Ex-Post Evaluation of Objective 1
1994 - 1999

National report - UK

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Ex-Post Evaluation of Objective 1 1994 - 1999

National Report - UK

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1.0 INTRODUCTION

This report presents the findings of the ex-post evaluation of the Objective 1 Programme 1994-1999 in the UK. This UK member state case study has been conducted within a framework for the overall evaluation of Objective 1 Programmes across all member states of the EU.

During the 1994-1999 programme period there were three Objective 1 Programmes in the UK:

Merseyside

As a region suffering significantly from the decline of the UK’s traditional industries, Merseyside’s programme sought to address regional economic weaknesses and draw out existing and potential areas of growth. As such the programme aimed to improve the provision of sites and business support for both large investors and SMEs, and to promote the further development of the media, leisure and cultural industries, alongside the nurturing of a stronger knowledge-based sector. Almost half of the programme resources were concentrated on the people-based Pathways to Integration programme, seeking to reduce barriers to employment faced by some of the most deprived communities within the region.

Northern Ireland

The peripheral location of Northern Ireland has resulted in various disadvantages for the regional economy, many of which were targeted by the 1994-1999 programme. In particular the programme sought to address infrastructure weaknesses with regards to transportation, ICT and energy. Moreover the programme aimed to reduce the region’s dependence on agriculture and fisheries, by encouraging diversification and fleet reductions. A significant proportion of the programme’s monies focused on investment in the people and communities of the region, in particular in its most deprived areas. This element of the programme sought to encourage better relations between the troubled communities of the region and to provide improved infrastructure and training to allow for enhanced employment opportunities.

Highlands and Islands

Covering Scotland’s Highlands and over 90 islands, this programme sought to reduce the various economic and social disadvantages largely resulting from the region’s remote location and sparse population. Regional competitiveness has been limited by relatively high transportation costs and poor economies of scale. Poor infrastructure links, including ICT; weak business support services; and a large dependence on the primary sectors were issues targeted by the Objective 1 programme. Further exploiting the region’s strengths in tourism and the environment was also a key element of the programme. Furthermore it sought to address the fragile nature of many communities resulting from increasing internal migration of the region’s population away from remote islands towards the larger towns of the region.
Where possible the evaluation has sought to identify general lessons with respect to the Objective 1 Programme in the UK as a whole. However, given the diverse nature of the three programmes and their contexts we have been cautious in drawing general conclusions.

The remainder of this report is structured as follows:

- Section 2 provides an overview of the methodology used for the UK evaluation.
- Section 3 presents an assessment of the appropriateness of the programme strategies.
- Section 4 examines the effectiveness of the programmes.
- Section 5 assesses the efficiency of a sample of large scale projects supported by the programmes.
- Section 6 examines the impact of the programmes.
- Section 7 is concerned with the management and implementation arrangements.
- Section 8 sets out the key strengths and weaknesses with respect to the Objective 1 Programme 1994-1999 in the UK.
- Section 9 provides overall conclusions.
- Section 10 sets out a number of recommendations for the future programmes.
2.0 METHODOLOGY

What follows is an outline of the main elements of the UK Objective 1 evaluation, followed by the research methods used to complete the analysis for each of these sections.

2.1 Evaluation Structure

This UK Member State evaluation has been completed in line with the methodology agreed with the European Commission, DG Regio for the EU-wide evaluation of the 1994-1999 Objective 1 programme. As such the evaluation comprises of five key strands from which conclusions, lessons and recommendations for current and future programming are drawn. For each of these elements of the evaluation case studies are drawn from the three UK Objective 1 programmes for this period, in accordance with the samples agreed with the European Commission.

1. Appropriateness

An assessment of whether the development strategies supporting each of the three UK’s Objective 1 programmes were appropriate to their region’s economic and social conditions in 1994, and whether, during programme implementation, these evolved to reflect changes within the region. This element of the evaluation identified the context in which the 1994-1999 programmes were working and the decisions which preceded the production of the development plans for each region. This allowed the evaluators to understand the key issues which were relevant at the time, as a move towards assessing whether these were adequately addressed during the programming period.

As well as analysing whether the programmes’ overall aims and objectives were suitable for the development of specific regions, this element of the evaluation also sought to assess whether the balance of priorities and measures within each programme was appropriate. In doing this both the activity type and the resources allocated to them were considered.

2. Effectiveness

An analysis of the success of the programmes in achieving the aims and objectives defined in their programming documents. As agreed with the European Commission the UK evaluation focused on the Merseyside and Northern Ireland programmes for this section. In assessing effectiveness the evaluation firstly considered the achievements of the programmes with regards to a series of thematic areas:

- Transport (road and rail)
- SMEs (aid schemes; business services; business infrastructure; financial engineering; training schemes)
- Research and Development
- Education and Training
3. Efficiency

60 large-scale projects were selected, in cooperation with the European Commission, from across the EU’s Objective 1 programme for this element of the evaluation. These projects received support of over EURO 25 million for transport or environmental projects, or over EURO 15 million for industrial projects. Three of the chosen projects were part of the UK’s Merseyside programme and consequently formed the basis for this section of the UK Member State report. These projects were:

- Liverpool Airport Phase 2
- Conway Park Railway Station
- Speke Garston Industrial and Commercial Regeneration

Site visits and interviews with stakeholders permitted an analysis of the efficiency of the completion of these projects, with a particular emphasis on the adherence to their planned timetable and expenditure. With a view to allowing comparison across the EU between similar projects, good and bad practice in project implementation were drawn out as well as common causes of differences between planned and actual timetables and expenditure. Efforts were also made to identify unit costs for these projects to compare them with similar projects that had been completed within Europe both with and without Structural Funds support.

4. Impact

An appraisal of the impact of each of the UK’s Objective 1 programmes on the economic and social conditions of the regions in which they were based. This element of the evaluation takes a ‘bottom-up’ approach to assessing the job creation effect of the Merseyside programme. In the case of Northern Ireland the report considers the results of a HERMIN macro-economic model has also been developed by ESRI. The impact assessment also draws on qualitative evidence gained from interviews with stakeholders in the case study regions.

5. Management and Implementation

An assessment of the impact of management and implementation systems on the delivery of the Objective 1 programmes. Whilst describing the different management structures established for the programmes, this element of the evaluation also identifies good and bad practice with regards to programme implementation, management and monitoring. As agreed with the European Commission, the UK Member State report and preceding fieldwork concerning this element concentrated on the Merseyside programme. However to allow for
comparison key issues identified in relation to Northern Ireland and the Highlands and Islands have been incorporated into this section.

6. Strengths and Weaknesses

Drawing on the key elements of the evaluation, this section identifies the key strengths and weaknesses of the UK’s 1994-1999 Objective 1 programmes, drawing out common themes and region-specific issues.

7. Conclusions and Recommendations

The final part of the evaluation draws together all the preceding elements to make conclusions for the UK Objective 1 programme. Taking this into account it then offers recommendations for the current, 2000-2006 programming period, and with a view to the longer term, post-2006 programmes.

2.2 Research Methods

Information gathered for the analysis of the different elements of this evaluation was drawn from both desk-based research and fieldwork in the regions. Whilst each element of the evaluation focused on a selected sample of the Objective 1 programmes, the UK report has sought to complement these case studies by, where possible, drawing on the experiences of the other UK programmes and identifying universal conclusions. However, it must be recognised that due to the approach taken to sampling and the very diverse nature of the programmes concerned and their institutional contexts the evaluation team have taken a cautious approach to drawing general conclusions for the UK programmes as a whole.

The evaluation comprised of the following phases, some of which ran in parallel:

- Literature Review

An extensive literature review was completed on the 1994-1999 UK programmes, gathering both national and region-specific material. The review reflected the differential focus of each element of the evaluation vis-à-vis each region. This review included:
  - Ex-ante evaluations;
  - the programmes’ Single Programming Documents (SPD);
  - Mid-Term evaluations;
  - European Commission Decisions documents approving programme modifications;
  - Programme Monitoring Committee minutes/reports;
  - Relevant thematic evaluations for the 1994-1999 programming period;
  - Further academic work on the Structural Funds within the UK;
  - Awareness-raising material produced by the programmes themselves.
The literature considered as part of this review is presented in Annex 1.

- **Desk-based Research**

Building on the information gathered from the literature review, more detailed research was completed for each of the UK programmes. This included a comparison of the planned and actual expenditure and outputs for the programmes and the identification of key issues relevant to each programme in preparation for the upcoming fieldwork. Further work also considered a range of economic and social indicators for each region throughout the programming period, as a basis for work within the appropriateness, impact and effectiveness sections of the evaluation. The economic and social context of the UK as a whole was also considered for comparison.

- **Fieldwork**

Interviews with key stakeholders formed an essential part of developing the case studies for the UK evaluation, allowing for further identification of important issues from people ‘on the ground’. A series of face-to-face interviews and telephone interviews, were completed in both Northern Ireland and Merseyside, the two more detailed of the case studies completed for the UK report. The Highlands and Islands programme was not part of the European Commission’s samples for effectiveness, efficiency, or management and implementation. Nevertheless, the evaluators believed it was valuable to carry out a focus group meeting with a small group of this region’s programme stakeholders. This sought to address the appropriateness section of the evaluation (where a comprehensive coverage of Objective 1 programmes was agreed with the European Commission) and to assist in the identification of common trends across the UK for the other elements of the evaluation.

A list of those people interviewed as part of this evaluation is included in Figure 1. In some cases it was appropriate, due their role and involvement in the programme, for the evaluators to interview stakeholders for more than one element of the evaluation, as is evidenced in the table. In the case of Northern Ireland it is recognised by the evaluators that public administration representatives dominated the series of interviews completed. This was due to the comparatively unique political situation of Northern Ireland and the relatively limited inclusion of non-public partners in the 1994-1999 programme resulting from this.

In all cases the changes in personnel at the various agencies involved in the implementation and development of the programmes meant that some potential key informants could not be interviewed as part of the research.

- **Case Study Development**

During and following the completion of the literature review, desk-based research and fieldwork, the evaluation sought to draw together these phases to develop case studies for each of the regions. Addressing each of the elements of the evaluation for which each
region was selected, these case studies are found within the relevant chapters of the UK Member State Report, alongside subsequent conclusions.

- Conclusions and Recommendations

The completion of three regional case studies of varying detail, due to the samples selected by the European Commission, led to work identifying common trends across the programmes. Due to the greatly different characteristics of each of the UK’s Objective 1 regions this process has been relatively limited. Nevertheless some common generic conclusions were drawn alongside more programme-specific issues. Moreover a series of recommendations for the implementation of the current and future programmes within the UK were also developed.
## Figure 1: Interviewed Stakeholders

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Appropriateness</th>
<th>Effectiveness</th>
<th>Efficiency</th>
<th>Management &amp; Implementation</th>
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<tr>
<td><strong>Highlands and Islands</strong></td>
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<tr>
<td>Dennis Malone - Programme Director</td>
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<td>Jim Millard - Scottish Executive Development Department</td>
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<td>Sandy Brady, Highlands &amp; Islands Enterprise</td>
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<td>Derek McKim - Western Isles Council</td>
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<td>Alastair Cooper - Shetland Islands Council</td>
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<td><strong>Merseyside</strong></td>
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<td>Arthur Green - Merseyside Colleges Association</td>
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<td>Andy Churchill - Merseyside Network for Europe</td>
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<td>Pernille Kousgaard - Merseyside Policy Unit</td>
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<tr>
<td>Alex Rae - former Head of Finance Team</td>
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<td>Jo Lappin - GONW - former Head of Appraisal</td>
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<td>Liz Gill - GONW - former Head of Secretariat</td>
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<td>Katherine Himsworth - former Programme Director</td>
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<td>Terry Atherton - Greater Merseyside Enterprise</td>
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<td>Alan Moody - University of Liverpool</td>
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<td>Neil Kemsley - Merseyside Special Investment Fund</td>
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<td>Merseytravel (Conway Park Station)</td>
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<td>Peel Holdings (Liverpool Airport Phase II)</td>
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<td>Graham Pink; Phil Ireland; Julie Lewis - Speke Garston Development Company</td>
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<td>Lynn Spencer - Speke Garston Partnership</td>
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<td>Aidan Manley - North West Development Agency</td>
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<td>Peter Hynd - Neptune Developments</td>
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<td><strong>Northern Ireland</strong></td>
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<tr>
<td>David McAuley &amp; Gerry Rogan - Department of Employment and Learning</td>
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<tr>
<td>Wilfie Hamilton, Howard Keery &amp; Jack Beattie - Department of Enterprise, Trade &amp; Investment</td>
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<td>Sandra Foster - Department of the Environment</td>
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<tr>
<td>Noel Cornick, Paul Carr &amp; Ken Laverty - Department of Agriculture &amp; Rural Development</td>
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<tr>
<td>Desmond Mitchell - PMC District Council representative</td>
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<tr>
<td>Professor Ewart Wallace - PMC training representative</td>
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<tr>
<td>Avila Kilmurray - Northern Ireland Voluntary Trust</td>
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<tr>
<td>Brian Johnston - CBI representative</td>
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3.0 APPROPRIATENESS OF PROGRAMME STRATEGIES

3.1 Introduction

This section provides an assessment of the appropriateness of the strategies adopted and pursued during the 1994-99 period in each of three UK Objective 1 programme areas. The economic character and conditions of the three Objective 1 regions are different in many respects so the key issues to be addressed in each case, and the appropriateness of the strategies adopted, are considered below in turn. To provide some context the analysis are preceded by a brief profile of the UK economy in 1994. Some general findings with respect to the UK programmes are also provided.

3.2 UK economy in 1994

1993 had seen the beginnings of a shaky recovery from the recession of the early 1990s, and the first quarter of 1994 was dominated by discussion of the extent to which this recovery would be sustainable. During the course of the year, the economic statistics and forecasts became increasingly positive, so much so that the Bank of England urged the Chancellor to raise interest rates to prevent an over-inflation of the economy. Indeed, the economic recovery was seen as being strong enough to allow tax rises of £8 billion in the April budget. By the end of 1994 the economic mood was particularly buoyant, the forecasts for GDP growth having been revised upwards in each quarter of the year.

- GDP growth in 1994 increased in each quarter and stood at 4.4% for the year, the fastest rate of growth since the 1988 boom, and a rate that has not been attained since.

- Manufacturing output growth was also strong. Manufacturing output levels surpassed those during the 1980’s boom for the first time.

- Unemployment fell in each quarter, from 10% in Q1 to 9% in Q4, attaining pre-recession levels.

- During the final quarter of 1994 manufacturing employment experienced its biggest increase since 1979.

- The government claimed that the UK’s recovery was the strongest of the EU countries
3.3 Merseyside

3.3.1 Key Issues in 1994

Formerly a heavily industrialised area, Merseyside had experienced a steady decline in relative economic prosperity since the end of the Second World War. This had manifested itself in declining GDP, rising unemployment and net out-migration (contributing to long term population decline). These trends became particularly pronounced during the 1980s and early 1990s. A range of factors contributed to the region’s economic decline including shifts in the pattern of trade, the demise of traditional manufacturing and dockyard industries and factory closures as companies either collapsed or moved away from the region. Merseyside also suffered from a high degree of concentrated social and economic disadvantage - with residents of the inner-city areas of Liverpool and peripheral housing areas experiencing a run-down physical environment and economic marginalisation.

As an urban region undergoing economic structural adjustment, Merseyside was a recipient of Objective 2 funding in the early 1990s. However, intervention failed to halt the decline and 1994, GDP per head stood at 73 per cent of the UK average.

The key issues identified in 1994 reflected both problems of market failure and the need to overcome the constraints on indigenous growth. They were:

- **Economic Structure**
  - The region had a strong reliant on traditional industries, and in particular manufacturing.
  - The agricultural sector in Merseyside was relatively small and declining. In 1994, some 1,522 people were employed in agriculture in the Objective 1 area.

- **Inward Investment**
  - a lack of high quality sites and premises and unfavourable conditions for attracting inward investment. Heavy industry had left a legacy of pollution and dereliction. There was considered to be a market failure in the supply of business premises due to a mixture of low market demand and the high costs associated with bringing abandoned industrial land back into use.
  - a poor regional image in terms of the investment climate, physical conditions and the quality of human resources, exacerbated by poor local-national political relationships and turbulent labour relations.

- **SMEs**
  - poorly developed SME base and an unfavourable economic structure. Merseyside differed from most other former industrial areas of the UK because the extremely high degree dependence on large firms in declining and/or low value-added sectors. The Merseyside economy was also recognised to be over-dependent on employment in central and local government, health and education, leisure,
cultural and recreational services, which accounted for 40% of employment compared to 31% in the national economy.1

- The data suggest that levels of business formation were above average in Merseyside, as would be expected of an urban area. In 1994, Value Added Tax registrations represented 11.1 per cent of the business stock at the start of the year, compared to a UK level of 10.3 per cent.
- Business survival rates in Merseyside were significantly lower than those in the UK. In 1994, 54 per cent of businesses were still trading after three years compared to a UK level of 71.1 per cent.

**Labour Market**
- Through the 1980s and early 1990s the employment base in Merseyside contracted as traditional industries declined.
- A mismatch between labour demand and supply including persistent high levels of unemployment and low skills levels amongst unemployed people.
- Activity rates in Merseyside are lower than those in the UK. In 1995, 53.8 per cent of the working age population of Merseyside were economically active, relative to a UK level of 62.5 per cent.
- High unemployment rates were evident in Merseyside: in Spring 1994, the ILO unemployment rate for the region stood at 15.4 per cent whilst the UK rate was 10.3 per cent.
- In December 1994, 45.8 per cent of claimants in Merseyside were classed as long-term unemployed.

**Education and Training**
- Educational attainment in Merseyside was considerably lower than for the UK as a whole. In 1994, just 34 per cent of pupils achieved five or more A*-Cs at GCSE, in the UK the comparative figures were 46 per cent in 1994.
- The proportion of 16-17 year olds in education in Merseyside was 75 per cent in 1994 compared to a UK figure of 80 per cent.

**Transport**
- Relative peripherally and weaknesses in the intra-urban transport network.

**R&D**
- Evidence suggested that the region was lagging behind many parts of the UK with regards to R&D.
- A lack of networking, particularly between the private sector and research establishments and the limited capacity of intermediary organisations.
- In 1995, 3,174 people (0.7 per cent of the workforce) were employed in R&D, in comparison, in Great Britain as a whole, 1.1 per cent of the workforce were employed in R&D in 1995.

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1 Merseyside TEC Ltd (January 1993) Labour Market review. Liverpool: UK
• Social Cohesion
  - concentrated areas of severe economic and social deprivation.

3.3.2 *Description of the Merseyside SPD*

The structure and key features of the Merseyside SPD are shown in Figure 2.
**Figure 2: Structure of the Merseyside SPD**

| **Aim** | ‘to establish Merseyside as a prosperous European City Region with a diverse economic base, which provides *access to employment* for all sections within the local community, which develops its *people*, their *skills, talents and well-being*, and emphasises its role as a *Gateway* between Europe and the rest of the world, establishes it as a Region of *learning, arts and cultural excellence and innovation*, and establishes it as a Region of environmental excellence that supports a *high quality of life*’ |
| **Strategic Objectives** | • Investing in industry by sustaining and developing existing manufacturing industry and helping SMEs to grow and to improve self-reliance and market orientation  
  • Investing in people to increase employment opportunities, to stimulate enterprise and upgrade skills  
  • Enhancing technology by improving links between R&D institutions and industry to ensure all companies can access scientific and technological support and the R&D projects can achieve their full commercial potential  
  • Increasing employment opportunities for people in Merseyside’s most deprived communities by identifying ‘Pathways to Integration’  
  • Promoting Merseyside’s role as a major gateway between Europe and the rest of the world  
  • Building on the region’s strengths in the cultural, media and tourism sectors to attract more visitors to the region  
  • Maintaining a high quality of life through policies supporting sustainable development |
| **Key Features of Strategy** | Mixture of ‘demand side’ priorities for generating activity and on addressing supply side constraints via infrastructure provision. Strong focus on people-focused activities – human resources development and community development. |
| **Structure** | Five ‘Drivers of Change’  
  • Action -for Industry - the key corporate sector enterprises.  
  • Action for Industry - the home-grown small business sector.  
  • Action for Industry - the knowledge-based industries and advanced technologies.  
  • Action for Industry - the cultural, media and leisure industries.  
  • Action for the people of Merseyside.  
  Technical Assistance  
  26 measures |
| **High Level Targets** | • ‘an increase in GDP of 3% above that which would otherwise have taken place’  
  • 30,000 gross jobs |
The prioritisation of programme resources is revealed in Figure 3. It shows that support for promoting inward investment (Priority 1) was afforded a similar degree of importance as efforts to support indigenous business growth (Priority 2). Sector-focussed strategies attracted a smaller proportion of funds (Priorities 3 and 4) and the human resources element of the strategy (Priority 5) attracted almost half of the programme’s funds.

Figure 3: Merseyside Programme and Measures Funding (1994)

<table>
<thead>
<tr>
<th>Priority</th>
<th>Measure</th>
<th>Description</th>
<th>Total Funding (ECUm) (%) of Total Programme</th>
<th>1994</th>
<th>1999*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Action for Industry: Inward investment and key corporate business development</td>
<td>186 (22.7%)</td>
<td>189 (22.2%)</td>
<td>186</td>
<td>189</td>
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<tr>
<td></td>
<td>1</td>
<td>Quality sites and premises for industrial and commercial investors</td>
<td>100</td>
<td>108</td>
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<td>2</td>
<td>The specific training needs of the key corporate sector: improving business competitiveness</td>
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<td>The Merseyside Image Campaign</td>
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<td></td>
<td>4</td>
<td>Gateways for industry: developing Merseyside’s ports and airport for business needs</td>
<td>45</td>
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<td>Access to key sites for industrial and commercial development</td>
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<td>6</td>
<td>Managing and recycling industrial waste</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Action for Industry: Indigenous enterprise and local business development</td>
<td>149 (18.3%)</td>
<td>158 (18.6%)</td>
<td>149</td>
<td>158</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>Premises for SMEs</td>
<td>30</td>
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<tr>
<td></td>
<td>2</td>
<td>Incentives for local business investment</td>
<td>76</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Support for the specific training needs of SMEs</td>
<td>40</td>
<td>42</td>
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</tr>
<tr>
<td></td>
<td>4</td>
<td>The farming sector and food industries on Merseyside</td>
<td>3</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5*</td>
<td>Fish processing</td>
<td>-</td>
<td>0.05</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Action for Industry: The knowledge-based industries and advanced technology development</td>
<td>62 (7.6%)</td>
<td>67 (7.9%)</td>
<td>62</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>Research, innovation and technology development for business needs</td>
<td>24</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Specific training for new technology</td>
<td>25</td>
<td>21</td>
<td></td>
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<tr>
<td></td>
<td>3</td>
<td>Developing clean technologies and environmental awareness on Merseyside</td>
<td>8</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Specific training for environmental skills</td>
<td>5</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5*</td>
<td>Telecoms and Information</td>
<td>-</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Action for Industry: Developing the cultural, media</td>
<td>54</td>
<td>62</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ex-Post Evaluation of the Objective 1 programmes 1994 - 1999 UK Member State Report
### The cultural and media industries of Merseyside: development of facilities for investors

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
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<th>Value B</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>The cultural and media industries of Merseyside: development of facilities for investors</td>
<td>10</td>
<td>11</td>
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### Better quality in the cultural and media industries: specific skills training

<table>
<thead>
<tr>
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<th>Description</th>
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</thead>
<tbody>
<tr>
<td>2</td>
<td>Better quality in the cultural and media industries: specific skills training</td>
<td>6</td>
<td>4</td>
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</table>

### Attracting visitors to Merseyside: help for investment in festivals, events and tourist attractions, and upgrading the standard of accommodation

<table>
<thead>
<tr>
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<th>Description</th>
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<th>Value B</th>
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</thead>
<tbody>
<tr>
<td>3</td>
<td>Attracting visitors to Merseyside: help for investment in festivals, events and tourist attractions, and upgrading the standard of accommodation</td>
<td>13</td>
<td>22</td>
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</tbody>
</table>

### Improving quality: upgrading skills in the tourist industry

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Value A</th>
<th>Value B</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Improving quality: upgrading skills in the tourist industry</td>
<td>10</td>
<td>6</td>
</tr>
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</table>

### Protecting and developing the natural and historic built environment

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
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<th>Value B</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Protecting and developing the natural and historic built environment</td>
<td>15</td>
<td>19</td>
</tr>
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</table>

### Action for the people of Merseyside: Pathways to integration, a better training system, community development and a better quality of life

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Value A</th>
<th>Value B</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Action for the people of Merseyside: Pathways to integration, a better training system, community development and a better quality of life</td>
<td>361 (44.2%)</td>
<td>368 (43.2%)</td>
</tr>
</tbody>
</table>

#### Pathways to Integration: a package of economic and social support targeted on key communities in Merseyside:

- Pathway to education
- Pathway to skills
- Pathway to training
- Pathway to jobs
- A better quality of life
- Community involvement

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Value A</th>
<th>Value B</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pathways to Integration: a package of economic and social support targeted on key communities in Merseyside:</td>
<td>125</td>
<td>143</td>
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</tbody>
</table>

#### Career development: responding to people’s needs for lifetime training in identified growth sectors

<table>
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<tr>
<th>Action</th>
<th>Description</th>
<th>Value A</th>
<th>Value B</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Career development: responding to people’s needs for lifetime training in identified growth sectors</td>
<td>110</td>
<td>112</td>
</tr>
</tbody>
</table>

#### Accompanying measures to improve equal opportunities for men and women in the labour market

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Value A</th>
<th>Value B</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Accompanying measures to improve equal opportunities for men and women in the labour market</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

#### Targeted action to improve access to jobs and training for those with special needs facing exclusion from the labour market

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Value A</th>
<th>Value B</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Targeted action to improve access to jobs and training for those with special needs facing exclusion from the labour market</td>
<td>25</td>
<td>28</td>
</tr>
</tbody>
</table>

#### Improved and more flexible education, training and employment services

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Value A</th>
<th>Value B</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Improved and more flexible education, training and employment services</td>
<td>39</td>
<td>36</td>
</tr>
</tbody>
</table>

#### Access to work: improving the public transport system

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Value A</th>
<th>Value B</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Access to work: improving the public transport system</td>
<td>43</td>
<td>22</td>
</tr>
</tbody>
</table>

#### A better environment: measures to treat derelict, contaminated and neglected land

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Value A</th>
<th>Value B</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>A better environment: measures to treat derelict, contaminated and neglected land</td>
<td>14</td>
<td>20</td>
</tr>
</tbody>
</table>

### Technical Assistance

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Value A</th>
<th>Value B</th>
</tr>
</thead>
<tbody>
<tr>
<td>TA</td>
<td>Technical Assistance</td>
<td>4 (0.5%)</td>
<td>4 (0.5%)</td>
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</tbody>
</table>

### Total

<table>
<thead>
<tr>
<th>Action</th>
<th>Description</th>
<th>Value A</th>
<th>Value B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td>816 (100%)</td>
<td>850</td>
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</tbody>
</table>
Two new measures were introduced during the 1994-1999 programme as part of approved modifications, this resulted in some changes to the 1994 financial balance shown above.

3.3.3 Appropriateness of the Merseyside Strategy

The Mid-Term evaluation and a strategy review by the PMC in 1996 found the economic strategy underpinning the SPD to be suitable for the development of Merseyside. The evidence obtained from the evaluation research generally supports this view that the programme strategy was appropriate in the light of the needs of the region.

The structure of the final plan (Figure 3) was logical, with each of the five ‘drivers for change’ linked back to the identified key issues and to the programme’s objectives. The internal logic of the strategy was vastly improved as a result of extensive reworking and redrafting during the Commission-led ex-ante evaluation process. However, by current standards one would expect the objectives to be much more specific and quantified. The five Priorities each drew on ERDF and underpinning ESF resources. Each Priority also contained an environmental sustainability Measure.

The UK government was reluctant to weigh the programme too heavily towards large infrastructure projects designed to help ‘capture’ a bigger share of Foreign Direct Investment despite pressure from some local partners. Some considered poor infrastructure and poor transport links to be the most significant barriers to attracting external investment. The UK government’s view was that Merseyside had largely adequate infrastructure and it is also perceived by stakeholders within the region that it was averse to the risks of ‘putting all its eggs in one basket’ with respect to EU funding. Furthermore, the UK government was hesitant to invest in port infrastructure, which it considered to be a ‘closed market’ in the UK. Initially it was also unsupportive of aims to tackle the market failures of Liverpool’s airport although this eventually became a feature of the strategy.

The strategy included number of infrastructure elements designed to reduce key bottlenecks but there was only limited provision for major road infrastructure projects.

Significantly, the strategy attached more or less equal importance to the aims of fostering internal growth through general business support measures and more specific supply-side efforts to create the conditions needed to attract inward investment. This can be considered as an appropriate strategy as it provided a means of securing quicker job creation and economic output but at the same time laying the foundations for improving the long term competitiveness of the SME base.

Almost half of the programme’s funding was allocated to people-focused activities. Priority 5 (ESF) sought to integrate the demand and supply needs of Merseyside’s labour market, whilst reducing the region’s large economic and social disparities. It was intended to counterbalance the more traditional focus on infrastructure-led development strategies. Local partners perceive that the extent of the prioritisation of human resources development and the emphasis on addressing internal cohesion through community economic development was highly influenced by the European Commission. Many stakeholders (including the
community and voluntary sector representatives that were interviewed) were supportive of this strategy. Others felt that European funds should have been used in a more visible manner and point to the low level of additionally associated with human resource elements of the programme. From an objective perspective the approach appears to be justified by the underpinning analysis with respect to barriers to growth. Arguably, the concerns now raised in some quarters regarding the appropriateness of the balance of funds relate to some negative perceptions regarding the way in which ESF resources have been used – this is considered further in Section 3.

A key measure within this fifth Priority was the ‘Pathways to Integration’ programme, a series of support providing a route from the risk of exclusion from the labour market. The programme comprised of four ‘pathways’ (to education, to skills, to training and to jobs) and actions intended to create a better quality of life and to promote community involvement. At the time the Pathways approach was an innovative concept and its approach has since been picked up as a ‘model of good practice’ in other structural fund programmes and domestic regeneration programmes in the UK.

The need for a coherent human resources and community development strategy were strongly justified by the needs assessment in the SPD but the decision to assign such a large proportion of Objective 1 funding for ‘skills development’ and ‘community capacity building’ remains controversial within the region. The Pathways to Integration element of the programme was frequently raised as both a strength and weakness during interviews with stakeholders. Some local partners and academics considered the emphasis on skills development and ‘bottom-up’ community development to be misguided and were of the opinion that spending money on training for jobs which did not yet exist was wasteful. Others, including the former Training and Enterprise Council and community representatives were of the opinion that it was right to give people the opportunity to compete for jobs, and that training provides a means by which they can increase their competitiveness. Regardless of views concerning the principles underpinning the Pathways approach, many stakeholders agreed that the high degree of inclusively that it involved raised particular issues with respect to the efficiency of implementation arrangements – this is considered further in Section 6.

3.4 Northern Ireland

3.4.1 Key Issues in 1994

Northern Ireland is the least populated of the UK regions and it is also the least prosperous. Northern Ireland’s political history is a key factor which has hindered economic development. The political divide in the region, underpinned by a religious divide, generated a deep and lasting violent conflict since the end of the 1960s. It is estimated that over 3,000 people were killed and 40,000 injured as a result of "the troubles". The economic effect of this political context are compounded by the region’s remoteness with respect to the UK mainland. Like most peripheral regions Northern Ireland has a very open economy and its economic fortunes are closely tied to those of the UK. It also has a strong dependence on employment in the public sector.
In 1994, Northern Ireland was subject to direct rule by the UK Parliament and this is an important contextual factor with respect to the region’s development and implementation of the Objective 1 Programme. The approach to governance was highly centralised and the main spending and policy priorities concerned the security situation. The level of violence associated with the conflict in Northern Ireland has fallen in recent years following the 1994 cease-fires by the main paramilitary groups involved in the conflict. The Belfast Agreement (April 1998) led to an elected Assembly in June 1998, and in December 1999 ending the period of direct rule. Devolution was suspended in February 2000 and in the interim, responsibility for Northern Ireland affairs was returned to the Northern Ireland Office of the UK government. A pattern that has been repeated since. The period during the programme and afterwards is characterised both by and increased overall sense of optimism regarding the prospect for lasting peace but also turbulence and uncertainty.

