

INTERREG IVA

Cross-border Programme
for Territorial Co-operation
2007-2013

Northern Ireland,
Border Region of Ireland
and Western Scotland

Operational Programme



Northern Ireland
Executive

www.northernireland.gov.uk



Part-financed by the
European Regional
Development Fund
Investing in your
future



Ireland's EU Structural Funds
Programmes 2007 - 2013

Co-funded by the Irish Government
and the European Union



Special EU Programmes Body
Foras Um Chláir Speisialta An AE
Boord O Owre Ocht UE Projects

(INTERREG IVA)

Northern Ireland,
the Border Region of Ireland
and
Western Scotland
2007-2013

Operational Programme

Contents

I	Introduction	4
	Overview	4
	The INTERREG Programme 1991-2006	4
	The new round of EU Structural Funds (2007-2013)	6
	European Territorial Co-operation 2007-2013	7
	Political and institutional context	10
II	Presentation of Region	15
	Eligible area	15
	Socio-economic review	16
	SWOT analysis	25
	Evaluation results of the INTERREG Programmes	27
	Lessons from INTERREG	28
	Consultation process	31
	The Ex-Ante Evaluation Process	32
III	Programme Strategy	37
	Programme rationale	37
	Cross-cutting themes	41
	Project selection	43
	Promoting strategic investments	45
IV	Programme Priorities and Areas of Intervention	46
	Programme objective	46
	Priority 1: Co-operation for a more prosperous cross border region	46
	Priority 2: Co-operation for a sustainable Programme region	51
	Priority 3: Technical assistance	56
V	Programme Implementing Provisions	59
	Introduction	59
	Designation of authorities	59
	Financial management	69
	Implementation arrangements	74
	Information and publicity	78
	Compliance with community policies	79

Contents

VI	Complementarity	82
	Introduction	82
	Community Strategic Guidelines on Cohesion	82
	National Strategic Reference Framework in Northern Ireland and Ireland	83
	NSRF, Scotland	85
	PEACE III Programme (ERDF)	86
	EU Rural Development Programme (EAFRD)	86
	European Fisheries Fund (EFF)	87
	Other European Territorial Co-operation Programmes	88
	National Development Plan 2007-2013, Ireland	90
	Comprehensive Study on the All-Island Economy	92
	Economic Vision for Northern Ireland	93
	Framework for Economic Development in Scotland	93
	The Investment Strategy for Northern Ireland	94
	Investment strategies in Scotland	94
	The National Spatial Strategy for Ireland 2002-2020	94
	Regional Development Strategy for Northern Ireland 2025	95
VII	Annexes	96
	Annex A – Map Indicating the Eligible Areas	96
	Annex B – Indicators	97
	Annex C – Financial provisions	105
	Annex D – Intervention codes	106
	Annex E – List of Consultation Responses	108

I Introduction

Overview

- 1.1 The Cross-Border Territorial Co-operation Programme for Northern Ireland, the Border Region of Ireland and Western Scotland (2007-2013), hereafter 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 Programme co-operation with an emphasis on supporting strategic plans and projects which will maximise the impact of the funds throughout the eligible area. Building on the successes and lessons of previous INTERREG Programmes, the INTERREG IV Programme aims to support strategic Programme co-operation for a more prosperous and sustainable region. In particular, the Programme will focus on developing a dynamic economy, supporting infrastructure and promoting innovative ways of addressing specific Programme problems.
- 1.2 Previous INTERREG Programmes have operated on a Northern Ireland/Ireland cross-border basis. Following a re-definition of maritime borders by the European Union, a distinctive aspect of this Programme is the inclusion of Western Scotland, and the opportunity to promote co-operation between Scotland/Ireland/Northern Ireland, as well as continuing and enhancing the Northern Ireland/Ireland co-operation. The inclusion of Scotland for the first time in this Programme adds a new and innovative aspect by giving an opportunity to develop the traditional cultural, economic and social links between Ireland/Scotland/Northern Ireland and build on the experiences, knowledge and competencies of the three areas.

The INTERREG Programme 1991-2006

- 1.3 The INTERREG Programme (2007-2013) succeeds previous INTERREG Programmes which were the main EU supported Programmes that promoted Programme co-operation. The INTERREG Programme was first introduced in 1991 and was devised as the European Community's response to the implications of the Single Market. It recognised the relatively disadvantaged situation of Border Regions throughout the Community and proposed a two-pronged mechanism of support for such areas. Included as a Community Initiative, the INTERREG Programme aimed to provide support for economic development in less developed Border Regions and promote this development within a Programme focus. The stated aims of the INTERREG Programme were:
 - To assist internal border areas of the Community in overcoming the special development problems arising from their relative isolation within national economies and within the community as a whole in the interests of the local population and in a manner compatible with the protection of the environment; and
 - To promote the creation and development of networks of co-operation across internal borders and, where relevant, the linking of these networks to wider Community networks, in the context of the completion of the internal market of 1992.
- 1.4 In Northern Ireland and the Border Region of Ireland, three INTERREG Programmes have been supported. The INTERREG I (1991-1993) and II (1994-1999) Programmes focused on a number of similar priorities which included:
 - Regional development;
 - Human resource development;
 - Infrastructure;

- Agriculture/fisheries and forestry; and
 - Environmental protection.
- 1.5 In this regard, the INTERREG II Programme aimed to develop a sustained approach to development and build on the responses to needs found to be effective under INTERREG I. The implementation of both INTERREG I and II Programmes were centralised and delivered through government departments in Northern Ireland and Ireland.
- 1.6 With a view to broadening the scope of Programme co-operation within the EU, the INTERREG III Programme (2000-2006) incorporated a number of strands which included co-operation between neighbouring regions and co-operation between groups of regions facing common problems. The strands of the INTERREG III Programme included the following:
- **Strand A:** Programme co-operation. Co-operation between adjacent regions aiming to develop Programme social and economic centres through common development strategies. This strand included €3.3 billion funding for 53 programmes across the EU;
 - **Strand B:** Transnational co-operation. Co-operation involving national, regional and local authorities aiming to promote better integration within the Union through the formation of large groups of European regions. This strand included €1.3 billion in funding for 13 programmes across the EU; and
 - **Strand C:** Interregional co-operation. Co-operation aiming to improve the effectiveness of regional development policies and instruments through large scale information exchange and sharing of experience.¹ This strand included €0.3 billion in funding for 4 programmes in the EU.
- 1.7 During 2000-2006, Northern Ireland and Ireland benefited under all three strands of the INTERREG Programme, the largest of which was INTERREG IIIA.² The overall aim of the INTERREG IIIA Programme was to 'address the economic and social disadvantage which can result from the existence of a border, by promoting the creation of programme networks involving, and also benefiting, local communities'.³ The INTERREG IIIA Programme had a total allocation of €183m (which included €137m ERDF funding) and focused on three main priorities that included:
- **Integrated local development strategies:** enhancing the capacity at local level for the development and implementation of local development strategies that would focus on promoting economic and social cohesion. More specifically, this priority aimed to develop competitiveness within the eligible area through initiatives such as strengthening the Small and Medium Enterprise (SME) sector, improving the skills base of the workforce, and exploiting ICT and rural economy opportunities;
 - **Supporting physical infrastructure and the environment:** improving the physical environment and spatial cohesion of the eligible area. This priority focused on supporting the development of a programme community infrastructure exploiting rural economy opportunities, whilst safeguarding and improving the environmental well-being of the area; and

1 <http://www.europa.eu>

2 The Northern Ireland/Ireland INTERREG IIIA Programme was also one of the largest INTERREG IIIA Programmes across the EU in terms of funds. Four other Programmes which were larger than the Northern Ireland/Ireland Programme were Spain/Portugal, Greece Bulgaria, Spain/Morocco and Sachsen/Czech Republic Programmes.

3 Special EU Programmes Body (2003) INTERREG IIIA Mini Guide.

- **Civic and community networking:** promoting actions which improve the quality of life of the population of the eligible area and which are inclusive and participative in nature and operation.

1.8 In contrast to the INTERREG I and II Programmes, INTERREG III promoted a greater partnership or 'bottom-up' approach to development. Therefore, as well as including government departments, the involvement of regional and local authorities and other relevant economic and social partners were encouraged during all phases of the Programme. The Managing Authority for the INTERREG IIIA Programme was the Special EU Programmes Body (SEUPB) which was one of six North/South Implementation Bodies established under the Good Friday/Belfast Agreement.

