North South Parliamentary Forum Conference

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Key Points

Section 1 : The Lisbon Treaty - The role of the Assembly and the Oireachtas after the implementation of the Treaty. An overview of the enhanced role of the European Parliament is also provided.

Section 2 - The benefits derived as a result of EU membership. This section focuses on the financial relationship between both Northern Ireland and Ireland and the EU.

Section 3 - The impact and benefits of EU membership at regional representational level.

Section 4 - An overview of current EU programmes which support cross-border co-operation between Northern Ireland and Ireland.

Section 5 - Challenges and priorities on the EU's agenda that may be of particular interest to parliaments. These include:

- Enhanced Economic Policy Co-ordination;
- The Regulation of Financial Institutions;
- Europe 2020;
- Reform of the Common Fisheries Policy; and
- Proposed EU Single Market Act.

Issues relating to the Common Agricultural Policy will be addressed in detail in the paper accompanying Plenary Session B.

Executive Summary

The role of the both the Northern Ireland Assembly and the Oireachtas has changed somewhat since the ratification of the Lisbon Treaty. Firstly, therefore Section1 of this paper examines the current role of and various implications for, the Assembly and the Oireachtas, of the Treaty. An overview of the enhanced role of the European Parliament is then provided.

In setting out the context of EU membership Section 2 then examines the benefits Northern Ireland and Ireland have derived from that membership and, in particular, the financial relationship between them and the EU and how that is likely to change during the financial period concluding in 2013.

Following on from the position of the national legislature and the overall financial position vis-á-vis the EU we will, in Section 3, detail the impact and benefits of EU membership at regional representational level.

Section 4 provides an overview of current EU programmes which support cross-border co-operation between Northern Ireland and Ireland. The programmes which are identified and outlined are:

- INTERREG IV Programme;
- PEACE III Programme;
- Other European Territorial Co-operation Programmes.

Finally, we will briefly highlight a selected number of the challenges and priorities on the EU's agenda that may be of particular interest to parliaments. These include:

- Enhanced Economic Policy Co-ordination;
- The Regulation of Financial Institutions;
- Europe 2020;
- Reform of the CFP;
- Proposed EU Single Market Act.

Contents

1. The parliamentary implications of the Lisbon Treaty

The Lisbon Treaty entered into force on the 1st December 2009. The Treaty's enactment signalled the introduction of significant new powers in decision making for parliamentary bodies at the national, regional and European Union levels.

In Ireland,it also marked the culmination of a vibrant debate facilitated by civil society, the media, political parties and the Oireachtas on the very nature of our EU membership and the issues of concern to voters subsequent to the 2008 referendum in which the Treaty was initially rejected by 53.4% of voters.

It is now nearly a year since the proposals to refine institutional procedures and improve the democratic process became a legal reality. With each Member State retaining the right to nominate a Commissioner, Máire Geoghegan – Quinn duly became part of the Barroso II Commission in early 2010, in charge of the Research & Innovation portfolio, with Baroness Catherine Ashton becoming the first person to hold the new post of High Representative for Foreign Affairs and Security Policy. The European Parliament has embraced its expanded role as co-legislator and the Oireachtas has engaged in a systematic review of its role in EU affairs, putting procedures in place to implement the changes contained in the Treaty. The Northern Irish Assembly has likewise been exploring its role as a regional legislative body in the context of Treaty provisions.

The role of both regional and national parliaments in the Lisbon Treaty will be discussed in respect of Northern Ireland and Ireland, and, in order to put these changes in context, the concept of subsidiarity will also be clarified. The expanded role of the European Parliament will then also be addressed.

1(a) The Role of National Parliaments

Article 12 of the Treaty on European Union (TEU) makes provision for national parliaments to "contribute to the good functioning of the Union" by:

- being kept informed by the EU Institutions and having draft legislative acts forwarded to them;
- "seeing to it" that the principle of subsidiarity is respected;
- taking part in evaluating the implementation of EU policy in the area of freedom, security and justice;
- being involved in the political monitoring of Europol and the evaluation of Eurojust's activities;
- taking part in the procedures for any further revision of the Treaties;
- being notified of applications for accession to the Union; and

- taking part in inter-parliamentary cooperation between national parliaments and with the European Parliament.

Aspects of the practical implementation of the role of national parliaments are expanded upon in a number of protocols to the TEU; primarily the *Protocol on the Application of the Principles of Subsidiarity and Proportionality* and the *Protocol to the Treaty on European Union on the role of national parliaments in the European Union*. Both these protocols were annexed to the Treaties following the Treaty of Amsterdam in 1998. Following amendments in the Lisbon Treaty, however, the Commission is required to send national parliaments:

- its consultation documents (green papers, white papers and communications);
- its annual legislative programme and other planning documents; and
- its drafts of legislation.

The Protocol also states that national parliaments should be sent:

- proposals for legislation originating from the European Parliament, a group of Member States, the European Court of Justice, the European Central Bank or the European Investment Bank;
- the agendas for, and notice of the outcome of, Council meetings; and
- the annual report of the European Court of Auditors.

In addition, national parliaments should be given advance notice of any intention of the European Council to amend the Treaties.

These new provisions are in many ways a codification of both previous measures and accepted practice. In fact, the Treaty has since 1997 required the Commission not only to send all consultation documents to national parliaments but also to make legislative proposals available in good time so that the government of each Member State may ensure that its own national parliament receives them. In addition, under what became known as the 'Barroso initiative' it has been the practice of the European Commission, since 2006, to send parliaments its proposals for legislation and consultation papers.

With the codification of the 'Barroso initiative' by the Lisbon Treaty amendments, national parliaments are no longer reliant on their respective governments to forward appropriate documents in a timely manner, in order to guarantee sufficient time to carry out scrutiny obligations.

Before looking at the principal elements of the parliamentary scrutiny of these documents it is worth examining what is meant by the principle of subsidiarity.

The Principle of Subsidiarity

The place and role of national parliaments in the decision-making process of the European Union must be understood in the context of one of the fundamental principles on which the European Union is based: subsidiarity. The principle of subsidiarity was added to the Treaty of the European Communities (TEC), as it was then known, with the Maastricht Treaty of 1992. It is now contained in Article 5 TEU:[1]

> *"Under the principle of subsidiarity, in areas which do not fall within its exclusive competence, the Union shall act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional and local level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level.*
>
> *The institutions of the Union shall apply the principle of subsidiarity as laid down in the Protocol on the application of the principles of subsidiarity and proportionality. National Parliaments ensure compliance with the principle of subsidiarity in accordance with the procedure set out in that Protocol."*

The question of whether something would be better achieved by the Union is not necessarily capable of objective assessment, however, and cannot be confined to strict legal criteria. The issue was succinctly explained by Hix:[2]

> *"If you follow a purely legal definition of subsidiarity, you would say that defence policy should be done by the EU - scale effects, a collective defence, public goods would be provided more cheaply at central level - but clearly we do not do that because of the fact that we have heterogeneous preferences on defence policy. I think it is impossible to define in purely legal terms subsidiarity criteria and it is really ultimately a political question."*

With respect to the implementation of the principle of subsidiarity, the Protocol on Subsidiarity requires the following:[3]

- All **draft legislation** should contain a **statement** explaining why the proposal is compliant with the principle of subsidiarity. The reasons for concluding that an EU objective can be better achieved by EU action should be substantiated by qualitative and, wherever possible, quantitative indicators.
- Within **eight weeks** of the transmission of a proposal for legislation to national parliaments in all the official languages of the EU, any chamber of any national parliament would have the right to send the Council, European Parliament and Commission a **reasoned opinion** saying why it considers that the proposal does not comply with the principle of subsidiarity. "It will be for each national parliament or each chamber of a national parliament to consult, where appropriate, regional parliaments with legislative powers."

[1] Consolidated Version of the Treaty on European Union and the Treaty of the Functioning of the European Union, 9/5/2008 OJ C115/01, (emphasis added)
[2] House of Commons European Scrutiny Committee, "Subsidiarity, National Parliaments and the Lisbon Treaty", Thirty-Third Report of Session 2007-2008, 8th October 2008 (emphasis added).
[3] House of Commons European Scrutiny Committee, ibid.

- Each national parliament would have **two votes** (one for each chamber in a bicameral parliament and two for the only chamber in uni-cameral parliaments).
- Where reasoned opinions stating that the proposal is not compliant with the principle of subsidiarity represent **one-third of the votes**, the Council, European Parliament and Commission (and any other institution which has proposed the legislation) would be required to **review the proposal**.
- After review, it would be open to the institution which originated the proposal to **maintain, amend or withdraw** the proposal. It would be required to give reasons for its decision. (This procedure is commonly known as the **'yellow card**'.)
- Where the Commission originated a proposal and the proposal was subject to qualified majority voting and co-decision by the Council and the European Parliament, if a majority of national parliaments gave reasoned opinions explaining why they believed that the draft legislation was not compliant, it would be open to the Commission to maintain, amend or withdraw the proposal.
- If it decided to maintain the proposal, the Commission would be required to refer its own and the national parliaments' reasoned opinions to the Council and the European Parliament. If **55% of the members of the Council or a majority of the European Parliament** concluded that the proposal did not comply with the principle of subsidiarity, the draft legislation would fall. (This procedure is commonly known as the '**orange card**').
- The **European Court of Justice** would have **jurisdiction** to decide cases brought by a Member State on behalf of its national parliament (or a chamber of it) on the grounds that EU legislation infringes the principle of subsidiarity.

Procedure in the Houses of the Oireachtas

Along with granting significant new powers to national parliaments, which are specifically addressed by section 7 of the *European Union Act 2009*, the strict timelines laid down in the Protocol on Subsidiarity mean that an efficient procedural mechanism is required to allow the Oireachtas to exercise its powers with regard to the scrutiny of European draft legislation.

There are two parliamentary committees within the Oireachtas that deal with European affairs: the Joint Committee on European Affairs (JCEA), in place in its current form since 1993, and the Joint Committee on European Scrutiny (JCES), which was established by the *European Union (Scrutiny) Act 2002*.

The 2002 Act places a statutory obligation on Government Departments to inform the Oireachtas of draft EU measures. Each Department, on receipt of a proposal from the Commission/Member State, prepares an information note and submits this along with the draft EU law to the JCES within 20 days of publication. The type of proposals covered by the Act includes directives, regulations, Council decisions and Common Foreign and Security Policy (CFSP) measures. At its meeting, the JCES conducts an examination of these proposals in public session and determines which of those presented require further scrutiny. The JCES has a number of options open to it on how to deal with the proposal. On the basis of this detailed scrutiny, the JCES prepares a report containing recommendations, which is laid before the Houses and sent to the relevant Minster. Under the 2002 Act, the Minister is obliged to have regard to the recommendations of the JCES.