In 1994, GDP per capita was higher than 75 per cent of the EC average and there were many signs that the economy was heading in the right direction. Objective 1 status was secured due to ‘special reasons’ – the continuation of ‘the troubles’ in particular and the effects this had on the climate for investment and social cohesion; hardships imposed by peripherality and fundamental economic structural weakness; and persistently high rates of long-term unemployment.

The key issues identified in 1994 included:

- **Economic Structure**
  - An extremely weak economic structure. The need for further investment to support long-term structural adjustment was identified as the most important economic requirement in 1994. Declining or slow growing sectors were over-represented and manufacturing and private services were under-represented. Low productivity in the manufacturing sector was only partially offset by low wages so the competitiveness of the Northern Ireland manufacturing sector was poor on the basis of unit costs compared to the UK. Amongst UK regions Northern Ireland also had the highest proportion of the workforce engaged in agriculture. In addition, the service sector was dominated by the public bodies and public expenditure was one of the most important driving factors in Northern Ireland economy.
  - The Northern Ireland economy relies greatly on the primary sector. In 1995, 5.6 per cent of Northern Irish GDP came from agriculture, forestry and fishing and in 1994 5.3 per cent of the working age population were employed in agriculture.

- **Inward Investment**
  - Overseas investment in Northern Ireland was low in 1994 by UK standards, with a total of just 23 companies investing in the region, mostly from the manufacturing sector. Northern Ireland’s share of total overseas investment in the UK was 5.1 per cent in 1994.

- **SMEs**
  - Business survival rates were lower in Northern Ireland than in the UK in 1994, with just 59.7 per cent of new businesses were still trading after three years, compared to a UK average of 71.1 per cent.
• **Labour Market**
  - Persistent high unemployment and low economic activity rates. Unemployment\(^2\) in Northern Ireland was 11.7 per cent in 1994, compared to 10.3 per cent in the UK. High birth rates were contributing to the problem of unemployment, giving rise to an above average requirement for employment creation.
  - A high proportion of unemployment in Northern Ireland was long-term unemployment (over 12 months). In 1994, some 59.1 per cent of unemployed people were classed as long-term unemployed.
  - Low income levels (wages were 10% less than the UK average)\(^3\) and as a result the region suffered from low consumer demand.

• **Education and Training**
  - Educational attainment in Northern Ireland was above the UK average in 1994, but still lagging behind many of the other regions. In 1994, 49 per cent of pupils achieved five or more A*-Cs at GCSE and five per cent got no graded results (46 per cent and 8 per cent in the UK as a whole).
  - The proportion of 16 year olds remaining in education in Northern Ireland was 79 per cent in 1994, slightly less than the comparative figure for the UK (80 per cent).

• **Transport**
  - Poorly developed transport infrastructure. The region’s under-developed transport networks were considered to be a key weakness with respect to competitiveness, particularly in rural areas. There was a need to improve the region’s ‘external gateways’, primarily through developing better airport and port links. There was also a need to improve access to these gateways, concentrating on rail and road networks. A further important dimension to the problem of inadequate transport infrastructure was the poor quality of strategic cross-border links between Northern Ireland and Ireland. External spatial cohesion was perceived by the EC to be a key priority, but arguably a low priority with respect to UK Government at that time.

• **R&D**
  - In 1994, businesses, government and higher education institutions in Northern Ireland spent a total of £126 million (or 0.8 per cent of GDP) on R&D, this lagged behind average levels for the UK.

• **Energy**
  - Northern Ireland’s isolation from energy markets. High energy costs were also undermining economic competitiveness and the region’s dependence on fossil fuels was a key issue with respect to environmental sustainability. There was a need to

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\(^2\) ILO unemployment for the Spring quarter (i.e. not seasonally adjusted)

\(^3\) Carter, D (1994) Northern Ireland powers ahead from Corporate Location Northern Ireland Investment Climate p2-4 Milton Keynes: UK
widen Northern Ireland’s energy markets and interconnect with other markets in the UK and Ireland.

Despite these fundamental weaknesses, in 1993/1994 when the programme was being developed the Northern Ireland economy was not effected badly by the general recession experienced elsewhere in the UK in the early 1990s. In part the region’s dependence on public sector employment protected it from such a downturn. Statistics from 1993 show that industrial output and productivity increased and unemployment decreased compared to the previous year. At the beginning of the Objective 1 period, business confidence was rising and there was a feeling that an end to ‘the troubles’ was moving nearer.

Investment was rising (14% of FDI in the UK had found its way to Northern Ireland, a region which contained just 2.8% of the UK population). To boost economic performance further there was a clear need to improve competitiveness, for example by increasing R&D and innovation. The level of industrial R&D in the region was comparatively low, and deficiencies in skills and training procedures had also been identified. Generally, it is perceived that the mood of confidence influenced the nature of the programme which was perceived to be designed to provide a boost for a rather more a long-term strategy for growth than a ‘quick-fix’.

3.4.2 Description of the Northern Ireland SPD

The structure and key features of the Northern Ireland SPD are presented in Figure 4.
**Figure 4: Structure of the Northern Ireland SPD**

<table>
<thead>
<tr>
<th><strong>Aim</strong></th>
<th>“to promote economic and social cohesion both within Northern Ireland and relative to the other regions of the European Community”</th>
</tr>
</thead>
</table>
| **Key Themes** | No strategic objectives but key themes were:  
Economic growth  
- Business and technological development  
- Agricultural and rural development  
Internal Cohesion  
- Human infrastructure  
- Community infrastructure  
External Cohesion  
- Spatial coherence  
- Cross-border coherence |
| **Key Features of Strategy** | The programme is targeted at encouraging competitiveness within Northern Ireland’s industry, with support going in particular to:  
- Tourism  
- industry-led research  
- technological development  
- innovative solutions to local economic development  
- restructuring of agriculture and fisheries  
- development and modernisation of food industry  
In support of the programme’s aim to promote internal cohesion the programme concentrated on community reconciliation and local capacity building. A range of training measures sought to promote the sectors targeted by the programme and to integrate all societal groups into the region’s economy.  
External cohesion was supported by the further development of infrastructure following on from previous investment in ports and airports. Funding focused on road and rail infrastructure and on reducing the region’s isolation within the energy sector through the development of inter-connectors.  
The programme also sought to ensure the sustainability of the region’s environment, in supporting the region’s tourism and food industry sectors. |
| **Structure** | Five Priorities, with nine sub-programmes:  
Priority 1: Promoting economic development and competitiveness  
Priority 2: Investment in communities and people |
| Priority 3: Reducing the effect of peripherality |
| Priority 4: Development of agriculture, fisheries and the rural economy |
| Priority 5: Protection and enhancement of the natural and built environment |
| Technical Assistance |
| 56 measures |

**High Level Targets**

- Increase of 18 per cent in value-added per employee
- Increase economically active population with at least NVQs or equivalent from 33 to 48 per cent
The financial prioritisation attached to each sub-programme is shown in Figure 5. This shows that the Economic Development sub-programme was allocated the largest share of resources (19.5 %) followed by Agriculture and Rural Development (16.2%), Communities and People (15.7 %), Energy (14.8%) and Transport (11.3%). The remainder was split between Tourism, Community Development, Fisheries and the Environment.

**Figure 5: Northern Ireland Priorities, Sub-Programmes and Measures**

<table>
<thead>
<tr>
<th>Priority</th>
<th>Sub-Programme</th>
<th>Measure</th>
<th>Description</th>
<th>Total Funding (ECUm) (% of Total Programme)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Promoting economic development and competitiveness</td>
<td>Economic Development</td>
<td>239.81 (19.5%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.1</td>
<td>Aids to industry</td>
<td>37.11</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.2</td>
<td>Local economic development</td>
<td>26.01</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.3</td>
<td>Research and development and technology transfer</td>
<td>31.87</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.4</td>
<td>Technological infrastructure</td>
<td>25.69</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.5</td>
<td>The environment, quality and innovation</td>
<td>19.01</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.6</td>
<td>Management, entrepreneurial and workforce training to assist in the creation of new firms and the expansion of existing firms</td>
<td>66.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.7</td>
<td>Training in support of local economic development initiatives</td>
<td>7.80</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.8</td>
<td>Training in new technologies</td>
<td>25.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1.9</td>
<td>Technical Assistance</td>
<td>1.32</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Investment in communities and people</td>
<td>PSEP (physical and social environment)</td>
<td>122.22 (9.9%)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.1</td>
<td>Community Relations</td>
<td>20.43</td>
<td></td>
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<tr>
<td></td>
<td>2.2</td>
<td>Urban regeneration</td>
<td>25.54</td>
<td></td>
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<tr>
<td></td>
<td>2.3</td>
<td>Targeting social need (ERDF)</td>
<td>23.60</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.4</td>
<td>Targeting social need (ESF)</td>
<td>38.60</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.5</td>
<td>Community infrastructure (ERDF)</td>
<td>11.05</td>
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</tr>
<tr>
<td></td>
<td>2.6</td>
<td>Community Infrastructure (ESF)</td>
<td>3.00</td>
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<tr>
<td>2.2</td>
<td>Investment in the development of people</td>
<td>193.60 (15.7%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.2.1</td>
<td>Pathways to employment</td>
<td>77.80</td>
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<tr>
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<td>2.2.2</td>
<td>Skills development</td>
<td>53.00</td>
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<tr>
<td></td>
<td>2.2.3</td>
<td>Training for equal opportunities</td>
<td>13.00</td>
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<tr>
<td>2.2.4</td>
<td>Training for special target groups</td>
<td>36.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2.5</td>
<td>Research, evaluation and publicity</td>
<td>3.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2.6</td>
<td>Training infrastructure</td>
<td>10.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>3</strong></td>
<td><strong>Reducing the effect of peripherality</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td><strong>Transportation</strong></td>
<td><strong>139.00 (11.3%)</strong></td>
<td></td>
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</tr>
<tr>
<td>3.1.1</td>
<td>Roads</td>
<td>40.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.2</td>
<td>Railways</td>
<td>61.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.3</td>
<td>Public transport - bus</td>
<td>5.40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.4</td>
<td>Ports and harbours</td>
<td>17.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.5</td>
<td>Airports</td>
<td>4.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.1.6</td>
<td>New technology and technical assistance</td>
<td>9.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td><strong>Energy</strong></td>
<td><strong>182.18 (14.8%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2.1</td>
<td>Natural gas project</td>
<td>90.70</td>
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<td></td>
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<td>3.2.2</td>
<td>Electricity interconnectors</td>
<td>86.48</td>
<td></td>
<td></td>
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<td>3.2.3</td>
<td>Energy efficiency</td>
<td>5.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>4</strong></td>
<td><strong>Development of agriculture, fisheries and the rural economy</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td><strong>Agriculture and rural development</strong></td>
<td><strong>199.88 (16.2%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1.1</td>
<td>Regulation (EEC) No 2328/91 (comprising hill livestock compensatory allowances, farm and conservation grant scheme), Directive 72/159/EEC (AHDS and outgoer’s scheme) and Regulation (EEC) No 1035/72 (producers’ organisations)</td>
<td>69.08</td>
<td></td>
<td></td>
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<tr>
<td>4.1.2</td>
<td>Regulation (EEC) No 866/90 (as amended): marketing and processing conditions for agricultural products</td>
<td>38.88</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1.3</td>
<td>Training for the food sector</td>
<td>13.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1.4</td>
<td>Improved competitiveness, quality, marketing and cost management</td>
<td>33.07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1.5</td>
<td>Research and development and human resource development</td>
<td>7.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1.6</td>
<td>Safeguarding and enhancing the rural environment</td>
<td>15.92</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1.7</td>
<td>Farm diversification</td>
<td>4.04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1.8</td>
<td>Capacity building</td>
<td>3.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.1.9</td>
<td>Strategic area plans and community regeneration projects</td>
<td>15.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2</td>
<td><strong>Fisheries</strong></td>
<td><strong>15.12 (1.2%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2.1</td>
<td>Adjustment of fishing effort: permanent withdrawal</td>
<td>3.51</td>
<td></td>
<td></td>
</tr>
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<td>4.2.2</td>
<td>Renewal and modernisation of the fishing fleet: fishing vessel improvement</td>
<td>4.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2.3</td>
<td>1) Consolidation, rationalisation and diversification of aquaculture and improvement of quality and hygiene; 2) Development of enclosed sea water areas</td>
<td>0.90</td>
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</tr>
<tr>
<td>4.2.4</td>
<td>Improving port facilities especially with regard to quality, hygiene and safety</td>
<td>3.71</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.2.5</td>
<td>Processing, marketing and promotion of fisheries products</td>
<td>3.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Protection and enhancement of the natural and built environment

5.1 Environmental services and protection 64.11 (5.2%)
5.1.1 Waste water treatment 29.97
5.1.2 Water supply 29.97
5.1.3 Environmental protection 4.17
6 Technical Assistance
6.1 Technical Assistance 1.62*

Total 1232.82 (100%)

* An additional ECU 180,000 is reserved for technical assistance at the initiative of the Commission


3.4.3 Appropriateness of the Northern Ireland Strategy

The structure of the strategy was pragmatic in two respects. First, the nine sub-programmes were designed to allow implementation to be organised by relevant Government departments – the sub-programmes reflected the way in which policy responsibilities were divided within the various departments of the Northern Ireland Civil Service (NICS). Second, the Objective 1 programme strategy priorities were closely aligned with the spending priorities of the relevant Government departments.

The focus on UK Government priorities was required because public resources were allocated to the region through a centralised block allocation to the Northern Ireland Office. Few other public agencies, including Local Authorities, had the means to co-finance Structural Fund initiatives and the capacity of the small private sector to match-fund intervention was also limited. One way or another most public agencies in the Region were financed through the block allocation. It has been suggested that the strategy simply ‘pulled together’ eligible activities being pursued by different Government departments and at the same time provision was made for specific private sector-led investments in infrastructure (transport and energy) which the additional Objective 1 resources would stimulate and facilitate. There is a continued debate regarding the additionality of Structural Fund resources in Northern Ireland as they were allocated to the UK Government and it is widely perceived by local partners that the additional structural fund resources were not ‘passed on’ to Northern Ireland through an increase in the block grant from Central Government.

Despite it being more of a plan than a strategy the SPD included an appropriate mixture of actions to address a series of issues hindering the economic and social development of the region, within the remit of structural fund eligible activities. The overwhelming influence of security issues on the prospect for regional development is clear yet it can not be addressed through structural funds programmes.

With regards to economic development (the first sub-programme) the programme sought to:
• increase the competitiveness of the region’s economy by means of R&D and SME development. In particular to diversify the SME base and increase the value added of businesses in order to create jobs and bring about an increase in GDP.

• increase the opportunities for tourism development. Appropriately the aim was to address the market failure in investment in tourism infrastructure and seek to improve the image of the Region which had been damaged by ‘the Troubles’.

• aid the restructuring of important but declining primary sectors - agriculture and fishing. Some stakeholders consider that greater emphasis should have been placed on tackling the need for long-term structural adjustment and diversification in these sectors. Instead the programme over-emphasised support mechanisms and it is perceived that at that time neither the Government or the farming and fisheries sectors were ready to ‘face up to’ the important social and cultural ramifications of long-term decline. In this respect Northern Ireland was one step behind other rural parts of the UK which had at least begun to formulate more diversification-orientated rural strategies.

The provision of physical infrastructure involved a continuation of plans that had been progressed under previous structural fund programmes to overcome the competitive disadvantaged caused by peripherality. There was a reduced emphasis on new road-building compared to previous programmes and but the transport programme remains fairly substantial with efforts focused on key strategic ‘linking’ schemes and ‘finishing off’ existing plans. The SPD included provision for improving both internal and cross-border road and rail routes (particularly the TENs), investment in port infrastructure, airports and bus services. With respect to improving energy supplies, the funds were split between a natural gas project and the provision of two electricity inter-connectors (between Northern Ireland and Scotland and Northern Ireland and Ireland). These were widely perceived to be important priorities for driving down business costs.

Investment in human resources Northern Ireland was also critical element of the SPD, with funding directed at up-skilling the existing and potential workforce and activities to support community development, particularly in the region’s most deprived areas. There was a specific sub-programme aimed at improving internal social cohesion which was strongly influenced by a desire to address the effects of the political divide on social and economic inclusion. The Physical and Social Environment Programme (PSEP) provided a package of measures addressing the social and economic costs of violence and community separation by improving the physical environment and community empowerment of deprived areas. In practice, there was an emphasis on tackling concentrated deprivation in inner city Belfast and other urban areas rather than more dispersed disadvantage in the rural areas of the Region. This emphasis can be traced back to the focus on urban areas in this sub-programme.

Despite the limited involvement of local stakeholders in the development of the strategy, the general thrust of the plan and the balance of resources attached to different priorities appears relatively uncontroversial. Most stakeholders interviewed as part of the
evaluation research believe that the SPD provided a suitable mix of short-term measures designed to address particular barriers to development and efforts to overcome specific supply-side constraints. Unlike in Merseyside and the Highlands and Islands, the Objective 1 programme was not open to debate but few question the approach that was taken. It is also significant perhaps that the majority of local stakeholders did not view the plan as being particularly distinct from what went before or after or from domestic ‘regional’ policies and programmes.

Despite the finding that in general terms the Northern Ireland SPD was appropriate there were a number of weaknesses:

• The Mid-Term Evaluation of the NISP claimed that the programme remained ‘the sum of its parts’, with most sub-programmes well integrated within their responsible departments but poorly integrated with each other. This finding is confirmed by the ex-post evaluation research and it is clear that the strategic framework did not provide a strong mechanism for ensuring that there was integration between the various sub-programmes. A key example is the poor relationship between the interventions directed at urban areas and rural areas, which were led by different government departments which little coordination. Furthermore, there were no particular efforts to promote the areas subject to infrastructure improvements to either local businesses or inward investors.

• Some stakeholders felt that the NISP failed to take advantage of Objective 1 funding to address the unique problems caused by the effect of ‘the Troubles’. In particular, community development was not afforded a high priority in the allocation of resources. The PEACE Community Initiative subsequently supported efforts for ‘bottom-up’ community development strategies.

• As mentioned above, the 1994-1999 Objective 1 programme is widely considered to have been a missed opportunity for truly kick-starting the process of structural adjustment and diversification in the rural economy. Too great an emphasis was placed on supporting the agriculture and fishing sectors rather than wider rural economic development.

The complex structure of the strategy (5 Priorities, 9 Sub-Programmes and 46 Measures) was not considered to be a barrier to effective implementation as the programme was delivered centrally with relevant Government Departments leading on each sub-programme. Had the programme been open to more competitive bidding then the structure is likely to have caused confusion amongst applicants.

3.5 Highlands and Islands

The Highlands and Islands programme has not been studied in-depth as part of this evaluation as it was not a case study for the ‘effectiveness’, ‘efficiency’ or ‘management and implementation’ research. As such it was only considered under the ‘appropriateness’ element of this evaluation.
The Highlands and Islands region is one of the most remote within the UK. Furthermore it has the lower population density within the UK. As a result of this peripherality and remoteness the region has suffered various physical, social and economic disadvantages, constraining its economic growth. The region depends heavily on employment and GDP within the agriculture and fisheries sectors. Competitiveness within the region is somewhat limited by high transportation costs, weak ICT infrastructure and restricted business support services. Key opportunities for the region included its strengths in a variety of sectors including agriculture and fisheries, tourism, knowledge-based industries, and the craft and design industries.

Key issues for the region in 1994 included:

- **Economic Structure**
  - Strong reliance on agriculture and the fisheries sector, with the agricultural sector employing 12,185 people in 1994.
  - Significant importance of seasonal work for the regional economy, particularly focused around tourism and the region’s environmental assets.

- **SMEs**
  - An over-reliance on the primary sector and SMEs. The Highlands and Islands had a very narrow economic base, relying significantly on the agriculture and fisheries sector. The region also relied heavily on large numbers of small companies, which without benefiting from economies of scale and being further hindered by the cost of competing with less remote areas, were not able to fully exploit their potential. Limited business support services and an absence of SME collaboration or networking reinforced this situation.
  - Limited business support services. The region’s remote location restricted the opportunities of local business to access a full range of business support services such as those available in other parts of the UK. This was particularly the case with regards to investment capital and business and market intelligence.
  - The rate of business formation in the Highlands and Islands was lower than that in the UK as a whole. In 1994, business Value Added Tax registrations represented 7.1 per cent of the business stock at the start of the year; in the UK this level was 10.3 per cent.
  - With regards to survival rates, in 1994, 68.1 per cent of new businesses in the Highlands and Islands were still trading after three years.

- **Labour Market**
  - High unemployment and underemployment. Unemployment within the region was particularly susceptible to the seasons and higher than the UK average, with significant variations over the year. Many people were also forced to take on several jobs or various short-term contracts rather than being able to find full-time employment. In many cases these situations resulted in lower than average income
levels, which once combined with the higher costs inherent of living in such a remote location, reduced the standard of living of some areas.

- The earliest date for which claimant unemployment rates are available – January 1996 – shows that 9.1 per cent of the workforce were out of work and claiming benefits.
- Activity rates were relatively high in the Highlands and Islands compared to the UK average. In 1994\(^4\), the activity rate for the Highlands and Islands was 81 per cent compared to a rate in Great Britain of 78.5 per cent.
- Low skills levels. A relatively large proportion of the labour force within the region lacked many of the skills needed to exploit the region’s natural strengths. Business skills in particular needed improving, in particular for the region to benefit from its tourism potential.

- **Education and Training**
  - Educational attainment in the Highlands and Islands is generally better than that in Scotland as a whole. The proportion of the S4 role gaining at least five awards at level 5 or better (roughly equivalent to five A*-C grades at GCSE) in the Highlands and Islands in 1994 was 30 per cent.

- **Transport**
  - Small local market and high transportation costs. Relatively high transportation costs for products being taken outside of the region further hindered its competitiveness.

- **R&D**
  - Low levels of diversification, technology transfer and innovation.

- **Social Cohesion**
  - A very sparse and declining population. With an average of less than 10 people per square kilometre, and significant out migration the region’s communities were particularly fragile and vulnerable to poor economic development. Migration within the region, away from its more remote islands to the mainland was also a concern.
  - A very large and remote location. The Highlands and Islands region is spread over around 40,500 sq km. Whilst the region is peripheral with regards to both the rest of the UK and the EU, communication links within the region were also relatively poor. This situation was reinforced by the physical nature of the region which comprises the mainland and over 90 islands.
  - Limited public service. The provision of public services and facilities was relatively limited to larger towns, to the expense of the more remote parts of the region.

### 3.5.2 Description of the Highlands and Islands SPD

The structure and key features of the Highlands and Islands SPD are presented in Figure 6.

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\(^4\) Excluding the Orkney Isles for which data are not available
### Figure 6: Structure of Highlands and Islands SPD, 1994-99

<table>
<thead>
<tr>
<th><strong>Aim</strong></th>
<th>“To promote the internal and external cohesion of the Highlands and Islands region over the period 1994-1999, primarily by increasing and sustaining GDP growth rates and reducing unemployment”</th>
</tr>
</thead>
</table>
| **Strategic Objectives** | • To strengthen the region’s economy  
• Ameliorate the problems of peripherality and insularity  
• Strengthen the economic and social stability of communities  
• Preserve existing environmental quality and ensure environmental sensitivity of future economic development |
| **Key Features of Strategy** | Focus on maximising area’s competitive and comparative advantages and unique attributes, minimising costs of peripheral location and preserving environmental quality. Stress on ‘demand side’ priorities for generating activity, avoiding “overemphasis” on addressing supply side constraints via infrastructure provision |
| **Structure** | Seven priorities: Business development; Tourism, heritage and cultural development; Preservation and enhancement of the environment; Development of the primary sectors and related food industries; Community development; Improvement of communications and service networks to enhance business and community development; Technical assistance. 40 measures and sub-measures |
| **High Level Targets** | • Raise GDP per capita by **up to** 4%  
• Provide additional 2,500 permanent full time jobs |
The financial prioritisation embodied in the Highlands and Islands strategy is shown in Figure 7. Communications Development, Support for Primary Sectors and Business Development each received around a quarter of the programme funds. Community Development was allocated around 15% of the resources with the remainder split between Environment and Tourism. The financial table was the result of prolonged negotiations with the EC and stakeholders have suggested that there was little discussion regarding the strategic rationale underpinning the agreed distribution of funds. Nevertheless, the distribution appears reasonable in light of the problems facing the region.

Figure 7: Highlands and Islands Priorities and Measures

<table>
<thead>
<tr>
<th>Priority</th>
<th>Measure</th>
<th>Description</th>
<th>Total Funding (ECU m)</th>
<th>(% of Total Programme)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Business Development</td>
<td>Financial support for development of new ventures and SMEs, capital investment and marketing</td>
<td>72.10</td>
<td>23.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Financial support for research and development appropriate to SMEs</td>
<td>23.00</td>
<td>6.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve access to business information, financial services and market intelligence; increase cooperation and linkages among SMEs and with larger firms</td>
<td>23.00</td>
<td>7.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Specific training for business development skills and new start-ups</td>
<td>23.00</td>
<td>17.80</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provision of new sites and premises for SMEs</td>
<td>23.00</td>
<td>18.30</td>
</tr>
<tr>
<td>2</td>
<td>Tourism, heritage and cultural development</td>
<td>Development of new, and enhancement of existing attractions and year-round facilities</td>
<td>24.20</td>
<td>9.90</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve the quality and range of tourist accommodations</td>
<td>24.20</td>
<td>4.80</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Specific training to improve the quality of tourism skills</td>
<td>24.20</td>
<td>2.20</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop enterprises and initiatives related to heritage, culture and the environment</td>
<td>24.20</td>
<td>5.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop better marketing and the use of information technology</td>
<td>24.20</td>
<td>2.30</td>
</tr>
<tr>
<td>3</td>
<td>Preservation and enhancement of the environment</td>
<td>Enhancement and protection of the environment and management schemes</td>
<td>16.30</td>
<td>7.10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pollution control, waste disposal and the development of recycling systems</td>
<td>16.30</td>
<td>6.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop environmental research and audits for the region</td>
<td>16.30</td>
<td>1.60</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop environmental knowledge and skills training</td>
<td>16.30</td>
<td>1.60</td>
</tr>
<tr>
<td>4</td>
<td>Development of the primary sectors and related food industries</td>
<td>68.70</td>
<td>22.1%</td>
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</tr>
</tbody>
</table>
## Ex-Post Evaluation of the Objective 1 programmes 1994 - 1999  UK Member State Report

<table>
<thead>
<tr>
<th></th>
<th>Improvement the efficiency of agricultural structures:</th>
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<td></td>
<td>1.1 Farm and Conservation Grant Scheme</td>
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<td>1.2 Hill Livestock Compensatory Allowances</td>
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<td>1.3 Agricultural and horticultural development scheme</td>
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<td>1.4 Agricultural improvement scheme</td>
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<td>1.5 Agricultural development programme</td>
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<td></td>
<td>Improvement of agricultural processing and marketing</td>
<td>4.84</td>
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<td>(Reg.EEC No.866/90)</td>
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<tr>
<td></td>
<td>Agricultural programme for the development of farm</td>
<td>15.08</td>
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<tr>
<td></td>
<td>and crofting businesses</td>
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<tr>
<td></td>
<td>Improvement and development of fisheries and aquaculture:</td>
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</tr>
<tr>
<td></td>
<td>4.1 Adjustment of the fishing effort</td>
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<td></td>
<td>4.2 Renewal and modernisation of the existing fishing</td>
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</tr>
<tr>
<td></td>
<td>fleet</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4.3 Support for aquaculture</td>
<td>5.70</td>
</tr>
<tr>
<td></td>
<td>4.4 Development of enclosed seawater areas</td>
<td>0.60</td>
</tr>
<tr>
<td></td>
<td>4.5 Fishing port facilities</td>
<td>2.80</td>
</tr>
<tr>
<td></td>
<td>4.6 Processing and marketing of fisheries products</td>
<td>4.80</td>
</tr>
<tr>
<td></td>
<td>4.7 Promotion of fisheries products</td>
<td>0.80</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improvement of forestry management and development</td>
<td>1.82</td>
</tr>
<tr>
<td></td>
<td>of timber processing and marketing</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>5</strong></td>
<td><strong>Community Development</strong></td>
<td><strong>46.90 (15.1%)</strong></td>
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<td>Sub-Priority 1</td>
<td>Investing in people</td>
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<tr>
<td>1</td>
<td>Improve access to jobs and training for unemployed and those facing exclusion</td>
<td>16.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Career development</td>
<td>3.60</td>
</tr>
<tr>
<td></td>
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</tr>
<tr>
<td>3</td>
<td>3.1 Regeneration of communities and villages affected or threatened by economic, physical or social decline (ESF)</td>
<td>7.90</td>
</tr>
<tr>
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<td>3.2 Regeneration of communities and villages affected or threatened by economic, physical or social decline (ERDF)</td>
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<tr>
<td>Sub-Priority 2</td>
<td>Investing in new training systems</td>
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</tr>
<tr>
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<td></td>
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</tr>
<tr>
<td>1</td>
<td>1.1 Improve training, research and development facilities and links with education and private business (ESF)</td>
<td>2.00</td>
</tr>
<tr>
<td></td>
<td>1.2 Improve training, research and development facilities and links with education and private business (ERDF)</td>
<td>4.00</td>
</tr>
</tbody>
</table>
2.1 Support for advice and counselling services (ESF)  
2.2 Support for advice and counselling services (ERDF)  

2.00  
1.00

3.1 Develop distance learning networks and mobile units where appropriate (ESF)  
3.2 Develop distance learning networks and mobile units where appropriate (ERDF)  

1.50  
2.90

6 Improvement of communications and service networks to enhance business and community development  

79.70 (25.6%)

1 Improvements to the road network and rail links and services  

27.80

2 Improvements to: ferry facilities and services; ports; airport facilities for business links and overseas visitors  

23.90

3 Enhance information and communication technologies infrastructure to exploit their full potential  

8.10

4 Provision of adequate sewerage, supplies of, and more efficient use of, water and energy  

19.90

TA Technical Assistance  

3.10 (1.0%)

Total  

311.00 (100%)


3.4.3.5.3 Appropriateness of the Highlands and Islands Strategy

The strategy providing the foundation for the Highlands and Islands Objective 1 programme represents a coherent and appropriate response to the problems of the region, within the scope provided by the structural fund regulations. These comprised: generally low levels of GDP per head (except in the Shetland Islands where figures are arguably distorted by the effects of oil production); concentrations of unemployment; problems of underemployment; a narrow economic base; and out-migration from more remote areas. Many of those problems derive from the region’s combination of peripherality; population sparsity; and constraints of topography, poor soils and harsh climate.

The strategy focuses on a combination of actions to promote the development of key sectors which are identified as being important to the economy and/or perceived to have future growth potential. More general efforts were included to encourage business development; enhance and preserve the area’s unique environment; develop communities; and tackle identified supply side constraints. There was no explicit development model underpinning the programme but it might be viewed as a mix of focussed actions with relatively short-term expected pay-offs and longer-term actions – such as port and airport development – designed to overcome the barriers of geography.

Whilst there were large elements of continuity from the earlier Objective 5b programme, the European Commission sought to limit the focus on road building as a means of addressing the problem of peripherality. Following the recommendations of the Objective 5b Interim Evaluation a greater focus was put into business development and support for economic
diversification. Consultation with the European Commission resulted in some amendments to the Regional Development Plan which preceded the SPD in order to highlight the region’s economic strengths, particularly with regards to tourism, the primary sector and food industries. An additional focus was also put on community development and the use of geographical targeting to address the social and economic disparities within the region. These were both innovative approaches for European funding in the Highlands and Islands.

The programme’s financial focus appropriately reflected the region’s need to exploit its existing strengths. As such a fifth of the programme’s funding was allocated to supporting the agriculture and fisheries sectors, with a view to increasing the add-value of these sectors through increased processing of produce. Furthermore the programme suitably sought to address the region’s inadequate provision of business support services, again with over a fifth of the programme’s resources. Such support included much needed encouragement of business collaboration, through networking and R&D to allow the region’s significant SME community to better exploit economies of scale and spread the inherently high costs of innovation. The programme addressed the region’s need for improved internal communications networks, both with regards to transportation infrastructure, particularly targeted to meeting the needs of the business community within and outside the region. Encouragement of improved access to and use of ICT also aimed to reduce some of the costs of the region’s peripherality, opening otherwise limited opportunities for education, training and employment.