1.9 Scotland has also participated in previous INTERREG Programmes, most notably INTERREG IIIB, where Highland and Island Enterprise have provided the national contact point for the Northern Periphery Programme. There has also been Scottish representation on a number of INTERREG IIIB Monitoring and Steering Committees. Northern Ireland, Ireland and regions in Western Scotland have also been involved in the North Sea, Atlantic Area and North West Europe Programmes for transnational Co-operation.⁴

The new round of EU Structural Funds (2007-2013)

1.10 The EU budget agreement of 16 December 2005 included a financial allocation of €308 billion (in 2004 prices) for Structural Fund interventions across the EU for 2007-2013.⁵ This represents 0.37% of EU Gross National Income (GNI). Funding for the new programming period is made available from the following financial instruments: the European Social Fund (ESF); the European Regional Development Fund (ERDF); and, the Cohesion Fund, which will be substantially reformed and integrated into the Operational Programmes.

1.11 The Structural Funds are incorporated within 3 objectives, Convergence, Regional Competitiveness and Employment, and European Territorial Co-operation.

- **Convergence:** has the largest proportion of funding (€251 billion or 81.54% of Structural Funds) which is allocated to regions with a Gross Domestic Product (GDP) below 75% of the EU average. The Convergence Objective includes €58 billion for Member States with a GNI below 90% of the EU average and €12 billion for the so-called "phasing out regions". This applies to regions that no longer qualify for full Convergence funding, but would have done so without enlargement. The Convergence Objective replaces the current Objective 1;
- **Regional Competitiveness and Employment:** €49 billion or 15.95% of Structural Funds is allocated to the Competitiveness Objective. This includes €10 billion to the so-called "phasing in regions". This applies to regions that previously received Convergence funding but no longer qualify because their economies have improved. The Competitiveness Objective replaces Objectives 2 and 3 under the previous programming period; and
- **European Territorial Co-operation:** €7.7 billion or 2.5% of Structural Funds to the Co-operation Objective. This Objective has separate programme (73.8%), transnational (20.95%) and inter-regional (5.19%) components. The Co-operation Objective replaces the previous INTERREG Community Initiative Programme.

4 Northern Ireland, Ireland and all regions in Western Scotland have not been involved in all four transnational Programmes. However, at least one of the areas of the eligible region, or part of the eligible region, has been involved across all four Programmes.

5 <http://www.europa.eu>

- 1.12 As one of the key objectives of the Structural Funds, programme co-operation is now mainstreamed by its inclusion as an Operational Objective and places co-operation at the heart of cohesion policy. This increased emphasis on Programme co-operation is in recognition of the perceived success of the INTERREG Programme and the increased importance of the border areas in a Europe of 25 Member States (27 in 2007).
- 1.13 Northern Ireland, an Objective 1 region in transition in 2000-2006, does not qualify under the Convergence Objective but will receive funding under the Competitiveness and Employment, and Co-operation Objectives.
- 1.14 Ireland will receive funding under the Competitiveness and Employment, and Co-operation Objectives with the Border, Midlands and Western Region, qualifying for funding as a “phasing in” region. Scotland will receive funding under the Competitiveness and Employment Objective and the Highlands and Islands Region will be supported under the Convergence Objective.
- 1.15 For the 2007-2013 programming period, the Lisbon Agenda for growth and jobs and the need to focus on strengthening competitiveness and building a new economy has been highlighted as a key priority. The Lisbon Agenda includes three key priorities as follows:⁶
- Improving the **attractiveness of Member States, regions and cities** by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
 - Encouraging **innovation, entrepreneurship** and the growth of the **knowledge economy** by research and innovation capacities, including new information and communication technologies; and
 - Creating **more and better jobs** by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.
- 1.16 With a view to integrating the Lisbon Agenda into the Structural Funds, the European Commission has issued guidelines that proportions of funding are allocated or ‘earmarked’ towards the Lisbon priorities. The guidelines state that 60% of funding for the Convergence Objective and 75% of funding for the Competitiveness and Employment Objective be earmarked for Lisbon. However, no such guidelines have been set out by the European Commission for the European Territorial Co-operation Objective.

European Territorial Co-operation 2007-2013

- 1.17 In accordance with Regulation (EC) No 1080/2006, the European Territorial Co-operation Objective is to be wholly financed by ERDF and will be centred on the development of Programme economic, social and environmental activities through strategies for sustainable territorial development. In particular, the Regulation states that the Objective will focus on the following priorities:
- Encouraging entrepreneurship, in particular the development of SMEs, tourism, culture and programme trade;

⁶ European Commission (2005) Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013, 5 July 2005.

- Encouraging and improving the joint protection and management of natural and cultural resources, as well as the prevention of natural and technological risks;
- Supporting links between urban and rural areas;
- Reducing isolation through improved access to transport, information and communication networks and services, and programme waste, water and energy systems and facilities; and
- Developing collaboration, capacity and joint use of infrastructures, in particular in sectors such as health, culture, tourism and education.

- 1.18 In addition, the Regulation states that the Programme may contribute to promoting legal and administrative co-operation, the integration of programme labour markets, local employment initiatives, gender equality and equal opportunities, training and social inclusion, and sharing of human resources and facilities for R&TD.
- 1.19 In effect, the above thematic areas provide the template from which Member States and regions can devise their Operational Programmes based on their identifiable needs.
- 1.20 Under the European Territorial Co-operation Objective, the area of eligibility for programme co-operation has been extended under European Article 7(1) of Regulation (EC) No 1083/2006. The Regulation states that all regions of the Community along all internal and certain external land borders and along maritime borders, which are separated by a maximum of 150 kilometres, are eligible for financing under the Co-operation Objective. This means that the maritime border between Ireland and Scotland is, for the first time, included as an eligible area for programme funding. This represents a significant change from previous INTERREG Programmes between Ireland and Northern Ireland.
- 1.21 With a view to enhancing co-operation and building on the existing historical, cultural and economic links, both Member States (Ireland and UK) have taken forward the change in Regulation (EC) No 1083/2006 and included Western Scotland into the INTERREG Programme.
- 1.22 Following the EU budget agreement of December 2005 on the Financial Perspectives 2007–2013 and considerations by the UK and Irish authorities, the INTERREG IV Programme in Northern Ireland, the Border Region of Ireland and Western Scotland was allocated a budget of €192m ERDF.
- 1.23 A summary of the different EU Structural Funds in Northern Ireland, Ireland and Scotland is included in the following table.

Table 1.1: EU Structural Fund Programmes in Northern Ireland, Ireland and Scotland 2007-2013

Programme	Structural Fund Objective	EU funding allocation (allowing for indexation) €	Funding instrument
Northern Ireland			
Competitiveness	Regional Competitiveness and Employment	306	ERDF
Employment	Regional Competitiveness and Employment	165	ESF
Border Region			
Regional Programme South & Eastern	Regional Competitiveness and Employment	146	ERDF
Regional Programme Border, Midland and Western	Regional Competitiveness and Employment	229	ERDF
Employment and Human Resources Development	Regional Competitiveness and Employment	375	ESF
Northern Ireland and the Border Region of Ireland			
Programme for Peace and Reconciliation Ireland–Northern Ireland	European Territorial Co-operation	225	ERDF
Scotland			
Strategy for the Convergence Objective in the Highlands and Islands of Scotland	European Territorial Co-operation	121 52	ERDF and ESF
Competitiveness		376	ERDF
Employment		270	ESF
Northern Ireland, the Border Region and Western Scotland			
INTERREG Programme in Northern Ireland, the Border Region and Western Scotland	European Territorial Co-operation	192	ERDF

- 1.24 The table shows that the INTERREG Programme is included under the European Territorial Co-operation Objective which is funded by ERDF. Under the European Territorial Co-operation Objective, funding will also be provided for transnational and inter-regional components. Three transnational programmes which are relevant to Ireland, Scotland or Northern Ireland will be implemented over the 2007-2013 period. These are: the Northern Periphery, Atlantic Area and North West Programmes for transnational co-operation.
- 1.25 In common with other Structural Funds Programmes in Scotland, Ireland and Northern Ireland, funding for the INTERREG Programme will be additional to national spending.
- 1.26 Outside of the Structural Funds, the EU also provides financial support for:
- Rural development through the European Agricultural Fund for Rural Development (EAFRD). The Rural Development Programmes in Ireland and Northern Ireland 2007-2013 will be the vehicle for delivery of EAFRD support;
 - The sustainable development of the fisheries sector, fisheries areas and inland fisheries through the European Fisheries Fund; and
 - The International Fund for Ireland (IFI) which supports activities in Northern Ireland and the Border Region. Indeed, the EU has committed €60 million to the IFI over the 2007-2010 period to support its strategy 'Sharing this space'.⁷

Political and institutional context

Overview

- 1.27 The Good Friday/Belfast Agreement of 1998 was the culmination of many years of joint effort by the British and Irish Governments to create an agreed political framework for a new beginning for Northern Ireland, as it emerged from three decades of violence and conflict.
- 1.28 After more than four years of suspension, the devolved institutions of government established under the Agreement (a legislative Assembly and a power-sharing Executive) were restored on 8 May 2007. The coming years are therefore crucial for Northern Ireland, if it is to realise its potential for a prosperous and stable future.
- 1.29 The key challenges in the short to medium term future, all of which are linked, include: harnessing the potential for sustainable economic development; tackling sectarianism and developing lasting reconciliation. Building on the foundations of recent political progress, the British and Irish Governments are committed to working in close co-operation with the incoming Northern Ireland Executive to that end.