The JCEA has responsibility for the consideration of European Commission Green and White Papers. These documents usually precede the publication of draft legislative acts and act as consultation documents. They provide an overview of the policy in question and outline possible policy initiatives and actions. In accordance with Departmental Guidelines on Oireachtas Scrutiny and in the spirit of the 2002 Act, the Departments provide information notes on all Green and White papers. These information notes together with the Commission's document are considered by the JCEA. If the Green or White Paper is scrutinised by the JCEA, the Committee will always make a submission to the European Commission which is also sent to the relevant Government Department. The JCEA has made submissions on Green and White Papers on, inter alia, the Commission's Annual Policy Strategy, Climate Change, the integration of EU mortgage credit markets and agricultural product quality, and the Citizens' Initiative.[4]

Under the 2002 Act, Government Departments are also obliged to provide the Oireachtas with six-monthly reports on the EU measures, proposed measures and other developments within the Departments' area of responsibility. These six-monthly reports are considered by the JCES as well as the relevant sectoral committee. In addition, the Government is obliged to make an annual report to each House of the Oireachtas on developments in the EU. All Oireachtas Committees also have the power to invite Ministers to brief the relevant sectoral committee in advance of an EU Council meeting.

The Oireachtas also plays an active role in two other aspects of EU business – the Justice and Home Affaires (JHA) area and Irish participation in Common Security and Defence Policy (CSDP) operations. Irish participation in EU military operations under the CSDP is subject to the triple lock mechanism – UN mandated, cabinet approval and Dáil approval. Therefore, if the Irish Defence forces were to become involved in a CSDP mission, the Dáil must approve this participation. In the JHA area, in accordance with Article 29.4.7 of the Constitution, the Government must secure Dáil approval before it can decide to opt into a measure under Title V of the EU Treaties.

Joint Sub-Committee to Review the Role of the Oireachtas in EU Affairs

Along with the task of reviewing the interim measures put in place to deal with post-Lisbon procedures (such as subsidiarity checks), a Joint Sub-Committee on the Review

[4] See the website of the JCEA at http://euaffairs.ie/publications/

of the Role of the Oireachtas in European Affairs (JSCROA) was established in early 2010, and reported in July 2010.

Based on a number of public hearings with stakeholders and experts, the Joint Sub-Committee identified a number of key themes that it considered important in respect of enhancing a national parliament's role in the scrutiny and oversight of EU matters. These are:[5]

- *Prioritisation*: the EU produces a huge volume of policy documents and legislative proposals annually. It is impossible for any national parliament to consider each of these documents in detail. National parliaments should seek to prioritise documents and proposals which are of domestic importance or strategic significance;
- *Early engagement*: National parliaments should seek to influence policy developments at the earliest stage and engage with the EU's legislative process at the first opportunity;
- *Better oversight*: National parliaments should seek to be better informed of national positions to be adopted by Ministers at EU Council meetings in advance of these meetings;
- *Better cooperation*: it is important that national parliamentarians are aware of the views and concerns of other parliamentarians across the EU and have more interaction with the EP and in particular their national MEPs;
- *Mainstreaming*: National parliaments should seek to get every Member interested in EU affairs and to use the policy expertise of sectoral committees more effectively in relation to EU matters: and
- *Domestic impact*: National parliaments should seek to exercise more accountability in respect of the transposition of EU law in order to fully consider the regulatory impact of this law at the national level.

1(b) The Role of Regional Parliaments with Legislative Power

The Protocol on Subsidiarity (see above) which is contained within the Lisbon Treaty also explicitly mentions regional parliaments. This is significant, as it is the first time that an EU Treaty has done so. It is important to note, however, that the Protocol refers to national parliaments being consulted as part of the EU decision-making process but does not make it mandatory for regional parliaments to be consulted. Specifically, Article 6 of the Subsidiarity Protocol states that:

> *"Any national Parliament or any chamber of a national Parliament may, within eight weeks from the date of transmission of a draft legislative act, in the official languages of the Union, send to the Presidents of the European*

[5] Report of the Joint Subcommittee on the Review of the Role of the Oireachtas in European Affairs, 7 July 2010, available at http://www.oireachtas.ie/viewdoc.asp?fn=/documents/Committees30thDail/J-EuropeanAffairs/SubCtteeRoleofOireachtas/Publications/Report_of_the_Sub-Committee_on_Review_of_the_Role_of_the_Oireachtas_in_European_Affairs.pdf

Parliament, the Council and the Commission a reasoned opinion stating why it considers that the draft in question does not comply with the principle of subsidiarity. It will be for each national Parliament or each chamber of a national Parliament to consult, where appropriate, regional parliaments with legislative powers."[6]

Under the provisions of the *Northern Ireland Act 1998*, all foreign policy issues are non-devolved and relations with the European Union remain the responsibility of the Parliament and Government of the United Kingdom, as Member State.[7] European Committees in both houses of the UK Parliament play a formal role in scrutiny of EU issues. They provide a potential channel, therefore, for the Northern Ireland Assembly to address issues relating to the application of the principle of subsidiarity.

Addressing the involvement of the devolved legislatures in the reasoned opinion mechanism provided for by Article 6, the House of Commons European Scrutiny Committee (ESC) has indicated that in its view:

each of the devolved legislatures should obtain draft legislation, vet it and tell the ESC as quickly as possible if they identify any non-compliance with the principle of subsidiarity; and

the ESC should invite the comments of the devolved legislatures on the Committee's draft report in support of an opinion if the draft makes reference to a matter on which one or more devolved legislatures have expressed a view to the ESC. [8]

The ESC has also suggested that if a devolved legislature were not ready to express its views until after the ESC had proposed a draft opinion, or if the Committee disagreed with the views, the Committee would send the devolved legislature's views to the Government.

The House of Lords Select Committee on European Union has stated that in its view the reference to consulting regional parliaments in the Subsidiarity Protocol is 'permissive not mandatory' and 'creates an opportunity not an obligation'. On this basis, the committee has indicated that if it detects a subsidiarity issue '…some or all of the devolved assemblies may be alerted, at a staff level, on a case-by-case basis'.[9]

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[6] Protocol (No.2) On the Application of the Principles of Subsidiarity and Proportionality. Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union and the Charter of Fundamental Rights of the European Union (p.257)) http://www.consilium.europa.eu/showPage.aspx?id=1296&lang=en

[7] A Memorandum of Understanding outlines how the UK Government '…wishes to involve the Northern Ireland Executive Committee as directly and fully as possible in decision making on EU matters which touch on devolved areas (including non-devolved matters which impact on devolved areas and non-devolved matters which will have a distinctive impact of importance in Northern Ireland)'.

[8] Meeting of Chairs of United Kingdom European Committees held on 18th January 2010 - Paper B 'Relations between the Chambers of the Westminster Parliament and the Devolved Legislatures on EU scrutiny and subsidiarity'

[9] Meeting of Chairs of United Kingdom European Committees held on 18th January 2010 - Paper A 'Subsidiarity scrutiny and the devolved'.

The onus, therefore, is on the Assembly to identify relevant draft EU legislation and consider it for subsidiarity issues and the Assembly has taken steps to, to develop its capacity to do so.

In January 2010, the Committee for the Office of the First Minister and deputy First Minister (COFMDFM) published a report on its European Inquiry which sought to establish how the Northern Ireland Assembly and the Northern Ireland Executive could improve interaction with the European institutions and raise the profile of Northern Ireland. The inquiry report not only contained recommendations for the Executive but also a series of actions which were for the Assembly itself to address in order to make its engagement on European issues more effective. One of these actions stated that:

> *The Committee will highlight to all statutory committees the importance of their role when dealing with European issues and departments should take into consideration European policies and directives when completing business plans and strategies. Research and Library Services will screen the annual European Legislative and Work Programme and produce a prioritised menu of scrutiny topics relevant to each statutory committee. For those scrutiny topics which are of particular interest to statutory committees, the Research and Library Service should monitor the development of policy at European level and provide regular information updates which would, amongst other things, identify all relevant draft legislative acts. The Committee for the Office of the First Minister and deputy First Minister will receive all information from Research and Library Services. The Brussels Officer will also have input here.*[10]

The focus on draft legislative acts (regulations, directives or decisions) in the action is designed to ensure that the Assembly has the information necessary in order to engage effectively on the issue of subsidiarity.

To further enhance its capacity to engage on subsidiarity issues, the Assembly has recently joined the Committee of the Region's Subsidiarity Monitoring Network. The network has been created in order to facilitate the exchange of information between local and regional authorities of the European Union and aims to ensure that authorities are informed of the policy initiatives of the European Commission rapidly and efficiently and able to participate in the legislative process by sharing comments and possible concerns on any particular legislative proposal.[11]

Whilst it is too early to evaluate the mechanisms which the Assembly is putting in place to deal with issues of subsidiarity these developments show a clear intent to engage more effectively on European issues. More widely, the Assembly Commission is in the process of developing a European engagement strategy, which will supplement and

[10] Committee for the Office of the First Minister and deputy First Minister (Session 2009/2010 Second Report) Report on its Inquiry into Consideration of European Issues (Action 8) http://www.niassembly.gov.uk/centre/2007mandate/reports/2009/Report_33_09_10R.htm#2

[11] Subsidiarity Monitoring Network website http://subsidiarity.cor.europa.eu/

complement the Executive's strategy to enhance its engagement with European issues. As part of the development of this strategy, the Commission will explore opportunities which may be appropriate, subject to business and budgetary constraints, for staff of the Northern Ireland Assembly to go on secondments to the various European institutions to develop the necessary skills to assist them when dealing with European issues.

1(c) The European Parliament

The Treaty of Lisbon both confirmed the prominent role of the European Parliament, and significantly extended its functions. The European Parliament's role as co-legislator was reinforced with the co-decision procedure, where the Parliament acts as co-legislator with the Council, becoming the 'ordinary legislative procedure'. The ordinary legislative procedure was applied to a number of new areas, such as the area of freedom, security and justice, agriculture issues, employment, the free movement of capital, monitoring the economies of Member States and notably, the Parliament's role in the approval of the budget was significantly expanded.