3.6 Development of the Programmes 1994-1999

This section provides an overview of adjustments to the programme strategies that were made during implementation. It draws on the research findings relating to each of the three UK Objective 1 Programmes.

Each of the programmes were adjusted. Where required the European Commission approved significant amendments of measures, financial allocations and output indicators.

During the lifetime of the programme all three regions saw an increased emphasis on social inclusion and community development. In part this reflected changes within UK policy which, following the election of a new government in May 1997, saw greater emphasis on welfare to work strategies for those most distant from the labour market. The introduction of the New Deal for the Unemployed was a critical factor in the adjustment of planned activities, particularly within Northern Ireland where the dependence on public expenditure for match-funding reinforced the programme’s response to shifts in Government policy.

The agriculture elements of the programmes were considerably undermined by the BSE crisis, particularly in Northern Ireland. The impact on beef exports and the additional costs incurred provided another obstacle for the rural economy, specifically with regards to encouraging diversification. There is however no evidence of significant adjustments to the programmes to address these issues which can be considered a weakness in all cases.
The most significant of the changes to the three SPD’s was the introduction of two new measures within the Merseyside programme:

- ‘The fishing processing industry on Merseyside’, was appended to those already existing under Priority 2 with the support of FIFG. This measure sought to increase and modernise the processing of fish and shellfish within the Merseyside region.

- ‘Developing new information technology and communications technologies on Merseyside, and increasing awareness of and access to the information society’. This new measure was positioned under Priority 3 with financial support from both ESF and ERDF. The introduction of this measure appears to be opportunistic in that it was in part due to a major funding bid by a multi-national ICT firm, which later fell through. It was subsequently used to address identified deficiencies in the communications network and is seen as a more general response to EU policy developments with respect to promoting ICT. In this sense it is viewed in a positive manner by local stakeholders.

The reconfiguration of the ESF elements of the Highlands and Islands, and the community development priority in particular, was also significant. The changes were the result of the programme’s Intermediate Evaluation and recommendations made by the Programme Evaluation and Review Group. An increased focus was placed on social inclusion and projects involving the voluntary sector – reflecting developments in domestic policy priorities and the desire to open up the programme to the community-based sector.

The need to make a greater provision for community-led development activities was also identified in Northern Ireland. However, the introduction of the Special Support Programme for Peace and Reconciliation in Northern Ireland and the Border Counties of Ireland (PEACE) was able to carry the weight of many potential changes which were identified as being needed in the region’s Objective 1 programme. In the event the financial allocation to the community development aspects of the Objective 1 programme were slightly reduced to take account of the PEACE programme.

Beyond major amendments to the programmes’ SPDs, minor realignments were made within priorities or sub-programmes. These were largely the result of PMC and working group decisions and were largely pragmatic based on the need to achieve optimal financial absorption.

3.7 Financial Absorption

Strong attention was paid to achieving the financial plans in all programme areas after all three programmes experienced a slow start to spending. Indeed many of the stakeholders that have informed this evaluation, including those involved in Programme Monitoring Committees, have suggested that partnerships and Managing Authorities prioritised the objective of full financial absorption to the detriment of broader programme management issues and strategy management.
What follows is an analysis of the expenditure of each of the three Objective 1 programmes. This provides spend profiles over the programming period, highlighting slippages in spending and adjustments made later to accommodate these. Financial data included in the tables for each of the programmes is the most up to date available from the Programme Secretariats at the time of this evaluation. In the cases of Merseyside and the Highlands and Islands, details of the programme expenditure for 2000 and 2001 are not yet available as this data has not yet been collated, whilst information for these years in Northern Ireland remains provisional. This lack of final expenditure information has limited our ability to assess the final spend of these programmes, although levels of committed expenditure and stakeholder interviews suggest that all programmes are close to achieving full expenditure.

3.7.1 Merseyside

As shown in Figure 8 below, by the end of 1999 spending for the Merseyside Objective 1 programme was considerably under that planned within both its original and revised SPDs, despite having already exceeded the amount of ESF funding originally allocated to the programme. Just over three-quarters of the total expenditure allocated for the 1994-1999 period under the SPD revised in October 1999 had been defrayed by the end of 1999, some 492.4 million ECU less than the total budgeted for the programme. However provisional expenditure data for 2000 and 2001 suggests that the remaining expenditure would be defrayed before the 2001 ‘cut-off point’. Furthermore the significant increase in commitments approved in 1999, depicted in Figure 8, can lead us to believe that the final expenditure for the programme was much closer to that planned in the programme’s SPDs, a situation helped by the creation of lists of ‘reserve’ projects towards the end of the programme which could guarantee the spend of committed funding.

Figure 8 also presents the programme’s actual expenditure (at constant prices for 1999) against that planned in the original and final revision of its SPD. It shows that until 1999 spending under the programme remained below that planned in the original SPD. Consequently subsequent revisions of the funding allocations had to account for underspends earlier on in the programme, resulting in extremely high allocations for 1998 and 1999 within the 1998 and 1999 revisions of the SPD. Consequently actual payments for 1998 and 1999 fell considerably short of the allocations planned within the SPD.
Figure 8: Programme Commitments and Payments

![Graph showing programme commitments and payments from 1994 to 1999. The graph indicates the commitment and payment data for each year, with a peak in 1999.](image-url)
### Figure 9: Merseyside Programme Expenditure 1994-1999 (MECU)

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|       |                     |              |                    |                 |         |
| 1995  |                     |              |                    |                 |         |
| Planned| 296.840             | 242.220      | 121.110 70.500 50.170 0.450 0.000 121.110 | 54.620          |
| Revised 1| 480.230            | 384.880      | 192.120 133.490 57.770 0.860 0.000 192.760 | 95.350          |
| Revised 2| 452.710            | 345.140      | 171.950 133.500 38.290 0.160 0.000 173.190 | 107.570         |
| Revised 3| 176.825            | 142.309      | 69.997 31.639 38.286 0.072 0.000 72.312 | 34.516          |
| Revised 4| 176.825            | 142.310      | 69.998 31.639 38.287 0.072 0.000 72.312 | 34.516          |
| Actual | 209.332             | 191.278      | 88.614 40.369 48.245 0.000 0.000 102.664 | 18.053          |

|       |                     |              |                    |                 |         |
| 1996  |                     |              |                    |                 |         |
| Planned| 318.210             | 259.660      | 129.830 75.580 53.780 0.480 0.000 129.830 | 58.550          |
| Revised 1| 318.250            | 259.690      | 129.850 75.580 53.790 0.480 0.000 129.840 | 58.560          |
| Revised 2| 381.980            | 299.360      | 149.620 93.070 56.380 0.170 0.000 149.740 | 82.620          |
| Revised 3| 211.066            | 167.659      | 84.495 43.627 40.769 0.099 0.000 83.164 | 43.407          |
| Revised 4| 211.065            | 167.659      | 84.495 43.626 40.770 0.099 0.000 83.164 | 43.406          |
| Actual | 230.941             | 203.485      | 95.954 49.219 46.735 0.000 0.000 107.531 | 27.457          |

|       |                     |              |                    |                 |         |
| 1997  |                     |              |                    |                 |         |
| Planned| 340.370             | 277.740      | 138.870 80.840 57.520 0.510 0.000 138.870 | 62.630          |
| Revised 1| 340.370            | 277.740      | 138.860 80.840 57.510 0.510 0.000 138.880 | 62.230          |
| Revised 2| 373.490            | 296.210      | 148.170 81.450 66.460 0.180 0.080 148.040 | 77.280          |
| Revised 3| 227.791            | 179.887      | 89.963 42.363 47.424 0.096 0.080 89.924 | 47.904          |
| Revised 4| 227.390            | 179.786      | 89.882 42.363 47.424 0.096 0.000 89.904 | 47.604          |
| Actual | 242.776             | 202.967      | 95.262 48.217 47.045 0.000 0.000 107.705 | 39.809          |
### Figure 9 (continued)

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Notes: SPD Revisions: (1) March 1996; (2) July 1997; (3) December 1998; (4) October 1999

Actual Expenditure are constant prices for 1999
A contributing factor to the slow spend of the programme were the longer lead times and delays suffered amongst various large-scale infrastructure projects. This resulted in low levels of spend in the first year of the programme in particular, followed by a balanced but relatively low spend in later years and a considerable ‘end-loading’ of ERDF monies committed but unspent in 1999. This problem is clearly illustrated by Figure 10 which shows the rate of spend ERDF funding in comparison to that of ESF. Both funds are shown to leave a large proportion of their spending during the 1994-1999 period until the final year.

**Figure 10: ERDF and ESF spending rates 1994-1999**

At the end of 1999, the underspend for the European funds relative to the 1999 SPD was around 178.7 million ECU. As stated above, the programme had already exceeded the total ESF funding allocated to the programme at this point, but had an ERDF underspend of almost 220 million ECU. There were various measures which, by the end of 1999, had spent less than 50 per cent of the funding allocated to them within the 1998 revision of the SPD. These were in the main supported by ERDF and included the following:

- Measure 1.1 - Sites and Premises
- Measure 2.1 - Premises for SMEs
- Measure 3.1 - Research and Innovation
- Measure 3.5(i) - Telecoms and information (ERDF)
- Measure 4.5 - Protecting natural and historic built environment
- Measure 5.1(ii) - Pathways to Employment (ERDF)
- Measure 5.6 - Access to work: public transport
With regards to match-funding, only 63 per cent of the planned private sector contribution had been invested by the end of 1999, contributing just 17.5 per cent of the whole programme. In contrast national public monies had funded 42.4 per cent of the programme.

### 3.7.2 Northern Ireland

Figure 11 presents the actual expenditure (at constant prices for 1999) for the Northern Ireland Objective 1 programme between 1994 and 1999. To date only provisional forecasts are available from the Northern Ireland Department of Finance and Personnel for the programming period to 2001, but these suggest that the programme underspent against its revised planned expenditure by around 158 million ECU, despite an overspend of European monies. In spite of considerably higher ERDF and national public contributions, this shortfall was mostly a result of lower private sector contributions, which were almost half what had been initially budgeted for. The stakeholder interviews did not provide insight into the reasons for the shortfall in private sector contributions and many consider that the targets for private sector contributions were too high.

By the end of 1999 the programme had spent 88.9 per cent of the European monies allocated to it in its revised SPD of April 1996, leaving some 140.3 million ECU to be spent. Nevertheless, ESF funding have already exceeded the amount of funding allocated to it in the programme’s revised SPD by some 10.7 million ECU.
Figure 11: Northern Ireland Programme Expenditure 1994-1999 (MECU)

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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (1994-1999)</td>
<td>Planned</td>
<td>2658.330</td>
<td>1743.740</td>
<td>1232.820</td>
<td>676.820</td>
<td>354.000</td>
</tr>
<tr>
<td></td>
<td>Revised</td>
<td>2682.985</td>
<td>1757.669</td>
<td>1242.230</td>
<td>685.611</td>
<td>354.619</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td>2432.048</td>
<td>1693.264</td>
<td>1101.939</td>
<td>564.144</td>
<td>365.328</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: SPD Revision April 1996
Actual Expenditure are constant prices for 1999 (Actual* are include provisional forecasts for 2001)
The programme saw various peaks and troughs within its spending pattern and some considerable discrepancies against its planned annual budgets, as reflected in Figure 12. The programme had a slow start in 1994 with a subsequent underspend although this was largely rectified between 1995 and 1997 when European funding peaked. However, the programme again saw underspends relative to the NISP’s planned expenditure in 1998 and 1999, resulting in the ‘end-loading’ of monies following the 1999 cut-off point for funding commitments. Nevertheless by the end of 1999, 91.5 per cent of the programme expenditure planned for the 1994-1999 period had been defrayed, with just 8.5 remaining for 2000 and 2001.

**Figure 12: Planned and Actual Expenditure of EU Contributions 1994-2001**

The ‘end-loading’ of funds was particularly apparent with ERDF funding. Figure 13 shows the distribution of the spending of the four European Structural Funds over the period 1994 to 2001, with the years going from left to right. The figure shows that by the end of 2000 almost all of the ESF funding defrayed during the whole programme had been spent, with a relatively balanced spread of spending across the years. In contrast, less than 90 per cent of ERDF funding has been spent by the end of 2000, leaving a considerable amount of committed funding unspent until the final year of the programme. ERDF funding also shows a relatively unbalanced pattern of spending across the programme, contributing to the fall in expenditure in 1998 and 1999 discussed above. The fluctuations and late spending of ERDF finance was largely the result of the nature of infrastructure projects and various delays suffered to large-scale projects within the NISP.

Figure 13 suggests similar issues concerning the FIFG, with no spending in 1994 and almost 15 per cent of its total contribution to the programme unspent by the end of 2000. However this is counterbalanced by the relatively small amounts of FIFG funding compared to ERDF, with subsequently fewer risks of de-commitment and absorption problems.
There were various measures within the programme which overspent considerably relative to the expenditure originally planned in the SPD. The most significant of these overspends included:

- Measure 1.1.1 - Local Economic Development
- Measure 1.1.3 - R.T.D and Technology Transfer
- Measure 1.2.4 - Conservation of the Natural and Built Environment
- Measure 2.1.1 - Community Relations
- Measure 2.2.1 - Pathways to Employment
- Measure 2.2.4 - Training for Special Target Groups
- Measure 3.1.2 - Railways

For the most part such increases in spending were managed within the sub-programmes of the NISP, with subsequent underspends for other measures. Reductions in allocated expenditure generally reflected a lack of uptake on measures supporting diversification and environmental issues. Particularly noticeable were the shortfalls in the following measures:

- Measure 1.1.5 - Environmental Quality and Innovation
- Measure 2.2.6 - Training Infrastructure
- Measure 3.1.6 - New Technology and Technical Assistance
- Measure 4.1.4 - Improved Competitiveness, Quality, Marketing and Cost Management
- Measure 4.1.7 - Farm Diversification
With regards to co-financing, the Northern Ireland government departments were critical in providing match-funding for the 1994-1999 Objective 1 programme. Figure 14 (below) shows the proportions of the programme financed by each funding source. Of the total programme, 26.4 per cent of funding was provided through UK public sources, with 80 per cent of this coming from central government. This is largely due to the block-financing of Northern Ireland’s government departments. In contrast private sector funding supported only 20.6 per cent of the programme, as much smaller proportion than was originally envisaged. It is necessary to conclude that the targets regarding private sector contributions were too high as Northern Ireland has a relatively small private sector.

**Figure 14: Programme Funding Sources**

![Programme Funding Sources](image)

3.7.3 **Highlands and Islands**

Figure 15 presents the actual expenditure (at constant 1999 prices) for the Highlands and Islands Objective 1 programme between 1994 and 1999. It is clear from this table that the programme had considerably underspent by 1999, leaving a significant percentage (25 per cent) of monies still to be spent in order to meet the programme’s 1999 revised expenditure plan. Nevertheless as a result of high levels of committed expenditure by 1999 it was expected that the programme’s total spending by the end of 2001 would be almost 100 per cent. The programme introduced a Challenge Fund to ensure the optimum absorption of European monies available from the programme as this appears to have been a successful
mechanism. The proportion of European monies remaining in 1999 was considerably less than over all programme funding, with around 90 per cent of allocated funding spent, and some 30.9 million ECU remaining. In part this was the result of a considerable overspend of EAGGF funding, which was already 38 per cent higher than planned by the end of 1999 due to large overspends in 1997 and 1998. As with the other Objective 1 programmes in the UK ERDF funding had the greatest underspend at the end of 1999, with 46.57 million ECU still to be spent. This partly reflects the lead in time associated with major infrastructure projects.
### Figure 15: Highlands and Islands Programme Expenditure 1994-1999 (MECU)

<table>
<thead>
<tr>
<th>Year</th>
<th>Overall Expenditure</th>
<th>Total Public</th>
<th>Community Finance Total</th>
<th>ERDF</th>
<th>ESF</th>
<th>EAGGF</th>
<th>FIFG</th>
<th>National Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>Planned</td>
<td>149.430</td>
<td>100.040</td>
<td>42.750</td>
<td>21.950</td>
<td>8.300</td>
<td>8.600</td>
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</tr>
<tr>
<td></td>
<td>Revised 1</td>
<td>68.208</td>
<td>52.594</td>
<td>20.509</td>
<td>0.000</td>
<td>6.319</td>
<td>10.390</td>
<td>3.800</td>
<td>32.086</td>
</tr>
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<td></td>
<td>Revised 2</td>
<td>68.662</td>
<td>52.940</td>
<td>20.729</td>
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<td>6.319</td>
<td>10.390</td>
<td>3.800</td>
<td>32.211</td>
</tr>
<tr>
<td></td>
<td>Actual</td>
<td><strong>13.870</strong></td>
<td>-</td>
<td><strong>6.571</strong></td>
<td><strong>0.184</strong></td>
<td><strong>6.387</strong></td>
<td><strong>0.000</strong></td>
<td><strong>0.000</strong></td>
<td><strong>15.722</strong></td>
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<tr>
<td></td>
<td>Revised 1</td>
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<td></td>
<td>Actual</td>
<td><strong>64.598</strong></td>
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<td><strong>9.079</strong></td>
<td><strong>4.385</strong></td>
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<td>Revised 1</td>
<td>122.246</td>
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<td>10.534</td>
<td>8.700</td>
<td>3.450</td>
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<td>Revised 2</td>
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<td>46.146</td>
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<td>8.700</td>
<td>3.450</td>
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<td><strong>21.599</strong></td>
<td><strong>10.758</strong></td>
<td><strong>9.777</strong></td>
<td><strong>4.770</strong></td>
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<td>Revised 1</td>
<td>170.692</td>
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<td>37.683</td>
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<td>3.960</td>
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<td>61.576</td>
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<td>10.916</td>
<td>9.700</td>
<td>3.960</td>
<td>88.254</td>
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<td>Actual</td>
<td><strong>169.367</strong></td>
<td>-</td>
<td><strong>79.715</strong></td>
<td><strong>37.929</strong></td>
<td><strong>10.434</strong></td>
<td><strong>26.609</strong></td>
<td><strong>4.744</strong></td>
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</tr>
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<td>1998</td>
<td>Planned</td>
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<td>130.190</td>
<td>56.900</td>
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<td>9.800</td>
<td>10.100</td>
<td>3.050</td>
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<td></td>
<td>Revised 1</td>
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<td>4.441</td>
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<td>Actual</td>
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<td>-</td>
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<td><strong>31.962</strong></td>
<td><strong>7.873</strong></td>
<td><strong>24.206</strong></td>
<td><strong>4.343</strong></td>
<td><strong>24.319</strong></td>
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<tr>
<td>1999</td>
<td>Planned</td>
<td>190.010</td>
<td>140.660</td>
<td>61.650</td>
<td>38.000</td>
<td>9.800</td>
<td>11.200</td>
<td>2.650</td>
<td>79.010</td>
</tr>
<tr>
<td></td>
<td>Revised 1</td>
<td>271.572</td>
<td>161.548</td>
<td>55.185</td>
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<td>7.837</td>
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<td>-</td>
<td><strong>62.931</strong></td>
<td><strong>36.024</strong></td>
<td><strong>11.424</strong></td>
<td><strong>11.766</strong></td>
<td><strong>3.717</strong></td>
<td><strong>92.204</strong></td>
</tr>
</tbody>
</table>

Note: The table represents the expenditure breakdown for the Highlands and Islands Programme from 1994 to 1999, detailing planned, revised, and actual expenditure for each year. Expenditure is categorized into different sources such as National Public and Private.
Figure 15: (continued)

<table>
<thead>
<tr>
<th>Total (1994-1999)</th>
<th>Planned</th>
<th>Revised 1</th>
<th>Revised 2</th>
<th>Actual</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>1,012.420</td>
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<td>311.000</td>
<td>180.000</td>
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<td></td>
<td>1,109.423</td>
<td>746.190</td>
<td>322.325</td>
<td>186.557</td>
</tr>
<tr>
<td></td>
<td>938.101</td>
<td>753.230</td>
<td>323.955</td>
<td>186.776</td>
</tr>
<tr>
<td></td>
<td>696.095</td>
<td>-</td>
<td>293.054</td>
<td>139.987</td>
</tr>
</tbody>
</table>

|                  | 55.200       | 57.205     | 57.494     | 55.420       |
|                  | 56.000       | 56.000     | 55.954     | 76.742       |
|                  | 19.800       | 22.563     | 24.265     | 20.371       |
|                  | 406.300      | 423.865    | 429.275    |               |
|                  | 295.120      | 363.233    | 184.871    |               |

Notes: SPD Revisions: (1) July 1998; (2) August 1999

Actual Expenditure are constant prices for 1999; National public and private expenditure details have not been available to date from the Scottish Executive.
Figure 16, below, illustrates the spending of the programme between 1994 and 1999, considering both of the SPD’s revisions during the programming period. There were some considerable divergences between the programme’s planned and actual expenditure. Like elsewhere in the UK, the Highlands and Islands programme had a slow start in 1994 with a large underspend of around 34 million ECU. It was not until 1996 that the programme was approaching the spending levels planned in the original SPD, although later revisions accounted for this by planning for much greater spending within the last two years of the programme. 1997 witnessed a considerable overspend of around 20 million ECU over planned expenditure. This proved to the programme’s spending peak with the balance then tipping the other way through to 1999, in which an underspend of over 40 million ECU was recorded against the programme final SPD revisions. This considerable shortfall can be accounted for by the revisions made to the spending plan in August 1999 which had to account for significant underspends in earlier years.

Figure 16: Planned and Actual Expenditure of EU Contributions 1994-1999

Figure 17 provides a breakdown of spending of each of the four Structural Funds across the programming period. Two of the funds, FIFG and EAGGF failed to undertake any expenditure within the first year of the programme, whilst ERDF funding spent just 0.1 per cent of its expenditure between 1994 and 1999. By contrast 11.4 per cent of the programme’s actual expenditure for 1994-1999 was spent within 1994. The spending patterns of the four fund is illustrated well by Figure 2, with ESF and FIFG (beyond 1994) fairly regular across the programming period. However for EAGGF funding was particularly concentrated in 1997 and 1998, whilst ERDF funding, due largely to the longer lead times of infrastructure projects, was significantly ‘end-loaded’, a situation borne out by the considerable remaining monies to be spent in 1999-2001.
There were various measures within the programme that in 1999 had considerably underspent relative to planned expenditure. The most significant of these underspends included:

- Measure 1.3 – Access to Business Information, Financial Services and Market Intelligence
- Measure 3.1 – Enhancement and Protection of the Environment
- Measure 3.3 – Development of Environmental Research and Audits for the Region
- Measure 4.1.1 – Agriculture Capital Grant Schemes
- Measure 4.4.4 – Fishing Port Facilities
- Measure 4.5 – Improvement of Forestry Management and Development of Timber Processing and Marketing

In contrast various measures had already significantly exceeded their allocated funding by 1999, a situation which was likely to exacerbate further in the remaining two years off possible spending. For the most part these measures contributed to the significant overspend of EAGGF allocations under the Highlands and Islands programme. They included:

- 3.4- Development of Environmental Training and Awareness
- 4.1.2 – Hill Livestock Compensatory Allowances
- 4.4.1 – Adjustment to Fishing Effort
- 5.2 – Guidance and Advice
- 5.4 – Area Regeneration – Developing People

### 3.7.4 Overview of Financial Performance

The conclusions and some common trends that can be drawn from this analysis of the financial absorption of each of the Objective 1 programmes are considered below.
• Each of the UK Objective 1 programmes suffered considerable delays in programming in 1994 which resulted in initial underspends against planned expenditure. This initial slow start resulted in subsequent years of ‘catching up’ with spending, but for the Merseyside and Highlands and Islands programmes a quarter of the allocated funding remained unspent by the end of 1999.

• The underspends of earlier years, resulted in the ‘end-loading’ of funding in 1998 and 1999. In many cases such spending levels proved unrealistic, and left a relatively large proportion of funding to be spent in 2000 and 2001.

• The use of reserve lists (Northern Ireland) and a Challenge Fund (Highlands and Islands) sought to ensure optimal commitment of funds.

• Revisions were made to the expenditure plans within each of the programmes’ SPDs, allowing for the re-programming of monies to account for new measures (Merseyside) or the re-balancing of measures within priorities. These revisions also accounted for monies resulting from indexation. The greatest role of these changes to spending allocations was to account for there remained a quarter of the programme funds unspent in 1999.

• Measures supported by ESF had the most even spending pattern, as projects were generally quicker to get off the ground and subject to fewer delays. ESF had already overspent its planned programme allocation in Northern Ireland and Merseyside at the end of 1999.

• ERDF funding resulted in much greater fluctuations and ‘end-loading’ than the other Structural Funds. This was largely due to the longer lead times and complexity of the often large-scale projects supported by this fund.

• The slippage in the programme expenditure from year one and on-going requirement to ‘catch-up’ led to an intense focus on financial absorption throughout the lifetime of the programmes. Some stakeholders interviewed as part of the evaluation research considered that this issue dominated Programme Monitoring Committee business to the detriment of strategy management. Some stakeholders also consider that the focus on financial targets led to some projects being supported even though they were of poor quality or of limited strategic relevance.

3.8 Contextual Factors Which Hindered the Implementation of the Programme Strategies

Generally, the structures developed to manage the programme strategies were ‘fit for purpose’ and the PMCs included representatives of all sectors involved in the delivery of the programmes. Factors which were identified as being weaknesses with respect to the strategic management of the programme were broadly consistent across all three UK programmes:
• The PMC’s role in strategic management was hindered due to the extensive membership of the partnership boards, which increased in size over time as Social Partners and Community Representatives were brought on board.

• The large amount of documentation and limited attention to prioritising issues for discussion constrained the productivity of PMC meetings.

• PMC meetings were often dominated by discussions relating to financial absorption rather than questions of strategic rationale. The European Commission is perceived to have been a key influence on PMC meeting agendas, which were considered by local stakeholders to be overly focused on the financial aspects of implementation.

• Many stakeholders in each programme area also suggested that the political nature of meetings and a ‘defensive’ culture did not lend itself to open and honest dialogue between all parties.

• The weaknesses in ‘strategic thinking’ were perceived by some to be reinforced by ‘money chasing’ by public sector organisations who were motivated by the desire to get their ‘fair share’ of resources for particular sector or area interests.

• In all programmes there were weaknesses in terms of the integration between different elements of the programmes, such as the agriculture and fisheries measures in the Highlands and Islands programme and the physical and social aspects of the Merseyside programme. This problem was acutely evident within Northern Ireland where the administrative ‘ownership’ of each sub-programme by different departments led to them being developed largely in isolation.

The various ‘working’ or ‘advisory’ groups on the lower tier of the management structure were credited as being more effective than the PMCs in seeking to ensure that the approach to implementation was strategic, with varying degrees of success. These groups were typically less dominated by political agendas and were able to take the ‘heat’ off discussions concerning project priorities in the subsequent PMC meetings.

3.9 Assessment of Geographical Spread

Each of the three Programmes in the UK were regional programmes. Northern Ireland was allocated 52.3% of total UK Objective 1 allocation, which is slightly more than it would have received if the resources had been divided simply on the basis of population. There is a widespread perception in Merseyside that the Highlands and Islands was treated particularly favourably in terms of allocation, largely at the expense of Merseyside.

The evaluation research has not been informed by any discussions with individuals involved in the allocation of Objective 1 resources to each programme. However, the distribution to each of the three Objective 1 regions appears reasonable.
3.10 Conclusions Regarding Appropriateness

Each of three UK Objective 1 Programmes adopted appropriate strategies for supporting regional development. Bounded by the structural fund regulations they were not comprehensive but they nevertheless played an important ‘niche’ role in wider regional development strategies. To a greater or lesser degree each programme was a result of compromise in respect of competing regional development priorities.

The process of strategy development was prolonged in each case and subject to considerable negotiation between the UK Government and the European Commission. There is a perception that the financial tables were highly influenced by European Commission representatives but the rationale underpinning decisions on financial prioritisation including the balance between different funds have largely been ‘lost in time’. The evaluation research included interviews with a wide range of stakeholders including representatives of central Government and local stakeholders from different sectors. None of those interviewed could provide any detailed information on how the financial tables were developed and agreed. Key personnel involved in the negotiation of the Programmes are no longer in post.

In Merseyside and the Highlands and Islands local partners had limited influence regarding the content of the plans. In Northern Ireland local players, largely due to local political circumstances, had virtually no involvement – other than commenting on drafts of the plan. This raises issues regarding the ‘ownership’ of the plans. The interviews conducted as part of the evaluation research revealed that many stakeholders had a limited understanding of the rationale underpinning the strategies and the process by which they were agreed with the European Commission, nevertheless the majority considered that the overall shape of the plans were appropriate to their specific region.

Some stakeholders have questioned the merit of regional strategies that are very broad –as the UK programmes were - and suggest that this has subsequently limited the catalytic effect the injection of European monies could have had. This perception has validity as both mid-term evaluations and research conducted as part of this final evaluation has found that the programme strategies are generally lacking with regard to any explicit rationale regarding prioritisation and with limited focus and explicit targeting. This can be considered a major weakness.

With regard to the balance and content of the plans there were many areas of contention:

- The overall balance between infrastructure provision and ‘softer’ measures designed to promote economic competitiveness. Some stakeholders were concerned that the results of business development activities were ‘scattered’ and were not easy to see whereas the results of infrastructure projects were more visible and therefore should have been a higher priority for European monies.

- Emphasis on human resources development. The majority of stakeholders who raised this issue were concerned about the large scale of resources directed at training and the limited shared knowledge regarding the effectiveness of different types of support. A
small number suggested that there should have been an increased emphasis on job creation rather than an emphasis on what they perceived to be training individuals for jobs that did not exist.

- Emphasis on ‘bottom-up’ community development. Here, a number of stakeholders suggested that greater emphasis on targeting particularly deprived communities would have led to greater long-term impacts.

Whilst these views can not be discounted the evaluators consider that the strategies generally contained an appropriate balance between investment in infrastructure, the productive environment and human resources.

The Commission-led ex-ante evaluations of the programmes were instrumental in improving the structure and coherence of the first drafts of the plans but in all cases the general thrust of the original drafts appear to have been maintained. There was a stronger emphasis on sectoral targeting in the final drafts with tourism and some other sector-focused elements ‘pulled out’ into separate priorities or measures. Arguably, even greater emphasis on improving the focus and targeting of the plans would have been beneficial. The interviews highlighted both strengths and weaknesses with this approach. The sector prioritisation is considered by some to have aided strategic focus but by far the majority of those who expressed a view on this issue pointed to the more practical problems relating to limited flexibility for viring funds between priorities. There was also a sharper focus on geographical targeting in community development priorities, particularly in Merseyside where the approach to community development was completely reworked during the ex-ante evaluation process, resulting in the ‘Pathways’ concept. This approach was widely supported by those that support the principles of ‘bottom-up’ regional development whilst others did not consider community development to be a valid priority for the use of Structural Fund resources.

In Northern Ireland and the Highlands and Islands the programme strategies reflected large elements of continuity from previous structural funds programmes. In Merseyside, which had been a recipient of Objective 2 resources, there was also a degree of continuity.

In a significant departure from the previous generation of programmes, each of the programmes avoided an over-emphasis on large-scale transport projects (particularly road-building) as a means of overcoming problems of peripherally and locational disadvantage. However, transport developments (all modes and support for the bus network) remained important in all areas. In parallel, emphasis was placed on improving competitiveness and reducing the disadvantages of peripherality through other means including ICT and energy market development.

There is a perception that the 1994-1999 programmes placed a greater degree of emphasis on human resources development than in previous programmes. This development reflected an emphasis on seeking to promote indigenous economic growth, whereas it is perceived that previous programmes had been more concerned with efforts to draw in investment from other regions of the UK and beyond. This can be seen as being appropriate given the increasing
competition amongst regions in the UK for a share of decreasing national foreign direct investment ‘wins’.

Training and employment initiatives were paralleled in each of the programmes by significant community development elements aimed at increasing internal social cohesion, reducing social and economic exclusion and building the capacity of targeted communities and groups.