Historical Context

- 1.30 The Government of Ireland Act 1920 established Northern Ireland as a devolved administration within the United Kingdom, while the rest of the island of Ireland gained independence from Britain with the Anglo-Irish Treaty signed in 1921.

⁷ International Fund for Ireland (2006) Sharing this space.

- 1.31 The political and civic life of the Northern Ireland state was based on the region's principal communal and national identities – Catholic/Nationalist and Protestant/Unionist. From 1921 to 1972, while the United Kingdom Parliament at Westminster continued to exercise sovereignty, power on a variety of matters was devolved to a local Parliament and Government.
- 1.32 Low levels of contact and trust between the two communities were a factor in the onset of prolonged civil unrest and paramilitarism beginning in 1969. Levels of violence peaked in the 1970s, with close to 500 conflict-related deaths in 1972 alone. In a deteriorating security situation, the Northern Ireland Parliament and Government were prorogued in 1972 and the British Government assumed direct responsibility for all aspects of the government of Northern Ireland. With the exception of one brief period in 1974, Northern Ireland was until December 1999 governed under a system of direct rule under the authority of the Secretary of State for Northern Ireland.
- 1.33 Between 1969 and 1994 there were more than 3000 deaths resulting from the conflict, many injuries and widespread destruction across Northern Ireland and the Border Region. In this context, social segregation intensified as did social disadvantage and economic decline. Throughout this period attempts were made to end or minimise conflict through the promotion of cross-community, power-sharing government and cross-border co-operation, as well as by addressing contentious issues such as employment practices, policing and local government. Government also sponsored cross-community contact, especially among children and young people and assisted local entrepreneurship and foreign direct investment.

Search for a political settlement: 1980s and 1990s

- 1.34 From the early 1980s onwards, the British and Irish Governments began to co-operate more closely in an effort to achieve a widely acceptable and durable political settlement. This effort involved both the successive establishment of a number of structures and mechanisms for dialogue and negotiation, and a growing convergence on the fundamental constitutional and other principles which should underpin a settlement.
- 1.35 On 15 December 1993, a joint declaration by the UK's Prime Minister John Major and Irish Taoiseach Albert Reynolds (the "Downing Street Declaration") included the statement that 'the British Government agree that it is for the people of the island of Ireland alone, by agreement between the two parts respectively, to exercise their right of self-determination on the basis of consent, freely and concurrently given, North and South, to bring about a united Ireland, if that is their wish'. The following year, 1994, saw the region's principal paramilitary organisations announce ceasefires.
- 1.36 In 1996, talks began between Northern Ireland's main political parties and the British and Irish Governments. For the first year, after the adoption of rules of procedure, little progress was made, as the decommissioning of paramilitary weapons continued to be the dominant issue. An Independent International Commission on Decommissioning (IICD) was established by the two governments in 1997 to report on progress on the decommissioning of paramilitary weapons.

Good Friday/Belfast Agreement

- 1.37 The multi-party talks finally culminated on Friday, 10 April 1998, when a comprehensive political agreement, known as the Good Friday or Belfast Agreement, was signed. The Agreement restored devolved government to Northern Ireland on an inclusive power-sharing basis and was subsequently overwhelmingly endorsed by voters in Ireland, North and South, in referendums in May 1998.

- 1.38 It firmly settled the constitutional question, explicitly recognising that any change in the constitutional status of Northern Ireland must be by agreement of the people, North and South.
- 1.39 The Agreement sets out a number of institutional arrangements which reflect 3 strands of relationships. **Strand 1** deals with Northern Ireland's internal arrangements – the creation of an elected Northern Ireland Assembly and a power-sharing Executive, where Ministerial posts are allocated in proportion to party strength (using the d'Hondt formula). **Strand 2** deals with North/South arrangements – the creation of a North/South Ministerial Council and North/South Implementation Bodies. **Strand 3** deals with East/West arrangements – the creation of a British/Irish Council and the British/Irish Intergovernmental Conference.
- 1.40 Elections to the new Northern Ireland Assembly took place in June 1998 with the Ulster Unionist Party (UUP) and the Social Democratic and Labour Party (SDLP) emerging as the largest parties. An Assembly and Executive were established in December 1998 with David Trimble of the Ulster Unionists and Seamus Mallon of the SDLP appointed as First and Deputy First Ministers respectively. A brief suspension followed due to disagreement between the parties, principally over the lack of progress in decommissioning of paramilitary weapons. Although the institutions were re-established in May 2000, mutual distrust between the principal political parties adversely affected progress. In October 2002, the Assembly was suspended by the then Secretary of State, Paul Murphy due to a breakdown in trust and confidence amongst the parties. The Secretary of State, assumed responsibility for all Northern Ireland Departments, and special arrangements were put in place to facilitate the continued operation of the North/South Ministerial Council and the North/South Implementation Bodies.
- 1.41 Throughout the period of suspension, the two Governments worked with the parties to resolve outstanding difficulties and to progress implementation of the Good Friday Agreement. Despite the suspension of devolution, Assembly elections took place in November 2003. The results reflected a significant political shift away from the moderately political UUP and SDLP, and towards the Democratic Unionist Party (DUP) and Sinn Féin. In 2004, several attempts were made to restore devolution, but talks ended without agreement, centering again on the issue of IRA decommissioning. In July 2005, the IRA issued a statement indicating that an end to its armed campaign had been ordered by the leadership and in September 2005 the Independent International Commission on Decommissioning reported that the IRA had met its commitment to put its arms beyond use.
- 1.42 Building on these developments, the Governments' efforts to make progress intensified, culminating in three days of talks in October 2006 at St Andrews, Scotland, which resulted in the St Andrews Agreement. Published on 13 October 2006, the St Andrews Agreement underpinned the Good Friday Agreement, setting out a clear way forward for all parties to commit to support for the policing and criminal justice institutions and to support power-sharing.
- 1.43 In late January 2007, following a special party conference, Sinn Féin confirmed the party's support for policing and Assembly elections were held on 7 March 2007 delivering a strong mandate in support of restoring the devolved power-sharing institutions. The elections reconfirmed the Democratic Unionist Party and Sinn Féin as the largest parties. At an unprecedented meeting on 26 March 2007, the two parties announced their agreement to participate in restored devolved institutions with effect from 8 May 2007.

Current Political and Institutional Context

1.44 On 8 May 2007, the devolved institutions were restored and all of the institutions of the Good Friday Agreement are once again fully functioning and are outlined in the following paragraphs below:

North/South implementation bodies

1.45 Six matters were identified for which co-operation takes place through North/South implementation bodies which were established, on 2 December 1999, by international agreement between the British and Irish Governments. The new bodies are:

- The Special EU Programmes Body (SEUPB);
- The Food Safety Promotion Board;
- The Trade and Business Development Body (InterTrade Ireland);
- Waterways Ireland;
- The Foyle, Carlingford and Irish Lights Commission; and
- The North/South Language Body (known in Irish as An Foras Teanga or in Ulster-Scots as Tha Boord o Leid).

In addition, Tourism Ireland has been established.

The Special EU Programmes Body

1.46 Of particular relevance to this Programme is the creation of the Special EU Programmes Body (SEUPB), one of the six North/South implementation bodies. In the context of EU Programmes and this Operational Programme in particular, the Special EU Programmes Body has a central role. It will be the Managing Authority for the INTERREG IV Programme 2007-2013, as well as the new PEACE III Programme 2007-2013.

Matters for North/South co-operation through existing bodies

1.47 Six matters were identified for North/South co-operation through existing bodies in each jurisdiction: Agriculture, Tourism, Transport, Environment, Education and Health.

British/Irish Intergovernmental Conference

1.48 The British/Irish Intergovernmental Conference has replaced the Anglo/Irish Intergovernmental Council and the Intergovernmental Conference established under the 1985 Anglo/Irish Agreement. It promotes bilateral co-operation on matters of mutual interest between the British and Irish Governments. Relevant Northern Ireland Ministers are involved in meetings of the Conference relating to non-devolved Northern Ireland matters.