The Lisbon Treaty also provides for a European Parliament consisting of 751 seats (750 members plus the President); with no Member State having more than 96 seats or less than six. The President of the Parliament will no longer have the power to cast a vote (which was rarely exercised), and therefore only 750 MEPs are able to vote. Ireland elected 12 Members, and Northern Ireland 3 Members to the European Parliament in June 2009.

2. The Benefits of EU membership

Both jurisdictions' membership of what is now the European Union began in 1973. Membership has brought benefits, both direct and indirect, in a range of fields. This section will focus on the financial relationship between Ireland, Northern Ireland and the EU.

The three main institutions of the EU each play a role in setting its budget on an annual basis. This section of the plenary paper examines the issue of Ireland's contribution to the EU budget. Specifically, it provides information on Ireland's net receipts from the EU budget since 1973 and the situation in relation to 'own resources' in the EU budget. It then goes on to examine the EU funding received by Northern Ireland from the EU.

The EU Budget

The EU budget is financed out of its own resources and other income. The European Commission[12] identifies the following three kinds of own resources (the figures below refer to the forecasts for 2007):

- **"Traditional own resources** (TOR) — these mainly consist of duties that are charged on imports of products coming from a non-EU state. They bring in approximately €17.3 billion or 15 % of the total revenue.
- The resource based on **value added tax** (VAT) is a uniform percentage rate that is applied to each Member State's harmonised VAT revenue. The VAT-based resource accounts for 15 % of total revenue, or some €17.8 billion.
- The resource based on **gross national income** (GNI) is a uniform percentage rate (0.73 %) applied to the GNI of each Member State. Although it is a balancing item, it has become the largest source of revenue and today accounts for 69 % of total revenue or €80 billion".

2.1 The Benefits of EU funding for Ireland

This section sets out Ireland's net receipts from the EU budget, i.e. EU receipts minus EU payments, including a breakdown by category over the period 1973 to 2007. Table 1 below sets out Ireland's net receipts over the period since membership in 1973 to 2007 (in 2007 prices). It shows that Ireland's net receipts totalled €69,242.1 billion over that time. Furthermore, it shows that Ireland was a net recipient from the EU budget over that period. This can be explained by the substantial funding made available by the EU for the Irish agriculture sector (see Plenary paper B for more detailed information on this sector).

[12] European Commission (n.d.) *Where does the money come from?* [Internet]. Available at http://ec.europa.eu/budget/budget_glance/where_from_en.htm

Table 1: Ireland's Net EU Receipts from 1973 to 2007 (2007 prices)[13]

	EU Receipts	EU Payments	Net Receipts
1973	449.0	54.4	394.6
1974	697.3	56.9	640.4
1975	933.9	83.9	850.0
1976	866.8	97.2	769.6
1977	1,742.0	141.1	1,600.9
1978	2,432.9	273.4	2,159.5
1979	2,771.5	317.5	2,454.1
1980	2,483.9	393.9	2,090.0
1981	1,864.7	387.8	1,476.9
1982	1,891.6	429.5	1,462.1
1983	2,069.3	525.2	1,544.1
1984	2,269.7	530.3	1,739.4
1985	2,803.3	529.8	2,273.5
1986	2,743.2	574.9	2,168.3
1987	2,552.2	591.9	1,960.2
1988	2,638.0	562.8	2,075.3
1989	2,826.3	623.2	2,203.1
1990	3,676.6	597.4	3,079.2
1991	4,504.6	712.6	3,792.0
1992	3,956.8	701.3	3,255.5
1993	4,392.1	887.5	3,504.6
1994	3,520.9	966.6	2,554.3
1995	3,769.9	1,012.4	2,757.5
1996	4,073.7	992.4	3,081.3
1997	4,541.8	928.3	3,613.5
1998	4,191.5	1,375.4	2,816.1
1999	3,663.9	1,437.4	2,226.5
2000	3,370.9	1,392.7	1,978.3
2001	3,074.8	1,507.2	1,567.5
2002	2,961.4	1,193.9	1,767.5
2003	2,938.7	1,358.1	1,580.6
2004	2,904.9	1,323.5	1,581.4
2005	2,596.9	1,631.5	965.4
2006	2,307.7	1,604.1	703.6
2007	2,239.1	1,684.0	555.1
Total	**96,721.7**	**27,479.7**	**69,242.1**

[13] The information provided in tables 1 and 2 comes from the written answer to a Dáil question in July 2008, which asked the Minister for Finance the net receipts by Ireland on an annual basis from 1973 to 2007 of all EU transfers under the Agricultural, Social, Regional and Cohesion Funds in constant money terms at 2007 prices.

Table 2 below shows Ireland's net annual receipts over the period since membership in 1973 to 2007 broken down by category in 2007 prices. It shows that the category entitled 'FEOGA Guarantee' is by far the most significant in terms of net receipts, accounting for nearly 68% of Ireland's total net receipts over the period 1973 to 2007.

Table 2: Ireland's Net EU Receipts from 1973 to 2007 (2007 prices) by category

	FEOGA Guarantee	FEOGA Guidance	ESF	ERDF	Cohesion Fund	Other	Total
1973	394.6	0.0	0.0	0.0	0.0	0.0	**394.6**
1974	606.2	0.0	34.2	0.0	0.0	0.0	**640.4**
1975	796.3	4.7	31.2	14.1	0.0	3.9	**850.0**
1976	656.9	16.7	29.6	54.7	0.0	11.6	**769.6**
1977	1,437.8	43.4	48.1	49.9	0.0	21.7	**1,600.9**
1978	1,924.7	51.1	101.6	58.4	0.0	23.7	**2,159.6**
1979	1,839.1	85.8	133.6	118.3	0.0	277.4	**2,454.1**
1980	1,420.8	118.6	174.1	173.0	0.0	203.5	**2,090.0**
1981	887.7	122.1	132.0	159.1	0.0	176.0	**1,476.9**
1982	836.1	144.7	177.7	160.5	0.0	143.0	**1,462.1**
1983	937.2	135.2	196.7	123.5	0.0	151.5	**1,544.0**
1984	1,293.6	98.9	169.2	130.9	0.0	46.8	**1,739.4**
1985	1,685.2	112.4	284.6	153.1	0.0	38.3	**2,273.5**
1986	1,671.7	88.1	240.9	145.8	0.0	21.8	**2,168.3**
1987	1,317.6	121.0	344.7	155.7	0.0	21.2	**1,960.2**
1988	1,498.0	115.1	226.5	231.5	0.0	4.1	**2,075.3**
1989	1,638.6	130.5	235.7	192.0	0.0	6.3	**2,203.1**
1990	2,275.7	166.1	227.3	398.1	0.0	12.0	**3,079.2**
1991	2,298.8	246.9	638.6	589.0	0.0	18.8	**3,792.0**
1992	1,818.1	240.7	452.7	725.9	0.0	18.1	**3,255.5**
1993	2,001.5	196.6	486.6	725.2	63.6	31.2	**3,504.6**
1994	1,628.2	181.6	384.4	243.6	94.6	21.9	**2,554.3**
1995	1,569.2	195.0	349.5	488.5	136.6	18.8	**2,757.5**
1996	1,892.9	208.9	350.8	412.1	192.7	23.9	**3,081.3**
1997	2,185.9	238.6	389.8	512.3	245.4	41.4	**3,613.5**
1998	1,511.8	220.1	371.3	557.4	133.2	22.3	**2,816.1**
1999	1,432.1	88.3	220.7	220.2	241.0	24.2	**2,226.5**
2000	1,278.4	26.4	167.7	390.1	115.7	0.0	**1,978.3**
2001	997.8	13.0	85.0	226.4	187.1	58.1	**1,567.5**
2002	1,204.5	8.0	75.8	313.1	145.2	21.1	**1,767.5**
2003	1,193.6	10.2	68.4	180.7	105.9	21.8	**1,580.6**
2004	1,112.0	37.6	126.6	267.2	15.7	22.2	**1,581.4**
2005	731.7	13.4	85.6	103.6	6.3	24.8	**965.4**
2006	551.0	13.2	51.5	61.5	12.6	13.9	**703.6**

2007	447.0	11.1	40.6	32.0	13.3	11.2	**555.1**
Total	**46,972.3**	**3,503.8**	**7,133.3**	**8,367.4**	**1,708.9**	**1,556.4**	**69,242.1**

Source: Reply to Parliamentary Question by Minister for Finance, Brian Lenihan T.D.: 9 July 2008

The Minister for Finance's reply to the parliamentary question, which is the source of the above data, provides the following information on the different categories:

"FEOGA Guarantee relates to Direct Payments, Market Supports and Production Aid and Rural Development. FEOGA Guidance relates to Structural Fund aid for rural development which contribute to the structural reform of the agricultural sector and to the development of rural areas, e.g., LEADER and INTERREG programmes. ESF (European Social Fund) relates to supports for employment opportunities focusing on the mobility of workers and their adaptation to industrial changes. ERDF (European Regional Development Fund) relates to infrastructure, productive investment and regional and local development. Cohesion Fund relates to measures aimed at strengthening economic, social and territorial cohesion by reducing disparities in the level of development among regions and Member States. Other relates to Education-related programmes, Maritime surveillance and fisheries protection, FIFG (Financial Instruments for Fisheries Guidance), the EEA (European Economic Area) and TENS (Trans-European Networks)" (Reply to Parliamentary Question by Minister for Finance, Brian Lenihan T.D.: 9 July 2008)."

As the two tables above illustrate Ireland was not a net contributor to the EU budget in any year over the period 1973 to 2007.

Ireland's EU funding was the subject of another written Dáil question in February 2008. The question asked the then Tánaiste and Minister for Finance the levels of funding received from the EU and EEC by Ireland since 1973 to date in 2008; the level of contributions by Ireland to the EU and EEC over the same period; the net balance presently between funding received and Irish contributions and projections for these receipts and payments up to 2020; and when Ireland will become a net contributor. The response provided by the then Minster for Finance is reproduced below. These figures were not adjusted for inflation.

The Minister for Finance's reply to the parliamentary question stated the following:

"Since joining the Community in 1973 to the end of the financial year 2007, Ireland has received euro 59.9 billion in payments and made contributions to the EU Budget amounting to euro 19.5 billion. Thus in overall terms Ireland has been a net beneficiary from EU funding to the tune of around euro 40.5 billion. Table 1 sets out information for each of the years since 1973. It should be noted that the receipt figures for 2006 and 2007 are estimates.