With respect to promoting indigenous growth the strategies each included a combination of actions to promote the development of key sectors which were identified as important to the economy and/or are perceived to have potential together with more general efforts to encourage business development. The recognition of the tourism sector as a potential growth area within all three regions is noteworthy although the potential for growth. In Northern Ireland, the rationale for focusing on tourism was less obvious given the problems caused by ‘the Troubles’, but there were positive signs that the political situation was improving at the time that the strategy was developed.

There was a strong emphasis on fostering higher added value industries through support for R&D and innovation in all programmes.

 Whilst each of the programmes reflected specific regional problems, this overview shows that there was a strong degree of commonality across the three UK programmes.
4.0 EFFECTIVENESS OF THE PROGRAMMES

4.1 Introduction

The assessment of the effectiveness of the two UK programmes (Merseyside and Northern Ireland) selected as effectiveness case studies has been hindered by two important factors. Firstly, there are weaknesses with respect to the objectives established for each programme. In the case of Merseyside the programme’s strategic objectives are better described as general aims and more specific measurable objectives would have aided the progress of evaluation. The Northern Ireland programme strategy did not contain strategic objectives – only an overall general aim. Secondly, the final programme monitoring data has not yet been collated and there are also weaknesses with respect to the quality and accuracy of the interim data that has been made available to the evaluation team. The assessment of effectiveness provided below draws on the results of analysis of monitoring data collated by ECOTEC and qualitative evidence gained from the stakeholder interviews.

4.2 Merseyside Programme Outputs and Results

4.2.1 Merseyside Monitoring Framework

The Merseyside SPD established quantitative indicators for the Objective 1 programme as a whole, each priority and each measure. Only some indicators have associated targets and many key indicators such as ‘direct jobs’ were not defined at the start of the programme. Revised impact indicators for the programme were established by the PMC in October 1999 and formed part of the programmes last revision in October 2000. The programme’s targets in relation to some outputs, direct and indirect job outputs in particular, (See Figure 18 below) appear ambitious. This is despite the fact that they were revised downwards following the Mid Term Evaluation. Some partners believe that it will not be possible to assess the final results with respect to jobs until the potential of number of key development schemes including the airport terminal and business parks are fully realised. However, the evaluation team found that there are no mechanisms in place to measure the long-term job creation effects of number of key projects.

4.2.2 Merseyside Programme Outputs

The monitoring framework was revised in 1998 following the Mid-Term Evaluation of the Programme but by that time it was too late to address some of the fundamental weaknesses in the monitoring processes. The problems which were confirmed by the European Court of Auditors included:

- a lack of beneficiary level data for ESF projects
- a lack of clarity over the recording and reporting of output achievement and results by project sponsors
- inconsistent and inflated reporting of outputs by project sponsors
As such the accuracy of the monitoring data is considered to be quite poor with scope for both under-recording of outputs and double-counting. Furthermore, there is a lack of consistency in the recording of outputs so collated outputs have to be considered with a considerable degree of caution. It is notable that only a small number of the stakeholders who were interviewed by the evaluation team had a good understanding of the overall targets established for the programme and even fewer were able to provide insight into performance at a programme level.

The final programme data has yet to be collated by the programme secretariat as the closure report for the Programme is not due to be completed until September 30th 2002. Figure 18 presents data complied on the basis of the revised impact indicators within the 1999 Annual Report, as provided by the Programme’s UK desk officer. It should be noted that there appear to be inconsistencies in the Programme’s data, since figures previously collected by ECOTEC from the project monitoring database have shown in some cases that the achieved outputs are higher than those forecast on the basis of commitments.

At the present time the data reveals a substantial shortfall in performance. Particularly large differences are apparent with regards to targets and achieved outputs for the creation of industrial commercial space and indirect job creation under Priorities 1 and 4; and land accessed for development under Priority 2. The perception of Programme managers is that these figures reflects the ‘end-loading’ of these aspects of the Programme and that the majority of outputs will be met once the final outputs of the Programme are collated. The analysis also reveals the extent to which the projected job outputs of the Programme were dependent on a number of major schemes which were progressed fairly late into the programming period. These schemes are widely considered to have been successful but it is unclear whether the indirect job creation targets have been achieved in full.

In contrast various output targets appear to have been exceeded, including the completion of NVQ 2 and NVQ 3 qualifications under Priorities 2, 3 and 4 and the direct creation of permanent jobs under Priority 5.

**Figure 18: Merseyside Programme outputs by priority and measure**

<table>
<thead>
<tr>
<th>Core Indicator</th>
<th>Target</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Priority 1: Action for Industry: inward investment and key corporate business development</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct permanent jobs</td>
<td>16724</td>
<td>5731</td>
</tr>
<tr>
<td>Indirect permanent jobs</td>
<td>18265</td>
<td>1182</td>
</tr>
<tr>
<td>Industrial commercial space</td>
<td>398422</td>
<td>214967</td>
</tr>
<tr>
<td>Industrial improved land</td>
<td>2716</td>
<td>305</td>
</tr>
<tr>
<td>SMEs advised</td>
<td>1097</td>
<td>932</td>
</tr>
<tr>
<td>New/improved floorspace</td>
<td>38105</td>
<td>41000</td>
</tr>
<tr>
<td>Access routes (km)</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Railway stations</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td><strong>Priority 2: Action for Industry: indigenous enterprise and local business development</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct permanent jobs</td>
<td>24269</td>
<td>17487</td>
</tr>
<tr>
<td>Indirect permanent jobs</td>
<td>5166</td>
<td>3845</td>
</tr>
</tbody>
</table>
Industrial commercial space for SME | 199861 | 128039
Land for SME use | 38 | 29
SME advised/assisted | 54421 | 138396
Training beneficiaries | 14000 | 11238
Employees trained | 15000 | 17079
NVQ equivalent | 1000 | 6108

Priority 3: Action for industry: knowledge-based industries and advanced technology development

Direct permanent jobs | 1880 | 1890
Indirect permanent jobs | 2011 | 157
SME advised/assisted | 11372 | 6059
Employed trained | 16900 | 13727
Unemployed beneficiaries of training | 2100 | 2336
NVQ equivalent | 1970 | 16428

Priority 4: Action for industry: developing the cultural, media and leisure industries

Direct permanent jobs | 4560 | 817
Indirect permanent jobs | 266201 | 235441
Business space | 1908 | 1532
Employed trained | 6000 | 4111
Unemployed beneficiaries of training | 1850 | 1504
NVQ equivalent | 1480 | 11547
Floorspace | 31489 | 13983

Priority 5: Action for the people of Merseyside: Pathways to integration, a better training system, community development and a better quality of life

Unemployed beneficiaries of training | 82700 | 92297
Employed trained | 11300 | 21082
Pre-vocational training | 38300 | 30635
NVQ equivalent | 66300 | 63372
Jobs created | 33200 | 34128
SMEs advised/assisted | 3718 | 2869

1 Includes some direct jobs due output information for one of the measures under this priority.

Source: Data provided by UK desk officer, based on 1999 Annual Report

### 4.3 Merseyside Programme Effects

#### 4.3.1 Merseyside Programme Contributions to Overall Social and Economic Change

The nature of the effects on economic and social changes is considered below and in Section 5 on Impact. National economic growth was the primary influence on improved regional conditions although the programme can be considered as having played an important role in helping to put in place the basis conditions for improving regional competitiveness.
4.3.2 Merseyside Programme Contributions to Thematic Issues

Effectiveness of Merseyside Programme With Regard to Transport

The extent to which Merseyside required significant investment in transport infrastructure in order to stimulate economic investment and activity has been a topic for much on-going debate. Many local stakeholders including representatives of the business sector perceive Merseyside as a suffering from the effects of peripherally which has limited the potential for inward investment. Others do not consider this issue to be a major factor in the region’s poor economic performance as it can not be considered as being isolated from the main consumer markets of the UK. The transport elements of the Merseyside programme were somewhat of a compromise and contained a ‘mixed-bag’ of schemes. There are some notable successes in improving internal communications and key gateways and other more marginal projects which appear difficult to justify in terms of strategic development needs.

Transport projects have largely focussed on reducing bottlenecks and improving access to industrial and business areas, through enhanced road and rail links. The impact of improved transport links on local economic development has been particularly evident with regards to accessing Speke Garston developments, improving Knowsley Rail Freight terminal, and in opening up development areas around Conway Station. The perceived effectiveness of these key projects was noted by several stakeholders who were interviewed as part of the evaluation research.

The development of Liverpool John Lennon Airport was considered by various stakeholders as a particular success. However much of the investment in the airport arose due to improved market demand rather than the Objective 1 programme itself, such as the development of the budget airline market at the airport.

Effectiveness of Merseyside Programme Support for SMEs

It was felt by various stakeholders that the programme was successful in creating a positive productive environment, both promoting indigenous growth and encouraging investment in from other region’s/countries. The programme stimulated investment in high quality business space in areas that had experienced the effects of long term industrial decline. Take up of newly created space is considered to be high although there is less certainty regarding the employment effects and some stakeholders have suggested that many of the ‘new’ companies moving into new premises were already based in the region.

Business support measures were spread across the programme’s four ‘Action for Industry’ priorities. Representatives from the business community and the Programme Secretariat felt that this hindered the development of a coherent strategy and that there was somewhat of a scatter-gun approach to investments. There was too great and emphasis on general business support measures and perhaps too little effort to address the problems of low take up with higher level business support services such as export development. Although certain growth sectors were highlighted as target sectors, in practice there was no clear focus in the
implementation of business support measures and arguably limited understanding of what types of support have been the most effective. Generally, the Objective 1 programme is not considered to have been effective in decreasing the high rate of business failure in the SME sector.

Expectations were raised at the start of the programme that there would direct investment in SMEs. There is criticism from amongst business representatives that public sector intermediaries have been the main beneficiary of the programme and that provision has been overly supply-led rather than designed on the basis of a real understanding of the needs of SMEs. The lack of knowledge concerning growth sectors was also a concern amongst stakeholders, an issue that was to an extent addressed by the labour market survey completed in 1996, well into the programming period.

Reflecting similar comments concerning the region’s previous Objective 2 programme, business representatives felt that the business support services that were provided under the Objective 1 programme were generally poor. Criticism concerned the quality of advice; the small number of companies participating; and the extensive ‘red-tape’ involved in accessing financial support. It was felt by one private sector representative that business support activities would have been more effective had they concentrated intensively on a smaller number of SMEs with real growth potential, through mentoring, detailed needs analysis and a demand-led choice of services. This criticism is partly acknowledged by changes in emphasis under the current programme which has sought to provide more diagnostic support and more tailored services reflecting the needs of SMEs in different sectors and at different stages of development.

Despite the more negative findings in relation to SME support, one innovative project has been singled out for praise by the majority of local stakeholders. The Merseyside Special Investment Fund (MSIF), which almost certainly would not have been developed in the absence of the Objective 1 programme, was considered by many stakeholders to have been one of the programme’s key successes. The loan fund provides access to investment funds for SMEs which have viable business plans but are unable to access finance through mainstream sources.

**Effectiveness of Merseyside Programme With Regard to R&D**

The region’s approach to R&D and innovation evolved and strengthened during the programme’s timeframe. Initially investment focussed on the traditional approach to R&D, with for example graduate and training programmes. This evolved over the programming period to cover a broader range of activities, such as more high-level research and innovation projects, such as telescope prototyping. Greater collaborative work between research institutions and businesses were also encouraged, resulting, amongst other initiatives, in a concordat between Liverpool John Moore’s University and the University of Liverpool and increased interaction between the two sectors though innovation centres for SMEs and entrepreneurship courses. Some stakeholders have criticised the approach taken as being overly focused on increasing the capacity of the University sector however and suggest that
only later in the programme period was sufficient attention paid to stimulating investment in R&D on the part of industry.

The tangible results of the programme’s R&D activities can also be seen with the continuing development of growth clusters within the region. Some of these follow-on directly from developments pursued during the latter stages of the 1994-1999 programme, including those in manufacturing and the biotech life sciences.

**Effectiveness of Merseyside Programme With Regard to Education and Training**

The Programme’s human resources strategy did not include support for pre-16 education and so would have little effect on improving the educational performance of school leavers. Intervention focused on post-16 education and training including provision for basic skills development, vocational training and community development.

Stakeholders within the region felt that the programme’s human resources strategy was supply-led and somewhat standardised provision. Consequently it was not considered to be effective in addressing the past failures in existing training provision. Furthermore the programme did not really have a true assessment of the region’s skills shortages and employer demands until the completion of the Labour Market Survey in 1996. To an extent the results of this survey were incorporated into the programme, with a broadening of the programmes activities after 1996, beyond its previous focus on low level qualifications (e.g. NVQ1, NVQ2) and non-accredited training, towards a greater focus on high technology. However, generally it is perceived that too much general low level vocational training was provided and there was insufficient focus on developing the skills required to underpin the adaptation of the region and the growth of new sectors.

The additionality of the programme’s contribution in this field was also questioned since ESF funding was in some cases used to ‘prop up’ Further Education colleges where they might otherwise have failed due to a reduction in post-16 training budgets for FE colleges and increased competition in the sector. There were real concerns about the quality of provision with a great deal of non-accredited training.

Stakeholders believed that this use of European funding, alongside the slow process of engaging targeted communities in such activities under the Pathways initiative, had caused difficulties in achieving the Programme’s outputs. It was also thought amongst some representatives that the lack of consistent monitoring and evaluation of the sector had made it difficult to judge the true effectiveness of the human resources strategy.

**Effectiveness In Relation to Rural Development in Merseyside**

Rural development formed a relatively small element of the Merseyside Objective 1 programme and suffered initial delays whilst changes were made to it at the request of the European Commission. The agriculture and fisheries measures were largely isolated from the rest of the programmes, reducing potential synergies with other funds and activities. It was
felt by stakeholders that this was due to these parts of the programme being administered by central government rather than the regional secretariat, and that despite having a representative on the PMC, projects and issues relating to these sectors were rarely considered in PMC meetings or strategic decision-making. One stakeholder noted that little recognition was given to the urban-rural relationship within the region, despite the increasing interaction of the two, including the rising effects of crime on rural property neighbouring the urban fringe.

**Effectiveness of Tourism Intervention in Merseyside**

There was no true tourism strategy underpinning the approach to the implementation of this part of the programme. Although there have been some highly successful individual projects there is a sense that much of the funds for tourism were used to support local tourism and cultural projects which will be difficult to sustain without long term public sector revenue funding.

Investment in Liverpool’s Five Star Swallow Hotel is viewed by PMC representatives as one of the programme’s key successes, due largely to the ‘knock-on’ effect it is in driving up the quality of the City’s accommodation stock. Investment played a key role increasing competition between the region’s hotels, and ultimately in raising standards and private sector investor confidence. The success of this project was in spite of the considerable risks entailed, including strong opposition to investment in a commercial activity.

Tourism within the region has also been greatly influenced by the development of Liverpool John Lennon Airport, although as stated above the influence of the programme is considered to be marginal as growth in the regional air services market has been mirrored throughout the UK.

There were other successful projects supporting the development of tourism attractions but arguably developing a critical mass of tourism attractions remains a key objective of the region.

**4.4 Synergy in the Merseyside Programme**

Generally, there is little evidence of true synergistic benefits in the Merseyside Programme. There was little integration of ESF and ERDF generally, but within the Pathways part of the programme there are examples of projects which have drawn on both ERDF and ESF support.

**4.5 Effectiveness With Regard to Territorial Balance in Merseyside**

The programme was viewed as having primarily benefited Liverpool’s City Centre more than outlying areas. However it was increasingly recognised that this was, to an extent, necessary in order for outer areas to benefit from spin-offs from the city’s economy.
4.6 Northern Ireland Programme Outputs

The Northern Ireland SPD sets out a series of both qualitative and quantitative objectives for the region’s Objective 1 programme. This was followed in 1996 by the publication of its Catalogue of Quantified Indicators (NIQUID). Only GDP per capita and total employment are identified as indicators for the overall programme, with the emphasis being on the outputs of individual sub-programmes. Long-term unemployment as a percentage of the labour force was also monitored throughout the programme. With regards to quantitative targets are specified for each measure, with some sub-programmes also having over-arching qualitative and/or quantitative aims.

The final output data for the 1994-1999 programme is currently not available from the Northern Ireland Department of Finance and Personnel. At the time of writing this data is currently being compiled by the programme secretariat and consultants have been commissioned to update the contextual data provided in the SPD – many of which are derived from surveys rather than standard statistical sources. ECOTEC has been provided with the closure reports from some of the NISP’s nine sub-programmes, and has collated ‘raw’ project monitoring data held by the secretariat. For the majority of the sub-programmes, we currently have to rely on output information dating from 1998; this clearly has implications for evaluating the success of the programme in achieving its targets. Discussions held with individuals responsible for some of the sub-programmes suggest that that there is some optimism that most targets will be achieved.

Figure 19 below shows, by sub-programme, those outputs registered for 1998 against their SPD targets. Where data has been provided by the sub-programme’s closure report this is indicated. The final output data provided by the energy and transportation sub-programmes are very positive and have provided important infrastructure to reduce the isolation of the region from the rest of the UK and Europe.

The transportation sub-programme was successful in completing a series of large-scale projects, improving and upgrading the region’s rail, road, airport and port facilities and strengthening its TENs. Key project outputs included the completion of the Great Victoria Street station, the upgrading of the Belfast to Dublin rail link, the creation of a new bus terminal at Newry, two fast ferry projects and the extension of Belfast City Airport. Activities under the transportation element of the NISP have all achieved their targets, with the exception of the port passenger throughput which is slightly lower than expected. In contrast the passenger throughput for the region’s airports has been considerably exceeded. The achievements of this sub-programme have been particularly important in opening up the economic corridor between Northern Ireland and Ireland, as well as developing improved links within the region itself.

Likewise the outputs and indicators for the energy sub-programme were particularly successful with much improved indicators for emissions and natural gas uptake in addition to the large-scale infrastructure projects completed under this programme. Key outputs for this sub-programme included the conversion of the Ballylumford Power Station to gas; the completion of an undersea gas pipeline and an electricity interconnector from Scotland to
Northern Ireland; and the provision of four interconnectors between Northern Ireland and Ireland.

With regards to those sub-programmes for which only dated information is currently available, it appears that many of the indicators were already, in 1998, on the way to achieving the targets established in the programme’s SPD. In particular high achievements are noted for R&D uptake within industry and the job and training opportunities under the PSEP and agricultural sub-programmes. Slow output delivery can also be noted within certain areas, including the number of managers and entrepreneurs completing training courses; the increase of bed stock under the tourism sub-programme; and the development of water quality management strategies.

Figure 19: Northern Ireland Programme Outputs – 1998 (2002 for Transport and Energy)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Target</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic Development Sub-Programme</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupancy levels (% of workspace)</td>
<td>76</td>
<td>89</td>
</tr>
<tr>
<td>Number of R&amp;D projects</td>
<td>185</td>
<td>157</td>
</tr>
<tr>
<td>Number of technology audits per annum</td>
<td>35</td>
<td>11</td>
</tr>
<tr>
<td>Number of technical graduates placed in industry</td>
<td>210</td>
<td>169</td>
</tr>
<tr>
<td>Number of companies undertaking R&amp;D for the first time</td>
<td>205</td>
<td>224</td>
</tr>
<tr>
<td>Number of university scientific research departments</td>
<td>34</td>
<td>28</td>
</tr>
<tr>
<td>Number of research centres</td>
<td>28</td>
<td>27</td>
</tr>
<tr>
<td>Number of demonstration projects</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Number of contracts carried out by new centres</td>
<td>80</td>
<td>224</td>
</tr>
<tr>
<td>Value of contracts carried out by new centres</td>
<td>£4.5m</td>
<td>£18.5m</td>
</tr>
<tr>
<td>Staff numbers employed in new centres</td>
<td>160</td>
<td>312</td>
</tr>
<tr>
<td>Number of environmental audits</td>
<td>100</td>
<td>90</td>
</tr>
<tr>
<td>Number of environmental benign products developed</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Number of companies adopting TQM (orders per annum)</td>
<td>50</td>
<td>7</td>
</tr>
<tr>
<td>Number of companies commencing ISO 9000 implementation</td>
<td>150</td>
<td>12</td>
</tr>
<tr>
<td>Number of managers and entrepreneurs successfully completing courses</td>
<td>4800</td>
<td>108</td>
</tr>
<tr>
<td>Number of animateurs</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td><strong>Tourism Sub-Programme</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage Awareness of Northern Ireland as a holiday destination as measured by the Gallup Quarterly and ad hoc surveys</td>
<td>50</td>
<td>53</td>
</tr>
<tr>
<td>Number of holiday visitors</td>
<td>386000</td>
<td>274000</td>
</tr>
<tr>
<td>Increase in number of hotels operated by international</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>hotel groups</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Increase in total bed stock provided by sub-programme</td>
<td>1500</td>
<td>132</td>
</tr>
<tr>
<td>Provision of improved facilities and interpretative material at historic monuments in state ownership</td>
<td>20</td>
<td>0</td>
</tr>
<tr>
<td>Numbers of leavers from programmes designed to lead to a qualification</td>
<td>3029</td>
<td>1939</td>
</tr>
<tr>
<td>Number of leavers who were unemployed, new entrants or re-entrants to the labour market</td>
<td>2962</td>
<td>1892</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Physical &amp; Social Environment</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of community relations and educational venues</td>
<td>34</td>
</tr>
<tr>
<td>Number of community reconciliation and cultural programmes</td>
<td>53</td>
</tr>
<tr>
<td>Number of research projects supported</td>
<td>39</td>
</tr>
<tr>
<td>Number of projects supported</td>
<td>633</td>
</tr>
<tr>
<td>Number of sites treated</td>
<td>11</td>
</tr>
<tr>
<td>Number of permanent jobs</td>
<td>2623</td>
</tr>
<tr>
<td>Number of construction jobs (man years)</td>
<td>358.6</td>
</tr>
<tr>
<td>Number of persons trained</td>
<td>14918</td>
</tr>
<tr>
<td>Number of trainees obtaining qualifications</td>
<td>1246</td>
</tr>
<tr>
<td>Number of pre-vocational trainees</td>
<td>300</td>
</tr>
<tr>
<td>Number of community groups</td>
<td>937</td>
</tr>
<tr>
<td>Number and range of groups trained</td>
<td>398</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Investment in the Development of People Sub-Programme</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of adapting existing buildings</td>
<td>127507</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Transportation Sub-Programme</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Road carriageway built (km)</td>
<td>18.55</td>
</tr>
<tr>
<td>New/upgraded rail track (km)</td>
<td>127.2</td>
</tr>
<tr>
<td>Reduction in journey time from Larne to Dublin by rail (minutes)</td>
<td>20</td>
</tr>
<tr>
<td>Reduction in journey time from Belfast to Derry by rail (minutes)</td>
<td>25</td>
</tr>
<tr>
<td>Port passenger throughput</td>
<td>2577000</td>
</tr>
<tr>
<td>Airport passenger throughput</td>
<td>3881000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Energy Sub-Programme</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in Carbon Emissions (tonnes)</td>
<td>320000</td>
</tr>
<tr>
<td>Reduction in SO2 Emissions (tonnes)</td>
<td>20000</td>
</tr>
<tr>
<td>Kilometres of natural gas pipeline laid</td>
<td>173</td>
</tr>
<tr>
<td>Connections to downstream gas market</td>
<td>30000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Agriculture and Rural Development Sub-Programme</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of community animation programmes initiated</td>
<td>240</td>
</tr>
<tr>
<td>Number of training courses</td>
<td>150</td>
</tr>
<tr>
<td>Number of courses for leadership and enterprise</td>
<td>50</td>
</tr>
<tr>
<td>Number of people successfully completing courses</td>
<td>858</td>
</tr>
<tr>
<td>Number of community-based organisations</td>
<td>80</td>
</tr>
<tr>
<td>Number of local area audits accomplished</td>
<td>9</td>
</tr>
</tbody>
</table>
Number of strategic area plans developed | 9 | 8
Number of community regeneration projects supported and being implemented | 30 | 53

**Fisheries Sub-Programme**

No of grants awarded | 241 | 272
Value of grants awarded (£M) | 39.2 | 196.33
Total fleet capacity | 10750 | 0
Volume of landings at NI ports | 21800 | 24937

**Environmental Services and Protection Sub-Programme**

Extent of meeting community directive on urban waste water | 100% | 98%
Extent of meeting community directive on water supply | 100% | 99.20%
Number of water quality management strategies undertaken | 8 | 1

Source: ECOTEC analysis of data from monitoring database. *Data from 2002 Sub-Programme Closure Report

### 4.7 Northern Ireland Programme Effects

#### 4.7.1 Northern Ireland Programme Contributions to Overall Social and Economic Change

The nature of the programme effects on social and economic change is considered further below and in Section 5 on Impact. National economic growth was the primary influence on improved regional conditions but the programme can be considered as making an important contribution to creating the basic conditions for improved regional competitiveness.

#### 4.7.2 Northern Ireland Programme Contributions to Thematic Issues

The following sections examine the nature of the effectiveness of the two programmes in relation to key thematic policy areas. The analysis draws primarily on the qualitative evidence gained from the case study interviews. The effects of the two programmes are considered separately and brief conclusions for the UK Objective 1 programmes as a whole are also provided.

**Effectiveness of Northern Ireland Transport Sub-Programme**

The Objective 1 programme was effective in ‘pulling’ key gaps in transportation infrastructure in Northern Ireland. Those responsible for the Transport sub-programme suggested that without European financial support for such developments would have been more limited and spread over a longer timeframe.

Investment in the region’s transportation infrastructure built on progress made under the 1989-1993 Community Support Framework which focused on Northern Ireland’s ports and airports. Activities completed under the 1994-1999 Transportation sub-programme concentrated on increasing the exploitation of these regional gateways, primarily by improving road and rail access. This strategy strongly supported the development of Trans-
European Networks (TENs) with road improvements in particular focusing on Northern Ireland’s four TENs routes and both promoting rail and road access to the region’s ports and airports. In supporting these networks, the programme reflected the Department of Transport’s policies, particularly with regards to improving links between Belfast and Dublin and Derry.

With regards to the impact of the Transportation sub-programme it is difficult to distinguish whether effects are the result of the current or the preceding programme. However evidence gained from a number of stakeholders suggests that enhanced access to regional ‘gateways’ has helped to attract business and investment to the region particularly through greater North-South traffic. The upgrading of the Belfast to Dublin rail link, completed during the 1994-1999 programme, can be considered as a particular success, to an extent creating a market that had not been previously anticipated by the rail industry. Improved North-South road links have also enhanced the potential of this key economic corridor for the region. The benefits gained in more rural areas of the region are however more questionable, although accessibility to Belfast and Derry has been improved.

The expenditure for this sub-programme was substantially more than that which it was originally allocated, with over 27 million ECU additional funding being spent despite reductions in funding for other measures within the Transportation sub-programme. Whilst reductions were made in spending for road infrastructure, this was compensated by a considerable increase in rail-related spending, some 42 million ECU. Departmental officials accredited this to the problems of forecasting the expenditure of projects involving large numbers of sub-contractors. The investment in rail infrastructure was a key factor in generating private sector leverage in the delivery of the programme.

**Effectiveness of Interventions Directed at SMEs**

The small SME base in Northern Ireland was a key weakness identified in the SPD and the intervention supported by the programme can be considered as broadly successful. The Economic Development sub-programme supported a series of initiatives seeking to improve the region’s competitiveness by supporting SMEs. A Development Capital fund (Hambro NI Ventures) was created to provide risk capital for SMEs whilst improved business support services for SMEs have been available through the Local Enterprise Programme and Northstar initiatives. A Quality Programme was established to encourage companies to introduce quality control where this would support their market growth. With regards to the human resources underpinning economic development, the Investment in the Development of People sub-programme supported the Company Development Programme to improve the skills base of SMEs. Improved labour market intelligence regarding skills needs amongst growing SMEs and more tailored approaches to provision could have improved the effectiveness of this element of the programme which was largely focused on standardised ‘supply-driven’ programmes.

It was felt by stakeholders within the Northern Ireland Department of Enterprise, Trade and Investment (DETI), the programme had a ‘strong’ effect on addressing SME development and competitiveness. In particular the creation of venture capital funds were identified by
stakeholders as an important contribution to the development of SMEs, an important innovation in a region where SMEs had come to rely on grant support. The Business Start Programme was also recognised as being beneficial for the region, having supported a large number of SMEs. In common with other regions, there is valid criticism from some quarters that the business support programmes were too general and that more explicit targeting would have been more effective at stimulating SMEs in growth sectors of the economy. There is also strong feeling amongst some industry representatives that a lack of evaluation of different elements of the business support programmes means that the effects on different types of business support are not understood.

The sub-programme for Economic Development was viewed as having influenced the thrust of regional policies in particular, emphasising a greater focus on stimulating indigenous economic activity and in particular the recognition of the need to support the growth potential of small businesses. This led to the development of a Northern Ireland Small Business Strategy as a means of coordinating SME development and support. It was also felt by the DETI that the increased role of local economic development promoted by the NISPD, allowed local councils to assume a greater responsibility for small business support, leaving the LEDU to concentrate on the complementary activities of bigger businesses and export support.

A measure within the Economic Development sub-programme supported the region’s industry and SMEs in improving their environmental performance alongside their competitiveness. This measure supported activities including an Environmental Audit Support Scheme and an Environmental Management Support Scheme. It is considered that external economic pressures on the private sector companies participating in such environmental activities often resulted in a low level of take up and slow spending in this area. Despite some exemplar projects this part of the programme is not seen as being particularly effective.

Effectiveness of R&D Measures in Northern Ireland

The Economic Development sub-programme also promoted the region’s use of R&D as a means of improving added-value. A Technology Development Programme was established to support research centres in both universities and industry and to enhance links between these sectors. Improving links between higher education and research institutions and the private sector was also the focus of initiatives such as the Teaching Company Scheme and NIDevR university research funding. A series of additional initiatives led by the Industrial Research and Technology Unit also provided support for increasing the R&D capacity within the region’s universities and promoting product development and industry-related R&D. Concurrently a Product Process Development Grant encouraged innovation amongst the region’s companies.

It was felt by several stakeholders within Northern Ireland’s DETI that the programme has a strong effect on developing the region’s innovation and R&D capacity and has increased the degree of attention paid to innovation as a means of improving regional competitiveness. However, the results of this investment in capacity with regard to the increased practical
application of new technologies and processes remains to be seen. It is perceived that the Objective 1 programme succeeded in laying the foundations for improved research and development but that further investment in R and D by industry will be required before long term economic benefits can be realised.

**Effectiveness of Education and Training in Northern Ireland**

The Northern Ireland Programme did not support education measures and so this analysis focussed on the effectiveness of training measures.

During the timeframe of the 1994-1999 programme the economic situation in Northern Ireland improved significantly, leading to increased economic activity and reduced unemployment. Subsequently some of the anticipated demand for training initiatives did not materialise and the programme partners struggled to spend the ESF budget.

Many of the stakeholders that were interviewed reported that the findings of any monitoring, on-going evaluation evidence and beneficiary follow-up where not fed back to inform partners of the effect of the ESF support. In the absence of an in-depth evaluation of these aspects it is difficult to distinguish the impact of ESF-funded activity from that of general economic improvements on the unemployment situation and skills levels.

Furthermore, the ESF programme is widely perceived to have had only a marginal effect on the nature and scale of support for Training in Northern Ireland during the programme period. The approach taken to implementing the ESF elements of the programme has been criticised for being overly focused on supporting centrally-driven programmes such as Job Skills, Modern Apprenticeships, the Company Development Programme and later in the programme the New Deal for the Unemployed initiative. Stakeholders have criticised both the effectiveness of these central government programmes and some, including representatives of Central Government, have raised questions regarding the additionally associated with the ESF expenditure. It was suggested that expenditure on employment and training did not increase as a result of Objective 1 funding but this can not be verified.

There were a number of more positive effects of the Objective 1 programme on training provision:

- The objective 1 programme stimulated to development of a more demand-led approach to training by creating choice for clients seeking training and employment support. This is attributed to the fact that 20 per cent of ESF funding was allocated to community and voluntary sector provision when previously provision was highly centralised. There is strong evidence that this led to more innovative and tailored skills development and employment support programmes targeted at individuals from the most disadvantaged communities. Centrally controlled public sector providers (including the national training agency and colleges) responded to the opening up of training markets to competition by extending their outreach provision in disadvantaged communities, offering more tailored provision and embarking on joint ventures with community-based organisations.
• European employment policy which pointed to the effectiveness of more holistic forms support for disadvantaged clients is also considered to be a key influence on training strategies during this period.