1.49 In promoting programme co-operation, a Joint Communiqué of the British Irish Intergovernmental Conference in May 2006 stated that the two governments will work closely to maximise the potential of the North/West region. Indeed, the two governments gave a commitment that in drawing up programmes under the new round of Structural Funds, due consideration will be given to the particular needs of the North/West and promoting the North/West Gateway Initiative which will include:

- A non-statutory integrated spatial planning and development framework focusing on the Derry/Letterkenny gateway and the four local council areas of Derry, Strabane, Limavady and Donegal;

- An examination of the potential for joint investment in key infrastructure projects;
- Joint analysis and actions by agencies in areas such as trade and investment promotion, tourism, skills/training, further and higher education, innovation and business development; and
- Better co-ordination of public services, notably in health, education and information services.

1.50 In October 2006, the British and Irish Governments published a common study on programme co-operation. The Comprehensive Study on the All-Island Economy, sets out a blueprint for economic co-operation, outlines the economic rationale for North/South collaboration and provides concrete proposals for economic initiatives. The study focuses on increasing co-operation in the following areas:

- Infrastructure;
- Science, technology and innovation;
- Trade, tourism and investment promotion;
- Labour market and skills;
- Enterprise and business development;
- Regulatory environment and fiscal measures; and

In addition, the study specifically outlines the needs of the North-West region and recognises the importance of co-operation in this area.⁸

1.51 Further detail on this report is included in section VI of this document.

⁸ Office of First and Deputy First Minister/Department of Foreign Affairs (2006) Comprehensive Study on the All-island Economy, 27 October 2006.

II Presentation of region

Eligible area

2.1 The INTERREG Programme 2007-2013 is targeted at the following eligible NUTS III areas:⁹

- Northern Ireland: North of Northern Ireland; East of Northern Ireland; West and South of Northern Ireland;
- Ireland: the Border consists of the six necklace counties along the border with Northern Ireland, i.e., Cavan, Donegal, Leitrim, Louth, Monaghan and Sligo. (This area covers the same boundaries as the Border Regional Authority¹⁰); and
- Scotland: Lochaber, Skye & Lochalsh, Arran & Cumbrae and Argyll & Bute, Dumfries and Galloway, East Ayrshire and North Ayrshire mainland, and South Ayrshire.

A map detailing the eligible area can be found in Annex A.

2.2 In addition, in accordance with Article 21(1) of Regulation (EC) No 1080/2006, in the context of enhanced cross-border co-operation, and in duly justified cases, operations or part of operations may be located in adjoining NUTS III areas. Such operations are subject to an upper limit of 20% of the Programme. This means that up to 20% of Programme funding may be made available to operations in adjoining NUTS III areas where there is a strong rationale for their inclusion. There is no pre-determined budget allocation to such projects and all such projects will be considered strictly on merit, on a case by case basis.

2.3 The adjoining eligible areas are Northern Ireland (i.e. Belfast and Outer Belfast) and the Eilean Siar (Western Isles).

2.4 Furthermore, at a project level, expenditure incurred by partners located outside the Programme area as defined above, may be eligible, if the project would have difficulty in achieving its objectives without that partner's participation.

2.5 As discussed under the section on project selection, activity will be concentrated on the core eligible area, and the opportunities for participation of the adjoining areas will be necessarily limited.

2.6 The eligible region is largely rural in nature, is situated on the periphery of Europe and has areas of low population density, particularly in Western Scotland which contains many remote island communities. In 2005, the population of the eligible region in Northern Ireland was 1,080,942, which is an increase of 3.6% since 1994. In 2006, the population of the Border Region of Ireland was 467,327, an increase of 12.8% since 1996. The eligible region in Scotland has a population of 610,287, representing an increase of 1% (between 1981-2005).

⁹ The inclusion of the eligible areas is defined in accordance with Article 7(1) of Regulation (EC) No 1083/2006. The Regulation states that eligible areas are those NUTS III regions of the Community along all internal and certain external land borders and all NUTS III level regions of the Community along maritime borders separated, as a general rule, by a maximum of 150 kilometres shall be eligible for financing.

¹⁰ The Irish Regions Office, www.iro.ie

Socio-economic review

- 2.7 An independent review of socio-economic conditions in Northern Ireland, the Border Region of Ireland and Western Scotland was carried out in 2006. The review covered key socio-economic matrices in the eligible region but also focused on a number of specific sectoral areas, outlined as priorities in EU Regulation (EC) No 1783/1999. The review was subsequently critically reviewed as part of the Ex-Ante Evaluation process that accompanied the Programme preparation.
- 2.8 The Socio-Economic Review and Ex-Ante Evaluation identified a range of conditions relevant to the current position in the eligible area. While a more extensive analysis is included in Appendix A, the main findings from the review are presented below under the following headings:
- Economic growth and productivity;
 - Labour market conditions;
 - Sectoral employment; and
 - Education.
- 2.9 The specific sectoral analysis is included under the following headings:
- Innovation and the knowledge economy;
 - Enterprise and entrepreneurship;
 - Tourism;
 - Infrastructure and communications;
 - Environment;
 - Energy; and
 - Programme co-operation.

Economic growth and productivity

- 2.10 Both Northern Ireland and the Border Region are relatively fast growing areas but have low levels of GVA (GNP) per head compared with their national averages. Western Scotland has both slower growth in jobs and lower productivity. Low GVA/GNP per head in each area partly reflects their largely rural economies and the small size of most firms. The rapid growth of Ireland is helping the Border Region to grow particularly rapidly.
- 2.11 Population increased at the rapid rate of over 11% in the Border Region in the decade to 2005. The equivalent figure of over 5% for Northern Ireland is still rapid by EU standards and outside Greater Belfast, growth has been even faster at over 7%. In Western Scotland, population numbers have been broadly static, population density is low and scattered across a range of rural and island communities. The natural increase in population is above the EU average in the two Irish regions but not in Scotland where it is well below replacement levels. In Northern Ireland, the age adjusted birth-rate has fallen below replacement level in the 1990's but is now rising back towards replacement in the current decade. Most of the growth in population is driven by migration into both Northern Ireland and the Border Region, much of it from recent accession states. Similarly migration into Western Scotland has accelerated in the last 3 years and is now similar to that in Northern Ireland outside Greater Belfast.

- 2.12 Employment and GVA have also expanded at a rapid rate by comparison with EU15 averages. In the Border Region employment has risen by a remarkable 50% over the last decade. In Northern Ireland, the equivalent figure was 18%, again with a faster rate outside Greater Belfast. GVA grew at the again remarkable rate of almost 8% per annum in the Border Region from 1996 to the latest data in 2002. Northern Ireland's growth rate for GVA has been closer to the UK and EU averages at 2.6% per annum in the decade up to 2004. Growth in Western Scotland has been much more pedestrian for both employment and GVA, with growth rates well below the UK average.
- 2.13 Productivity as measured by GVA per employee (or GNP per employee in Ireland to allow for profit repatriation by multi-national companies) is below EU15 or national levels in both Northern Ireland and the Border Region, and well below that level in Western Scotland. In Northern Ireland, productivity has been falling well behind growth in GB and is now at 89% of the UK average. In the Border Region productivity has been rising rapidly, but from a low level. It is now similar to Northern Ireland but only 90% of the average for Ireland. The third EU Cohesion report gives figures for GDP per head,¹¹ with 2001 showing Northern Ireland at 90.4% of the EU25 average and the BMW Region of Ireland at 93.7%. Faster growth of GDP per employee and employment rates in Ireland than in the EU25 since 2001 is likely to mean that per capita, GDP in the BMW Region may now be close to 100% of the EU25 average. Recorded GVA per employee (and GVA per head) in Western Scotland is very low by Scottish, UK or even Northern Ireland standards. The data suggests that ten years ago, per capita GVA in Western Scotland was similar to that in Northern Ireland at 80% of the UK average, but has subsequently fallen behind to 69% of the UK average and now resembles Northern Ireland excluding Greater Belfast.
- 2.14 Employment rates have been improving quite rapidly in Northern Ireland at 68% of the working-age population but are still 7% below the UK average (although above the average for the EU25 or EU15). The combination of productivity falling behind the UK average and rising employment rates gives a level of GVA per head of population at 80% of the UK and EU15 averages. Northern Ireland appears stuck at this low level and it seems unlikely that with current policies the position will change significantly. In the Border Region employment rates are below those in Ireland and Northern Ireland and as a result GNP per head is close to that in Northern Ireland despite higher productivity. GNP per head is also only 75% of the average for Ireland but like the latter is rising fast.

