale local improvements

**Added value of Community programmes**

The EU Structural Fund programming approach has had an important impact on the effectiveness of regional policy in the United Kingdom.

The Structural Funds have encouraged a **more strategic** way of thinking at local and regional level and have provided a more strategic approach to programme management. The EU multi-annual programming approach provides greater continuity and strategic focus.

The multi-annual programming approach of the Structural funds set out the priorities over time. They provide an overall strategy and an associated financial plan that requires common agreement amongst a wide range of partners. In this way the European Community **shares risk with the regions.**

The additional resources provided by EU Structural Funds has led to more and enhanced projects, leveraging additional **private sector funding** that might otherwise have not been available.

The Community approach has emphasised the importance of **mainstreaming the horizontal themes** of the environment, information society and equal opportunities.
These areas have received more attention than they might otherwise have done under purely national programmes.

The emphasis on the **partnership principle** has acted as a catalyst at regional and local level for improved partnership structures and contributed positive effects in terms of capacity building.

Survey results indicate that besides a tendency towards more extended projects (“think big”) Structural Fund programmes have supported **genuine innovations in policy and practice**. The announcement of programmes (notably for newly designated Objective 1 areas) often led to immediate catalytic effects on the development of the regions.

Although the impact of Structural Fund programmes on the development of **more decentralised structures** should not be overstated, it is without doubt that the capacity built through previous Structural Fund programmes have contributed to the role and capacities of the devolved administrations, especially in Scotland and Wales. These affects are wide ranging, from extended formal or actual decision capacities of lower levels up to fully administrative functions, such as improved monitoring systems and the lasting effects of the now prevailing evaluation culture.

**Programme management systems**

As set out above, each nation has a distinct system. In England, the regional Government Offices (GO) manage the programmes, co-ordinated by the Office of the Deputy Prime Minister. The principal partner in the programmes is the Regional Development Agency, which is an important source of match funding. In Scotland, the Scottish Executive is the managing authority which delegates much of the day to day implementation of the programmes to Programme Management executives. In Wales, the managing authority reports directly to the Welsh Assembly whilst in Northern Ireland the local finance ministry fulfils the role of managing authority.

In general, partnership arrangements are very wide and inclusive, with a wide variety of local actors involved.

**Current state of programme implementation / Mid-Term-Evaluation and Mid-Term-Review**

The mid term evaluations have confirmed the original strategy for all UK programmes. Some programmes have made substantial changes to improve delivery whilst others remain relatively unchanged. The performance reserve has been allocated to all programmes. In the case of English programmes, whilst all programmes were regarded as having performed, there was a variation in the allocation of the reserve between 3.86% and 5%. All other programmes received 4%, largely because they were not competing with other programmes for the allocation of the reserve.
2. EU support to Peace and Reconciliation in Northern Ireland

The EU supports the peace process in Northern Ireland in two ways:

- since 1995, the *PEACE Programme*, a unique and distinctive programme among Structural Funds;
- since 1989, a financial contribution to the *International Fund for Ireland*.

Both instruments operate in a region covering Northern Ireland and the Border Region of Ireland as shown below.

![Map of EU Programme for Peace and Reconciliation](image)

**The PEACE II Programme (2000-2004)**

The PEACE Programme has a strategic aim "to reinforce progress towards a peaceful and stable society and promoting reconciliation". This unique mission among Structural Funds follows the work pioneered by the Special Support Programme ("PEACE I"), established in 1995-1999 following the announcement of ceasefires by the main paramilitary organisations in the region.

The programmes seek "to address the legacy of 30 years of conflict in the region" and "to take the opportunities arising from the return of peace", through a wide range of activities (economic, social, urban, rural and cross-border development), and by targeting those identified as "most affected by the conflict", such as:

- *areas* affected by high levels of violence, interface areas between the Catholic and the Protestant communities, areas with high concentration of displaced people, etc.;
- *groups* such as victims of political violence, ex-prisoners formerly members of paramilitary organisations, young people, women, etc.;
• sectors such as tourism, security, arts and sports, etc.

In parallel, PEACE II seeks to "pave the way towards reconciliation". A particular focus is placed on funding projects which are distinctive insofar as they engage their participants in a process of reconciliation and mutual understanding – typically through "cross-community" activities or “single identity” work with a further objective of reconciliation.

Another innovative feature is that the programme is implemented through inclusive (Protestant and Catholic), joint (North/South of Ireland) and "bottom-up" delivery structures (locally-based partnerships, NGOs). This unique design has proved efficient in bringing confidence of all parts of the community in their chance to accessing EU funding. It has also better identification of grassroots needs and the setting up of favourable forum for dialogues between the communities even at difficult times in the peace process.

The Programme's total expenditure over its 5 years is estimated € 708 million, of which the four Structural Funds contribute to € 531 million (80 % Northern Ireland – 20 % Border Region). 15 % of the total allocation is attributed to cross-border projects. PEACE I followed the same overall allocations. As a joint UK/Ireland Programme, PEACE II identifies the following five priorities:

- Economic Renewal (32 %)
- Social Integration, Inclusion and Reconciliation (25 %)
- Locally-based Regeneration and Development Strategies (19 %)
- Outward and Forward Looking Region (5 %)
- Cross-border Co-operation (15 %)

PEACE has met all its N+2 financial targets so far, and in the case of the 2002 target, only thanks to the transfer of projects to the programme supported earlier by national resources exclusively. The national authorities have showed a strong political commitment towards the programme increasing its financial contribution by an amount equivalent to that spent in those transferred projects.

The 2004 June European Council called on the Commission to examine the possibility of aligning interventions under the PEACE II programme and the International Fund for Ireland with those of other programmes under the Structural Funds that come to an end in 2006, including the implications in financial terms. The Commission adopted a proposal for the Council and Parliament on 13 October with a view to a decision by the end of 2004.

International Fund for Ireland

The International Fund for Ireland (IFI) is an organisation established by the UK and Ireland governments in 1986 to encourage dialogue and reconciliation between Nationalists and Unionists in Ireland, through of economic and social activities. Since 1989, the EU has joined the donor countries (USA, Canada, Australia and New-Zealand), with an annual contribution of currently € 15 million (circ. 40 % of the IFI budget).
The EU – who participates as observer in the IFI Board meetings – seeks to promote similar objectives to the ones of PEACE, such as a priority given to cross-community and cross-border projects, cooperation with Structural Funds programmes in the region, and a high profile for EU support to the peace process (as the IFI is often considered as a USA funded organisation).

Following the request made by the June 2004 European Council, the Commission has already put forward a proposal to extend its funding of the IFI for another two years.