• Towards the end of the programme beneficiary monitoring and evaluation systems where developed and the increased attention is now paid to evaluating the impact of training programmes. This positive development is also attributed to the influence of the Objective 1 programme and ESF monitoring requirements.

**Effectiveness of Agriculture and Rural Development Sub-Programme**

Arguably, rural development policy in Northern Ireland was less developed than in the rest of the UK when the SPD for the 1994-1999 programming period was being formulated. Despite the existence of a previous Objective 5b programme there was no coherent strategy for the rural economy. The economic reality of the unsustainability of the region’s existing agriculture structure were not fully acknowledged by policy makers at the time and the serious threats facing primary production were not adequately reflected in the programme strategy. There was no political will to ‘sell’ the need for rationalisation and diversification amongst the Region’s deeply rural communities. The rural development programme was largely focused on agriculture and fishing support measures with wider rural economic development as a secondary and somewhat understated issue. This is viewed as a missed opportunity for stimulating a real debate on the future of the rural economy.

The agricultural support programme was appropriate in that it was intended to exploit one of the region’s key existing strengths – albeit ones facing considerable threat. Capital grant schemes provided opportunities for various product and market development initiatives which might otherwise have been unaffordable when set against the costs of ensuring the sustainability of an agricultural holding. Consumer demand for organic products has not yet developed to the extent it has in the rest of the UK, reducing the diversification potential of this activity at the present time. An increase in the availability of higher quality and value-added agricultural products in the region is in part attributable to the Objective 1 programme but wider market forces including the investment of major supermarket chains in the region are considered to be the driving force.

Diversification away from agricultural production was very limited despite a measure specifically addressing and supporting this issue. The under-subscription of this measure is recognised by the relevant department as being largely due to a cultural aversion to moving away from agriculture and the lack of political will to push the rural diversification agenda. There are also economic barriers due to the region’s comparably small domestic markets for recreational developments such as golf courses and other land-based leisure activities are easily saturated. The region is yet to see a significant peace dividend within the tourism sector, a key driver of farm diversification elsewhere in the UK and in the Republic of Ireland. Arguably, the scope for rural diversification was more limited than in other parts of the UK but little strategic effort was invested in raising the profile of the wider rural development possibilities. There are very few energy crop schemes in Northern Ireland, largely due to economies of scale, which necessitate large areas of land for these activities to
become profitable. The large number of smallholdings in Northern Ireland has rendered this opportunity unfeasible for many farmers but cooperative development has yielded some positive outcomes. In contrast to the 1994-1999 programme, the willingness to diversify is growing under the current funding programme, as a result of greater crises in the agriculture sector; more extensive ideas for agriculture-based diversification; and increasing leisure demand.

The Objective 1 programme has been the primary source of rural community capacity-building initiatives in Northern Ireland. Efforts to address the relatively poor social infrastructure of rural areas this is recognised as one of the key successes of the Agriculture and Rural Development sub-programme. Activities including area-based strategies and community regeneration projects have engendered a greater sense of community through confidence-building and collective working and have left in place numerous stronger rural partnerships. Despite the similarities between the capacity-building activities under this priority and those within the Investment in Communities and People priority there do not appear to have been any formal links between their sub-programmes.

**Fishing Sector**

The Northern Ireland fisheries sub-programme was considered by officials within the Department of Agriculture and Rural Development to have been successful in its objective to reduce the region’s fishing fleet and modernise remaining boats, particularly with regards to health and safety. The rationale for the decision to invest in modernising all three of Northern Ireland’s main fishing ports is questionable however given the long term outlook for the industry. It is believed that political factors prevented agreement being reached on a comprehensive rationalisation programme.

**Energy**

The Northern Ireland programme sought to reduce the energy costs that were hindering the competitiveness of region and this is seen as a highly effective part of the regional strategy. The programme supported the conversion of Ballylumford Power Station (from oil to gas firing); the establishment of electricity interconnectors to Scotland and Ireland; and the completion of a gas pipeline between Scotland and Northern Ireland. It was felt within the DETI that costs had not fallen as much as was hoped due to the long-term contracts negotiated as part of the privatisation process but nevertheless these projects are widely perceived to be a positive lasting legacy of the Objective 1 programme. The development of a natural gas market has also been advanced by the programme and will continue to contribute to the levelling of energy costs, for both commercial and domestic users, as more connections are achieved.

The achievements made under this sub-programme have resulted in reductions in carbon and sulphur dioxide emissions, contributing to increased protection of the environment.

**Effectiveness of Tourism Intervention**
There were high expectations for the Tourism sub-programme in 1994. The end of the Troubles, which had led to market failure in the provision of high quality tourist accommodation and attractions, appeared to be in sight and business confidence was growing. The programme has supported the development of tourism infrastructure in the City including a high quality hotel and the redevelopment of the waterfront area – all high impact investments in terms of improving the image of the Region for visitors. Tourism markets have expanded but this has largely been driven by increased business travel and helped by positive periods in the peace process. Northern Ireland has not succeeded in dramatically increasing its national share of leisure tourism markets. The programme can only be seen as partly effective in achieving its aims in relation to tourism but this is not a failure of the programme. The security situation remains the dominant influence on the potential for sustainable growth.

Cross-cutting themes

Equal opportunities with respect to the two religious communities is a particularly sensitive issue in Northern Ireland and would have been closely assessed regardless of the Objective 1 requirements. The programme provided the first funding opportunities and initiatives for ethnic minority groups, such as Chinese groups, in Northern Ireland through the PSEP sub-programme. There is no evidence of a strong influence on improving equality of opportunities for women.

The main influence of the programme with respect to the environment was in underpinning the move away from fossil fuels as the main source of energy supply and investment in public transport.

4.8 Key Influences on the Programmes’ Effectiveness

This section considers two key influences of the effectiveness of the two programmes: Institutional Context and Financial Management Issues

4.8.1 Institutional Context

The centralised nature of UK government policy and budgets somewhat limited the development of a truly distinctive regional policy to varying degrees in all cases. Several stakeholders felt that the regional partnership potential of the programmes was not fully embraced during the development of the programme strategies and public sector representatives largely dominated the subsequent programme management. This is particularly true in the case of Northern Ireland but in Merseyside and the Highlands and Islands it is also perceived that the UK Government kept a very tight reign on the content of the programmes. Despite the criticisms directed at the centralised approach.

Institutional change, as a result of local government reform within the UK, had a varied impact on these three Objective 1 programmes. The greatest influence of institutional change was evident in the Highlands and Islands where a reduction in the number of Local...
Authorities limited their capacity to develop and implement projects under the programme. The devolution of power to the Scottish and Northern Ireland Assemblies in the later years of the programme period had some effect on the administration of the programme, but this was minimised because the Programme Secretariats remained as before. However, the influence of the new political institutions has increased in the current programming period, particularly with regards to local accountability and consultation. In Merseyside the development of the Regional Development Agency for the North West of England is perceived by stakeholders to have led to a more coherent regional economic policy. Through the use of its dedicated regional funding streams to match-fund major infrastructure projects and sites and premises projects the agency had some influence on geographical prioritisation during the latter years of the programme.

4.8.2 Financial Management

Each of the programmes suffered from significant fluctuations in the Sterling/Euro exchange rate. In the case of the Highlands and Islands this resulted at one point in an over-commitment of funding to certain measures. As a result a proportion of the deflator monies due to the programme was directed to balancing these allocations.

The initial slippage in programme expenditure, discussed above, raised concerns within all three programmes. The slow spending of large-scale infrastructure in particular caused significant worries that European monies would ultimately be lost, having been committed but not spent. As a means to tackling this issue the programme secretariats for Merseyside and the Highlands and Islands were pro-active in developing mechanisms for monitoring the spending timetable in order to enforce the spending of committed funds and/or to formalise de-commitment. These led to the creation of a ‘Challenge Fund’ in the Highlands and Islands, with additional selection criteria requiring the committal of funding by 31st December 1999, and the selection of ‘reserve’ projects in Merseyside which could absorb de-committed ERDF funding.

Various stakeholders from the Objective 1 programme criticised the lack of financial flexibility within the SPD. This was especially significant in Northern Ireland where the heavy dependence of the programme on centralised public expenditure for match-funding limited the drawing down of European monies for some activities.

4.9 Assessment of Community Added Value

Evidence gained from the stakeholder interviews suggests that the key areas of Community Added Value were:

The influence of the European Commission in improving sectoral targeting with respect to business support programmes. There were many weaknesses with respect to which SME support strategies were effectively targeted in practice but the influence of the EC in encouraging regional partners to develop intelligence of which sectors had growth potential was important and sector strategies have been developed further under the current programme.
Similarly, the European Commission social inclusion agenda encouraged a regional partners to direct community development resources at the most deprived communities in order to address imbalances in internal territorial development. This is widely seen as being an important feature of the programmes and some stakeholders have suggested that mechanisms such as the Pathways approach developed in Merseyside has influences domestic regeneration policy.

The European Employment Strategy was not fully developed at the time the programmes were agreed but the European Social Fund has influenced the nature of training and employment support in the regions in question. In particular, the increased focus on support for disadvantaged groups and the increased emphasis on tailored and demand-led forms of intervention.

The ‘partnership principle’ has been highly influential in the UK and this legitimised the demands for greater sharing of responsibility of regional policy and resources amongst local agencies including the community and voluntary sector and the private sector. Although there are valid criticisms of the limited degree to which Central Government allowed true devolution of responsibility for decision-making to local partnerships under the 1994-1999 programme period, it is clear that there was far more active involvement by local stakeholders in the development and implementation of regional development policy than had previously been the case. The fact that resources were allocated from the European Commission rather than Central Government vastly increased the scope of non-Central Government partners to influence how they were used. This finding applies to all programmes although in the case of Northern Ireland, which was subject to direct rule, the move towards increased partnership working was at a very early stage in 1994 and increased incrementally during the lifetime of the programme.

4.10 Changes to Policy and Practice

The influences on policy developments are varied and causal factors are difficult to isolate. However, the stakeholder interviews provided some indication of elements of the programmes that are considered to have played a role in influencing changes in policy and practice, these are:

The influence of ESF regulations on employment and training policy. In particular an increased focus on tailored forms of support for those most disadvantaged in the labour market.

The renewed attention being paid to sectoral policies as a means of improving regional competitiveness.

The Pathways community development approach is considered to have been influential with respect to the development of neighbourhood-based regeneration initiatives in the UK.
4.11 Conclusions

There were weaknesses with respect to the priority level objectives of the two programmes in that they were not all specific and measurable and only some were quantified. In Merseyside there was a programme strategy albeit with limited analysis of the strategic choices being made. In the case of Northern Ireland the programme documents were more a plan than a strategy.

To the extent that the objectives of the programmes are clear there is evidence that the resources made a positive contribution to their achievement. Wider economic factors were the key driver of development however.

Only very general conclusions can be drawn with regard to the effectiveness of different types of intervention:

- The infrastructure elements of both programmes including investments in transport infrastructure, business space, energy and communications are viewed as being highly effective. The economic effects of this support will be realised in the longer term.

- Business support elements were arguably too broad and lacked the focus and targeting on higher order support functions such as export and market development and sectors with high growth potential. This has limited the potential contribution to improving regional competitiveness.

- In general terms the human resource aspects of the programmes are not credited with being effective in significantly improving the skills base and there was too great a focus on low level vocational training. Arguably only later in the programmes was sufficient attention paid to developing demand led strategies, once labour market assessments had provided greater intelligence into labour market demand. Additionally with respect to much of the ESF provision is considered to be quite low due to the large proportion of resources which were used to support existing mainstream training programmes.

- Support for R&D largely focused on public sector bodies and despite increasing the capacity of both regions with respect to supporting R&D there remains a need to stimulate demand amongst SMEs.

- Support for rural development was broadly effective but focused primarily on support for agriculture and other primary sectors rather than wider rural development. This is seen as a missed opportunity.

In general terms the management structures and processes devised for the development and implementation of the programme were fit for purpose the programmes have been delivered largely according to plan.
5.0 EFFICIENCY

5.1 Introduction

This section examines the extent to which the implementation of three large infrastructure projects that operated during the 1994-99 programme in Merseyside was efficient. Information was drawn from a series of interviews with stakeholders involved with implementation (project teams, partners, end-users, developers), plus a review of any available literature (bid documents, evaluations).

Efficiency is a somewhat ill-defined concept and its measurement involves a degree of subjectivity. To evaluate efficiency we have elected to explore the extent to which what was planned at the initial stages of the Objective 1 project was realised upon completion. Specifically, project costs, duration and outputs have been considered, and stakeholders were asked to comment on the principal factors that they felt affected implementation performance. Management structure and delivery mechanisms were also investigated. Finally we have also calculated project unit costs and benchmarked these against comparable non-Objective 1 funded projects in the UK.

5.2 Description of Projects

What follows is a brief description of the three UK projects selected as part of the sample for the efficiency element of this evaluation. This is succeeded by details of the actual implementation of these projects, including factors which helped or hindered delivery.

<table>
<thead>
<tr>
<th>Conway Park Railway Station</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investment: £18.37 million (£6.1 million Objective 1 funding)</td>
</tr>
<tr>
<td>Conway Park Station is located in Birkenhead on the Wirral in an area suffering as a result of the decline of traditional industries. Past regeneration initiatives had highlighted a need to improve public transport links to the area in order to attract investors and boost the catchment potential. It was felt that the lack of accessibility was holding back the regeneration of the area, particularly in nearby Birkenhead town centre. Merseytravel (the passenger transport executive for Merseyside) and Wirral City Lands (a City Challenge funded body charged with the regeneration of the area) submitted an Objective 1 bid in July 1996. The bid was approved an the new station opened to the public in June 1998.</td>
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</table>

<table>
<thead>
<tr>
<th>Liverpool Airport Phase 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investment: £25.5 million (£8 million Objective 1 funding)</td>
</tr>
<tr>
<td>Prior to its recent redevelopment, Liverpool Airport was a small, locally-oriented airport. In 1997 the site was acquired by property developers Peel Holdings with the intention of redeveloping it into a regional airport serving Merseyside and the surrounding area. Phase 2 of this process began in November 2000 with the reconstruction of the terminal building to increase capacity to 3 million passengers per year. Liverpool Airport is located in Speke Garston (see below), a run-down area in need of regeneration and redevelopment. It is anticipated that the expanded airport will stimulate the redevelopment of the surrounding area and increase its attractiveness to investors.</td>
</tr>
</tbody>
</table>
### Speke Garston Development Company

<table>
<thead>
<tr>
<th><strong>Total investment:</strong> £339,572 million (£17.85 million Objective 1 funding)</th>
</tr>
</thead>
</table>

Speke Garston Development Company was launched in 1996 in order to facilitate the regeneration of Speke Garston (a severely deprived area with a poor record of attracting investment). The Company’s key objective has been to address market failure in the area through the development of high-quality business sites and the resultant attraction of private sector investment. To date a number of business parks have been developed (led by the flagship Estuary Park), plus considerable environmental improvements and accessibility works. Speke Garston Development Company works closely with the SRB-funded Speke Garston Partnership (which provides employment-related training for local people) and South Liverpool Housing. This tripartite model received the BURA ‘Best Practice in Regeneration Award’ in 2001.

### 5.2.1 Project Beneficiaries

The three case study projects had a range of beneficiaries:

- **Local people.** The three Objective 1 projects were located in deprived areas with high unemployment and considerable need for investment. Between them the projects created some 5,000 permanent jobs of which many would have been filled by local people. As well as creating employment opportunities, the work of the Speke Garston Regeneration Company involved major environmental improvements to what was formerly a derelict and run-down area.

- **Local businesses.** The opening of Conway Station improved public transport access to nearby Birkenhead Town Centre which benefited local traders. Activities which improve the image of an area can be expected to have a positive impact on existing businesses.

- **Investors and developers.** The Objective 1 projects surveyed provided considerable opportunities for investment which would not otherwise have been available.

- **Public Sector Agencies.** The projects involved inputs from a wide range of public sector agencies which will have gained valuable experience in project management and delivery (particularly the award-winning Speke Garston Regeneration Company) and will also have benefited from a raised profile. Merseytravel were able to address one of the key elements of their Public Transport Strategy as a result of Objective 1 funding.

- **The Merseyside Objective 1 area.** The areas in which the projects were located suffered from a negative image which constrained investment and economic development. Objective 1 funding has changed this and created the opportunity for further economic growth in the future.
5.2.2 Changes to Plan: Expenditure, Project Duration, Outputs

The efficiency with which a project was implemented can be assessed through examination of whether its details upon completion matched those that were planned initially. Figure 20 below summarises the project costs, duration and outcomes at the outset and upon completion.

Figure 20: Planned and actual project costs, duration and outcomes

<table>
<thead>
<tr>
<th>Project</th>
<th>Planned Cost</th>
<th>Actual Cost</th>
<th>Planned Duration</th>
<th>Actual Duration</th>
<th>Planned Project Outcomes</th>
<th>Actual Project Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conway Park Station</td>
<td>£6.1m</td>
<td>£6.1m</td>
<td>Sept 1996 - March 1998</td>
<td>Sept 1996 - June 1998</td>
<td>6,300 passengers per day (Aug 02)</td>
<td>4,700 passengers per day (Aug 01)</td>
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<tr>
<td></td>
<td>Objective 1</td>
<td>Objective 1</td>
<td>£12.37m public sector</td>
<td>£12.37m public sector</td>
<td>12 perm. jobs</td>
<td>12 perm. jobs</td>
</tr>
<tr>
<td></td>
<td>£9.57m public sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Objective 1</td>
<td>Objective 1</td>
<td>£25.5m private sector</td>
<td>£25.5m private sector</td>
<td>16,000 sq m business space</td>
<td>16,565 sq m business space</td>
</tr>
<tr>
<td></td>
<td>£23.5m private sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Objective 1</td>
<td>Objective 1</td>
<td>£79.99m other public sector</td>
<td>£79.99m other public sector</td>
<td>773 temp. jobs</td>
<td>712 temp. jobs</td>
</tr>
<tr>
<td></td>
<td>£83.13m other public sector</td>
<td></td>
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<td></td>
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<tr>
<td></td>
<td>£111.58m private sector</td>
<td>£223.88m private sector</td>
<td></td>
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</tr>
</tbody>
</table>

Figure 20 shows that, on the whole, project plans were successfully implemented, though there were a few variations:
• **Conway Park Station.** Actual project costs exceeded planned costs by some £2.8 million (an overspend of 18 per cent), though Objective 1 funding remained the same. This extra cost resulted from unforeseen construction delays caused by the technical complexity of the project. Construction delays also resulted in the station opening three months later than was planned. The most recent project output data relates to August 2001 (targets were set for August 2002) and so it is impossible to assess whether the project will meet its targets.

• **Liverpool Airport.** The project overspent by some £2 million (9 per cent of the total budget) with the extra costs met by the private sector. Extra costs were caused by construction difficulties resulting from the fact that the airport remained open for the duration of the project. Despite these difficulties, the airport opened on schedule. Target outputs for jobs relate to 2006 and so it is impossible to measure progress. Planned passenger throughput targets and business space creation have both been met.

• **Speke Garston Development Company.** Total project costs were exceeded by some £107.864 million (47 per cent of the total). However, Objective 1 funds and other public sector costs were both underspent by some 4 per cent, and the difference between planned and actual spend was due to the private sector contributing 100 per cent more than was initially expected. Objective 1 underspend was attributed to a couple of construction schemes being completed under-budget. The project was also completed a year later than was planned as a result of delays in setting up the organisation (caused by lengthy negotiations between Liverpool City Council and English Partnerships). Finally, four out of six output measure were not met which was attributed to delays (particularly the hiatus in activity caused by the suspension of the Partnership Investment Programme administered by the NWDA).

5.2.3 **Positive performance factors**

Whilst many of the factors that affected performance were specific to the individual projects, a number of generic issues can be identified. Factors that affected performance is a positive way included:

• **Strategic partnerships.** The Speke Garston Development Company and, to a slightly lesser extent, Conway Park Station, were driven by a strategic partnership. Conway Park Station involved collaboration between a transport organisation and a regeneration agency which, between them, brought complementary skills to the scheme. The Speke Garston Development Company benefited from a strategic alliance with the Speke Garston Partnership and South Liverpool Housing. This tripartite model allowed the partners to pursue their own specific remits and work to their own strengths (namely the physical and social sides of regeneration).

• **Management and delivery structures.** Management structures were tailored to the individual projects and stakeholders reported satisfaction with each of the methods used. Relatively small and tightly defined projects such as Liverpool Airport and Conway Park Station set up a small project management team to oversee the project, and sub-
contracted construction to a consultant (due to the complexity and technicality of the scheme, the project management of Conway Park Station was sub-contracted to Railtrack). The Speke Garston Development Company had a slightly larger project management team with representatives for each of the major sub-areas (commercial, project, development, finance and liaison). Work was then sub-contracted to external consultants. Stakeholders were keen to stress that this approach ensured cost-effectiveness.

- **Planning framework and overall vision.** The three projects surveyed did not occur in isolation and were instead part of the wider regeneration agenda in Merseyside. Conway Park Station was able to achieve its targets as a result of the concurrent regeneration of the surrounding area (including Birkenhead Town Centre which created considerable demand).

- **External forces.** The performance of the projects was, to a large degree, affected by issues outside of their control. It has been noted above that the ease with which Liverpool Airport was able to reach its passenger throughput targets was largely a result of the unforeseen securing of a contract with easyJet. The Speke Garston Development Company would have had far less success had it not been for the fact that English Partnerships owned a considerable amount of land in the area and were thus able to present an overall package far more attractive to potential investors than those elements of the scheme supported by Objective 1 funds.

5.2.4 **Negative performance factors**

In addition to these positive factors, a number of issues affected the efficiency of the Objective 1 projects in a negative way:

- **Project management.** On the whole the Objective 1 projects were well managed, though stakeholders reported some delays where there were multiple partners or where sub-contractors were involved. At Conway Park Station, for example, Railtrack were contracted to design and manage the project which meant that the funding agencies (Merseytravel and Wirral City Lands) sometimes had less say in day-to-day project management than they would have liked.

- **Construction complexities.** Large infrastructure projects are difficult to plan given uncertainties over construction. Both Liverpool Airport and Conway Park Station remained open throughout the construction period which led to unforeseen delays and extra costs. Stakeholders felt that, given the nature of the projects, delays were to be expected.

- **The bidding process.** Each of the projects surveyed reported some initial delays during the bidding process, often caused by problems with obtaining Objective 1 funding (see below). If multiple partners were involved (see Speke Garston), negotiations sometimes caused delays (particularly regarding land ownership).
5.2.5 The impact of Objective 1 management

The fact that the projects involved a component of Objective 1 funding had a number of impacts upon their ability to deliver:

- **Administration and bidding.** It was noted in one instance that the process of bidding for Objective 1 funds proved overly long and bureaucratic, with insufficient technical support from Government Office. This did not have a major impact on the delivery of the project, though more staff resources were needed than was initially anticipated. In the case of Conway Park Station, some delays were experienced due to European Commission concerns about the role of Railtrack (who would assume ownership of the station once it was completed).

- **Block approval.** The fact that the Speke Garston Development Company was awarded a single block grant proved beneficial to the efficiency with which the project was able to proceed. Bidding for a grant for each individual scheme would have been time-consuming and would have had considerable staff resource implications.

- **Spending regulations.** Stakeholders noted that the fact that Objective 1 funding had to be spent by December 2001 was a positive factor in the case of Liverpool Airport since the project was completed at a faster rate than it might otherwise have been done.

- **Additionality.** Each of the projects reported that they would have been unable to proceed or less would have been accomplished without Objective 1 funding.

5.3 Unit Costs

Figure 21 shows the unit costs per output for the three case study projects (planned and actual). Unit costs have been calculated on the basis of total public sector spend. Actual unit costs exceeded planned unit costs in a number of instances, though the reasons varied. At Conway Park Station, the actual costs of the project were greater than was initially planned, whereas for the Speke Garston Development Company, actual outputs were lower than was planned in a number of cases. Benchmark comparisons are problematic given the unique nature of these projects and the problems they faced (the construction of Conway Park Station, for example, was complicated by the fact that the existing railway line ran through a tunnel).

**Figure 21: Project adherence to planned unit costs**

<table>
<thead>
<tr>
<th>Project</th>
<th>Planned</th>
<th>Actual</th>
<th>% difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conway Park Station</td>
<td>£1,305,833 per perm. job</td>
<td>£1,539,167 per perm. job</td>
<td>118%</td>
</tr>
<tr>
<td></td>
<td>£2,487 per passengers per day</td>
<td>£3,930 per passengers per day</td>
<td>158%</td>
</tr>
<tr>
<td>Liverpool Airport</td>
<td>£500 per sq m of business space</td>
<td>£483 per sq m of business space</td>
<td>97%</td>
</tr>
</tbody>
</table>
### 5.4 Conclusions

This section has presented a series of case studies of Objective 1 funded projects in Merseyside in order to ascertain how efficiently Structural Funds were utilised. A number of conclusions can be drawn:

- Three projects were surveyed, ranging from two infrastructure schemes (an enlarged airport and a new station), to the regeneration of a large run-down area through the creation of employment opportunities.

- Each of the projects exceeded its planned cost, though Objective 1 funds were never overspent (there was one case of underspend).

- Only one of the projects was completed to schedule, though on the whole delays were caused by construction problems or unforeseen funding difficulties (the suspension of the regional funding programme, for example).

- On the whole, outputs were met, though since many targets were set for future years it has not been possible to accurately measure progress in every case. Stakeholders commented in some instances that planned targets were unrealistic as a result of insufficient information at the inception stage – it was only once projects neared completion that their impacts were possible to gauge.

- Each of the projects reported satisfaction with its management structure which was tailored to the particular instance in each case. The tripartite model used by the Speke Garston Development Company received the BURA ‘Best Practice in Regeneration Award’ in 2001.

- Actual unit costs exceeded planned unit costs in a number of cases due to a mixture of costs being higher than was expected, and outputs being lower than planned.
During the course of the case studies the following good practice lessons were identified:

- Robust project planning is needed to ensure that realistic timetables and targets are set.
- During the project planning phase time and resources should be kept aside for negotiations between project partners which can delay the commencement of the project.
- Management teams need to be lean and task-focused.
- The complexity of the Objective 1 bidding process can be mitigated through close collaboration between projects and the relevant Government Office.
- Related Objective 1 projects should work in closer partnership, especially when they have mutual objectives (e.g. Speke Garston Development Company and Liverpool Airport).
6.0 ASSESSMENT OF IMPACT

5.16.1 Introduction

This section examines progress towards the key strategic objectives for the two UK Objective 1 programmes that were case studies for this part of the research. It examines general trends in the social and economic performance of the regions concerned and provides a qualitative assessment of the performance of the programme in contributing towards these trends. The impact of the Highlands and Islands programme, which was not a case study for this part of the evaluation, is also considered briefly.

Generally, the UK programme expenditure was quite small in scale in relation to the overall scale of the economies in question and therefore structural fund investment effects could not be expected to have a significant and measurable short term effect on raising GDP. The contribution of the programmes to creating the conditions for long term growth is the primary consideration.

5.26.2 Impact of the Merseyside Programme

The scale of the Merseyside programme in relation to the overall size of the regional economy is quite small so significant expenditure effects could not have been expected. The main intended impact of the programme was helping to provide the basic conditions for improving regional competitiveness in the longer term. Realistically, the fortunes of the region could not have been turned around in just six years after decades characterised by a deep and painful economic decline.

The programme period was generally a positive period for the Merseyside economy and the UK as a whole and there were many improvements in economic conditions. Significantly many of the issues that had affected the image of the region as a place ‘to do business’ including the poor industrial relations and local political turbulence that had undermined the potential for economic growth had been addressed. At the same time, there was stronger political commitment on the part of Central Government to reverse the fortunes of the region with the establishment of a Merseyside Task Force and dedicated regional development funds. In this sense the injection of Objective 1 funds coincided with a renewed sense of optimism in the region and as such the Objective 1 programme can be seen as playing an important role in helping the economic signs to move in the right direction.

The Merseyside programme had as its key goal ‘an increase in GDP of 3% above that which would otherwise have taken place’ and to create 30,000 gross jobs.

The programme had seven strategic objectives:

- Investing in industry by sustaining and developing existing manufacturing industry and helping SMEs to grow and to improve self-reliance and market orientation
• Investing in people to increase employment opportunities, to stimulate enterprise and upgrade skills
• Enhance technology by improving links between research and development institutions and industry to ensure all companies can access scientific and technological support and the R&D projects an achieve their full commercial potential
• Increase employment opportunities for people in Merseyside’s most deprived communities by identifying ‘Pathways to Integration’
• Promoting Merseyside’s role as a major gateway between Europe and the rest of the world
• Build on the region’s strengths in the cultural, media and tourism sectors to attract more visitors to the region
• Maintain a high quality of life through policies supporting sustainable development

The objectives do not lend themselves to direct measurement. Below, trends in contextual indicators are examined and views on the contribution of the Objective 1 programme to trends in these indicators are provided.

6.3 Impact on GDP and Employment in Merseyside

Prior to the programme GDP in Merseyside was decreasing relative to the EU and UK averages. In 1993 GDP per head was 73% of the EU average and by 1999 this had dropped to 72% so the aspiration of narrowing the gap has not been achieved. However, it should be noted that the accession of Nordic countries during the programme period increased the EU index.

Merseyside also lost ground with respect to its performance relative to the UK situation. In 1994, GDP per head in Merseyside stood at 73 per cent of the UK average, yet by 1998 it had slipped to 70 per cent6.

In real terms however GDP per head improved, increasing by 18% from £7,421 in 1994 to £8,759 in 1998. Unfortunately, data on gross value added in the manufacturing sector is not available for Merseyside so trends in productivity can not be explored in any greater depth.

The ex-ante evaluation of the 2000-2006 Objective 1 programme concluded that whilst the differential in GDP per head between Merseyside and the UK had increased over the programme period, the Objective 1 programme had played a part in significantly slowing the continuing relative decline that would otherwise have taken place. The weight of opinion of those interviewed as part of the case study research supports this view that the Programme has made a contribution to improving the basic conditions for growth. The programme has supported the provision of high quality and modern business space, improved the physical environment of urban areas and significantly improved the image of Merseyside by creating a

6 It should be noted that Merseyside is not a standard region of the UK for statistical purposes so GDP figures are only available for certain years during the programme’s lifetime.
sense that ‘things were happening’. There have also been some notable successes in terms of improving accessibility to key gateways and industrial sites (including investment in the airport) which have supported the growth of higher value added firms and provided easier access to national and international markets for firms in the area. This can be considered as having a positive influence on economic output.

Therefore it is assumed that the overall impact of the programme on GDP is likely to have been positive but the benefits will be realised in the long term. The impact of the programme was assisted by other drivers of economic growth including overall growth in the UK economy.

6.4 Impact on Employment in Merseyside

Throughout the early 1990s the employment base in Merseyside contracted significantly as traditional industries declined. This trend has been reversed and, between 1995-99, total employment in the region increased by 11.8 per cent (outpacing employment growth in Great Britain, which increased by 8.9 per cent). In real terms, some 54,000 jobs were created over the period of the Objective 1 programme. The majority of these jobs were created in the public administration sector which grew by 22.6 per cent between 1995-99 and is by far the single largest employer (accounting for 34.2 per cent of jobs in 1999). However, there were also gains in the business services sector, some of which were supported by the investment made in key industrial sites, in Liverpool City Centre and in improving accessibility.

The Pathways approach led to concentrated investment in generating employment and improving access to the labour market for disadvantaged groups in the most deprived areas of the region. Although the impact can not be measured in quantitative terms there is a widely held perception that the programme has made an important contribution to addressing inequalities in the labour market. It has supported local employment initiatives (including Intermediate Labour Market Schemes) and helped to improve access to employment opportunities throughout the region for residents of the Pathways areas. The success of the Pathways programme has been largely in improving access to the general labour market rather than efforts to create new jobs in each of the Pathways areas.

Net Employment Effect of the Merseyside Programme

The Merseyside strategy had a target to create 30,000 gross jobs. The SPD does not provide information on how this target was calculated or provide any assumptions regarding the potential contribution to net job creation.