Labour market conditions

- 2.15 Employment is growing rapidly and has reached historically high levels in both Northern Ireland and the Border Region. This has boosted working age employment rates, and led to substantial inflows of migrant labour. In Northern Ireland, the employment rate reached 68.2% by Spring 2005. The rate in the BMW Region was 62.2% in 2001 and is likely to have risen since then. The rate for the Border Region is likely to be close to that in the BMW Region. Employment rates for these areas, and for Western Scotland, are below their national averages but not below the average for the EU15. Employment in Western Scotland has grown more slowly than in Scotland as a whole, or in the UK, and has grown much less rapidly than in Northern Ireland or the Border Region.

¹¹ At Purchasing Power parity.

- 2.16 Other labour market measures are also better than the EU15. Unemployment rates are below EU average levels and close to their national averages. The unemployment rate in the Border Region has remained consistently a little higher than the rate for Ireland as a whole between 2000 and 2005. In 2005, the unemployment rate in the Border Region was 4.9% compared with 4.2% in Ireland as a whole. In Northern Ireland, unemployment is now close to the UK average at 4.2%. Unemployment in Northern Ireland remains significantly higher for Catholics than Protestants and the same has been true in the Border Region in previous censuses; although up to date figures are not available. In Western Scotland, unemployment rates are also close to the UK and Scottish averages but some areas have pockets of very high unemployment.
- 2.17 Long-term unemployment (LTU)¹² has been a persistent problem in Northern Ireland, the Border Region and in parts of Western Scotland. Levels in these areas have been consistently higher than both national averages. However the Northern Ireland LTU rate has decreased during the last decade and in late 2006 the LTU comprised only 22% of total unemployment although this was still above the UK average (14%). Similarly, the LTU rate in the Border Region is higher than the rate in Ireland as a whole. In 2005, the LTU proportion of the unemployed in the Border Region was 37.9% while the corresponding figure for Ireland was 32.2%.
- 2.18 Economic inactivity rates in Northern Ireland are significantly higher than in other UK regions. While Northern Ireland has experienced a sustained period of growth in terms of employee jobs, economic inactivity statistics reveal that there are 296,000 economically inactive persons¹³ or 28.2% of the working age (16-59/64) population in Northern Ireland. This is significantly higher than the UK average (21.4%) and is the highest level of economic inactivity of any UK region. One important factor is the high number of people receiving incapacity benefit in Northern Ireland; another is the higher number of students in Northern Ireland.
- 2.19 With regard to earnings and income, Northern Ireland, the Border Region and most of Western Scotland have levels below their national averages. In 2002, the Border Region also had the lowest level of disposable income per person compared to the national average. Research has also highlighted that the Border, Midland and Western Region of Ireland has a higher poverty rate than the national average in Ireland with County Donegal, in particular, recording the highest level (90% above average). In comparison with the 11 other UK regions, earnings in Northern Ireland for full-time employees were the lowest and household incomes were also the lowest of any UK region. Further to this, the Scottish Index of Multiple Deprivation in 2006 indicates that of the 5 local authority areas that best fit, the Western Scotland eligible area contained 95 of the worst 15% data zones. The 2004 index also indicates that the same area contained 93 of the worst 15% data zones which suggest constant levels of deprivation relative to the rest of Scotland.

12 Long Term Unemployment (LTU) refers to those individuals who have been unemployed for 1 year or more.

13 An economically inactive person is someone of working age (for males this is aged 16-64 and for females this is 16-59), neither in unemployment nor employed according to the ILO definition.

Sectoral employment

2.20 An analysis of sectoral employment has demonstrated that there are a number of structural problems in the economies of the Border Region, Northern Ireland and parts of Western Scotland. Many of these problems reflect the peripheral geographical location and largely rural nature of the eligible region (outside of the city of Derry, there is an absence of large urban centres over 35,000 in the eligible region) and highlight the narrow economic base and include:

- A high dependence on agriculture in some counties of the Border Region and South Ayrshire. This reflects the rural nature of much of the eligible region;
- A high dependence on traditional manufacturing vulnerable to competition from low cost producers in all areas;
- Low levels of employment in the fast growing financial and business services sectors especially in the Border Region but also in Northern Ireland outside Greater Belfast; and
- A high dependence on the public sector throughout Northern Ireland with 28% of jobs in that sector. This provides a large number of secure jobs at national wage rates, but in some cases may lead to some crowding out of qualified labour from the private sector.

Education

2.21 In regard to educational attainment, the share of school leavers with no qualifications in Scotland (LFS, 19%) is roughly equal to the share in Ireland (Census, 18%), although Northern Ireland's share (LFS, 28%) is still higher than both by approximately 10 percentage points. However, the share of no qualifications in the Border Region is around 50% higher than the average for Ireland and is closer to the Northern Ireland share. The share in Ayrshire in Western Scotland is also closer to the high Northern Ireland share of no qualifications.

2.22 Scotland (26.4%) has the highest level of population trained to third-level (both non-degree, degree and higher) compared to both Northern Ireland (15.8%) and Ireland (20.9%). Indeed, between 2001 and 2002, two of the Western Scottish NUTS III areas (Dumfries and Lochaber) recorded relatively high levels with the percentage of the population trained to third level at 27.7% and 28.1% respectively.

2.23 Both Northern Ireland (15.8%) and the Border Region (16.3%) have much lower levels of population trained to third-level. For instance, the East (14.2%), North (13.6%) and South and West (13.5%) regions of Northern Ireland, along with Monaghan (14.4%) and Donegal (15.2%), have particularly low levels. The Border Region, however, has higher numbers of students in further education (as a percentage of the population 15-74 in 2001/2002) than both Northern Ireland and the Western Region of Scotland. This suggests that the knowledge gap in relation to the attainment of third level education is likely to close in the coming years.

Innovation and the knowledge economy

- 2.24 Research conducted by the European Spatial Planning Observatory Network (ESPON) has collated a number of indicators to identify the potential for different regions to achieve successful knowledge-based local economies.¹⁴ By scoring and classifying different regions in terms of their performance, this analysis shows that all NUTS II areas in the eligible area are underperforming. Both the South West of Scotland and the BMW Region, for instance, have below average scores while Northern Ireland has one of the lowest performance ratings in the UK.
- 2.25 Despite a strong policy focus on innovation in recent years, gross expenditure on R&D in Scotland, Ireland and Northern Ireland also remains low. While research expenditure in the higher education sector in Scotland and Northern Ireland compares favourably with the UK, EU and OECD levels, R&D expenditure in business and government institutes is well below UK and international levels. Expenditure in Ireland is growing but still remains under EU and OECD levels.
- 2.26 Furthermore, although there are no comparable R&D expenditure figures on NUTS II regions, it can be concluded that the research intensity in the Border Region of Ireland and the four Scottish regions is likely to be extremely low. These regions contain a very small proportion of high technology companies, higher education and government research institutions of Ireland and Scotland.¹⁵

Enterprise and entrepreneurship

- 2.27 Analysis shows that the levels of enterprise and entrepreneurship in Northern Ireland and Scotland are below average for the UK and Ireland. In terms of the numbers of V.A.T. registrations and the levels of entrepreneurial activity (as defined by the total entrepreneurial activity index which measures the levels of 'early stage' entrepreneurial activity), the figures for Northern Ireland and Scotland are comparable but are below average for the UK and Ireland. Indeed, Northern Ireland is ranked 9th out of 12 UK regions in terms of entrepreneurial activity. In addition, according to the Global Entrepreneurship Monitor (GEM), the proportion of entrepreneurs in established business in Northern Ireland (6.94%) and Scotland (7.1%) is lower than the UK average (8.2%) and below the proportions for Ireland (10.10%).
- 2.28 Enterprise and entrepreneurial opportunities are also increasingly being linked to network capacity and activity. According to the report, *Business Networks on the Island of Ireland* (2005), 'Networks and clusters help firms to achieve critical mass and economies of scale and compete in larger, more diverse and more competitive markets than they could if they were to continue to act alone'.¹⁶ At present, however, there is current lack of programme networking between Northern Ireland and Ireland which is potentially hindering economic development. A recent study, which examined the geographic distribution of networks and clusters on the island of Ireland, shows that the majority of networks tend to be regional in nature (62%) while only 7% are all-island or Programme in nature.¹⁷

14 The seven indicators are: (1) GDP/capita; (2) GDP/employed persons; (3) Employment rate; (4) Employment rate of older workers; (5) Gross domestic expenditure on R&D; (6) Dispersion of regional unemployment rates; and (7) long-term unemployment rate.