The current Financial Framework for the EU Budget, agreed by the European Council in December 2005, covers the period 2007-2013. While it is difficult to predict at this stage, Ireland is expected to become a net contributor in the second half of the financial period 2007-2013, with Ireland's receipts expected to exceed payments by a small margin over the period as a whole.

The difficulties in forecasting Ireland's cash flow from the EU stem mostly because the Financial Framework, a political agreement by all Member States, provides the overall context and ceilings for the given multi-annual financial period, but it is the annual budget procedure that determines the level of spending in any one year for each EU measure. It should be borne in mind that various factors impact on the outcome of the annual EU Budget, for example the drawdown capacity of all Member States. While programmes can be committed to the full ceiling, in any given year payment claims by Member States can be much less, and the balance then falls to later years. This is difficult to predict.

For the post-2013 period it can be expected that Ireland will become a substantial net contributor to the EU Budget. At this stage it is impossible to predict the actual outcome of the next political agreement on the Financial Framework for post-2013, not least because the agreement reached on the current framework for 2007 to 2013 includes a commitment to undertake a comprehensive review of the EU Budget. The review will cover all aspects of EU expenditure and revenue, including the future of the Common Agriculture Policy (CAP)" (Reply to Parliamentary Question by Minister for Finance, Brian Cowen T.D.: 27 February 2008)."

As can be seen from the above response, the then Minister for Finance suggested that Ireland could become a net contributor in the second half of the period 2007 to 2013. He also highlighted that Ireland is expected to become a substantial net contributor to the EU Budget in the post-2013 period.

Speaking at the Committee of Public Accounts on 21st February 2008, Mr David Doyle (the then Secretary General, Department of Finance) made the following comments in relation to Ireland's contribution to the EU budget:

"Currently, as I said, the net receipt is approximately €500 million. We receive €2 billion and we pay approximately €1.5 billion. That situation will go into positive contribution territory overall in 2011, by which stage we will be roughly at break even. By 2013, which is the end of the current budget envelope in Europe we will be paying about €500 million more than we receive. Taking the total receipts to date and what we will be looking at out to 2013, roughly we will have received €72 billion in cash terms between 1973 and 2013 — 40 years — and we will have paid out roughly €31 billion.

So the contribution to the Irish economy has been massive and will continue to be substantial" (Committee of Public Accounts, 2008)[14].

However, section 2.2 below shows that one element of the EU's own resources is a resource based on gross national income (GNI)[15], which applies a uniform percentage rate (0.73 %) to the GNI of each Member State. As such, the current downturn in GNI could potentially affect the date that Ireland becomes a net contributor to the EU budget. The latest information in relation to this situation from the Department of Finance is that,

"Ireland may become a net contributor to the EU Budget towards the end of the current multi-annual Financial Framework 2007 - 2013. Ireland's contribution to the EU Budget will depend however on the actual level of expenditure out of the Community Budget and on the evolution of our Gross National Income (GNI) relative to other EU Member States GNI".[16]

Conclusion

This section examined Ireland's position in relation to the EU budget. It has shown that Ireland has been a net recipient of EU funds since joining the EU, receiving substantial EU funding up to 2007. This position is likely to change, however, towards the end of the 2007-2013 period when it has been anticipated that Ireland would become a net contributor to the EU budget. however, given that the own resource based on gross national income applies a uniform percentage rate (0.73 %) to the GNI of each Member State, the current downturn in GNI could potentially affect the date that Ireland becomes a net contributor to the EU budget.

2.2 The benefits of EU Funding for Northern Ireland

Over the past two decades, Northern Ireland has benefited significantly from a range of EU funding, particularly the EU Structural funds under the EU Cohesion Policy and the Peace Programmes.

Between 1989-94 Northern Ireland received EU allocations of ECU 874 million. This figure includes ECU 82 million under INTERREG which was a joint Northern Ireland/ Ireland allocation. From 1994-99, Northern Ireland received a further €1.8 billion in European funding including ECU 400 million for the Peace I programme and ECU 69 million for INTERREG II (NI). Between 2000 and 2006, Northern Ireland retained Objective 1 status on a transitional basis, despite having officially exceeded the

[14] Committee of Public Accounts (2008) *2006 Annual Report of the Comptroller and Auditor General and Appropriation Accounts*. 21 February 2008. Available at http://debates.oireachtas.ie/DDebate.aspx?F=ACC20080221.xml&Ex=All&Page=6

[15] Gross national income (GNI) comprises the total value produced within a country (i.e. its gross domestic product GDP), together with its income received from other countries (notably interest and dividends), less similar payments made to other countries.

[16] E-mail from the Department of Finance to the Oireachtas Library & Research Service dated 24th September 2010

eligibility criteria due to rising living standards, and received EU aid of some €1.57 billion. The EU also contributed to the International Fund for Ireland. [17]

Whilst in the most recent funding round (2007-2013) the region will no longer require support at the highest level (Convergence Objective) due to its increasing prosperity measured against average European Union wealth, it is still expected to receive approximately €1.1 billion from all streams of European Funding.[18] The range of funding programmes from which Northern Ireland will benefit over the 2007–2013 period include:

Northern Ireland Competitiveness and Employment Programme

The programme aims to promote investment in the development of a knowledge-based, innovative and business-friendly region with a highly skilled workforce supporting a high quality of life. The total budget is € 614 million, with € 307 million of investment from the EU. It includes setting up six new centres of excellence in research and development and contributing to starting up 250 new businesses.

European Social Fund Programme

The European Social Fund Programme will contribute to reducing the productivity gap in Northern Ireland by helping to reduce the level of economic inactivity and increasing workforce skills. Northern Ireland is to receive € 165.7 million from the Fund from 2007- 2013.

PEACE III Programme

The PEACE III Programme has a total budget of € 333 million, with € 225 million of investment from the EU. The goal is to reinforce progress towards a peaceful and stable society and to promote reconciliation in Northern Ireland and the border region, by supporting projects that bring communities together.

INTERREG IVA Cross-Border Programme

Northern Ireland, the border counties of Ireland and parts of western Scotland will benefit from a seven-year cross-border INTERREG

[17] Northern Ireland Assembly Research and Library Service (2010) 'European funding in Northern Ireland'
[18] Department of Finance and Personnel - European Union Structural Funds in Northern Ireland http://www.dfpni.gov.uk/index/finance/european-funding.htm

programme, with a total budget of € 256 million, including € 192 million of investment from the EU. The programme will focus on developing a dynamic economy, supporting infrastructure and promoting innovative ways of addressing specific cross-border problems.

International Fund for Ireland

The EU has committed € 15 million per year for the four-year period 2007-2010 to the International Fund for Ireland to support its strategy 'Sharing this space'.

Northern Ireland Rural Development Programme

The EU will be contributing €171 million to the Northern Ireland Rural Development Programme for 2007-2013. The programme aims to boost the competitiveness of agriculture and forestry, improve the environment and countryside and improve the quality of life in rural areas.

European Fisheries Fund

The European Fisheries Fund (EFF) will provide support for the fisheries sector, including adaptation of the fleet, processing and marketing of fishery products and the development of sustainable fisheries. The UK has nearly €138m (£97m) for the duration of the programme, of which almost €95m (£67m) is for non-Convergence areas and just over €43m (£30m) for Convergence areas as explained below. A split between each of the UK administrations has also been agreed; Scotland nearly €55m (£39m), England just over €48m (nearly £34m), Northern Ireland just over €18m (nearly £13m), and Wales just over €17m (nearly £12m).[19]

Source: European Commission Office in Northern Ireland - EU Funding Programmes 2007-2013[20]

In addition to mainstream funding programmes, Northern Ireland has the potential to benefit from competitive funding programmes such as: the Seventh Framework Research Programme; the Competitiveness and Innovation Framework Programme; the PROGRESS Programme; Lifelong Learning Programme; and the Youth in Action Programme. A key development in regards to accessing such competitive EU funding programmes was the establishment, following President José Manuel Barroso's visit to

[19] The United Kingdom Operational Programme for the European Fisheries Fund (2007-2013) http://www.defra.gov.uk/foodfarm/fisheries/documents/fisheries/20080912ukoperationalprogramme.pdf
[20] http://ec.europa.eu/unitedkingdom/about_us/office_in_northern_ireland/funding/eu_funding_programmes_2007-2013.pdf

Belfast on 1st May 2007, of the Barroso or Northern Ireland Task Force, which was led by Commissioner Danuta Hübner.[21]

The Barroso Task Force aimed to facilitate a change in relationship between Northern Ireland and the European Union, a change from Northern Ireland being a major recipient of European regional aid to one in which the region developed strategies for relying on its own resources. In 2008, the European Commission adopted a report from the Task Force which identified key EU policy initiatives and programmes that could be mobilised in support of the region's economy.[22] The Executive responded to the Task Force report in the form of a strategic identification of key priorities and themes with an accompanying Action Plan.[23] A key objective in the Action Plan was to increase the number and value of projects securing funding from competitive EU funding programmes.

Net Worth of EU Funding

Identifying the net worth of Structural Funds in the UK regions is complex. Particularly if one is attempting to do this over a relatively long time scale. In 2000, the European Committee of the Scottish Parliament addressed the issue in its inquiry into the implementation of Structural Funds in Scotland. To ascertain the net impact on overall expenditure, the Committee sought to verify additionality at the regional level but this proved impossible. The Secretary of State for Scotland noted in a written response to the Committee that:

> *The concept of additionality at a level below the level of the Member State is not recognised in European Regulations, and [….] it would be misleading to offer an equivalent set of figures for Scotland, quite apart from the technical problems of trying to produce Scottish figures consistent with the UK returns.*[24]

A significant reason why additionality is difficult to establish is the way in which Structural Fund payments have been accounted for over time. Addressing the issue of additionality, an official from the Department of Finance and Personnel, has explained that in the past:

> *EU receipts (aside from those for the PEACE Programmes) were additional at the UK level but were not directly additional to the Northern Ireland Block. However, the Northern Ireland Block was set at an increased level to reflect the EU receipts that Northern Ireland, in effect, earned for the UK.*

[21] OFMdFM – The Barroso Taskforce http://www.ofmdfmni.gov.uk/content_-_co-operation-barroso-taskforce
[22] European Commission (2008) Northern Ireland: Report of the Task Force http://ec.europa.eu/regional_policy/themes/peace/report2008.pdf
[23] OFMdFM – Priorities for European Engagement: An Action Plan http://www.ofmdfmni.gov.uk/priorities_for_european_enagagement-_action_plan_2008-2009__3mb_-2.pdf
[24] European Committee, 6th *Report, 2000, Report of the Inquiry into European Structural Funds and their implementation in Scotland (2000),* p19, retrieved 8 December 2009 http://www.scottish.parliament.uk/business/committees/historic/europe/reports-00/eur00-06-02.htm

> *EU receipts in respect of the PEACE Programmes have always been fully additional.*[25]

The UK Treasury changed this accounting treatment from 1st April 2006, in order to simplify the budgeting regime for EU receipts The result the change is that the arrangements are more transparent and "since 2006-07, all EU receipts, not just those for the PEACE Programmes, have been fully additional."[26]

Future of Cohesion Policy

The current programming period for Structural Funds will end in 2013 and with it the current round of funding. Structural Funds are investment mechanisms used to deliver cohesion policy and their future use will be determined by the outcome of the ongoing debate within the European Union on the future cohesion policy. This debate will attempt to identify the key priorities for the next period including how cohesion funding should be allocated and distributed across the EU. It is clear that future cohesion policy will be linked with other key EU priorities such as the EU 2020 Strategy and the Lisbon and Gothenburg Agendas.