There is no regional economic model available for Merseyside so a ‘bottom-up’ assessment of job impact, based on job outputs reported by the projects supported by the programme, is used to examine impact on employment. The job outputs reported by projects included direct, indirect and safeguarded jobs. These are not well defined and due to the limited advice provided to project sponsors probably subject to a high degree of reporting errors. Given these issues, the assessment provided below focuses only on direct jobs and must be considered with caution.
The latest available data from the programme secretariat suggests that 25,925 direct jobs have been created to date.

In the absence of evidence from project assessments to inform assumptions regarding deadweight, displacement and multiplier effects it is necessary to use benchmark assumptions to make the necessary adjustments to the gross job figures. We have used those developed by EKOS (informed by work on UK structural fund programmes) which assume a relatively low degree of additionally. Generally the weight of opinion of the stakeholders interviewed as part of the Merseyside case study pointed to potentially high levels of deadweight and displacement. The calculation of net job creation is provided below.

<table>
<thead>
<tr>
<th>Gross Employment</th>
<th>25,925</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deadweight 0.35</td>
<td></td>
</tr>
<tr>
<td>Displacement 0.35</td>
<td></td>
</tr>
<tr>
<td>Multiplier 1.25</td>
<td></td>
</tr>
<tr>
<td>Net jobs</td>
<td>13,629</td>
</tr>
</tbody>
</table>

This estimate should be regarded as a mid-point estimate. It should also be noted that the data includes outputs of ERDF measures only.

Data on positive outcomes in relation to ESF measures is not available and therefore the employment effects of ESF interventions can not be considered.

6.5 Impact on Other Contextual Indicators for Merseyside

Manufacturing sector
The manufacturing sector in Merseyside continued to decline over the programme period although changes to the way in which statistics are collated means that it is not possible to examine the precise scale of the loss of manufacturing jobs. Manufacturing accounted for 13.7 per cent of the workforce in 1999 (compared to 15.7 per cent in Great Britain as a whole). The Merseyside programme is considered to have had a small impact on improving the competitiveness of the manufacturing sector. The main influences were in terms of supporting the development of R&D capacity in the region and creating a momentum behind the development of high technology clusters. Furthermore it has helped to improve the operating conditions for some firms by improving the quality and range of industrial premises and improving access to a number of key industrial areas.

The SME base
Growth rates in the SME base in Merseyside outpaced the performance of the UK as a whole during the programme period. In 1994, registrations represented 11.1 per cent of the business stock at the start of the year, and by 1999 this had increased to 12.9 per cent (in the UK the 1999 figure was 10.8 per cent). In 1994, 54 per cent of new businesses in Merseyside were
still trading after three years and by 1997 this had risen to 63.6 per cent. Over the same time period the UK figures were 71.1 per cent and 72.5 per cent respectively.\(^7\)

Investment in SME development was unarguably a key priority but the somewhat ‘scattergun’ approach to supporting SME development means that any impact has been highly dispersed and is difficult to assess. Nevertheless the programme’s contribution to improving wider economic development conditions as well as providing direct support to SMEs will have contributed to the upward trend in entrepreneurial activity and business survival rates.

The Merseyside Special Investment Fund has created opportunities for start-up firms in areas which had been excluded from access to mainstream business financial services. The move way from grant support towards loans is seen as a positive step in encouraging investment in firms with sound business plans.

**Inward Investment**

Inward investment in Merseyside increased from £14.8 million in 1996 (the earliest year for which data are available) to £39.7 million in 1999. The total number of gross jobs created as a result of this investment rose from 660 in 1996 to 1,568 in 1999. It is likely that the Objective 1 programme played an important role in driving up inward investment by creating high quality business space, improving the business and physical environment and improving image of the region. The Objective 1 programme also contributed to a more co-operative approach amongst local agencies dealing with potential inward investors. This is considered to have improved the region’s success in capturing mobile investment.

**Earnings**

Earnings in Merseyside increased slightly between 1994-99 but remain below the UK average. From 1994 to 1999, male gross weekly earnings grew by 18.4 per cent and stood at 95 per cent of the UK average in 1999. Female gross weekly earnings grew at a slower rate – 13.7 per cent – and stood at 93 per cent of the UK average in 1999. By contributing to the overall growth in economic activity the programme can be considered to have contributed to increased earnings although any impact would have been marginal and outweighed by wider factors.

**Rental Yields**

Office rents in Liverpool city centre performed poorly over the course of the Objective 1 programme. Between 1994-2000, average rents for prime city centre office locations dropped by 11.5 per cent to £100 per sq m. This places Liverpool well below other locations in the North West (particularly Manchester where comparable city centre locations recorded rents of around £215 per sq m). The retail market performed better, increasing by some 41 per cent to £2,150 per sq m for a prime city centre location (still lower than the Manchester figure of £3,000 per sq m). Shopping centre yields\(^8\) in central Liverpool remained constant at around 5 per cent between 1994-2000, indicating a fairly healthy investment market.

\(^7\) Inter-departmental business register. Department for Trade and Industry

\(^8\) Yield is the ratio of rental income to capital value. In general, a lower yield indicates a higher rental value and is thus more attractive to investors.
The mixed trends with respect to rental yields are not considered to have been influenced greatly by the Objective 1 programme which had a limited impact on the service sector. However, it appears likely that the investment made in business space and the public realm in certain locations in Liverpool City Centre and elsewhere has stimulated demand. Some stakeholders suggested that the highly visible improvements in Liverpool City Centre which were supported by the programme have acted as a catalyst for further public and private sector investment in redevelopment. In this sense the programme has genuinely provided a strong foundation for long term improvements.

Economic Activity Rates and Unemployment

Economic activity rates in Merseyside remain lower than those in the UK, though between 1995-99 there were signs that the gap narrowed slightly. In 1995, 53.8 per cent of the working age population of Merseyside were economically active; by 1999 the proportion had increased to 70 per cent. Over the same time period the activity rate for the UK increased from 62.5 per cent to 78.5 per cent.

Unemployment rates in Merseyside declined significantly during the programme period, though the proportion of the labour force that is out of work remains very high by national standards. In Spring 1994, the ILO unemployment rate for Merseyside stood at 15.4 per cent and by Spring 1999 it had fallen to 11.9 per cent (over the same time period the UK unemployment rate fell from 10.3 per cent to 6.3 per cent). The number of people out of work and claiming benefits dropped by 44.7 per cent in Merseyside between December 1994 and December 1999 (compared to a 52.9 per drop in the UK as a whole).

Long-term unemployed9 in Merseyside has also decreased significantly over the programme period and faster than in the UK as a whole. In December 1994, 45.8 per cent of claimants in Merseyside were classed as long-term unemployed, and by December 1999 this had fallen to 27.5 per cent.

The overall growth in the UK economy during the programme period led to a sharp decline in unemployment throughout the country. There are signs that the unemployment situation in Merseyside improved in relative terms and the programme made an important contribution to improving access to newly created jobs for those most disadvantaged in the labour market.

Unemployment in Pathways Areas
Socio-economic data relating to the geographically targeted ‘pathways’ areas is only available for certain years. Figures x below show trends in Unemployment Rates between April 1997 and April 1998. Unemployment rates declined in all pathways areas and there has been some reduction in internal disparities.

Figure 22 Pathways Area Unemployment Rates April 1997- April 1998

9 Out of work for at least 12 months
### Education Performance

Educational attainment in Merseyside is far lower than in the UK as a whole. In 1994, just 34 per cent of pupils achieved five or more A*-Cs at GCSE and, though this increased to 39.6 per cent in 1999, in the UK the comparative figure was 47.3 per cent in 1999. Between 1994-99 the proportion of pupils achieving no grades at GCSE fell from 12 per cent to 8.3 per cent (still higher than the UK figure of 5.4 per cent in 1999). Finally, the proportion of 16-17 year olds in education in Merseyside fell slightly from 75 per cent to 74 per cent between 1994-99 (again, lower than the UK figure of 78 per cent in 1999). As the programme did not specifically support mainstream education is can not have been expected to improve skills levels amongst school leavers. Educational performance remains a key weakness of the regional economy.

### Growth in R&D

Data on R&D expenditure is not available for Merseyside, and so trends in employment in R&D industries (such as research, technical testing) is considered to provide some insight into the growth of R&D. Evidence suggests that whilst Merseyside is lagging behind the rest of Great Britain with regard to the exploitation of R&D, and the situation did not improve significantly during the programme period. In 1995, 3,174 people (0.7 per cent of the workforce) were employed directly in R&D industries, and by 1999 this had increased to 3,857 people (0.8 per cent of the workforce). In comparison, in Great Britain as a whole, 1.1 per cent of the workforce were employed in R&D in 1995, and 1.2 per cent in 1999.

Many stakeholders suggest that whilst there were some successful projects designed to stimulate the demand and take up of new technology and processes amongst firms in Merseyside and to capture a share of national growth in high technology sectors that the 1994-1999 was not very successful in this regard. Stakeholders have suggested that investment was overly focused on increasing the capacity of the region’s Higher Education sector to support R&D rather than stimulating demand from industry.

### 6.6 Impact in Northern Ireland

The aim of the 1994-1999 Objective 1 programme in Northern Ireland was:

‘to promote economic and social cohesion both within Northern Ireland and relative to the other regions of the European Community’
Towards this objective six strategic themes within three broad categories for action are identified in order to guide interventions under the programme:

Economic growth
• Business and technological development
• Agricultural and rural development

Internal Cohesion
• Human infrastructure
• Community infrastructure

External Cohesion
• Spatial coherence
• Cross-border coherence

The SPD did not contain strategic objectives.

The overall aims of the Northern Ireland Objective 1 Programme were to increase GDP per capita relative to average for the UK and increase employment.

Figure 23 shows the trends in these two key macro indicators specified in the programme’s revised monitoring framework.

**Figure 23: Macro Indicators for 1994-1999**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>1993 Baseline</th>
<th>1998</th>
<th>1999</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employment</td>
<td>628,600</td>
<td>686,000</td>
<td>693,000</td>
<td>669,100</td>
</tr>
<tr>
<td>GDP per capita relative to the UK average</td>
<td>81.0</td>
<td>77.7</td>
<td>77.5</td>
<td>79.8</td>
</tr>
</tbody>
</table>

Source: Northern Ireland Department of Statistics

**GDP**

In 1994, GDP per head\(^{10}\) in Northern Ireland stood at £8,114; by 1999 it had increased to £10,050 (an increase of some 24 per cent). However, the gap in GDP performance relative to the UK average widened during the programme period. As with all UK programmes the expenditure associated with the Objective 1 programme is quite small relative to the overall scale of the regional economy. As such the programme can only be expected to have had a relatively small impact on overall trends in GDP. However, the performance of the programme suggests that the decline in GDP could have been even greater in the absence of Objective 1 funding during the 1994-1999 period. An assessment of the impact of the programme on GDP is provided below from the macro-economic modelling work undertaken by ESRI.

**Employment**

\(^{10}\) At current basic prices and calculated on a residence basis
Total employment in Northern Ireland increased by 13.8 per cent between 1994 and 1999 to 693,000 people, outpacing the overall rate of growth in the UK as a whole (7.6 per cent). The majority of net job growth was in the public services sector which increased by almost 30,000 people (up 14.5 per cent from 1994). The public services sector is disproportionately large in Northern Ireland, accounting for 33 per cent of total employment in 1999 (compared with 24 per cent in the UK as a whole). In 1999, manufacturing accounted for some 16 per cent of total employment and increased in real terms by 21,000 jobs from 1994.

These figures show that employment had exceeded the target set by 1999 and that there is some evidence of convergence with respect to the employment situation. The Objective 1 programme undoubtedly contributed to job creation in parallel with the wider effects of national economic growth. Jobs were not amongst the output targets established for all sub-programmes of the Northern Ireland programme and job outputs were not reported by all projects. In the absence of programme data on job outputs there is no possibility of providing a bottom-up assessment of job creation. Instead we must focus on the findings of the Macroeconomic modelling undertaken by ESRI. This is presented at the end of this Section.

5.3.36.7 Other Indicators of Social and Economic Progress in Northern Ireland

This section considers available data relating the social and economic performance of Northern Ireland over the programme period. The Programme Secretariat has commissioned an update of a series of contextual performance indicators – many of which are survey based. The study is not due to report until October 2002. This assessment focused on data that could be obtained from standard statistical sources.

Population
Northern Ireland has the smallest population of all the UK regions, yet in 1994 the birth rate (16.5 births per 1000 population) was one of the highest in Europe. Between 1994 and 1999 the population grew by 2.7 per cent to 1,691,800, and the birth rate dropped to 14.5 births per 1000 population (1998). One consequence of Northern Ireland’s high birth rate is that region has a relatively young age structure; in 1994, 24.1 per cent of the population were aged under 15. By 1998 this proportion had fallen slightly to 23.1 per cent, yet this was still one of the highest rates in the European Union (the EUR15 figure was 17.1 per cent). The rate of out-migration remained fairly stable between 1994 and 1999 (0.7 per cent). The programme can not be considered as influencing population trends.

Performance of the SME sector
The performance of the SME sector was poorer in Northern Ireland than in the UK as a whole over the programme period. In 1994, business registration as a proportion of the existing business stock stood at 6.5 per cent, yet this had fallen to 6.3 per cent by 1999. In the UK as a whole, the comparative figures were 10.3 per cent and 10.8 per cent respectively. Business survival rates were also lower in Northern Ireland than in the UK, though there is evidence that the situation has improved. In 1994, 59.7 per cent of new businesses in Northern Ireland were still trading after three years and in 1997 the figure had risen to 65.1
per cent. For the UK as a whole, 71.1 per cent of new business were still trading after three years in 1994, and 72.5 per cent in 1997.

Stakeholders perceive that the Objective 1 programme has contributed to creating a more positive investment climate in the region and that in this sense it has made a lasting contribution to the potential for improving the size and performance of the SME sector. The programme made an important indirect contribution to improving the operating conditions for SME through the investments made in key transport links between Northern Ireland and the Republic and other gateways, in improving communications and increasing the stock of modern business space.

The effect of the security situation in urban areas was a significant barrier to entrepreneurship which has been addressed indirectly through the programme. Community based projects have helped to improve community integration and further development work has been progressed through the PEACE programme.

The lack of an entrepreneurial culture due to the long term dominance of large companies in the labour market means that the process of increasing the SME base and improving its performance is a long term goal however. Many have suggested that the Objective 1 programme did not lead to any significant increase in resources for SME support and that services were not sufficiently tailored to addressing the specific needs of businesses in the Region – such as high operating costs and limited domestic markets. There are real questions regarding the extent to which there was a robust strategy for the development of the small business sector in the region in terms of a clear understanding of which sectors had growth potential and precise what forms of intervention could stimulate start-ups.

**Inward Investment**
Northern Ireland’s share of total overseas investment in the UK dropped from 5.1 per cent in 1994 to just 2.5 per cent in 1999, a lower proportion than any other UK region. In 1994, a total of 23 companies invested in Northern Ireland, and by 1999 this figure had dropped to 20. The majority of these companies were from the manufacturing sector. The programme’s contribution to improving transport links, its investment in a number of strategic industrial development schemes and efforts to drive down energy costs improved the region’s potential for securing mobile investment. The security situation remain a key influence on inward investment and this could not be addressed directly by the Objective 1 programme.

**Commercial Property Rental Yield**
Analysis of information on rental values for Belfast reveals that the retail and office markets have performed well since 1994. Between 1994-2000, the average rent for retail property in a prime city centre location increased by 31.3 per cent. Office rentals (again for a prime city centre location) increased by 18 per cent to £118 per sq m. Data is not available for other parts of the Region.
The investments made by the Objective 1 programme and other public sector investment in economic development are clearly visible in Belfast which has seen a revitalisation in its commercial areas fuelled by an increase in the urban population and expanding consumer markets. The precise impact of the programme are difficult to isolate however.

Tourism Sector
Tourism expenditure\(^{11}\) in Northern Ireland increased by 30.6 per cent between 1994-99 to £316 million. This growth rate outstripped that of the UK as a whole where tourism expenditure increased by 17.7 from 1994-99. In 1999 Northern Ireland accounted for 1.1 per cent of UK tourism expenditure (up slightly from 1 per cent in 1994), which remains the lowest proportion of all of the regions in the country. As discussed in Section 3 on Effectiveness the programme supported a number of key tourism accommodation and attraction projects in Belfast which have proved largely successful. Long term tourism growth remains dependent on achieving a positive outcome in the peace process.

Agriculture Sector
The agriculture sector in Northern Ireland is shrinking relative to other parts of the economy but employment in agriculture is declining at a slower pace than the in the UK as a whole. In 1995, 5.6 per cent of Northern Irish GDP came from agriculture, forestry and fishing; by 1998 this figure had fallen to 4 per cent. In comparison, 1.9 per cent of UK GDP came from agriculture, forestry and fishing in 1995, and this figure had fallen to just 1.3 per cent in 1998. Employment statistics are similar. The proportion of the working age population employed in agriculture in Northern Ireland fell from 5.3 per cent in 1994 to 5 per cent in 1999 (the comparative UK figures were 2.1 per cent and 1.6 per cent respectively).

The investment in the agriculture sector made by the programme was dwarfed by the scale of subsidies but the programme largely delivered its intended outputs. There is a widely held view that the impact of the programme was limited and that the emphasis on supporting agricultural production rather than mapping out a long term process of alternative forms of rural development were not fully justified by th.

Fisheries Sector
The on-going decline in employment in the fisheries sector in Northern Ireland mirrored that of the UK as a whole during the programme period. Between 1994-99, employment in the fisheries sector in Northern Ireland fell by 6 per cent (compared to a 6.4 per cent drop in the UK as a whole). Over the same time period, the size of fishing fleet\(^{12}\) also decreased (by 7.7 per cent). However, there is evidence of strong productivity gains. The total tonnage of the fishing catch increased by 48.2 per cent between 1994-99 (in the UK as a whole total tonnage dropped by 4.4 per cent). The ratio of catch to number of vessels increased from 140 tonnes per vessel in 1994 to 224 tonnes in 1999. Though still below the UK figure of 410 tonnes per vessel in 1999 this is clear evidence of an improvement in overall performance.

\(^{11}\) UK and overseas combined
\(^{12}\) Vessels over 10 metres in length
The small investment made in the fishing sector is considered to have contributed to the modernisation of the fleet and the increase in productivity.

**Educational Attainment**

Educational attainment in Northern Ireland is above the UK average but lags behind many of the other regions in the country. In 1994, 49 per cent of pupils achieved five or more A*-Cs at GCSE and five per cent got no graded results. By 1999, the percentage of pupils with five or more A*-Cs at GCSE had increased to 56 per cent (47.4 per cent in the UK) and just 3.5 per cent of pupils achieved no graded results (5.4 per cent in the UK). However, the proportion of 16 year olds remaining in education in Northern Ireland declined from 79 per cent in 1994 to 74 per cent in 1999, slightly less than the comparative figure for the UK (78 per cent).

The programme did not support education initiatives and so cannot have been expected to make an impact on educational performance.

### 6.7.1 Findings of the Macro-Economic Modelling of Impact of the SPD for Northern Ireland

The following analysis of the impact of the Objective 1 programme in Northern Ireland was drawn from the Macro-economic Modelling work carried out by ESRI on 'An examination of the ex-post macroeconomic impacts of SPD 1994-99 on Objective 1 countries and regions' October 2002. The results are from the second draft. The following sections are largely reproduced from the ESRI report with a commentary based on the findings of ECOTEC’s discussions with stakeholders regarding their perceptions regarding the impact of the programme.

Figure, reproduced from the ESRI report, shows the findings of the modelling work in relation to the impact of the Objective 1 Programme on aggregate real GDP at market prices (as a percentage change relative to the no-Objective 1 Programme baseline), and on the unemployment rate (as a difference relative to the no-Objective 1 Programme baseline). The report notes that the simulation captures both the direct demand-side (or Keynesian) impacts as well as additional supply-side impacts that are associated with the improvement in infrastructure and human resources.

ESRI’s report points out that, as discussed in Section 2 of this report, the Northern Ireland economy started from a moderately high base in 1993, but was only beginning to emerge from a period of over a quarter of a century of civil unrest and violence that had a severe negative impact on private sector activity.\(^{13}\) Figure 24 from the ESRI report suggests that the impact of Objective 1 Programme 94-99 on the level of aggregate GDP rose to just above

---

\(^{13}\) The first “cease fires” of the main paramilitary organisations were announced in 1994, subsequently broke down, and were reinstated. The Belfast Agreement that eventually led to devolved government only came at the end of the period of CSF 94-99. So the political context of CSF 94-99 in Northern Ireland continued to be one of uncertainty and evolution.
1.75 percent by the year 1996, but that the positive impact on the level of GDP declined almost to zero after 2001. The impact on reducing the unemployment rate was modest, peaking at a reduction of just over 0.7 percentage points in the year 1996, but declining to almost zero after 2001. A reflection on these findings is presented below.

**Figure 24: Northern Ireland:**
aggregate Objective 1 Programme 94-99 impacts on GDP and unemployment

<table>
<thead>
<tr>
<th>Year</th>
<th>GDPE</th>
<th>UR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1994</td>
<td>1.09</td>
<td>-0.41</td>
</tr>
<tr>
<td>1995</td>
<td>1.27</td>
<td>-0.51</td>
</tr>
<tr>
<td>1996</td>
<td>1.77</td>
<td>-0.71</td>
</tr>
<tr>
<td>1997</td>
<td>1.59</td>
<td>-0.57</td>
</tr>
<tr>
<td>1998</td>
<td>1.34</td>
<td>-0.43</td>
</tr>
<tr>
<td>1999</td>
<td>1.27</td>
<td>-0.39</td>
</tr>
<tr>
<td>2000</td>
<td>1.08</td>
<td>-0.35</td>
</tr>
<tr>
<td>2001*</td>
<td>0.67</td>
<td>-0.18</td>
</tr>
<tr>
<td>2002</td>
<td>0.18</td>
<td>+0.04</td>
</tr>
<tr>
<td>2010</td>
<td>0.12</td>
<td>+0.04</td>
</tr>
</tbody>
</table>


In comparing the sizes of the impacts on the level of GDP between countries and regions, the size of the Objective 1 Programme injection (both EU and domestic public co-finance) must be borne in mind. As a guide we can construct a type of aggregate Objective 1 Programme multiplier:

\[
\text{Cumulative Objective 1 Programme multiplier: } \frac{\text{Cumulative } \% \text{ increase in GDP}}{\text{Cumulative Objective 1 Programme share in GDP}}
\]

ESRI’s findings are shown in Figure 24 for the years 1994-99, 1994-2002 and 1994-2010 for Objective 1 Programme 94-99. These are among the lowest cumulative multipliers. Subsequent tables suggest that much of the Objective 1 Programme was spent on construction and training activities, and that the manufacturing sector – where the enduring long-lasting impacts of the Objective 1 Programme tend to arise – was less affected. This, the long-run benefits were truncated and the cumulative multipliers were correspondingly smaller.
Figure 24: Northern Ireland: synthetic Objective 1 Programme cumulative “multiplier on GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994-99</td>
<td>1.24</td>
</tr>
<tr>
<td>1994-2002</td>
<td>1.33</td>
</tr>
<tr>
<td>1994-2010</td>
<td>1.48</td>
</tr>
</tbody>
</table>

The sectoral impacts of GDP are shown in Figure 25, with the detailed manufacturing impacts in Figure 26. Here, the strongest impacts emanate from the market services sector (which includes building and construction activity). However, the weak induced growth of manufacturing induces very little further growth in the market services sector after the termination of Objective 1 Programme 94-99. By the year 2010, the overall increase in the level of GDP (at constant factor cost) is merely 0.12 percent. Most of the growth comes in terms of higher labour productivity rather than in terms of higher output. The modest growth in manufacturing investment (IT) is very striking, and stems mainly from the fact that no funds appear to have been allocated in the Northern Ireland Objective 1 Programme to direct aid to manufacturing.

Figure 25: Northern Ireland: Objective 1 Programme impacts on sectoral GDP (% change over baseline)

<table>
<thead>
<tr>
<th>Year</th>
<th>OT</th>
<th>ON</th>
<th>OG</th>
<th>GDPFC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1994</td>
<td>0.30</td>
<td>1.86</td>
<td>0.83</td>
<td>1.12</td>
</tr>
<tr>
<td>1995</td>
<td>0.25</td>
<td>2.44</td>
<td>0.62</td>
<td>1.31</td>
</tr>
<tr>
<td>1996</td>
<td>0.44</td>
<td>3.51</td>
<td>0.65</td>
<td>1.84</td>
</tr>
<tr>
<td>1997</td>
<td>0.39</td>
<td>2.90</td>
<td>0.83</td>
<td>1.65</td>
</tr>
<tr>
<td>1998</td>
<td>0.46</td>
<td>2.39</td>
<td>0.68</td>
<td>1.39</td>
</tr>
<tr>
<td>1999</td>
<td>0.57</td>
<td>2.20</td>
<td>0.67</td>
<td>1.32</td>
</tr>
<tr>
<td>2002</td>
<td>0.43</td>
<td>0.23</td>
<td>-0.03</td>
<td>0.19</td>
</tr>
<tr>
<td>2010</td>
<td>0.41</td>
<td>0.04</td>
<td>-0.03</td>
<td>0.12</td>
</tr>
</tbody>
</table>

Note:
OT denotes output in manufacturing; ON, market services; OG public services; GDPFC, total GDP;
**Figure 26**: Northern Ireland: Objective 1 Programme impacts on manufacturing sector:
Output, employment, productivity and investment

<table>
<thead>
<tr>
<th>Year</th>
<th>OT</th>
<th>LT</th>
<th>LPRT</th>
<th>IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>0.30</td>
<td>0.30</td>
<td>0.00</td>
<td>0.52</td>
</tr>
<tr>
<td>1994</td>
<td>0.25</td>
<td>0.14</td>
<td>0.11</td>
<td>0.79</td>
</tr>
<tr>
<td>1995</td>
<td>0.44</td>
<td>0.22</td>
<td>0.22</td>
<td>1.22</td>
</tr>
<tr>
<td>1996</td>
<td>0.39</td>
<td>0.02</td>
<td>0.37</td>
<td>1.26</td>
</tr>
<tr>
<td>1997</td>
<td>0.46</td>
<td>0.00</td>
<td>0.46</td>
<td>1.23</td>
</tr>
<tr>
<td>1998</td>
<td>0.57</td>
<td>0.07</td>
<td>0.50</td>
<td>1.20</td>
</tr>
<tr>
<td>1999</td>
<td>0.43</td>
<td>0.00</td>
<td>0.44</td>
<td>0.55</td>
</tr>
<tr>
<td>2002</td>
<td>0.41</td>
<td>0.12</td>
<td>0.29</td>
<td>0.24</td>
</tr>
</tbody>
</table>

**Note:**
OT denotes output in manufacturing; LT denotes manufacturing employment;
LPRT denotes labour productivity; IT denotes manufacturing investment.

In the case of a region, public sector deficits and trade deficits are not of major concern. The financing implications are the responsibility of the national authorities and not of the regional authorities. Nevertheless, they give a measure of the success or otherwise of the regional economy. A regional deficit signals dependency on fiscal transfers from the nation. A regional trade deficit signals an inability to produce locally and a dependence on imports, which needs to be financed by private and public sector inflows. What Figure 28 suggests is that Objective 1 Programme 94-99 caused a reduction in the regional Northern Ireland fiscal balance - with a consequential reduction in the UK “subvention” to Northern Ireland - of about one half of one percentage points of GDP (NIDEFR). In Northern Ireland the effect of the Objective 1 Programme was that the net trade surplus fell modestly as a percent of GDP (NTSVR). In both cases, there was a reversal of these effects in the post Objective 1 Programme 94-99 period, but of small size.
**Figure 28:** Northern Ireland: Objective 1 Programme impacts on regional deficits (NIDEFR) and trade surplus (NTSVR) (percentage of GDP, deviation from baseline)\(^{14}\)

<table>
<thead>
<tr>
<th>Year</th>
<th>NIDEFR</th>
<th>NTSVR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1994</td>
<td>-0.25</td>
<td>-0.32</td>
</tr>
<tr>
<td>1995</td>
<td>-0.27</td>
<td>-0.43</td>
</tr>
<tr>
<td>1996</td>
<td>-0.50</td>
<td>-0.43</td>
</tr>
<tr>
<td>1997</td>
<td>-0.43</td>
<td>-0.23</td>
</tr>
<tr>
<td>1998</td>
<td>-0.45</td>
<td>+0.02</td>
</tr>
<tr>
<td>1999</td>
<td>-0.50</td>
<td>+0.04</td>
</tr>
<tr>
<td>2002</td>
<td>-0.06</td>
<td>+0.15</td>
</tr>
<tr>
<td>2010</td>
<td>+0.03</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Reflections on the Findings of the Macro-Economic Modelling**

The findings of the simulation presented above support the views of stakeholders in the sense that many expressed a view that the short term effects were small in but it does not entirely match the views of many who felt that the programme provided a boost in terms of helping to create the conditions for longer term growth. The Objective 1 programme coincided with a relatively optimistic period with respect to the Troubles and the cease-fire has undoubted helped to improve the economic outlook for the region. In this situation the timing of some of the major projects (such as the airport development, transport links, energy schemes, a major new hotel in Belfast and industrial parks) are considered to be important as they helped create a more positive image and arguably a more attractive investment climate. Whilst the Peace programme is credited with having an important impact on community development the Objective 1 programme has also contributed to community capacity building projects which have improved community integration – a key factor in the long term economic interests of the region. However given the complex nature of the different drivers of economic activity the impact of the programme is difficult to unpick the precise effects of Objective 1 investment from wider factors. In light of the qualitative evidence the very small supply-side effects shown in the output of the modelling are somewhat surprising. This raises the question whether the more subtle long term effects of investment infrastructure and in improving the image of the region can be captured by the modelling process.

**5.46.8 Highlands and Islands**

Only summary data relating to the economic performance of the Highlands and Islands Programme area is considered as this programme was not a case study for the assessment of the effectiveness of UK programmes.

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\(^{14}\) Note: A “+” sign indicates a deterioration (or rise) in the borrowing requirement (GBORR) but an improvement (or rise) in the net trade surplus (NTSVR), both expressed as a percentage of GDP.
Figure 29 below reveals that with respect to average GDP in the UK the relative performance of the Highlands and Islands declined during the programme period. The data points to changes in the nature of internal disparities with GDP in the Western Isles increasing its performance relative to the UK average. However, the sub-regional data is subject to a low degree of confidence due to small sample sizes and there is a general perception that the Western Isles figure is exaggerated because of the effect of the oil industry.

**Figure 29: GDP Per Head (£) at Current Base Prices – UK=100**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Highlands and Islands</td>
<td>79</td>
<td>80</td>
<td>77</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Caithness &amp; Sutherland and Ross &amp; Cromarty</td>
<td>79</td>
<td>73</td>
<td>70</td>
<td>66</td>
<td>67</td>
</tr>
<tr>
<td>Inverness &amp; Nairn and Moray, Badenoch &amp; Strathspey</td>
<td>79</td>
<td>81</td>
<td>78</td>
<td>76</td>
<td>75</td>
</tr>
<tr>
<td>Lochaber, Skye &amp; Lochalsh and Argyll &amp; the Islands</td>
<td>72</td>
<td>77</td>
<td>73</td>
<td>71</td>
<td>69</td>
</tr>
<tr>
<td>Eilaen Siar (Western Isles)</td>
<td>75</td>
<td>71</td>
<td>70</td>
<td>72</td>
<td>76</td>
</tr>
<tr>
<td>Orkney Islands</td>
<td>81</td>
<td>81</td>
<td>79</td>
<td>76</td>
<td>78</td>
</tr>
<tr>
<td>Shetland Islands</td>
<td>115</td>
<td>131</td>
<td>126</td>
<td>124</td>
<td>120</td>
</tr>
</tbody>
</table>


1994 data is taken from Regional Trends 35 (2000), for which later years do not correlate with the updated figures from 2001

Unemployment data (Figure X) suggests an improvement in position of region, at least relative to Scotland and some reductions in internal disparities – with a particular improvement in the position of the Caithness and Sutherland and Ross and Cromarty area.
6.9 Assessment of Impact of UK Programmes

- Despite increases in GDP in real terms all three areas fell back over programme period relative to the overall UK performance. The programmes’ contribution to increasing economic activity will largely be felt in the long term as an effect of the investment in creating the basic conditions for improved regional competitiveness. The results of the ESRI modelling for Northern Ireland suggest that the long term effects on GPD will be very small but one must question the extent to which some of the more intangible effects of the investment in infrastructure on the business climate and ‘image’ gains created by the programme can be captured by an economic model.