15 CIRCA Group (2006) Audit of Innovation in the BMW Region, Border, Midwest and Western Regional Assembly

16 Hunt, M., Doyle, G., McDermott, D., and McCormack, P. (2005) *Business Networks on the Island of Ireland*, InterTradelreland.

17 Hunt, M., Doyle, G., McDermott, D., and McCormack, P. (2005) *Business Networks on the Island of Ireland*, InterTradelreland.

2.29 Although no data sources have been identified to give quantifiable data on the number and types of networks that exist between Ireland, Northern Ireland and Scotland, increasingly, both formal and informal links are being established between firms and institutions, particularly around education and culture. Other networks are also developing in the fields of transport and telecommunications infrastructure.

Tourism

2.30 The eligible region contains high quality landscapes and has generally experienced a growth in tourism in recent years. However, while growing, the performance of the sector in Northern Ireland and the Border Region still remains below the national averages. In the Border Region of Ireland, for instance, the tourism potential of the area remains relatively underdeveloped, accounting for just under 7% of tourist revenue in Ireland. This represents the lowest proportion of any of the tourism regions in Ireland.

Northern Ireland has enjoyed strong growth in visitor numbers for all 3 categories (business, holiday and family/friends) over the last 10 years or more. However, while holiday visitors to Northern Ireland, has grown by 30% and is higher than the UK on a per capita basis, the tourism potential of Northern Ireland suggests that levels should be much higher. Levels before the conflict in Northern Ireland, for example, were higher than in Ireland, which are now over 3 times higher than in Northern Ireland. Overall, the performance of the tourism sector in Northern Ireland is relatively weak compared to Ireland and the rest of the UK. The contribution of tourism to the economy in Northern Ireland, for example, approximately stands at 1.8% while much higher levels exist in Ireland (4.4%), Scotland (5%) and Wales (7%).

2.31 In the Western Scotland region, the tourist sector forms a significant element of the local economy. While the percentage of people employed in the hotel and restaurant sector in Northern Ireland is 4.23%, the figures are much higher in Western Scotland and particularly in regard to Dumfries and Galloway (6.75%), Lochaber, Skye, Lochalsh, Argyll and the Islands (10.57%) and South Ayrshire (6.58%). The role of the tourist sector in Western Scotland also out performs the Border Region which has 5.05% of people employed in the hotel and restaurant sector. Other key counties in the Border Region associated with tourism also have lower proportions employed in this sector (Donegal 6.28% and Sligo 4.95). Indeed, approximately one quarter of Scotland's tourist activity (trips, nights and spend) are in Western Scotland which means that on a per capita basis (Western Scotland's share of Scotland's total population is approximately 15%), Western Scotland's share of Scottish tourism is relatively high.

2.32 Across the eligible region and the West of Scotland in particular, high seasonality is also an issue which has implications for growth and general sustainable development,

Infrastructure and communication

Transport infrastructure

2.33 In relation to transport infrastructure supply, the road infrastructure maps clearly illustrate the low flows of traffic and limited stock of high-grade motorway infrastructure in Northern Ireland, the West of Scotland and Ireland relative to other territories in Europe. Given that the density of rail network capacity for the island of Ireland is amongst the lowest in Europe, the deficiencies in surface transport infrastructure and connectivity to the European economic heartland present a major challenge for the eligible region. The geography of Western Scotland presents particular challenges for physical communication and accessibility with the presence of 31 islands.

Waste management

- 2.34 Historically the UK and Ireland have depended on landfill as the main route for waste disposal and the shift towards increasing recycling has been slow. Comparable figures for the EU15, for example, highlight that the UK, Northern Ireland and Ireland have low household recycling rates relative to the other EU countries, with only Greece and Portugal having lower rates than Ireland.

Broadband availability and penetration

- 2.35 In terms of technological infrastructure, Northern Ireland has achieved 100% broadband availability. This is unique in Europe. With the infrastructure in place, broadband take-up has now assumed greater importance and the demand for broadband has increased. Despite this, comparative broadband penetration rates show that Northern Ireland's broadband rate (8.8%) is significantly below the rate for the UK (13.5%) and the EU15 average (12%). Ireland's broadband penetration rate is significantly lower again at 4.4% of the population. Only 40.5% of households in the Border, Midlands and Western NUTS II Region had an internet connection in 2006, compared with an Irish average of 48%. While recent research has shown that broadband availability in Scotland is amongst the highest levels in the G7 countries, the poor quality of a number of lines has impacted on availability and reliability in some areas which are scattered across the country.¹⁸

Environment

- 2.36 The attractiveness and potential for development of any territory is related directly to its land use. Ireland, Northern Ireland and Western Scotland have high quality natural landscapes. The most extensive natural areas and habitats in the British Isles are concentrated in the Highlands of Scotland, followed by Scotland and West Wales and then the two territories on the island of Ireland. The quality of natural landscape is an important factor that can at least attract people to live in programme regions, if not work in them as higher paid jobs in future are more likely to be located in core urban centres. The regions share a common maritime environment. The inclusion of Scotland in the Programme presents opportunities to develop and manage this natural resource and utilise the natural assets of the region to promote sustainable development.
- 2.37 Hazards are defined as unexpected or uncontrollable events of unusual magnitude that threaten natural environments, human activities or human health. They can be subdivided into natural hazards (floods, storms, earthquakes) or technological hazards (e.g. oil leakages or radioactive contamination). A combined indicator map for hazard exposure using a range of both types of hazards has been produced by ESPON for the European territory. It indicates that Western Scotland has moderately above average rank for hazards exposure across a combined aggregate of seven indicators. Northern Ireland and the Southern and Eastern Region of Ireland were allocated an average risk score in the study.
- 2.38 With a view to acting against climate change and enhancing environmental protection, both the UK and Ireland have signed up to the Kyoto Protocol. An agreement made under the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol commits participating countries to reduce their emissions of carbon dioxide and five other

¹⁸ Mason (2007) A Study into Broadband Reach in Scotland, Scottish Executive.

greenhouse gases, or engage in emissions trading if they maintain or increase emissions of these gases. In this regard, both Ireland and the UK have committed to reaching their percentage targets for reducing or limiting emissions.

- 2.39 Under the Kyoto Protocol, Ireland agreed to a target of limiting its greenhouse gas emissions to 13% above 1990 levels by the first commitment period 2008-2012 as part of its contribution to the overall EU target. The UK has agreed to reduce greenhouse gas emissions by 12.5% over the 2008-2012 period. Provisional figures suggest that the UK is making greater progress towards the set targets than Ireland. In the UK, emissions of greenhouse gases fell by 14.6% between the base year and 2004¹⁹ while in Ireland, emissions in 2005 were 25.4% above the baseline estimate.²⁰

Energy

Renewable energy

- 2.40 Compared to other EU Member States, the utilisation of renewable energy in Northern Ireland, Ireland and Scotland is considerably lower. In 2003, the percentage share of electricity produced from renewable energy sources in EU25 and EU15 was 12.80% and 13.7%, respectively, while the Northern Ireland (1.9%), the UK (2.8%) and Ireland (4.3%) recorded much lower levels. Situated on the western seaboard of Europe, the natural environment of the region offers unique opportunities to further develop renewable energy production particularly in the areas of wind, wave and biomass energy, and thus enhance sustainable economic development at a local level.

Programme co-operation

- 2.41 The border areas in Northern Ireland, Western Scotland and Ireland share a number of common features with other peripheral borders across the European Union where social and economic development are impacted on by isolation and fragmentation. Historically, the creation of the Irish border cut off towns and markets from their natural hinterlands, and the promotion of subsequent economic isolationist policies in the decades after partition contributed towards the economic decline of border areas.²¹ Though many of these effects have been addressed by the single market, the pattern of poor economic performance in some border areas remains.
- 2.42 Problems of development were exacerbated in areas where the border was in a conflict zone and the high level of militarisation of the border during the conflict, presence of security barriers and resulting road closures have had a damaging impact. The conflict and the existence of the border, for instance, have had a deep impact on the social, cultural and economic connections among communities. Such impacts were immediately visible whenever there was a high-profile act of violence near to the border. Programme travel, for instance, was extremely sensitive to violence, dropping sharply after such incidents and gradually rebuilding thereafter.²² Survey evidence conducted by the Northern Ireland Statistics and Research Agency (NISRA) shows that sensitivities to crossing the border still remain. The survey highlights that just under two thirds (61%) of both the Northern Ireland and the Border Region population do cross the border but with Catholics being more likely than Protestants, in both regions, to do so. In regard to reasons for crossing the border,

19 <http://www.defra.gov.uk>

20 <http://www.epa.ie>

21 Brian Harvey, B., Kelly, A., McGearty, S., and Murray, S. (2005) *The Emerald Curtain: the Social Impact of the Irish Border*, April 2005.