A key issue for debate is the idea of 'renationalising' cohesion policy and Structural Funds within richer Member States. This idea proposes that richer Member States be allowed to decide their own regional policy priorities and fund their own regional programmes rather than continue to receive EU funds which are restricted to certain objectives for example, Regional Employment and Competitiveness.

When asked by a Member of the Assembly's Committee for Finance and Personnel whether it was in Northern Ireland's best interest to seek cohesion support from the European Union or from the UK,[27] a departmental official responded:

> *The numbers are tricky, which I will explain, but in my judgement it is probably about the same. At present, our competitive funding involves two programmes that, over the seven-year period, give us almost €0.5 billion – what we get from cohesion funding over the seven years. We also have the cross-border Peace and other programmes that would not figure in this debate anyway.*
>
> *The UK position, which failed this time round but will be proposed for the next round of funding, is that wealthy member states finance their own regional policy. Less wealthy member states would receive structural funds from Europe. As part of the UK, Northern Ireland would receive no competitive funding; hence, it would lose that €0.5 billion.The difference in*

[25] Source: DFP Communication 20 August 2010 cited in Northern Ireland Assembly Research and Library Service (2010) 'European funding in Northern Ireland'
[26] Ibid
[27] Northern Ireland Assembly, Committee for Finance and Personnel, *Official report (Hansard) Barroso Taskforce Report,* 4 March 2009 http://www.niassembly.gov.uk/finance/2007mandate/moe/2008/090304_Barroso.htm

the amount that the UK would have to pay to Europe as a net contributor depends on several factors, including whether the UK keeps its rebate. Big numbers are involved in those issues. However, the difference between the two mechanisms for the 2007-2013 negotiations in 2004 was estimated at around €4 billion per annum in extra costs to the Treasury.

That leaves €4 billion that is not available for national spending. If that money had been spent nationally rather than been paid to Europe, under the Barnett formula, it could work out that Northern Ireland would get close to €80 million a year, plus or minus a couple of million.[28]

[28] Ibid

3. Relationships with the EU at regional level

Local authorities have progressively amended their functioning and how they provide public services. Much of the impetus for these changes has been as a result of the progressive revisions made to EU treaties. Statutory regional authorities, assemblies and agencies have been established in order to implement EU programmes.

Ireland

The first treaty to have major implications at regional level by virtue of its recognition of the role of sub-national authorities and of the impact that Community legislation has on them was the Maastricht Treaty (1992). The most noteworthy elements of the Treaty in relation to Ireland were:

- The Principle of Subsidiarity (i.e. that decisions should be taken and policies implemented as close as possible to the level of the citizen);
- The establishment of the Committee of the Regions (CoR)[29] which is an advisory body representing European local and regional authorities in the EU decision-making structures;
- Allowing representatives, other than those of central government, to participate in Council Decisions. However, this applies to Member States with decentralised forms of regional government rather than Ireland.

Further revisions to the treaties have led to the development of these provisions.

Some estimates have suggested that up to 70% of all EU legislation is ultimately implemented at local and/or regional level. The corresponding figure in Ireland would not be expected to be as high as ours is a very centralised system of administration. However, there remains a significant amount of legislation which has a direct impact on the role of Local Authorities. Examples include directives which require transposition into national legislation such as the following:

- Birds and Habitats Directives
- Drinking Water Directive
- Environmental Impact Assessment Directive;
- Landfill Directive;
- Nitrates Directive;
- Public Procurement Directive;
- Water Framework Directive; and
- Working Time Directive.

[29] See text box and Figure 1 pp29-30 for a description of the role of the CoR

Other EU initiatives also require action at local level:

- Targets for reducing CO2 emissions;
- Greater energy efficiency of buildings; and
- Higher levels of recycling of waste.

In addition, the European Union has had a very direct influence at regional level, particularly in the context of the application of EU Regional Policy and the Structural Funds, which has lead to the creation of agencies and, in particular, regional structures. The Structural Funds operate under Regulations which provide that they be prepared and implemented on the basis of a partnership between national, regional and local authorities and the European Commission.

Ireland was initially designated as a single region for the purposes of the Structural Funds. However, in 1994, for the first time eight Regional Authorities were established on a statutory basis to monitor how the Structural Funds were spent in each region and to identify development priorities within the regions.

As part of its preparation prior to the 2000-2006 EU funding period the Government, in consultation with the European Commission, decided to designate Ireland as two regions for EU funding purposes and therefore established two new Regional Assemblies in 1999, i.e. the Border, Midland and Western Region (BMWR) and the Southern and Eastern Region (SER).

Both the BMWR and the SER were assigned management responsibilities for the spending of significant elements of the Structural Funds in addition to a role in advising the Government on the regional dimension of the National Development Plan (2000-2006).

A description of the Committee of the Regions

The Committee of the Regions (CoR) is the political assembly that provides local and regional authorities with a voice at the heart of the European Union. Established in 1994…..With the entry into force of the Lisbon Treaty, the role of the CoR will be strengthened along the entire legislative process. The new treaty obliges the European Commission to consult with local and regional authorities and their associations across the EU as early as the pre-legislative phase, and the CoR, in its role as the voice of local and regional authorities at the EU level, is heavily involved right from this early stage.

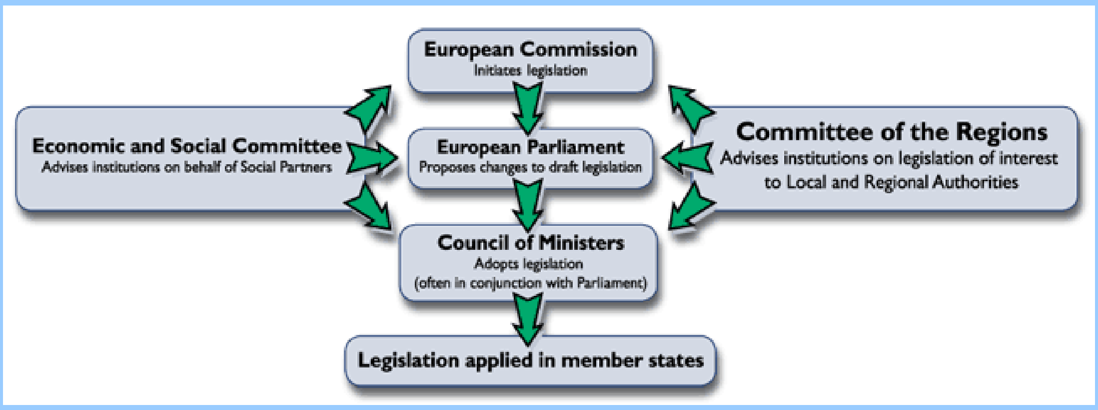
Once the legislative proposal has been made by the Commission, consultation of the CoR is again obligatory if the proposal concerns one of the many policy areas that directly affect local and regional authorities. The

Maastricht Treaty set out five such areas - economic and social cohesion, trans-European infrastructure networks, health, education and culture, while the Amsterdam Treaty added another five - employment policy, social policy, the environment, vocational training and transport. The Lisbon Treaty has extended the scope of the CoR's involvement even further, adding civil protection, climate change, energy and services of general interest to the list of policy areas where the CoR must be consulted.

But the CoR's involvement does not stop once it has issued its opinion on the Commission proposal. The Lisbon Treaty for the first time makes it obligatory for the CoR to be consulted by the European Parliament, giving the Committee a chance to comment on any changes made to the proposed legislation by MEPs. The CoR also has the right to question the Commission, Parliament and Council if they fail to take on board its viewpoint, and can even call for a second consultation if the initial proposal is substantially modified during its passive through the other institutions. In extreme cases, the CoR also has the right to go to the European Court of Justice if it believes it has not been correctly consulted by the Commission, Parliament or Council.

Source: Committee of the Regions website available online at: http://www.cor.europa.eu/pages/PresentationTemplate.aspx?view=folder&id=be53bd69-0089-465e-a173-fc34a8562341&sm=be53bd69-0089-465e-a173-fc34a8562341
Last accessed on 21 September 2010

Figure 1 - Role of the CoR in EU decision-making process: a simplified model



Source: Irish Delegation to the Committee of the Regions Office available online at: http://www.iro.ie/delegation.html Last accessed 21 September 2010

Northern Ireland

Northern Ireland currently has 26 local councils which are primarily responsible for the delivery of a limited range of public services including:

- waste collection and disposal;
- leisure;
- community services (including community relations and community development);
- building control; and
- some economic development functions.

In relation to a number of these areas, meeting the requirements of EU legislation is a Council priority. EU legislation aimed at the reduction and better management of waste such as The EU's 1999 Landfill Directive[30] for example, obliges member states to reduce the amount of biodegradable waste in landfill by 65% by 2016 compared to 1995 levels and it is local government that has the key responsibility on making this happen here.

Similarly local government in Northern Ireland has played, and continues to play, a key role in the effective delivery and management of European funding for local people and groups over recent years. Within the current EU funded Rural Development Programme (RDP) that runs from 2007-2013, Axis 3, accounting for circa £100m[31], is based upon the LEADER delivery model. LEADER relies upon the creation of so called Local Action Groups (LAGs) which are made up of public and private stakeholders from across the local community. The creation of these so called LAGs has been facilitated through the work of local government (District, Borough and city councils). Local councils also have a key responsibility in terms of being accountable for monies spent under the RDP in the form of the Joint Committees set up within each LAG area.