- Trends in unemployment suggests an improvement in position of all three areas relative to the UK as whole. A bottom up assessment based on the job outputs recorded by project sponsors suggest that the Merseyside programme created somewhere in the order of 15,000 net jobs.

- The disparate trends in relative performance in relation to GDP and unemployment suggests the programme areas have seen above average growth in lower value added sectors. It is at least possible that the programme with its emphasis on the primary sectors and tourism may have contributed to this but there are probably other factors (e.g. the growth in call centres and public sector employment which was above average in both Northern Ireland and Merseyside).

- The project selection process sought to focus resources on less prosperous areas in both Northern Ireland and Highlands and Islands in particular. This should at least have contributed to a reduction in internal disparities relative to what would otherwise have occurred.

- In all cases the programmes can be viewed as making an important contribution to moving economic signs in the right direction alongside the wider effects of strong national economic growth and in the case of Northern Ireland the positive developments in the peace process.
7.0 MANAGEMENT AND IMPLEMENTATION SYSTEMS

7.1 Introduction

The following section sets out key themes and issues regarding the management and implementation arrangements for the UK Objective One programmes. As specified by the European Commission’s sample for this element of the evaluation, the cases study itself will focus on the Merseyside programme. However, relevant details and experience concerning management and implementation are also drawn from the Northern Ireland and Highlands and Islands programmes in the latter part of this section.

7.2 Institutional Arrangements

This section describes management and implementation systems in terms of institutional arrangements, representational structure, types of partnerships and capacity.

7.2.1 Programme Management Structure

The management structure for the Merseyside Objective 1 programme, very much like the other UK programmes, included the following bodies:

- the Programme Monitoring Committee (PMC)
- the Programme Secretariat – Government Office for Merseyside/Government Office for the North West
- working/technical groups
- ad hoc advisory groups (e.g. Merseyside Labour Market Strategy Group)
- community partnerships – Pathways Partnerships

The organisational structure developed for the Merseyside Objective 1 programme is illustrated in Figure 31 below. The Merseyside Objective 1 programme had a two-tier programme management structure, including the Programme Monitoring Committee (PMC) and two Technical Panels. These were supported by a Labour Market Strategy Group (LMSG) and various informal advisory groups. The terms of reference for each of the programme’s management bodies were agreed by the PMC and included in the programme’s 1994 Annual Report. A brief description of their individual roles and responsibilities follows.
7.2.2 Programme Monitoring Committee (PMC)

Roles and Responsibilities

The Programme Monitoring Committees were responsible for providing the strategic direction to the programmes and monitoring their implementation. The roles and responsibilities of the Merseyside PMC were to:

- ensure compliance with regulatory provisions and other Community policies;
- ensure the programme’s measures conform with its priorities and objectives;
- guarantee co-ordination with assistance through other grant and loan instruments;
- establish project selection criteria, and for major projects provide, where appropriate, information required by the Commission under Article 5;
- ensure provisions for the effective implementation of the measures;
- monitor, organise and examine work on the interim assessments of the Objective 1 Programme and provide opinions on the draft annual reports;
- propose steps to quicken programme implementation where there are delays;
- prepare and discuss proposed amendments to the Objective 1 Programme;
- propose the allocation of monies resulting from annual indexation;
- co-ordinate promotion and publicity for the programme;
- propose technical assistance measures;
- analyse periodically the region’s disparities and development using the Objective 1 Programme’s indicators; and
- determine projects bidding for more than ECU 5 million following advice from the Programme Secretariat and Technical Panels.
Membership
Each of the UK Programme Monitoring Committees had an extensive number of participants. The committee in Merseyside had more than 50 representatives, but was largely dominated by the public sector, with strong representation of regional government and local authorities. The UK central government and the European Commission also maintained significant roles on the PMC.

During the programming period, the Merseyside PMC met an average of four times a year. The initial PMC comprised of representatives of the following organisations:

- European Commission
- Central Government Departments
  - Department of the Environment
  - Department of Trade and Industry (Regional Division)
  - Department of Employment (European Social Fund Division)
  - Department of Agriculture
- Regional Authorities (Government Office for Merseyside)
  - Office Director (PMC Chair)
  - Programme Secretariat
  - DTI Directorate
  - Education and Learning Directorate
- Local Authorities
  - Liverpool City Council
  - Sefton Council
  - Knowsley MBC
  - Wirral MBC
  - St Helens Council
- Public Sector Bodies
  - English Partnerships
  - Training and Enterprise Councils
    - CEWTEC
    - Merseyside TEC
    - Qualitec (St Helens)
  - Liverpool Chamber of Commerce
  - Merseyside Development Corporation
  - Merseytravel
- Further/Higher Education
  - Liverpool University
  - Merseyside Colleges Association
- Private Sector
  - Mersey Docks and Harbour Company
  - National Westminster Bank
  - Champion Spark Plugs
  - R S Clare
- Voluntary Sector
  - North West Network
In the later stages of the programme the region’s trade unions were also represented on the PMC, as was the Merseyside Pathways Network (MPN) which represented the Pathways Partnerships developed under Priority five of the programme.

Although the PMC included representatives of both voluntary and private sector organisations, the involvement of social partners was initially relatively limited. Stakeholders expressed concern that social partners had not been adequately engaged. Reasons for their limited engagement provided by stakeholders included:

• the conservative views towards consultation taken by the government in the first years of the programme.

• The poor engagement of the private sector - a particular problem - due to the sector’s relative lack of knowledge of the programme and its processes;

• a lack of internal co-ordination amongst social partners. This barrier was noted in particular in Merseyside where a private sector co-ordinator was appointed to overcome this problem and to better coordinate the sector vis-à-vis opportunities offered by European funding;

• social partners appearing to be ‘classed’ below public sector representatives in PMC meetings. This was a problem noted by various social partner representatives across the UK programmes - a problem made exacerbated by the amount of documentation and jargon-heavy debate.

**Decision-making**

The PMC, meeting four times a year, was intended to provide the strategic direction for the programme. Meetings often provided the only real opportunity for interaction between the different elements of the programme. They also allowed the PMC to review the implementation of the programme and its subsequent outputs and rate of spend. Decisions were made concerning the strategic direction of the programme and suitable responses to local economic and social changes. Where appropriate, amendments to the programmes’ SPD, both with regards to measures, financial allocations and output targets, were debated and agreed so as to adapt to changing economic and social needs of the region. In Merseyside these changes included the introduction of two new measures concerning ICT and the region’s fish processing industry and subsequent changes to the programme’s financial allocations and targets. The meetings were also used to approve large-scale project applications.

**Effectiveness of the PMC**

Stakeholders identified some important barriers to the effective working of the PMC. These included:
the large size of the PMCs’ membership. Attendance of around 50 representatives led to long, onerous meetings. The Merseyside PMC meetings were criticised as being too large and unfocused.

meetings being insufficiently focused on the most important issues. For example, one stakeholder identified that individual participants tended to focus on very specific, often project-based, issues.

an emphasis on the financial progress of the programme rather than its strategic direction.

the problems caused by ‘vested interests’, with some stakeholders commenting on a culture of ‘money-chasing’ which detracted from the PMC’s role in providing strategic direction.

the considerable lack of trust and communication between the different partners involved in the programme, as commented on by several stakeholders both within and outside the public sector.

a lack of clarity in some instances regarding the roles of the PMC and its members. The roles and responsibilities of the various management bodies were not clear to all stakeholders.

7.2.3 Programme Secretariat

Each of the programme areas had a programme secretariat - or executive - with responsibility for managing the implementation of the programme. In Merseyside, the programme was initially managed by the Government Office for Merseyside. Management responsibility was later passed to the Government Office for the North West of England. Both are central government institutions. The responsibilities of the Secretariat were to:

- support the PMC, Technical Panels, the Labour Market Strategy Group and other ad hoc groups involved in the programme;
- establish timetables for the application process;
- appraise all ERDF and ESF projects and make recommendations to the Technical Panels and PMC;
- liaise with the Department of Agriculture on EAGGF projects;
- proactively encourage projects and the development of partnerships;
- actively communicate the objectives, operational methods and achievements of the programme to internal and external audiences;
- consult Technical Panels on significant changes to selected projects;
- oversee technical assistance provided by external bodies;
- co-ordinate the preparation of the programme’s annual reports;
- maintain a database of all project applications;
- administer the budget for its secondee members, making annual reports and submitting recommendations for future funding levels to the PMC;
participate in cross-regional and cross-department meetings and best practice workshops as required; and
answer questions on European issues for Government Office on Merseyside.

7.2.4 Working / Technical Groups

Working or technical groups, focusing on selected measures or priorities, played an important role in the implementation of all three UK Objective One programmes. Comprising of relevant experts and stakeholders they sought to ensure the strategic fit of projects supported by the programme and the better targeting of applications.

The Merseyside programme had two such technical groups. The Technical Panel for the Industrial Development of Merseyside (TPID) concerned itself with the first four of the programme’s priorities, whilst the Technical Panel for the People of Merseyside (TPPM) dealt with the programme’s final priority. The Technical Panels were supported by the Programme Secretariat. Their responsibilities were to:

- advise the Programme Secretariat on the development of selection criteria for projects following guidance from the PMC;
- deliberate and decide on applications;
- make recommendations to the PMC, following advice from the Secretariat, on applications for over ECU 5million;
- advise the Secretariat on the monitoring and evaluation of the programme and recommend changes to the programme where necessary;
- advise the PMC on the programme’s balance, identifying gaps and recommending how to address them; and
- advise the PMC on issues such as Community Initiatives on Merseyside where they are not addressed separately.

The TPID also made recommendations to the TPPM on applications for ERDF funding under the fifth priority, and vice versa for ESF funding under the first four. In addition the TPPM oversaw the work of the Labour Market Strategy Group to ensure the availability of labour market intelligence on which the future direction of the programme could be decided.

The TPID was chaired by the Director of Trade and Industry from Government Office for Merseyside. Its membership included representatives from: five local councils, three TECs, the European Commission, three private sector organisations, English Partnerships, the Merseyside Development Corporation, Merseytravel, Mersey Docks and Harbour Company, HE institutions and the voluntary sector.

The TPPM was chaired by Government Office’s Director of Employment, Training and Planning. Its representatives included, five local councils, three TECs, three private sector organisations, the Merseyside Colleges, HE institutions, the voluntary sector, the European Social Funds Unit from the Department of Employment.
Various stakeholders highlighted these groups as having a valuable and ‘unsung’ role in the implementation of the programme, particularly in the later years of the programmes. Having usually met prior to the PMC, it was felt by several stakeholders that the more detailed discussions completed within these groups ‘took some of the heat out of PMC meetings’, thereby allowing the latter to focus on more general and strategic issues and only marginal project details/decisions.

7.2.5 Ad Hoc Advisory Groups

A series of ad hoc informal advisory groups (IAG) were established during the programme with the objective of helping the PMC to work more strategically. They participated in the programmes to focus on more specific issues, measures or projects. These groups comprised of relevant expert practitioners and sector co-ordinators and having met before the PMC provided guidance to better target applications and to improve the project approval process.

The Merseyside Labour Market Strategy Group identified labour market trends and skills requirements to allow the PMC to ensure the quality and relevance of training and education initiatives supported by the programme. Its main contribution to the programme was the completion of the Merseyside Economic Assessment in 1996. According to the terms of reference for the group, its responsibilities were to:

- co-ordinate and improve labour market information on Merseyside to allow for quality strategic decision-making within the programme over the short and long term;
- consider the need for a skill audit of employment and unemployment in Merseyside;
- consider the region’s labour market needs for both existing and potential investors;
- establish industrial and commercial sectors in which the region demonstrated potential for growth and the skills needed for them;
- advise on and establish arrangements for collecting and analysing the information needs identified;
- advise the PMC and Technical Panels on the best means to ensuring the provision of information for guiding the strategic direction of the programme;
- advise on the monitoring and evaluation of projects; and
- ensure labour market information is disseminated to local partners and training/education providers.

The Programme Secretariat believed that the IAGs were useful in providing strategic support to the PMC and that they generally became more effective over the course of the programme. The effectiveness of the groups was felt to be largely determined by the independence and quality of their chair. Other stakeholders believed the IAG members did not have sufficient knowledge about needs and provision for them to act strategically. It was also pointed out that various disputes over which priority projects would fall under had arisen during the programme, due to the reluctance of the IAGs to spend ‘their’ budgets.
7.2.6 Community Partnerships

Various community-led partnerships were also established across the UK programmes, with primary responsibility for implementing the capacity-building elements of the programmes. In the case of Merseyside the ‘Merseyside Pathways Network’ was set up to represent community groups on the PMC. Pathways groups were funded by the programme’s fifth priority to allow for local action planning to meet local needs. These groups involved a broad range of partners, including colleges, the police and the private sector. Ten partnerships were chaired by local authority officers.

A consensus of stakeholders believed the Pathways Partnerships had successfully built community capacity and developed local knowledge and local action planning capabilities. However, various stakeholders had negative perceptions of the network’s involvement in the PMC, with the Programme Secretariat claiming that they were often very negative and reluctant to be proactive. Some stakeholders criticised the Partnerships for having delayed the implementation of projects and for not providing the concrete results to satisfy such heightened expectations. Some of the representatives for this network were not actually involved in Pathways partnerships, but rather represented residents of specific areas more widely. Some stakeholders felt the structure of the Pathways Partnerships, with at least one representing each area of Merseyside, resulted in funding being allocated geographically rather than on the basis of quality applications.

7.2.7 Vertical Partnership

The vertical partnership underlying the Merseyside programme initially suffered some difficulties. In part this was due to tensions between the UK government and the European Commission which, according to some stakeholders, left regional representatives ‘caught in the middle’ of two sets of objectives. There was also some confusion concerning the roles of each of these bodies, due to the fact that some project applications go to the Commission rather than through the Programme Secretariat. Furthermore, large-scale projects, such as the Merseyside Special Investment Fund, were effectively required to complete three application processes: for Government Office, UK central government and the European Commission.

Positive comments from stakeholders in regards to the Commission’s role with respect to the implementation of the Merseyside programme included:

- The Commission’s focus on social cohesion, and its role in re-balancing the SPD towards community-led initiatives was particularly welcomed by community partners. For example, ‘European’ concepts on social cohesion were incorporated into the programmes, most evidently with the introduction of the Pathways initiative in Merseyside.

- The Commission’s regional emphasis brought a welcome change from the centralised nature of UK government, and allowed Merseyside the freedom to ‘do something for itself.'
Negative comments from stakeholders with regards to the Commission’s role included:

- A limited understanding of certain contextual factors within the UK, such as the high profit margins required for private sector involvement and the speculative nature of the development industry.

- The Commission fostered ‘pet’ projects, such as the Pathways initiative, without understanding their potential for effectiveness.

- There was initially a lack of guidance from the Commission, and it tended to have an inadequate urban focus.

- The Commission over-emphasised programme expenditure, rather than the strategic fit of projects, particularly in the later years of the programme. The emphasis on spend has led to the suitability of some of the projects approved in the later years of the programmes to be questioned.

7.2.8 Horizontal Partnership

The involvement of regional and sector partners within the programme was initially limited. This was attributed in part to the UK government’s conservative approach to consultation and stakeholder involvement. Various stakeholders believed that their opinions had not been incorporating in the development of the SPD. However, the involvement of regional and sector partners has been enhanced during the programme with the engagement of a larger group of social partners both within the PMCs and the implementation of projects. Nevertheless the full engagement of these partners - particularly private sector partners - has still not been achieved. In part this has been due to a lack of co-ordination within the sectors themselves. Action was taken to address this barrier on Merseyside through the appointment of a private sector co-ordinator.

Stakeholders frequently commented on the dominance of the public sector in the PMCs - and in particular representatives of central government. This situation, resulting in programmes largely following national policy and limiting regional specificity, appears to a large extent to be a result of the centralised nature of government in the UK.

Horizontal partnership also experienced some problems. The programme does not appear to have fully engaged partners within the region and there was a significant level of suspicion between government officials and regional and sector partners. Comments from stakeholders within the region on the Merseyside programme included:

- Certain representatives of the national government claimed that partners were ‘in for what they could get’.

- Many stakeholders and academic authors felt the programme was largely dominated by Government Office on Merseyside to the expense of other partners.
• There was a sense amongst at least the voluntary sector and the local authorities that Government Office’s development of the SPD involved only limited consultation and that their opinions had not been incorporated. This issue which was not resolved until after the ex-ante evaluation of the SPD and its subsequent restructuring by the Commission.

• Government Office, acting as the Programme Secretariat, was criticised for not offering enough strategic leadership and for failing to clarify the roles and responsibilities of the partners.

• The matrix management system used by the government at the time resulted in a variety of government departments being represented within Government Office, and hence a more ‘joined-up’ approach to appraising bids, hence promoting horizontal partnership.

• A key member of personnel within Government Office provided a strategic overview of infrastructure development, enabling him to offer valuable guidance on the programme’s direction.

7.2.9 Organisational Capacity

The capacity of organisations to management of the UK Objective 1 programmes varied significantly between the regions. In Merseyside this organisational capacity was significantly weaker than elsewhere in the UK. A general consensus among stakeholders in the Merseyside programme was that the organisations involved in the Objective 1 partnership did not have the necessary capacity to manage the programme. This ultimately had knock-on effects for the programme, with poor quality bids, project managers lacking expertise and unnecessary additional costs of using external bodies, i.e. consultancies, for their expertise.

Specific comments made were that:

• Staff shortages and a lack of staff consistency during the programme caused concerns. The closure of the Government Office on Merseyside and the subsequent move of the programme to Government Office North West of England resulted in a significant loss of staff, a problem accentuated by attempts to reduce regional government staff numbers across the UK.

• Programme managers hoped to recruit more staff for the programme but were unable to; they felt that they were not provided with sufficient support from senior levels within Government Office who were reluctant to recruit new staff for a temporary programme.

• Stakeholders believed there was a lack of relevant expertise within Government Office, a problem increased by the movement of civil servants in and out of the programme’s management team.

• At the national level there was a lack of training and exchanges on best practice, whilst job specifications were not available to provide guidance on the necessary roles and expertise required.
The Programme Secretariat’s capacity was limited by the administrative demands of the programme, the impact of which was underestimated. The annual bidding rounds and the Regional Challenge Fund further accentuated these problems.

In part this lack of capacity was attributed to the downscaling of the regional tier of national government at the time and the reluctance of GOM to recruit additional staff for a temporary programme. This had consequences for the capacity-building of project managers and the quality of bids submitted to the programme, and resulted in many cases in the use of external expertise, with subsequent additional costs. It was felt by various stakeholders that the Government Office had a ‘hands off’ approach to the programme with nobody taking whole responsibility for its management.

Members of the Programme Secretariats believed that their capacity improved as the programme developed and they were able to accumulate expertise. Areas where improvements were highlighted included more extensive consultation with social partners and the development of stronger mechanisms for project appraisal, and the monitoring and evaluating of the programme. However, non-governmental stakeholders did not think that the capacity of the organisations managing the programme improved significantly throughout the programme, particularly in Merseyside, despite periods when management was more effective than others.

The current Objective 1 is considered by stakeholders to be much more inclusive than the 1994-1999 programme with regards to regional and sector interests. It involves much greater consultation and involvement of social partners in the programmes’ implementation and management. A key example of this is the lead taken by the private sector in Merseyside’s Programme Secretariat. Nevertheless, it has been noted that there remains room for improvement in the engagement of non-public sector representatives.

Stakeholders within Merseyside do not believe that many lessons have been learnt with regards to the governance of the programme. The management and implementation arrangement of the current programme are considered to be even worse by some of those involved in the partnership. Criticism still remains with regards to Government Office’s ‘hand off’ or ‘part time’ approach to the programme, to the extent that a private sector representative leads the current Programme Secretariat. Moreover, some perceive that the partnership has become more decentralised with even less trust and communication between members. Nevertheless, various improvements have been noted, including a reduction in the size of the PMC (from 54 to 35) and a greater engagement of the private sector.

7.3 Project selection process

This section describes project selection processes in terms of timing, rigour and criteria.

7.3.1 Bidding Rounds

The Merseyside case study showed that project selection process used changed during the life of the programme. During the first two years of the programme annual bidding rounds took place. This approach exacerbated existing resource constraints within Government Office
leading to delays and an ineffective appraisal system. As a result of these problems, an on-
going application process replaced the procedure of annual bidding rounds after the second year. This approach was found to be much more effective - avoiding backlogs and delayed or ‘lost’ projects.

7.3.2 Project Appraisal and Selection

Core selection criteria were established by the Merseyside PMC with regards to ERDF and ESF funding. For ERDF grant applications the core criteria required that projects were:

- located in the Objective 1 area;
- submitted by an eligible body;
- contributed to one or more of the programme objectives and tell within one or more of the measures;
- for activities which are eligible for Structural Funds support;
- able to define quantified outputs and to detail attainable targets;
- part of a sound funding package including sources of match funding with necessary plans and consents;
- able to demonstrate the need for grant aid; and
- able to demonstrate the additional benefits for Merseyside as a result of Structural Fund support.

Priority and more detailed, specific measure level criteria were also established against which projects were assessed. With regards to ERDF funding the former included:

- job creation - value for money
- private sector leverage - integration
- market need - innovation
- economic benefit - environmental contribution
- strategic importance.

With regards to ESF applications, the following factors were considered during selection processes alongside more specific measure-level criteria:

- labour market justification - evidence of partnership working
- beneficiary achievements - course content
- qualifications - period of unemployment of target group
- innovation - cost
- transnationality of projects

The approach taken to project appraisal and selection was also changed during the course of the Merseyside programme.

For the first two years of the programme applications were submitted in rounds and appraisals were on the basis of a crude scoring system based on cost-per-output. However, this approach was found to be ineffective - resulting in projects targeting those outputs which
were the easiest to achieve. This caused significant capacity problems for the Programme Secretariat, with 500 applications submitted in the first year and 350 in the second, a problem in part due to the open and flexible nature of the SPD. This resulted in the commissioning of consultants to address the backlog of applications. Subsequently the bidding process was changed away from annual rounds to an on-going process with a new appraisal system using a weighted scoring system to rank projects according to their fit within the programme’s strategy. Projects were then taken from this list until the allocated funds were exhausted. This approach was considered by stakeholders to be the most effective.

The project appraisal system was hindered by capacity issues. This problem was reported to be accentuated by a lack of early attention to the eligibility of projects, which led to a waste of resources when projects were appraised which were later found to be ineligible. Some stakeholders also suggested that the financial viability of projects or the reality of ‘in-kind’ contributions were also rarely assessed.

Participants in the selection process in Merseyside noted that appraisals very much depended on individual appraisers’ knowledge and experience. For example, the horizontal environmental theme was only taken into account by those with enough knowledge to assess it. Furthermore, communication within the Programme Secretariat itself, between those appraising and those monitoring applications, was often cited as being inadequate. This resulted in late feedback, and the inability to identify gaps within the programme, which the appraisal process might otherwise seek to address.

7.3.3 Assessment of the Project Selection Process

- The quality of applications during the programme was generally weak. Little capacity building was done by the Programme Secretariat, beyond some initial information seminars, which were not considered to have been particularly successful.

- The project appraisal process was weak at first. The selection criteria and processes were improved but were not entirely satisfactory.

- The financial viability of projects was only assessed in cases raising considerable concerns and apparently limited effort was made to ascertain the reality of ‘in-kind’ contributions.

- It is perceived that the quality of appraisals greatly depended on the individuals’ knowledge and experience with, for example, the environmental horizontal theme only being taken into account by those with enough knowledge to assess it.

- Communication within the Programme Secretariat, between those appraising and those monitoring applications, was inadequate. This resulted in the late feedback on the programme, and the inability to identify gaps within the programme, which the appraisal process might otherwise have sought to address.
7.4 **Financial systems**

In the face of low rates of spend and significant amounts of allocated but unclaimed funding, mechanisms were developed as part of all three UK Objective 1 programmes to improve financial management. Increased monitoring of expenditure timetables allowed for the formalisation of de-committed funding and the optimal allocation of resources through mechanisms such as reserve project lists in Merseyside and the Challenge Fund in the Highlands and Islands.

A Financial Manager within the Programme Secretariat in Merseyside believed that the payments systems for the programme worked relatively well. The only identified problem was in relation to integrating ESF and ERDF expenditure. Some Pathways areas underspent their financial allocations whilst some overspent, but the Programme Managers had financial contingency funds to manage these difficulties.

7.5 **Monitoring structures**

The Programme Monitoring Committee and working groups provided the monitoring mechanisms for the programme. Monitoring information was generally fed into the PMC by working groups and project implementation bodies.

Monitoring processes were recognised by members of the Merseyside Secretariat as being poor throughout the programme. They provided low quality information concerning projects and outputs and were ineffectively fed back into other programme management processes such as project selection. With large-scale infrastructure projects the Programme Secretariat often relied heavily on the monitoring systems of co-financing organisations. These weaknesses impacted on the Secretariat’s knowledge about what had been funded and what remained to be done; its ability to ensure the quality and quantity of project outputs; and its prevention of fraud.

Various factors were identified by stakeholders as playing a role in this weakness, these included:

- the loose regulations issued by the European Commission, which ultimately allowed Government Office a lot of flexibility in interpreting them;
- a lack of capacity within the Programme Secretariat;
- a lack of resources/time to complete capacity building with projects in terms of monitoring; and
- more generally a poorly developed ‘evaluation culture’.

There were significant problems in relation to the consistency and comparability of output data. With the exception of advice on cost per job indicators, it is reported that the UK government did not provide consistent advice on output definitions, recording and monitoring. Equally projects received advice from a wide range of other sources resulting in further inconsistencies. As a result of the poor definition of outputs, there is a perception that many projects tended to concentrate on those outputs which were the easiest to achieve.
Monitoring primarily considered financial spend rather than outputs. Unless they were considered to be completely unrealistic, output data largely went unscrutinised particularly in the former stages of the programme. The monitoring team within the Programme Secretariat did not consider displacement and dead weight at the project level.

With regards to recording outputs, there were some concerns and doubts over the outputs claimed under the programme with both under and over-counting in monitoring returns. This is largely a result of poor monitoring systems. There were poor systems in place for the tracking of beneficiaries of the programme. A new monitoring database was set up each year by the Government Office, resulting in a lack of tracking between years until a new beneficiary database was established in 2000.

Stakeholders within Government Office felt that by the end of the programme monitoring processes were more effective than they were initially. More emphasis had been placed on monitoring following discovery of cases where job outputs were being over-reported. Moreover the 1999 Financial Control Regulations necessitated better auditing and monitoring, in line with written guidance.

Quality Control

Following the discovery that various projects supported by the Merseyside programme were claiming inflated outputs, an increased effort was made by its Programme Secretariat to monitor output data and ensure accuracy. The ‘naming and shaming’ of projects by the PMC highlighted this issue and according to one stakeholder, made project managers increasingly wary of the accuracy of their claims and the implications for payments.

Monitoring processes improved throughout the programme, allowing for a better assessment of spending timetables and project outputs. This was largely the result of a cultural trend towards better monitoring and evaluation processes within the UK’s public sector rather than a result of the programmes themselves.

The monitoring of expenditure timetables, particularly with regards to large-scale infrastructure projects, increased the effectiveness of the programme by identifying and formalising de-committed funds. This allowed the maximisation of the funding allocated to the region.

7.6 Programme Evaluation

The programme evaluations undertaken in relation to the Merseyside programme were largely restricted to those required by the European Commission. Limited additional evaluation has focused either on specific issues or on organisational issues rather than the strategy or the impacts of the programme.

Completed evaluation work concerning the programme included:
• **Ex-ante evaluation**

The ex-ante evaluation was led by the European Commission. It led the restructuring of the programme strategy and revisions to the proposed monitoring framework.

• **Mid-term evaluation**

Each of the UK Objective 1 programmes was subject to a mid-term evaluation in 1997, completed by independent evaluators. Recommendations coming from the Merseyside evaluation were debated by the PMC and those changes to the programme considered to be necessary were made and subsequently approved by the European Commission. This resulted in the introduction of new measures to the programme (with a subsequent re-balancing of the programme’s financial allocations) and a revised monitoring framework.

• An analysis of the infrastructure needs of Merseyside and the potential contribution of infrastructure to the region’s economic development.

• An evaluation of the programme’s environmental elements by the Environment Agency.

• A limited management systems evaluation by the Programme Secretariat with Hope University - this resulted in a series of groups within Government Office considering the development of quality assurance to ISO standards, a step thought by the PMC to be too onerous to be adopted.

• An informal evaluation by the University of Liverpool.

• A series of assessments examining the outputs and impacts of different elements of the programme, including ICT projects and the Pathways initiative.

Merseyside had more extensive evaluation processes that other programme areas and many practical recommendations were acted upon. However, many of the findings could not be acted upon either due to time or resource issues. All evaluation material was considered as part of the ex-ante evaluation of the current programme. The ex-ante evaluation found that whilst many lessons had been considered in the design of the new programme some others had not been fully addressed.

### 7.7 Synergy effects

This section presents the internal and external synergy effects of the Merseyside programme, providing specific examples of the latter.

#### 7.7.1 Internal Synergy

The Merseyside programme All three programmes had poor linkages both between their different elements and their different funding sources. All too often the only opportunity to draw together the various aspects of the programme was in PMC meetings. There was a
noticeable lack of interaction between the ERDF and ESF elements of the programme, as was the case elsewhere in the UK.

There were very few linkages between the Merseyside programme’s different measures and priorities and they were not actively encouraged. Nevertheless the existence of a Technical Panel, considering the first four priorities of the programme, provided some co-ordination/complementarity of activities. Stakeholders highlighted measures concerning the environment and business investment in particular as those which operated very separately. Beyond those who were personally involved, there was very little awareness of what was being supported under the ICT measure.

7.7.2 External Synergies

This section considers the programme’s interaction and links with other policies within the Merseyside region. Each of the UK Objective 1 programme sought to encourage complementarity and added value with regards to other European policies as well as national and local initiatives.

European Policies

Merseyside sought to ensure complementarity between Objective 1 and other European funding sources within the region. During the timeframe of the Merseyside Objective 1 programme nine European Community Initiative programmes were undertaken within Merseyside including: KONVER II, RETEX I, RECHAR I & II, SME, INTERREG IIC, URBAN, RENAVEL and MIDO II. Employment and ADAPT activities also operated within the region. The PMC for the Objective 1 programme directly oversaw the delivery of the SME and URBAN programmes, hence promoting synergies between them and the Objective 1 programme. With regards to the other initiatives the PMC received updates on their process and sought to ensure the complementarity of the Objective 1 programme. Evidence relating to synergistic effects mainly arise in relation to particular projects and there is limited amongst stakeholders understanding regarding the strategic relationships between the different programmes.

National and Local Policies

The introduction of the New Deal for the Unemployed saw an effort on the part of the Merseyside programme to best use European funding to increase the effectiveness of this national policy. It was felt by one stakeholder that the Objective 1 programme did not work particularly well with New Deal, although it was most effective where it was offered as match funding. Attempts were also made to link the Objective 1 programme to other national strategies, including the Single Regeneration Budget (SRB), Health Action Zones, and the post-1997 government’s focus on education. The Objective 1 programme also worked closely with National Lottery organisations and English Partnerships, supporting shared objectives and developing common projects.
The Merseyside programme reflected a national policy trend towards geographically targeting deprivation. As such the Pathways initiative was recognised as a national model of best practice, with stakeholders at Government Office believing it was used as a reference point for future schemes developed through the Social Exclusion and Neighbourhood Renewal Units. This however, has caused some more recent problems in introducing adaptations of these policies to Merseyside, with a conflict between some new and existing community representation structures and target areas and concerns regarding the long term sustainability of the local partnership structures that have been developed. They require a considerable commitment of public sector resources.

Complementarity with the policies of local authorities were also encouraged. The programme sought to complement local activities such as the City Challenge and the work of the Merseyside Development Corporation. Likewise the Pathways initiative was broadly reflective of Liverpool City Council’s policies following the recommendations of the Merseyside Task Force.

7.8 Equal opportunities and the environment

No special attention was paid to these horizontal themes during the preparation of the UK programmes or in project assessment or scoring processes, except in general terms.