22 Robb, H. (1995) *Activities for the Joint Chair in Programme Business Enterprise*, University College Dublin and the University of Ulster.

survey results also shows that, in Northern Ireland, over three fifths (62%) of the population cross the border for short breaks or holidays but the comparable figure in the Border Region is only 8%.²³

- 2.43 Border areas in Northern Ireland and Ireland also contain communities which have been affected by the conflict through isolation or marginalisation resulting from the severing of social and economic links. Despite this, research shows that substantial agreement on the positive aspects of increased exchange and co-operation across the border does exist and all interviewees outlined that this is hugely beneficial to the area in terms of both community relations and economic rewards.²⁴
- 2.44 In addition, the existence of land and maritime borders also distort and disrupt networks and movement and this has impacted on the development of transport and communication linkages and networks in the areas of culture, energy, waste and the environment.²⁵ The adverse consequences of back-to-back development are most clearly felt in Border Regions and this is highlighted by recent research which identifies the access and infrastructure deficiencies that beset the border areas between Northern Ireland and Ireland. The research also shows a lower attainment rate (educational attainment and higher earners and professionals) in some border territories which may in part be attributable to gaps in infrastructure provision in the border zones.²⁶
- 2.45 The existence of a border also distorts the full operation of the labour market which has implications for economic and social development of the eligible region. Research, for instance, has highlighted the constraints to labour market mobility between Northern Ireland and Ireland. Research has identified that a wide range of obstacles to mobility exist which include factors such as transport, education and training (including the mutual accreditation), transport, telecommunications, banking, insurance, a lack of information on employment and mobility and social security benefits.²⁷ The distorting effect of borders is also supported by a recent study conducted on labour market mobility across the EU. This research shows that that a number of key barriers to Programme working are still evident and that levels of mobility within the EU have remained at relatively low levels since 2001.²⁸
- 2.46 Further to this, different policy approaches adopted in areas such as health, education and economic development have limited programme opportunities and relationships and make it more difficult to address the common problems of Border Regions.²⁹

23 Northern Ireland Statistics and Research Agency (2004) Attitudinal Survey, Special EU Programmes Body.

24 Todd, J., Muldoon, O., Trew, K., McLaughlin, K., Rougier, N., Canas Bottos., L. (2005) Borders, States and Nations: Contested Boundaries and National Identified in the Irish Border Area, Geary Discussion Paper Series.

25 Office of First and Deputy First Minister/Department of Foreign Affairs (2006) Comprehensive Study on the All-island Economy, 27 October 2006.

26 InterTradelreland (2006) Spatial Strategies on the Island of Ireland, Development of a Framework of Collaborative Action.

27 PricewaterhouseCoopers (2001) Study of Obstacles to Mobility, North/South Ministerial Council.

28 PricewaterhouseCoopers (2006) Managing Mobility Matters 2006.

29 Office of First and Deputy First Minister/Department of Foreign Affairs (2006) Comprehensive Study on the All-island Economy, 27 October 2006.

SWOT analysis

2.47 Drawing together the findings from the Socio-Economic Review, the following table summarises the major themes under each heading of the SWOT analysis.

Table 2.1: Strengths Weaknesses Opportunities Threats (SWOT) analysis of eligible region

Strengths	Weaknesses
<ul style="list-style-type: none"> • Sustained population growth in Northern Ireland and the Border Region since the early 1990s • Increasing productivity in Northern Ireland and the Border Region • Strong growth in employment in Northern Ireland and the Border Region and declining unemployment. All three areas are now below the EU15 average for unemployment levels • Significant levels of the population in Western Scotland trained to third level education • 100% broadband availability in Northern Ireland • High quality natural landscapes and environment in Northern Ireland, Scotland and the Border Region and endowment of natural resources • A strong natural renewable energy resource • Relatively high levels of enterprise and entrepreneurship in Ireland • Strong cultural linkages between Northern Ireland, Western Scotland and the Border Region • Strong tourism sector in Western Scotland and growing in Northern Ireland and the Border Region 	<ul style="list-style-type: none"> • Productivity (as measured by GVA per employee) is below EU15 or national levels in both Northern Ireland and the Border Region, and well below that level in Western Scotland • Narrow economic base given continuing dependence on agriculture and traditional manufacturing industries. Relatively small private sector in Northern Ireland and some regions in Western Scotland and overdependence on the public sector • Long-term unemployment has been a persistent problem in Northern Ireland, the Border Region and in parts of Western Scotland and remains higher compared to the national averages (UK and Ireland) • Lower levels of the population in Northern Ireland and the Border Region trained to third level education compared to the national averages (UK and Ireland) • Levels of enterprise and entrepreneurship in Northern Ireland and Scotland are below the UK average • Lack of programme business networking between Northern Ireland and Ireland • Lower broadband penetration in Northern Ireland and Ireland compared to the UK and EU15 • Lack of adequate broadband infrastructure in the Border Region of Ireland • Low utilisation of renewable energy and recycling in Scotland, Northern Ireland and Ireland compared to EU 25 and EU15 • Distortion of networks and movement due to land and maritime borders which has impacted on economic and social linkages, e.g. limited transport and infrastructure and restricted operation of the labour market

Strengths	Weaknesses
	<ul style="list-style-type: none"> • Different policy approaches have made it difficult to address the common problems of Border Regions • Peripheral location of the eligible region, particularly Western Scotland and Donegal, and associated problems of remoteness and accessibility • Areas of low population density and scattered island communities which impact on efficient service delivery • Underdeveloped regional scientific research system in the Border Region of Ireland.

Opportunities	Threats
<ul style="list-style-type: none"> • Continued strong economic growth in Ireland and sustained growth in the UK • Increasing numbers of students attending third level education and growth in female participation rate in the labour market in the Border Region • Developing tourism economy in Northern Ireland and potential to build on the strengths of tourism in the Border Region and in particular, Western Scotland • Sharing best practice and creating synergies on a programme basis • Development of the unique natural assets and natural resources of the region to support sustainable development, including the promotion of renewable energies • Building on programme linkages, capacity and skills resource base established under INTERREG Programmes and potential to work together to address common economic, social and environmental problems • Stability arising from continued developments in the peace process encouraging economic development (e.g. attracting inward investment) and improved cross-community and programme linkages 	<ul style="list-style-type: none"> • Increased competition from low cost producers in Eastern Europe and the Far East • Future employment in the EU will be concentrated on knowledge intensive sectors in which the economy of the eligible area is relatively weak • Continued macro-economic stability of UK and Irish economies cannot be taken for granted • Inflation in Ireland, for example, leading to growing competitive pressures from other regions/Member States • Continuing 'brain drain' from Northern Ireland and the Border Region of Ireland, and peripheral parts of Scotland • Increasingly competitive tourism market • Lack of political stability • Perceived barriers to programme working such as currency and tax • Exploitation of natural resources and assets leading to unsustainable development • The potential for climate change to impact negatively on patterns of economic activity and the natural environment

Evaluation results of the INTERREG Programmes

2.48 With a view to building on the skills and experience of Programme co-operation in the current INTERREG Programme, this section reviews the outcomes and lessons from the previous INTERREG Programmes. The section primarily draws on the experience of the INTERREG IIIA Programme in Northern Ireland (largely focusing on the 2000-2006 Programme but with some reference to INTERREG II, 1994-1999, and I, 1991-1993), but given the participation of Western Scotland in the Programme, lessons are also provided on INTERREG IIIB Programmes in which Northern Ireland, Ireland and regions in Western Scotland have been involved (this includes the Northern Periphery, North Sea, Atlantic Area and North West Programmes for transnational Co-operation).³⁰ Some of the key findings from the evaluations of the INTERREG Programmes are outlined below.

Facilitating a high level of Programme/transnational engagement

2.49 The Mid-Term Evaluation update identified that the INTERREG IIIA Programme in Northern Ireland/Ireland had developed real programme working at management, delivery and project level. In the Programme there was strong evidence in relation to establishing the 'joint' identification of need, project development and implementation arrangements and involving beneficiaries from both jurisdictions. This was a particularly important development within the INTERREG IIIA Programme as previous INTERREG Programmes (I and II) had been strongly criticised for their lack of programme engagement and development of 'back-to-back' or parallel projects.³¹ In the INTERREG IIIA Programme, the management structures played an important role in ensuring a greater programme engagement throughout the Programme. As well as having a Programme Managing Authority (SEUPB), the INTERREG IIIA Programme included a Joint Technical Secretariat and a Steering Committee which scrutinised and investigated each project to determine if they were truly programme in nature. To assist this scrutiny, the SEUPB developed guidance on the definition of programme which also helped to provide clarity to the term. In addition, a number of programme partnerships were selected to deliver the Measures under the Programme involving Intermediary Funding Bodies (IFBs), local authorities and stakeholders from the private, public and voluntary/community sectors. These partnership arrangements operated on a programme basis and produced a collaborative 'dividend' by stimulating programme dialogue, cross-community working and encouraging wider participation in the Programme.