Since 2002 there have been a series of proposals to reduce the number of councils within Northern Ireland, whilst at the same time increasing their powers and responsibilities and this process is referred to as the Review of Public Administration (RPA). There are currently proposals that would lead to the creation of 11 so called “super councils”, made up through the merging of the existing 26 councils. In terms of powers the 11 proposed “super councils” are intended to be responsible for the following additional work which will be devolved from Stormont:

- aspects of planning;
- rural development;
- the public realm aspects of local roads functions;
- urban regeneration and community development;

[30] EU Landfill Directive, 1999
[31] About the Northern Ireland Rural Development Programme 2007-2013, Rural Network NI website, accessed 29th Sept 2010

- a range of housing-related functions; and
- local economic development and tourism.

It was hoped that these new local government structures along with their newly devolved powers would be in place by 2011 but as things currently stand this is unlikely to happen. Environment Minister, Edwin Poots is currently planning to bring 'fresh proposals'[32] regarding the reform of local government before the Assembly within the remainder of this term. It remains to be seen what these fresh proposals will be.

In general terms, whilst the move to reform and reorganise local government and public services has been predominantly driven by the principles of economy of scale and efficiency, similarly to the Republic of Ireland, it could also be argued that these moves are in line with components of the EU's 1991 Maastricht Treaty.

In specific terms, and in parallel with the Irish experience, the principle of subsidiarity enshrined within Maastricht whereby decisions and policy interventions should ideally be taken at a local level and involve local people has been taken to heart by those behind the Review of Public Administration.

A key and ongoing component of the RPA proposals since the beginning of the process has been the need to instigate and maintain effective community engagement as a key mechanism within any new council structures and other public service deliverers such as Health and Education. Community Planning is currently being advocated as the way to build community engagement within the RPA proposals. In simple terms the concept and practical application of Community Planning within Northern Ireland are based upon the premise of a partnership working approach between individual citizens, groups, local government and statutory service providers. Through this mechanism local people will be actively involved in planning the provision and delivery of public services within their community.

The context of a reformed local government system with increased responsibilities and powers, and working to a principle of increasing community engagement through Community Planning, is interesting given the assessment by the Northern Ireland Local Government Association (NILGA) that the implementation of more than 50%[33] of EU legislation is currently the responsibility of local government in Northern Ireland. With local government reform leading to increased powers and responsibilities this figure is only likely to increase.

In recognition of this potentially increasingly significant role for EU legislation and regulation, local government across Northern Ireland ,has been, and is, currently gearing up to ensure that it can build a relationship with Europe that will enable both the influencing of EU policy at an early stage and the maximising of opportunities for accessing EU funding and support.

[32] Poots calls on local government to move forward with him on reform, DOE press release, 23rd June 2010
[33] Focus on Europe, Local Government Association website, accessed 29th Sept 2010

Belfast City Council for example established a European Unit, within its Development Department in 2003[34], and the unit has the following key objectives:

- participate in networks of European cities to exchange best practice and showcase Belfast
- promote and raise awareness of European issues in Belfast.
- maximise European funding opportunities
- interpret, disseminate and contribute to EU policy

Local government here also plays its part in the EU's Committee of the Regions (CoR) on which Northern Ireland has a total of 4 seats. Two of these 4 seats are occupied by local government representatives giving local government the opportunity to shape and influence future EU policy and legislation.

3.1 Current EU funding at regional level

The amount available to Ireland in Structural Funding has decreased over time. Those funds still available continue to be provided to Ireland through a series of programmes designed to complement home-grown initiatives.

These Funds, which are available over the programme period, provide an allocation to each Member State and are deployed through multi-annual programmes, which follow broad guidelines set at EU level but which also reflect the development needs within the country and the regions. The following set of funds currently provide significant contributions towards programmes administered within/for Ireland[35]:

> *"ERDF – European Regional Development Fund*
>
> *Objective 1 – Convergence (for regions below 75% EU GDP – this objective does not apply in Ireland)*
>
> *Objective 2 - Regional competitiveness and employment*
>
> *Objective 3 - Territorial Cooperation - three strands of "INTERREG' programmes: cross-border ('A' programmes); transnational ('B' programmes); and interregional ('C' programme)*
>
> *ESF – European Social Fund*
>
> *European Union's main financial instrument for investing in employment and helping people enhance their education and skills.*
>
> *EARDF - European Agricultural Rural Development Fund*

[34] European Affairs page, Belfast City Council website, accessed 28/9/10
[35] *Ireland & Europe, The European Union at Local & Regional Level in Ireland*, Irish Regions Brussels Office, 2010, p.12

Part of the Common Agricultural Policy (CAP), this Fund contributes to the quality of life and management of economic activity in rural areas, including the competitiveness of agriculture and forestry.

EFF - European Fisheries Fund

This Fund provides assistance to help implement reforms of the Common Fisheries Policy and to support the restructuring and sustainability of the sector.

For example, both the ERDF and ESF provide support for Ireland's three

Structural Funding programmes which collectively channels a guaranteed €2m worth of EU support into Ireland each week over the 2007-2013 period."

Figure 2 – EU Structural Funds

POLICY	OBJECTIVE		FUND	PROGRAMME
Regional Structural Funds)	Regional Competitiveness & Employment		ERDF ERDF	BMW Regional Programme S&E Regional Programme
	Territorial Cooperation	Cross-border	ERDF	Ireland / Northern Ireland /Scotland Programme
			ERDF	Ireland/Wales Programme
			ERDF	PEACE III Programme
		Trans-national	ERDF	North West Europe Programme
			ERDF	Atlantic Area Programme
			ERDF	Northern Periphery Programme
		Inter-regional	ERDF	INTERREG IVC - Pan-European Programme
Social (Structural Funds)			ESF	National Human Capital Investment Programme
Rural Development			EAFRD	National Rural Development Programme
Fisheries			EFF	National Seafood Development Programme

Source: *Ireland & Europe, The European Union at Local & regional Level in Ireland,* Irish Regions Brussels Office, 2010, p.13

3.2 Regional Operational programmes under the Structural Funds

The role of the Border, Midland and Western (BMW) Region 2007-2013

The BMW Regional Assembly is the Managing Authority for the BMW Operational Programme 2007-2013 which has a planned investment of €458m of which €229m is being provided by the Structural Funds. This programme focuses on:

1. ICT, Innovation and the Knowledge Economy;

2. Environment and Renewable Energy; and

3. Urban Development and Secondary Transport Networks.

The implementation of the BMW Programme is on-going but it has already had some notable impacts. These include:

- Seven applied research centres funded under the Applied Research Enhancement Programme in Athlone (1), Dundalk (1), Galway (2), Letterkenny (2) and Sligo (1). These centres employ 27 personnel and work on a number of industrially focussed projects.
- Under the Programme for Research in Third Level Institutions (PRTLI), NUI Galway has received support for long-term development of their research capabilities – granted €27.9m.
- Research projects led by the Marine Institute and NUI Galway to stimulate commercialisation of the marine resource in a manner that ensures its sustainability – invested €1m.

Under the Micro-Enterprise Innovation and Entrepreneurship Programme 538micro-enterprises have been assisted and 491 jobs created.

550 firms have received supports under the Energy for Business Programme and Ocean Energy test facilities have been established in a bid to take advantage of the massive energy opportunities provided by this resource.

This is the second Operation Programme that the BMW Assembly has managed. During 2000-2006, the BMW Operational Programme delivered an investment of over €3 billion within the region. Of this, a total of almost €1.08 billion was 'co-financed' by the Structural Funds.

Source: *Ireland & Europe, The European Union at Local & regional Level in Ireland*, Irish Regions Brussels Office, 2010, p.14

The role of the Southern and Eastern (S&E) Region 2007-13

The S&E Regional Assembly is the Managing Authority for the S&E Operational Programme 2007-2013. This programme has a planned investment of €681 million of which €146 million is provided by the ERDF. The programme has 3 sub-programmes which focus on:

1. Innovation & the Knowledge Economy
2. Environment & Accessibility
3. Sustainable Urban Development

The implementation of the S&E Programme is on-going but it has already achieved a number of strategic successes. These include:

The establishment of the Programme for Research in Third Level Institutions (PRTLI) which aims to support a strategic and planned approach by third-level institutions to the long-term development of their research capabilities - €96 million invested.

The Entrepreneurship in Micro-enterprise theme under the Innovation & Knowledge Economy Priority has assisted 843 micro-enterprises, resulting in the creation of 1,335 jobs.

Over 1000 SMEs have been engaged with by Sustainable Energy Ireland under the Energy for Business Programme. The upgrade programme for the National Ocean Test Facility at the Hydraulics and Maritime Research Centre, UCC has been initiated, to aid research on ocean renewables and support to the maritime industry.

The previous Southern & Eastern Regional Operational Programme (2000-2006) delivered an investment of €4.5 billion within the region. Of this, a total of almost €1.8 billion was 'co-financed' by the Structural Funds.

Source: *Ireland & Europe, The European Union at Local & regional Level in Ireland,* Irish Regions Brussels Office, 2010, p.16

4. Cross-border EU Programmes: Ireland and Northern Ireland

This section provides an overview of current EU programmes which support cross-border co-operation between Ireland and Northern Ireland. These are identified below and outlined in the following paragraphs:

- INTERREG IV Programme.
- PEACE III Programme.
- Other European Territorial Co-operation Programmes.

INTERREG IV Programme

As noted above, the Cross-Border Territorial Co-operation Programme for Northern Ireland, the Border Region of Ireland and Western Scotland (2007-2013), the INTERREG IV Programme, is a European Union supported Structural Funds Programme which aims to promote greater territorial cohesion. The overall theme of the Programme is to strengthen and deepen co-operation and support a more prosperous and sustainable region. In particular, the INTERREG IV Programme places an emphasis on developing a dynamic economy, supporting infrastructure and promoting innovative ways of addressing specific Programme problems. The Programme has two specific priorities as follows[36]:

- **Priority 1: Co-operation for a more prosperous Programme region**: this Priority aims to diversify and develop the economy of the eligible region by encouraging innovation and competitiveness in enterprise and business development, and promoting tourism; and
- **Priority 2: Co-operation for a sustainable Programme region:** this Priority aims to support activities that promote Programme co-operation in policy development and improve access to services so as to improve the quality of life for those living in the eligible area.