There was no specific monitoring systems designed to evaluate the impact of programmes on different sections of the community. Beneficiary data included information on the gender of clients but this data was not used to inform targeting during the 1994-1999-programme period. It is understood that there were very few projects which specifically focused on equal opportunity issues and that gender and ethnicity representation was not a factor in the design of programme management structures. The general perception is that the impact developing European Commission policies on these issues was marginal for this generation of Objective 1 programmes.

One more positive development is the outcome of capacity building initiatives under the Pathways strand of the Merseyside programme. The programme’s support for community based organisation did underpin the development of community-based organisations which were either representing or supporting ethnic minority communities. In this sense it contributed to increased capacity of these organisations to represent minority interests. However, there is no evidence to suggest that these developments amounted to an explicit strategy for promoting equal opportunities with respect to residents from minority ethnic communities.

7.9 Other UK programmes

7.9.1 Programme Management Structure
The programme management structures of the other Objective 1 programmes within the UK were similar to that of Merseyside in many ways, comprising of a PMC, Programme
Secretariat, working groups and community-based partnerships. Nevertheless there remained some important differences.

- Whilst the Merseyside and Northern Ireland Programme used existing regional government bodies for their Secretariats, the Highlands and Islands programme established an independent organisation for its management: the Highlands and Islands Programme Partnership (HIPP). Nevertheless financial payments were still made through the Scottish Office/Scottish Executive.

- The implementation of the Northern Ireland programme was quite distinct from the other UK programmes in that its nine sub-programmes were each administered by a relevant government department, whilst the Department of Finance and Personnel held responsibility for the central co-ordination and financial management of the programme.

- The importance of regional government representatives on the PMC was particularly evident in Northern Ireland where the administration of each of the sub-programmes by individual government departments significantly increased their representation within the PMC.

- Limited participation of the social partners was particularly evident within Northern Ireland where the concept of community participation was politically loaded due the region’s religious and political divides.

- The strategic importance of PMC meetings for providing an overview of the entire programme was especially pertinent in Northern Ireland, where they provided the only true interaction of the nine sub-programmes which were delivered largely in isolation.

- Ad hoc advisory groups were recognised by stakeholders within Northern Ireland as being an important mechanism for interaction across sub-programmes. A key example was the ESF-users groups comprising of organisations running initiatives funded by ESF elements of the programme.

7.9.2 Vertical and Horizontal Partnerships

- Although still evident, the dominance of public sector representation in the programme was limited to an extent in the Highlands and Islands due to the independent Secretariat body which created some distance between the programme and the Scottish Office/Executive.

7.9.3 Organisational Capacity

- The management capacity of the Northern Ireland and Highlands and Islands programmes was much stronger than in Merseyside.
In Northern Ireland, government departments appear to have provided adequate resources and expertise to support the effective management of the programme. This can be attributed to the fact that the initiatives supported by Objective 1 funding have largely reinforced pre-existing government activities and there was more limited competitive bidding and associated administration.

The establishment of a separate Programme Partnership in the Highlands and Islands (HIPP) also made available sufficient dedicated staff and resources to be made available for the management of the programme.

Like in Merseyside the UK’s other Objective 1 Programme Secretariats believed that their capacity improved over the lifetime of the programmes. However this opinion was questioned by some non-government stakeholders.

The current programmes (2000-2006) for Northern Ireland and Highlands and Islands are viewed as being more inclusive than the 1994-1999 programmes, particularly with regards to the participation of the social partners.

The current programmes for Northern Ireland and the Highlands and Islands now have the additional influence of devolved administrations. Whilst this has made some moves towards improving local accountability and consultation, it has increased the political nature of the programme and resulted in some difficulties for implementation.

Within Northern Ireland, the capacity of the managing bodies to assess projects was reported to be strong due to the relevance of the subject area to their department.

### 7.9.4 Project Appraisal

Some common core criteria used by the UK programmes for the selection of projects included:

- Level of disadvantage in the geographic area of the project
- Job Creation
- Further quantifiable outputs
- Investment leverage, particularly private sector
- Collaborative or partnership working
- Innovation
- Strategic fit within the SPD and the region
- Value for money
- Synergy with other activities within the region
7.9.5 **Programme Monitoring**

- Monitoring with Northern Ireland was significantly better, largely due to mechanisms, which were already in place in the government department providing the public expenditure, which largely co-financed the region’s programme.

- One stakeholder in Northern Ireland believed that the monitoring processes for the Objective 1 programme only provided additional bureaucracy to the programme. They considered ‘European’ monitoring to be simply the re-formatting of existing monitoring information for no added value.

7.9.6 **Synergy Effects**

- Like Merseyside the other two Objective 1 programme had poor linkages and interaction both between their sub-programmes, priorities and measures and between their different funding sources.

- The structure of the Northern Ireland programme, with nine sub-programmes managed in isolation by different government departments, did little to encourage internal synergy, particularly between the ESF and ERDF.

- In the Highlands and Islands a lack of integration of the fisheries and agriculture elements was cited by one stakeholder.

- The greatest synergy with other European policy was seen in Northern Ireland where the administration of the PEACE programme by the region’s governmental departments ensured complementary activities and minimised changes to the Objective 1 programme. This co-ordination was however largely dependent on informal processes, such as the involvement of the same individuals and departments in both programmes.

- Like Merseyside the Northern Ireland programme sought to maximise the impact of the New Deal initiative by ensuring complementarity with Objective 1 funding.

7.10 **Conclusions**

This section draws some overall conclusions on management and implementation systems in terms of programme effectiveness and lessons learned.

**Institutional Arrangements**

- PMCs were often to large (with as many as 50 members) to allow for constructive and focussed discussion. Debate was considered by many stakeholders to be too focussed on the financial position of the programme rather than on providing strategic direction.
• It appears that PMCs are paying the price of inclusiveness. Programmes are increasingly having to balance the involvement of a large number of partners against the productivity of meetings.

• There was a feeling among stakeholders that there was an element of ‘money-chasing’ within PMC meetings.

• Working/technical groups were perceived as being much more effective for the programmes’ implementation than the PMC, providing more constructive and focussed debate and ‘taking the heat’ out of PMC meetings.

• The establishment of an independent Secretariat partnership for the Highlands and Islands programme succeeded in limiting the public sector, especially government body, dominance of the PMC, as seen in other regions.

Organisational Capacity

• The management of the Objective 1 programme significantly strained the capacity of the Government Office dealing with the Merseyside programme. This effect was reduced in Northern Ireland with the use of existing government departments and in the Highlands and Islands through the establishment of an independent Secretariat body but in all cases capacity problems were apparent.

• The limited capacity of Programme Secretariats had knock-on on the project application process, with little or limited advice and support to applicants resulting in poor and/inappropriate applications; an over-burdened appraisal process; and a lack of focus on eligibility and financial viability.

• The use of bidding rounds for project applications was found to increase the already stretched Programme Secretariats. An on-going application process reduced delays and backlogs in applications.

• The Programme Secretariats believed their internal capacity for managing the programmes improved between 1994 and 1999. However in at least on the regions in question serious capacity problems are affecting the delivery of the current programme.

Vertical Partnership

• The involvement and role of the European Commission was welcomed by many stakeholders, particularly amongst the social partners. It was felt that the Commission’s influence was critical to the programmes’ eventual inclusion of more elements focussing on social cohesion.

• Some stakeholders questioned the European Commission’s understanding of local specificity. It was felt by some that the Commission promoted ‘pet projects’ without fully taking account of the capacity and regional circumstances which could support or hinder their implementation.
Horizontal Partnership

- Initially consultation and participation of the social partners was limited in all three programmes. This was to an extent the result of the conservative approach to consultation taken at the time of the programmes’ development.

- A lack of coordination amongst the social partners themselves has limited their participation. This obstacle was overcome in Merseyside by the appointment of a specific coordinator for the private sector.

Monitoring and Evaluation

- Each of the programmes recognised the need for increased monitoring of the expenditure timetables in efforts to ensure the spending of committed European funding. This was particularly important for large-scale ERDF projects, the failure of which would have entailed the lost of considerable amounts of funding. The introduction of mechanisms such as the Challenge Fund and the identification of reserve ERDF projects provided an effective means of allocating de-committed funding within the later stages of the programmes and consequently ensuring the optimal allocation of European monies assigned to the Objective 1 programmes. Nevertheless such mechanisms entailed further capacity issues for the Secretariats.

- The monitoring and evaluation processes for the programmes were generally weak, but improved throughout the 1994-1999 period due largely to a trend towards such processes within the public sector and greater guidance from national government and the European Commission.

- Beyond those required by the European Commission, the programmes relied heavily on existing monitoring and evaluation processes, largely resulting from the sources of co-financing.

Synergies

- The lack of internal integration within the programmes limited the effectiveness of actions supported by Objective 1 funding. There was little management provision for promoting such interaction beyond the PMC meetings.

- Synergies with other policies and initiatives were most effective, and resulting in more added value, where they provided the match-funding for the Objective 1 programme.
8.0 STRENGTHS AND WEAKNESSES

8.1 Introduction

This section considers the main strengths and weaknesses of the UK Objective 1 programmes during the 1994-1999 period. Where possible we have drawn general conclusions in relation to all the UK programmes but in many cases it is necessary to highlight strengths and weaknesses in relation to specific programmes. The findings are presented in tabular form below.

8.2 Process Issues

<table>
<thead>
<tr>
<th>Main factors</th>
<th>Strengths</th>
<th>Weaknesses</th>
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<tr>
<td>Programming</td>
<td>• Generally more attention paid to involving regional partners.</td>
<td>• Process protracted with implications for the timetable.</td>
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<tr>
<td></td>
<td>• Process protracted with implications for the timetable.</td>
<td>• Some programme stakeholders felt that regional partners were not sufficiently involved in the decision making process leading to issues of ‘ownership’ regarding the programme strategy and limited understanding regarding the strategic rationale underpinning the financial tables.</td>
</tr>
<tr>
<td>Management structure</td>
<td>• Inclusive approach – some regions more than others.</td>
<td>• Inclusive approach also a weakness due to impact on efficiency of the decision-making processes. PMCs too large.</td>
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<td></td>
<td>• Various forms of technical working groups credited with making progress in areas that could not be effectively addressed by the PMCs because they were too large and/or because debates were politically charged.</td>
<td>• Secretariat in one area lacked capacity throughout the programme and in all cases the scale of resources required and degree of specialist knowledge needed was probably underestimated.</td>
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<tr>
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<td>• In all cases programme Secretariats generally effective.</td>
<td></td>
</tr>
<tr>
<td>Partnership arrangements</td>
<td>• Problem of ‘vested interests’ a continual problem in the partnership which acted as a barrier to open debate.</td>
<td>• Horizontal partnership generally well developed -although in some regions more so than others.</td>
</tr>
<tr>
<td></td>
<td>• Relationship between Central Government and the Commission not always seen as being constructive.</td>
<td>• Implementation a strong capacity building experience for regional partnerships with benefits for other regional initiatives.</td>
</tr>
</tbody>
</table>
### Project appraisal and selection
- Competitive bidding considered to have important benefits in relation to quality.
- Fairly unsophisticated approach and overemphasis on scoring according to estimate of outputs provided by applicants.
- Processes not widely understood by applicants at the time and seen as overly bureaucratic.

### Monitoring and evaluation
- Increased attention to value of monitoring and evaluation although still seen as an ‘administrative burden’ by some.
- Monitoring frameworks were complex and insufficient attention to ensuring that monitoring data was robust.
- Indicators often ill-defined and limited guidance provided to project sponsors.
- Limited evidence that monitoring data fed back into informing the implementation of the programme – with the exception of financial data.
- Monitoring seen more as a Commission requirement than a process that could improve understanding of the effectiveness of the programme.

## 8.3 Achievements

### 8.3.1 Influence of External Factors on Effectiveness

<table>
<thead>
<tr>
<th>Main factors</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macroeconomic background</td>
<td>Relatively strong national growth means that conditions regional growth were favourable.</td>
<td>- Continuing decline of fisheries and agriculture sector and key events such as BSE crisis meant programmes had limited impact in this field – in hindsight greater focus on diversification likely to have been more effective long term strategy.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- In Northern Ireland the continuing economic effects of the Troubles were the key influence on economic growth – meant that efforts to</td>
</tr>
<tr>
<td><strong>Institutional and administrative background</strong></td>
<td><strong>Regional and development policy</strong></td>
<td></td>
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<tr>
<td>------------------------------------------------</td>
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</tr>
</tbody>
</table>
| • Strong experience in programming from previous structural fund programmes  
   • Increasing focus on regional policy in the UK and strong interest from regional partners in making effective use of the structural funds | • Efforts to align the programme with national policy priorities facilitated co-financing in order to deliver the programme.  
   • Increasing focus on regional policy meant that the strategies were at least in part reflective of regional issues – the programme strategies benefited from a good understanding amongst local and regional actors of the issues affecting the regions. |
| • Despite desire to be involved, limited involvement by non-central Government partners in the strategy development process. Perceived to be heavily dominated by central government. This raises issues regarding the ‘ownership’ of the plans and explains why not all stakeholders are aware of the underpinning strategic rationale.  
   • In Merseyside the effectiveness of the programme was limited by capacity problems within the programme administration and on-going difficult local-national political relationships – improved over time. | • Relatively well developed regional and local agencies meant that there was sufficient capacity to develop and deliver projects. Less so in Northern Ireland where local institutions were less well equipped to play a delivery role. |
### 8.3.2 Achievements by Theme

<table>
<thead>
<tr>
<th>Main factors</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
</table>
| **Productive sector** | • Important support for key industrial development schemes which generated employment and acted as a catalyst for urban renewal.  
• Investment in infrastructure including strategic transport and local access schemes, business space, energy and communications has helped create basis conditions for improved regional competitiveness.  
• Laid the foundation for improved regional innovation by investing in increasing R&D capacity in the higher education sector. | • Insufficient focus on developing sector strategies and targeted support for those sectors which the greatest potential for growth.  
• Private sector involvement not as great as was hoped.  
• Little evidence of real impact on stimulating demand for and take up of R&D amongst industry due to focus on supporting research in the HE sector. |
| **Tourism**      | • Some notable successes in terms of stimulating investment in tourism accommodation in urban areas. | • A lack of tourism development strategy to guide the nature of interventions which led to a project-led approach. |
| **SME sector**   | • By the end of the programmes increasing recognition of the need for more tailored and intensive forms of support – informed the development of the new generation of Objective 1 programmes. | • In Merseyside the Special Investment Fund a key innovation in terms of increasing access to venture and growth funds for SMEs in disadvantaged areas. Move towards loans and away from grant support also seen as an important positive development.  
• Supply-driven approach and lack of co-ordination amongst public sector providers of support and advice to SMEs undermined the development of a strategic approach.  
• Broad nature of interventions means that measuring the effectiveness of different types of support is difficult. |
| **Human resources** | • Influence of European Policy on Employment and Training Policy – increased attention paid to the needs of more disadvantaged groups and the benefits of more holistic support. | • Initial weaknesses in the analysis of training needs in each region and therefore skills development strategies were not well informed by intelligence regarding skills |

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- Made funds available for community-based employment support and training provision and more specialist services.
- Weak attention to increasing higher level and specialist vocational skills.
- Intense competition between providers in some regions led to a lack of co-ordination.
- Low level of additionality with support for existing mainstream post-16 training programmes.

**Transport**
- Reduced focus on road infrastructure in all three programmes.
- Stronger focus on internal transport infrastructure.
- Focus on improving access to the ‘large scale’ airport and port gateways supported under previous programmes.
- Important contribution to TENs and, for Northern Ireland, links to Ireland.
- Concentration of infrastructure on larger cities/towns; limited benefits for rural communities.
- Poor estimation of expenditure for rail infrastructure, due to cost of sub-contractors.

**Energy (Northern Ireland)**
- Sub-programme has considerably reduced the region’s reliance on fossil fuels and imported energy.
- The energy market has been open up, allowing lower costs and future development of the natural gas market.
- Large contribution to reducing the region’s CO2 and SO2 emissions.
- Inter-connector programme suffered significant delays due to public enquiries in Scotland and Northern Ireland.
- Energy costs have not fallen as much as was hoped, due to the long-term contracts negotiated as part of privatisation.

**Social Cohesion**
- Community-based partnerships were notable achievements of the programmes, building the capacity of local people and broadening Programme partnerships. ‘Pathway’s’ approach in Merseyside seen as a particular example of good practice.
- Positive contribution of local partnerships to community conciliation and capacity building in rural and fishing communities in Northern Ireland.
- Northern Ireland programme introduced the region’s first funding initiatives for ethnic minorities.
- All programmes accepted an increased role of voluntary and
- Some concern that the programmes have led to extensive community involvement structures that are dependent on long term public sector support.
- Similarly, concern that many community-based projects have been established in the interest of promoting involvement but with limited economic rationale – again the question of how such projects will survive without long term public sector revenue support is not being addressed.
- Equal opportunities was not an key issue addressed by the
<table>
<thead>
<tr>
<th>Community Sector Organisations</th>
<th>Programme, except due to the political implications in Northern Ireland.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Particularly in the regeneration of deprived areas; this has provided a catalyst for future work.</td>
<td>• Signs that internal disparities have been reduced – partly as a result of the geographical targeting of the programmes.</td>
</tr>
<tr>
<td>•</td>
<td>• The specificity of Northern Ireland’s inter-community relations was not adequately addressed, rather left to the complementary PEACE programme.</td>
</tr>
<tr>
<td>•</td>
<td>• Regeneration policy in Northern Ireland focused on Derry and Belfast, to an extent neglecting rural areas.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rural Development</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital grant and training schemes were viewed as a valuable contribution in Northern Ireland.</strong></td>
</tr>
<tr>
<td>Programme has contributed to high quality and added-value goods in Northern Ireland, though increased competition from supermarket chains has also played a crucial role.</td>
</tr>
<tr>
<td>Northern Ireland’s programme provided successful rural capacity-building initiatives, promoting area strategies and regeneration.</td>
</tr>
<tr>
<td>Promotion of increased food processing and marketing has been relatively successful in Northern Ireland.</td>
</tr>
<tr>
<td><strong>Limited diversification in Northern Ireland due to regional culture and limited opportunities (particularly within the tourism sector).</strong></td>
</tr>
<tr>
<td>The opportunities of energy and organic crops have not been embraced within Northern Ireland.</td>
</tr>
<tr>
<td>Northern Ireland programme failed to exploit potential for cross-working/best practice sharing between urban and rural community partnerships.</td>
</tr>
<tr>
<td>The programmes did not make suitable adjustments to allow for the British beef crisis.</td>
</tr>
</tbody>
</table>
Community Added Value

<table>
<thead>
<tr>
<th>Main factors</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution to Economic and social cohesion</td>
<td>• Increased the amount of public sector resources directed at Merseyside and important contribution to ‘turning around’ the negative perception of the region by bringing about visible improvements in physical conditions and supporting key industrial schemes.</td>
<td>• Questions regarding additionality of support in Northern Ireland and widely held view that the programme did not lead to a significant increase in public sector funding for the fields concerned.</td>
</tr>
<tr>
<td>Contribution to Balanced and Sustainable Development</td>
<td>• The programmes brought investment to the most deprived areas of the UK according the GDP indicators – thereby promoting balanced development. • Geographical targeting within the programmes stimulated investment in the most deprived areas in order to promote a reduction in internal disparities with some success. • The decreased focus on investment in road transport and investment in rail infrastructure. • Reduced dependence on fossil fuels in Northern Ireland</td>
<td>• The programmes contributed towards improved economic conditions but in all cases the regions fell back with respect to the UK in terms of GDP performance. • Sustainable development principles not fully understood or implemented – economic drivers were a greater influence on investment strategies.</td>
</tr>
<tr>
<td>Contribution to Community Objectives</td>
<td>• Increasing attention to the environment and equal opportunities paid in the implementation of the programme.</td>
<td>• No evidence of real effects and consideration relatively superficial at that stage.</td>
</tr>
<tr>
<td>Methods</td>
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<tr>
<td>• Requirement for programming increased capacity and skills of public sector bodies in this respect.</td>
<td>• Arguably the complex nature of programming and the procedures for negotiating the programmes with the Commission led to the whole process being somewhat of a ‘black box’ affair for some programme stakeholders.</td>
<td></td>
</tr>
<tr>
<td>• Partnership principle pursued with significant success – despite the many reported weaknesses it has stimulated greater co-ordination and shared understanding amongst different sectors and led to long term partnership working.</td>
<td>• The monitoring and evaluation frameworks were not robust at the start of the programme and in all cases a smaller number of objectives and indicators related to key areas on which the programme could expect to have an impact would have improved the usefulness of monitoring and evaluation procedures.</td>
<td></td>
</tr>
<tr>
<td>• Increased attention to value of monitoring and evaluation although approach has many weaknesses and critics.</td>
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</table>
9.0 CONCLUSIONS

9.1 Appropriateness of the Programme Strategies

Generally the programme strategies pursued in the UK were reasonable and appropriate to the identified problems of the regions concerned.

A number of key strengths were identified through the research.

- There was an appropriate degree of continuation with previous structural fund programmes which created development momentum.
- Each included a combination of actions to promote the development of key sectors which were identified as important to the economy and/or are perceived to have growth potential together with more general efforts to encourage business development.
- Strategies contained a mix of short-term efforts to bring about quick wins and more strategic long term actions to overcome key constraints on growth.
- Generally supply-side investments were linked to economic development plans.
- Plans were more skewed towards improving the performance of the SME sector rather than being dominated by efforts to capture mobile investment – can be considered appropriate given the downturn in inward investment to the UK.
- All programmes embodied a strategy designed to overcome internal disparities in economic and social conditions through community economic development actions in most disadvantaged neighbourhoods – influenced by Commission’s social inclusion agenda.

Despite these strengths a number of key weaknesses have also been identified through the research.

- There were no explicit development model and limited exposure of the key choices made regarding the strategies. Some programmes began with a spending plan and then developed strategies, suggesting a process of post-rationalisation. Greater attention has been paid to strategy development and management for the current generation of programmes although this remains an area for further improvement.
- This situation can perhaps be partly attributed to the limitations in the economic analysis underpinning the development of the programme strategies. Whilst a great deal of evidence related to the weaknesses in the regional economies was collated the level of analysis in the programme documentation was limited. A more sophisticated approach to economic analysis was promoted through the ex-ante evaluation process for the current generation of programmes although development models are no more explicit.
- The process of programme development and negotiation was protracted and led to delays in the programmes starting and bedding-down. The focus on achieving financial progress distracted partners from wider strategy management. There is no evidence that this issue has been addressed and the current generation of programmes also began latter than planned.
• The sector strategies referenced in programme documents were not followed through in all cases and in practice the approach to implementation was too broad. This weakness was identified through the ex-ante evaluation process for the current programmes and whilst some effort has been made to develop more focused programmes generally the UK plans remain broad and ‘permissive’ in order to facilitate flexibility in implementation.
• There was poor integration across measures and in one area nine sub-programmes were operated almost in complete isolation from each other. Many Programme Managers have established cross-cutting theme managers for the current generation of programmes to address this issue.
• The monitoring frameworks were fairly sophisticated at first glance but arguably overly complicated and of limited value due to timelags in reporting, limited attention to developing appropriate indicators relevant to the interventions being pursued and weaknesses in the reliable of data being collected from projects. More attention has been paid to establishing robust monitoring frameworks for the current programmes but the process remains complicated and arguably insufficient attention has been paid to the measurability and utility of many of the monitoring indicators. Greater attention is being paid to evaluation in some regions but too often it is viewed as a bureaucratic requirement rather than an informative learning tool.

9.2 Financial Absorption

Although final programme data is not yet available it is reported that the programmes were fully committed and will be fully spent. ERDF expenditure was back end loaded in all cases due to delays in committing to major infrastructure projects.

9.3 Effectiveness and Impact

The assessment of effectiveness and impact provided in this report has largely been informed by qualitative evidence obtained from interviews with stakeholders in the case study areas as the final programme monitoring data is not yet available. It has also been informed by a bottom-assessment of job creation effects for the Merseyside programme and the findings of macro-economic modelling of the demand and supply side effects of the Northern Ireland Programme undertaken by ESRI.

The programmes can be viewed as being broadly effective in so far as expenditure plans were achieved and key intended outputs appear to have been achieved. The 1994-1999 programmes co-incidented with a buoyant economic period which provided the potential for growth that the programmes were able to exploit. The programmes can be seen as having an important positive impact on creating the basic conditions for long term growth.

The Merseyside Programme appears to be on course to meet its target of creating 30,000 gross jobs although many will be a result of longer term supply-side effects and are yet to be achieved. A bottom-up assessment of net job creation suggests a figure of around 15,000 up to 2006.
The findings of the modelled simulation of the macro-economic effects of the Northern Ireland Programme suggests that the programme led to modest demand-side effects on unemployment and GDP but that the longer term supply-side effects fall back to almost zero by 2010. It is important to reflect on these findings in the light of the more positive perceptions expressed by stakeholders. It could be the case that the more subtle long term effects of the boost provided for key infrastructure schemes and the more intangible effects of image gains are not captured by the modelling process. In any case, in the light of the important improvements in economic growth and economic outlook achieved as a result of the improved political stability and security in the region it is difficult to isolate the synergistic benefits of public sector investment in the development process.

A number of key conclusions can be drawn regarding the impact of different types of intervention:

- Investment in the productive sector was generally effective and has succeeded in contributing to the creation of conditions which in the longer term will help to improve regional competitiveness. In each region the Objective 1 programme has supported the development of modern business premises combined with environmental improvements to industrial areas. This and other forms of investment in the productive environment has led to important gains in terms of the ‘image’ of each region and promoted a sense that ‘things were happening’. Efforts to develop R&D capacity in the Higher Education sector and through the creation of research centres can be attributed to the programmes although more limited efforts were made with respect to stimulating demand for industry and therefore achieving real impact in driving up value added.
- Investment in tourism stimulated a number of successful strategic schemes with particular achievements in relation to increasing the supply of high quality tourist accommodation. Arguably, the programmes did not achieve their aim of creating a critical mass of tourism attractions and this remains a priority for the current generation of programmes.
- Investment in the SME sector suffered from being too all-embracing with respect to target sectors and additionality was generally low due. It is accepted that the approach was overly supply-led and this issue has been addressed to a certain degree in the new programmes which have a greater emphasis on supporting higher order business functions and on a smaller number of sectors. Innovative financial engineering mechanisms were developed under the 1994-1999 programmes and there was a move away from grant aid towards loan schemes which is viewed as a positive development.
- The transport elements of each programme are widely viewed as being effective and in most cases where strongly justified through links to associated economic development schemes.
- The support for primary sectors made a contribution to improving productivity and in the case of agriculture supporting product diversification. Wider rural development needs and particularly the need for the diversification of the rural economy were only partly addressed by the 1994-1999 programme as there was some reluctance perhaps to face up to the serious nature of the issues facing the agriculture.
• Important questions have been raised regarding the additionality associated with much of the investment in training provision and stakeholders have a real difficulty in assessing the extent to which ESF elements provided value for money with respect to the contribution to improved human capital. Critics have also suggested that there was an over-emphasis on low level vocational training provision and insufficient attention paid to developing demand-led human resources strategies. Employment support provision is credited with real achievements in targeting support at those most disadvantaged in the labour market and in promoting a focus on addressing barriers to employment in a holistic and integrated manner.

9.4 Efficiency

Three projects in the Merseyside programme were examined to inform the assessment of efficiency. In all cases the projects were implemented efficiently.

9.5 Management and Implementation

The programme management arrangements were fit for purpose. Key strengths included the fact that expenditure plans were met in overall terms and the commitment to promoting an inclusive approach to programme management and implementation.

The three programmes had quite different programme management structures although management and resource capacity problems were experienced to a greater or lesser degree in all areas. This led to delays in implementation in the early years of the programme and was not entirely resolved throughout the lifetime of the programmes.

Despite criticism from some quarters that Central Government kept a tight reign on the programmes, in each case regional stakeholders were more closely involved in making decisions regarding investment decisions than would otherwise have been the case. This inclusive approach had many benefits including bringing expertise from outside central government to the development process but it also led to large and unwieldy Programme Monitoring Committees and perhaps inevitable inefficiencies in the decision-making process. The trade offs involved in promoting the partnership principle perhaps need to be given greater consideration in order to moderate the impact of an inclusive approach on the effectiveness of implementation systems.

Monitoring frameworks were overly complicated and in practice rather ineffective given the poor attention to properly defining specific and achievable programme objectives and indicators and weaknesses with respect to the accuracy of the data being collected and the timeliness of its availability.

Evaluation featured strongly in some programme areas although in others it was seen primarily as a European Commission requirement rather than a genuinely helpful learning tool.
Despite these weaknesses, the Objective 1 programme is credited with increasing the attention paid to monitoring and evaluation and to some extent helping to promote the value of examining performance.
10.0 RECOMMENDATIONS

10.1 Short Term

- Ensure that the more targeted approach to promoting economic development and sector strategies outlined in programme documents are being followed in practice.

- R&D aspects should be reviewed and an assessment made of the extent to which the programme have moved from supporting R&D capacity in the public sector support agencies and the Higher Education to direct work aimed at stimulating demand from industry.

- Review the extent to which higher order business functions are being promoted and share information on successful initiatives designed to stimulate demand amongst SMEs. More attention needs to be paid to the barriers to involvement for the private sector – this is also a recommendation for the long term.

- More attention should be paid to examining any strategic issues which provide justification for changes to programme strategies during the Mid Term evaluations to ensure that strategies remain appropriate.

10.2 Long Term

The time taken to develop, negotiate and agree the programme strategies needs to be taken account of when developing programme implementation timetables. The continual pressure to ‘catch-up’ on delays in spending caused by delays in the programme’s bedding down is likely to have a negative effect on the quality of projects supported. This remains an issue for the UK and is of critical important with respect to the accession states.

There might be a case for restricting structural fund support to a narrower range of interventions or to smaller programme areas. The regional programmes in the UK are spreading resources very thinly and as such the effectiveness of the investments made is difficult to assess for this reason. Choices regarding priorities for investment need to be better informed by a more in-depth assessment of the level of additionality achieved in respect of different fields of intervention.

Proper consideration needs to be given in the UK to the approach to programme management and implementation. The partnership principle has been pursued vigorously in the UK and different Secretariat models have been established to address past failures with almost every new programme. In all areas the implementation process continues to suffer from capacity and resource deficits and inefficiencies in the decision-making process due to the sheer weight of ‘process’. The trade-offs involved in promoting an inclusive approach need to be fully exposed when guidance on programme management arrangements are being developed. The cost of highly inclusive and democratic planning and implementation processes should not be underestimated.
Regardless of the models adopted, clear protocols regarding the role of the European Commission, Central Government and regional partners with respect to programme development and implementation need to be established so that more streamlined decision-making processes can be established.

Serious consideration needs to be given to problems in achieving planned private sector leverage levels. More innovative mechanisms, like the Merseyside Special Investment Fund, could to be developed to facilitate private sector contributions to regional development projects.

Careful attention needs to be paid to the nature of the approach to community development and to consider the extent to which programmes are supporting the establishment of new organisations and community infrastructure that will be difficult to sustain without long term public sector support. There is little evidence to suggest that programmes are picking up of good practice with respect to the development of community assets as a means of supporting development in the longer term and it may be that structural fund financial regulations are prevented such avenues from being explored.

To promote integration between different policy fields in each programme and to promote learning across the different programmes there is a strong case for a more high profile coordination role at a Central Government level within the UK. Whilst the devolution of Managing Authority status to regional Government Offices and devolved institutions is widely supported there is some feeling that there is little opportunity for sharing know-how and experience across the different programmes and that different regions are struggling to address common issues in isolation.

Considerable improvements in performance monitoring are required. The programme strategies would be improved if they established specific and measurable objectives that relate directly to the intended (achievable) effects of the programme. It is recommended that a simple suite of common monitoring indicators are developed and only including indicators for which there is a reasonable prospect of being able to collate data. More attention needs to be paid to establishing streamlined and robust performance monitoring framework at the start of programmes and to establishing a reporting timetable which will inform the implementation of the programme. Arguably, European Commission guidance with respect to monitoring should prioritise achieving a consistent and relatively simple approach in all programme areas. The emphasis might shift from encouraging programme partnerships to develop highly sophisticated systems and to collect vast amounts of information to guidance on how such data should be used to inform the strategic management of programmes.

Consideration might be given to establish formal on-going independent evaluation to replace the current system of ex-ante, mid-term and ex-post evaluation.
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