It is still too early in the EU programme cycle (2007-2013) to identify and evaluate the impact of the cross-border INTERREG IV initiative. The Programme document, however, has outlined a range of performance indicators which provide an indication of the types of projects which will be supported. Some of the key indicators proposed for the programme include the following:

- 3 km of roads upgraded/restored/built.
- 200 businesses assisted.
- 300,000m_2 floor space constructed/refurbished
- 5% increase in the numbers of visitors to each of Scotland, Border Region and Northern Ireland.

[36] The Programme also includes a third Priority 'Technical Assistance' which provides administrative support for the Programme.

- 10 renewable energy/energy efficiency projects assisted.
- 5 environmental management projects funded.
- 2 telecommunications projects funded – telecommunication line/infrastructure installed.

It is also worth noting that the INTERREG Programme has been funding cross-border projects between Ireland and Northern Ireland since 1991. A series of evaluations have demonstrated that by supporting cross-border co-operation, the INTERREG Programmes have achieved positive economic, social and environmental outcomes for Northern Ireland and the border region of Ireland. The previous INTERREG IIIA Programme (2000-2006), for example, funded a range of cross-border initiatives in areas such as tourism, business support, waste management, energy, telecommunications and transport. Some of the key physical outcomes from the INTERREG IIIA Programme include the following:

Text box 1: Key outcomes to date from the INTERREG IIIA Ireland / NI Programme

- 3 road re-alignment schemes.
- 18km of rural road improvements.
- Improvements to Dublin to Belfast railway line.
- 10 small harbour improvements.
- 188 FTE jobs created or safeguarded through cross border rural initiatives.
- 161 businesses expanding in terms of increases in sales.
- 23 people gaining new employment through sectoral initiatives.
- 28,000 square feet of enterprise park developed and 285 gross jobs created.
- Safety navigational improvements at 3 large ports.

Source: PricewaterhouseCoopers (2005) *Update of Mid-term Evaluation of the INTERREG IIIA Ireland / NI Programme (2000-2006)*, October 2005, Special EU Programmes Body.

PEACE III Programme

In seeking to reinforce progress towards a peaceful and stable society and to promote reconciliation in Northern Ireland and the border region of Ireland, the PEACE III Programme (2007-2013) also provides support for cross-border co-operation.

In this regard, the Programme, for example, aims to establish meaningful cross-community and cross-border initiatives that will improve trust and tolerance, and reduce levels of sectarianism and racism. In addition, the Programme has expressed a commitment to develop the capacity of public services to deliver services that will facilitate cross-community and cross-border contact and promote shared identity. It is stated that these shared services could include sectors such as education, community health centres, job centres, public housing and public transport.

Cross-border reconciliation initiatives between Northern Ireland and the border region of Ireland have also been supported under two previous Peace Programmes, the first starting in 1995.

Other European Territorial Co-operation Programmes

Under the European Territorial Co-operation objective, the European Commission supports a range of other transnational programmes which aim to encourage joint projects that address the priorities for co-operation shared by the participating countries. In the 2007-2013 period, three Programmes which are relevant to Northern Ireland and Ireland will be implemented. These include:

- **The Northern Periphery Programme:** this Programme aims to help peripheral and remote communities to develop their economic, social and environmental potential. This will be achieved by supporting innovation, business competitiveness, accessibility, the sustainable development of community and natural resources, and cultural heritage. The Programme involves the Member States of Finland, Ireland, Sweden, United Kingdom (Scotland and Northern Ireland) in co-operation with the Faroe Islands, Iceland, Greenland and Norway. Between 2007 and 2013, the Programme will allocate €45 million to projects, of which €35.115 million in European funding (ERDF) will be available to partners in Member States (Finland, Ireland, Northern Ireland, Scotland, Sweden) and €10.155 for partners in the Non Member States (Faroe Islands, Greenland, Iceland, Norway)[37].

- **The Atlantic Area Programme:** this Programme aims to achieve significant and tangible progress in transnational co-operation geared towards cohesive, sustainable and balanced territorial development of the Atlantic Area and its maritime heritage. The Programme involves the Member States of France, Spain, Portugal, Ireland and the United Kingdom. The Programme has a total budget over the period 2007-2013 of €158 million. The contribution from the European Union is approximately €104 million[38].

- North-West Europe Programme: aims to achieve a more cohesive, balanced and sustainable development of the North-West Europe area, and thus to contribute to the overall competitiveness of the Community territory in a globalised world. To this end, the Programme aims to promote an innovative and integrated approach of transnational co-operation on territorial issues and build on the territorial potential of the area. The Programme involves the Member States of Belgium, France, Germany, Ireland, Luxembourg, Netherlands and the United Kingdom in co-

[37] http://www.northernperiphery.eu/en/content/show/&tid=177
[38] http://www.seupb.org/aa_programme.htm

operation with Switzerland. The contribution from the European Union for this Programme is approximately €355 million[39].

[39] http://www.seupb.org/nwe_programme.htm

5 The EU agenda: Challenges and Priorities

5.1 Reform of the Common Fisheries Policy (CFP)

The Common Fisheries Policy (CFP), the EU's instrument for managing its fisheries and aquaculture activities, is due for review in 2012.[40] The CFP comprises a number of important elements including ensuring sustainability of fisheries, monitoring the size of the European fishing fleet and international negotiations. It has been subject to 10 yearly reviews since its inception in 1983 with previous reviews completed in 1992 and 2002.

The challenges facing Europe's fisheries are outlined in the Green Paper on the reform of the CFP. These include measures to overcome five main structural failings identified in the policy (such as fleet overcapacity and a lack of a culture of compliance). In addition, the Green Paper set out measures to further improve the management of EU fisheries (including trade and markets and integrating the CFP in the broader maritime policy context).

This review of the CFP takes place in the context of the entry into force of the Lisbon Treaty and a resulting enhanced role for the European Parliament in this policy area. By recognising co-decision as the 'ordinary legislative procedure' for the CFP (in place of the consultation procedure), the Treaty confers "a genuine co-legislative role" in fisheries on the European Parliament (European Parliament, 2009).[41] In addition, the potential accession of Iceland is also noteworthy in terms of its possible impact on the review.[42] A legislative proposal on reform of the CFP is expected during 2011.

Ireland's priorities in the review and positions at the negotiations will be informed by a consultation process at national level.[43] Irish proposals on the reform of the CFP[44] include putting new focus on addressing discarding of fish at sea, retaining a management system based on national quotas supported by increased flexibility and re-examining access to coastal waters.

The CFP remains an issue of strategic importance to Ireland given its impact on the Irish fisheries industry. It is generally perceived that previous reform of the CFP

[40] In 2009, the European Commission launched a consultation on the way EU fisheries are managed, culminating in a report outlining the results of this process. The Commission is also undertaking an impact assessment of the environmental, economic and social aspects of reform, which is anticipated to be completed in autumn 2010.
[41] It has, however, been noted that there may be some problems of interpretation with the Treaty insomuch as that it introduces exceptions to the ordinary legislative procedure in favour of the Council in relation to some aspects of fisheries (European Parliament, 2009).
[42] IIEA (2009) suggests that the accession of Iceland may result in derogations for Iceland from the equal access provisions of the CFP and in the longer term possibly result in greater emphasis on subsidiarity in the implementation of the CFP.
[43] Further information is available at http://www.fishingnet.ie/CFPR/intro.htm
[44] See Department of Agriculture, Fisheries and Food (2010).

essentially failed in their objectives making this current reform all the more important for the EU and its Member States, including Ireland.[45]

5.2 Reinforcing economic policy coordination

On the 12th of May 2010 the European Commission issued a communication in the context of the recent financial crises and the risk for the stability of the euro area. [46] The Commission stated that these crises have illustrated the interdependence and exposed the vulnerability of Member States, in particular of those inside the euro area.

On the publication of the Communication the Commission distinguished between the short-term measures which had been implemented to address the crises and the necessity to draw long-term lessons from the way economic policies are dealt with[47].

The Commission proposal therefore is aimed at reinforcing economic governance in the European Union. The stated aim of the Communication is to:

- strengthen the functioning of the Stability and Growth Pact;
- extend surveillance to macro-economic imbalances;
- the alignment of national budget and policy planning through the establishment of a "European Semester" for economic policy coordination, so that Member States would benefit from early coordination at European level as they prepare their national budgets and national reform programmes; and
- making the European stabilisation mechanism decided by ECOFIN on 9 May 2010 fully operational.

Furthermore, the Commission's intention in the medium-to-long term is to make a proposal for a permanent crisis resolution mechanism.

The different elements of the Commission's Communication are[48]:

- "Reinforced compliance with the Stability and Growth Pact and deeper fiscal policy coordination: Reinforcing the preventive dimension of budgetary surveillance, in particular in good times, must be an integral part of closer coordination of fiscal policy. Also, compliance with the rules needs to be improved and more focus needs to be given to public debt to ensure the long-term sustainability of public finances. Member States should make sure having in place effective national fiscal frameworks. Recurrent breaches of the Pact should be subjected to a more expeditious treatment. More use should be made in the future of the EU budget to

[45] For example, the Green Paper identifies "overfishing, fleet overcapacity, heavy subsidises, low economic resilience and decline in the volume of fish caught by European fishermen" as problems that the current CFP has not worked well enough to prevent.

[46] Com 2010 (250) final . available on line at: http://ec.europa.eu/economy_finance/articles/euro/documents/2010-05-12-com%282010%29250_final.pdf Last accessed on 20th September 2010

[47] See European Commission press release of 12th May 2010 available online at: http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/561 Last accessed on 20/09/2010

[48] ibid

encourage Member States in pursuing the commonly agreed objectives regarding fiscal sustainability.

- Surveillance of macroeconomic imbalances and competitiveness developments: Beyond fiscal surveillance it means a broadening of economic surveillance to the prevention of macroeconomic and competitiveness imbalances, clearly identified in the Commission's EMU@10 report in 2008 and in the 2009 Annual Statement on the euro area as contributing to fuel the large current account deficits and surpluses and increasing the vulnerability of some Member States. For all EU Member States, macroeconomic imbalances will be addressed in the framework of Europe2020 surveillance. For euro-area Member States it is proposed to upgrade the peer review of macroeconomic imbalances now carried out by the Eurogroup into a structured surveillance framework by making use of Article 136 TFEU.
- A European Semester: Member States would benefit from early coordination at European level as they prepare their national budgets and national reform programmes. Early guidance at the beginning of each year from the European Council on economic policies would facilitate the preparation of Stability and Convergence Programmes and National Reform Programmes. An early peer review of fiscal policies would help shape a fiscal stance for the EU and the euro area as a whole. A synchronised assessment and coordination of both fiscal and structural policies at European level would help the Member States to pursue common objectives and address joint challenges more efficiently than at current is the case.
- A robust framework for crisis management for euro-area Member States: A clear and credible set of procedures for the provision of financial support to euro-area Member States in serious financial distress is necessary to preserve the financial stability of the euro area in the medium and long term. On 9 May the ECOFIN decided on the establishment of a temporary European stabilisation mechanism to respond to the current exceptional circumstances. The Commission intends in the medium-to-long term make a proposal for a permanent crisis resolution mechanism."

The follow-up actions focused on by the Commission centred on the preparation of legislative proposals to amend the regulations underpinning the Stability and Growth Pact. The stated purpose of such amendments is to enhance the prevention and correction of macroeconomic imbalances within the euro area, and to work towards a permanent crisis resolution mechanism. The Commission is understood to wish to introduce the first European Semester at the beginning of 2011.

5.3 Corporate Governance of Financial Institutions

On 2 June 2010 the European Commission launched a public consultation on the issue of corporate governance in financial institutions (primarily banks and life insurance companies – it is understood that another Green Paper is to issue in the autumn and that this is to be aimed at listed companies generally) by publishing its Green Paper (COM 2010(284) final) entitled *Corporate Governance in Financial Institutions and Remuneration Policies*.

The background to this public consultation procedure was the financial crises which highlighted that effective checks and balances within financial institutions were not fit for purpose. It is clear that many financial institutions took risks that were not in their or the taxpayers' best long-term interests. The crisis also made it clear that there was insufficient oversight by boards of senior management which may have been due, to some extent, to lack of time commitment and expertise in boards. The European Commission points out that risk management functions in financial companies often lacked both authority and independence. The blame is also placed on shareholders who the Commission suggests also failed to exercise control over companies' management and sometimes were themselves pushing financial institutions to take excessive risk to provide higher short-term returns. The Green Paper and public consultation is the Commission's first step in the reform of the corporate governance mechanisms in the financial services sector.

The European Commission initial response to these shortcomings was when it committed itself in its Communication to the Spring European Council "Driving European Recovery" of March 2009 to examine and report on current corporate governance practices in financial institutions, making recommendations including for legislative initiatives, where appropriate.

The Green Paper is also complemented by:

- a staff working document which describes and analyses weaknesses in corporate governance revealed by the financial turmoil;
- a report on the application by Member States of the Recommendation 2009/384/EC on remuneration policies in the financial services sector;
- a report on the application by Member States of the Recommendation 2009/385/EC on remuneration of directors of listed companies

The latter 2 reports are completed with two staff working papers providing a detailed analysis of the measures taken by Member States.

The options suggested in the Green Paper[49] are to:

- "limit the number of directors' memberships in boards, for instance to 3;
- require more expertise on boards;
- widen the "fit and proper test" to include evaluation of expertise and individual qualities of candidates;

[49] EC Press release dated 2 June 2010
http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/10/229&format=HTML&aged=0&language=EN&guiLanguage=en
Last accessed on 20 September 2010

- enhance the role of supervisors in the review of corporate governance structures;
- mandate risk committees at board level tasked with setting policy on risk appetite to be disclosed publicly through a risk statement,
- strengthen the legal liability of directors via an expanded 'duty of care';
- strengthen the authority of the risk management function potentially giving the Chief Risk Officer equal standing to the Chief Financial Officer;
- regulate or restricts stock options and golden parachutes;
- separate the functions of the Chairman and of the Chief Executive Officer;
- put in place a stricter duty for auditors to flag anything serious to boards and supervisors, and to look at whether they should have an enhanced role to check the risk systems. This enhanced role would be in addition to the planned review by the Commission of auditors' existing role; and
- mandate that institutional investors publish their voting and engagement policies and records and adhere to stewardship codes."

The Commission accepted submissions on foot of the Green Paper until September 1st and is now considering the results of that process. It will decide in the first quarter of 2011 on the need for any non-legislative and legislative proposals.

However, with regard to remuneration practices, the Commission has already committed to draft legislative proposals to regulate pay in all sectors of the financial services industry. The first legislative proposal to modify the Credit Requirements Directive was adopted by the Commission in July 2009. Other legislative measures are to follow.

New Financial Supervision Architecture

It should also be noted that the European Parliament voted on 22nd September 2010 in favour of establishing three European supervisory authorities (ESAs) which will replace the current supervisory committees. The current system is very much an advisory one and the powers of the ESAs will be considerably stronger. In addition they will have the potential to gain further competences as a strong review clause is to be included. The task of monitoring and warning about the general build-up of risk in the EU economy will be assigned to another new body, the European Systemic Risk Board (ESRB)[50].

5.4 Europe 2020 – A European strategy for smart, sustainable and inclusive growth

The above strategy was published on 3 March 2010 – its importance underlined by the fact that the foreword to it was given by the President of the European Commission.[51]

[50] More information available at http://europa.eu/news/economy/2010/09/20100902_en.htm
[51] Com (2010) 2020

The stated aim of the communication was to set out the Commission's vision of Europe's social market economy for the 21st century.

The Strategy put forward three priorities[52]:

- "Smart growth: developing an economy based on knowledge and innovation;
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy;
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion."

In order to define the EU's aims for 2020 the Commission proposed the following five EU headline targets[53]:

- "75 % of the population aged 20-64 should be employed;
- 3% of the EU's GDP should be invested in R&D;
- The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right);
- The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree;
- 20 million less people should be at risk of poverty."

However, the Commission recognises that each Member State will have to adjust the strategy to take account of its national circumstances and therefore proposed that the EU goals should be translated into national targets and trajectories.

The Commission believes the above targets to be representative of the three priorities of smart, sustainable and inclusive growth but recognises that they are not exhaustive and that a wide range of actions at national, EU and international levels will be necessary to underpin them. The Commission has therefore proposed seven flagship initiatives to catalyse progress under each priority theme:[54]

- ""Innovation Union" to improve framework conditions and access to finance for research and innovation so as to ensure that innovative ideas can be turned into products and services that create growth and jobs;
- "Youth on the move" to enhance the performance of education systems and to facilitate the entry of young people to the labour market;
- "A digital agenda for Europe" to speed up the roll-out of high-speed internet and reap the benefits of a digital single market for households and firms;
- "Resource efficient Europe" to help decouple economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of

[52] COM 2010(2020) available online at: http://ec.europa.eu/eu2020/pdf/COMPLET%20EN%20BARROSO%20%20%20007%20-%20Europe%202020%20-%20EN%20version.pdf Last accessed on 21 September 2010

[53] ibid, p.3

[54] ibid, pp3-4

renewable energy sources, modernise our transport sector and promote energy efficiency;

- "An industrial policy for the globalisation era" to improve the business environment, notably for SMEs, and to support the development of a strong and sustainable industrial base able to compete globally;
- "An agenda for new skills and jobs" to modernise labour markets and empower people by developing their skills throughout the lifecycle with a view to increase labour participation and better match labour supply and demand, including through labour mobility;
- "European platform against poverty" to ensure social and territorial cohesion such that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society."

The Commission's proposals were considered at the European Council and the Europe 2020 Strategy adopted on 17 June 2010[55]. In particular, the MS agreed that over the coming months they would discuss how specific policies could be mobilised to unlock the growth potential of the European Union, starting with innovation and energy policies.[56]

On 19 July 2010 Commissioner Máire Geoghegan-Quinn announced[57] nearly €6.4 billion of European Commission investment in research and innovation. This is a key element within the Europe 2020 Strategy and in particular the Innovation Union Flagship, which will be launched in autumn 2010.

The package, the biggest ever, covers a wide range of scientific disciplines, public policy areas and commercial sectors. The Commission intends that this funding should:

- increase European competitiveness;
- address climate change, energy and food security, health and an ageing population.

The Commission estimates that approximately 16,000 participants from research organisations, universities and industry, including about 3,000 SMEs, will receive funding. Grants will be awarded through "calls for proposals" (invitations to bid) and evaluations over the next 14 months. Importantly, the package is also recognised as an economic stimulus which the Commission expects to create more than 165,000 jobs.

[55] EUCO 13/10 available online at:
http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/114996.pdf
Last accessed on 21 September 2010

[56] Europe 2020 finalised, European Council press release of 17 June 2010 available online at:
http://www.european-council.europa.eu/home-page/highlights/junesummit.aspx?lang=en
Last accessed on 21 September 2010

[57] EUROPA press release of 19 July 2010 available online at:
http://europa.eu/rapid/pressReleasesAction.do?reference=IP/10/966&format=HTML&aged=0&language=EN&guiLanguage=en
Last accessed on 21 September 2010

5.5 Proposed EU Single Market Act

The publication of the "EU single market act" is expected on 6 October 2010 – this will consist of proposals to review the single market.[58]

Barnier finalising draft 'EU Single Market Act'

The Single Market and its four freedoms for circulation of goods, services, people and capital is one of Europe's main competitive advantages. However, progress on the single market has stalled in recent times and business leaders have pressed for its completion in order to tap into the EU's full potential.

In October 2009, José Manuel Barroso, president of the European Commission, tasked Mario Monti, a former European commissioner, with preparing a report on the future of the single market. Giving the mandate to Monti, Barroso said that the recent crisis had revealed a strong temptation - particularly when times are hard - to roll back the single market and seek refuge in forms of economic nationalism.

The Monti report was published in May and urged the EU to put the single market "back on track" (EurActiv 11/05/10).

The overhaul of the single market contains a raft of around 30 proposals, including new legislation in areas like taxation, counterfeiting and helping small businesses….Barnier indicated in July that revised rules on translating patents would be amongst the features of the new Act (EurActiv 02/07/10), which is likely to have some overlap with the Small Business Act and the EU's forthcoming innovation strategy.

The Commission is promising a concrete blueprint for revitalising the single market 25 years after the Single European Act. The timetable for implementing the new Act will be 31 December 2012 – the 20th anniversary of the internal market.

58 http://www.efc.be/EUAdvocacy/Pages/EUAffairsandAdvocacy.aspx