2.50 In a similar vein, the INTERREG IIIB Northern Periphery Programme has also worked to facilitate relationships on a transnational basis involving a range of partners. Indeed, the evaluation found that the number of partners from each country was very high and that the participation of non-Member States was also significant. Overall, it was concluded that this co-operation has added to the dynamics of the Programme and contributed towards securing prosperous and sustainable development of the Northern Periphery.³² In addition,

30 Northern Ireland, Ireland and all regions in Western Scotland have not been involved in all four transnational Programmes. However, at least one of the areas of the eligible region, or part of the eligible region, has been involved across all four Programmes.

31 Research shows, for example, that only 38% of projects funded under INTERREG I were of a genuinely Programme nature and within this 38%, 42% of funding was allocated to the Erne-Shannon Canal Link, 21% to two forestry projects and 13% to 1 electricity project. This meant that all other Programme projects amounted to only 24% of the Programme allocation or just 9% of the total INTERREG allocation. O'Dowd, L., Corrigan, J. and Moore, T. (1994) *The Irish Border Region: A Socio-Economic Profile*, Department of Sociology and Social Policy, The Queen's University of Belfast. See also, KPMG (1994) *Interim Evaluation of the INTERREG I Programme 1991-1993*; Coopers and Lybrand/INDECON (1997) *Mid-Term Evaluation of the INTERREG II Programme 1994-1999*.

32 European Policies Research Centre (2005) *Update of the Mid-Term Evaluation, INTERREG IIIB Northern Periphery Programme, Final Report to NPP Managing Authority, 19 December 2005*.

the Mid-Term Evaluation concluded that the Atlantic Area Programme helped 'to create a culture of co-operation between States'³³, while the North West Europe Programme identified that even co-operation on simple common issues can be highly valuable in a step-by-step process of achieving the level of genuine transnationality.³⁴

Promoting economic and social development

2.51 The INTERREG Programmes have made an important contribution to programme economic and social development. For example, although the full impact of any programme can only be measured *ex-post*, by October 2005, the INTERREG Programme had supported 218 projects that had achieved a range of valuable outcomes including, *inter alia*, developing 28,000 square feet of enterprise parks, increasing the sales in 161 businesses, training 340 people in new skills and completing 18km of rural road improvements. In addition, there is evidence that the INTERREG IIIA projects have improved the quality of life of residents, particularly in terms of increasing access to services such as rural transport provision and out of hours GP provision. Other projects, for instance, have worked to improve the health and social well being of particular groups living in the border area, such as the mentally ill, children and young people and the elderly.³⁵

Building on previous skills and experience

2.52 While the INTERREG IIIA Programme has encouraged participation in programme co-operation and developed new programme linkages between partners for the first time, a key feature of the Programme has also been utilising the skills and experience developed under INTERREG I and II. In some cases, project promoters had previously been involved in programme working and were able to 'hit the ground running'. This reflects the cumulative effect of building programme relationships which provides the basis for future partnerships between individuals and groups and the creation of a 'partnership' asset.

Supporting innovation

2.53 The INTERREG Programme has supported a range of projects which have developed innovative ways of overcoming obstacles to programme co-operation and addressing some of the needs of those in the border area. The INTERREG IIIA Programme, for example, has supported projects that aim to reduce a range of barriers to programme labour mobility, provide dentists greater access to specialised training facilities and increase the provision of renewable energy technologies. In addition, a clear innovation in the implementation of the Programme was the establishment of the programme partnerships which worked to facilitate programme co-operation between local authorities and other public, private and community/voluntary sector stakeholders at the local level.³⁶

Lessons from INTERREG

2.54 Reflecting on the experience of the INTERREG Programmes, a number of key lessons can be learned that will help to inform the development of the 2007-2013 INTERREG Programme. The key lessons are as follows:

- **The importance of an early start:** as noted earlier, the INTERREG IIIA was not officially launched until November 2002. This meant that almost three years had been

33 EDATER (2003) Mid-Term Evaluation of the INTERREG IIIB Atlantic Area Programme 2000-2006, December 2003.

34 Research Voor Beleid (2005) Mid-Term Evaluation of the INTERREG IIIB North Sea Programme.

35 PricewaterhouseCoopers (2005) Update of the Mid-Term Evaluation of the INTERREG IIIA Ireland/Northern Ireland 2000-2006, Final Report, October 2005.

36 PricewaterhouseCoopers (2005) Update of the Mid-Term Evaluation of the INTERREG IIIA Ireland/Northern Ireland 2000-2006, Final Report, October 2005.

lost which placed immediate pressures on N+2 targets (it takes time to establish new organisations, locate partners and develop programme linkages) and put additional pressure on the SEUPB, as Managing Authority, and other programme stakeholders to get the Programme up and running. This also meant that limited time was available to develop the finer administrative details of the Programme such as producing guidance on the definition of programme co-operation, the absence of which caused much confusion and ambiguity during the initial stages. It was not until late 2003 that many of the finer administrative issues could be addressed;

- **Achieving the correct balance of administrative structures and processes:** in the INTERREG IIIA Programme, a number of administrative structures (i.e. Joint Technical Secretariat and Steering Committee) were established to assess and scrutinise project applications. These structures and processes have been important in addressing key criticisms of INTERREG I and II which included the need to strengthen programme working, reduce overlaps and duplication with other EU Programmes, and provide better resourcing for administrative arrangements.³⁷ The establishment of a Joint Technical Secretariat and Steering Committee, however, did raise potential concerns in the Mid-Term Evaluation that the administrative arrangements were overly complex. While the update of the Mid-Term Evaluation later found that the structures were working effectively to implement the Programme, it was considered that the role of the Steering Committee would need to be reviewed to streamline processes and make the best use of all the participant members' time. In this regard, it is important to ensure that a correct balance in administrative structures is achieved to ensure efficient processes and ways of working. In addition, the Northern Periphery Programme has faced concerns over the administrative structures and processes and particularly in relation to application submission procedure, the assessment procedure and delays in payments. In response to these concerns, the Joint Programme Secretariat was streamlined, the application form revised and fast track procedures for submitted applications were introduced³⁸;
- **Contributing towards broader national and EU objectives:** compared to the INTERREG II and I Programmes, the Mid-Term Evaluation update highlighted that the INTERREG IIIA Programme in Northern Ireland/Ireland has made a contribution to overarching EU policy objectives and has also operated more closely within a coherent North/South strategic framework. Operating within this framework, the Mid-Term Evaluation update showed that the INTERREG IIIA Programme has made an important contribution to achieving the aims of each of the key areas for programme co-operation such as transport planning, educational linkages, tourism and health and waste management.³⁹ Evaluations of the Northern Periphery and North West Europe Programmes have concluded that the Programmes closely corresponded to, and made a contribution towards, the core elements of the Lisbon and Gothenburg agendas.⁴⁰ In relation to the Northern Periphery Programme, for example, this is highlighted by the focus of the Priorities and projects on areas such as job creation, skills development and the business environment;

37 KPMG (1994) Interim Evaluation of the INTERREG I Programme 1991-1993; Coopers and Lybrand/INDECON (1997) Mid-Term Evaluation of the INTERREG II Programme 1994-1999.

38 European Policies Research Centre (2005) Update of the Mid-Term Evaluation, INTERREG IIIB Northern Periphery Programme, Final Report to NPP Managing Authority, 19 December 2005.

39 PricewaterhouseCoopers (2005) Update of the Mid-Term Evaluation of the INTERREG IIIA Ireland/Northern Ireland 2000-2006, Final Report, October 2005.

40 European Policies Research Centre (2005) Update of the Mid-Term Evaluation, INTERREG IIIB Northern Periphery Programme, Final Report to NPP Managing Authority, 19 December 2005.

- Adopting a more strategic approach to investment:** although the INTERREG IIIA Programme has supported over 200 projects which have encouraged broad participation in programme co-operation, concerns have been raised in some areas that the programme has been project led and developed outcomes 'too thinly' across the region. This criticism, for example, was outlined in research which focused on the tourism sector. The research found that the spread of expenditure decisions across projects and a range of government departments, intermediary bodies and partnerships, have reinforced the lack of strategic direction and prioritisation of funds.⁴¹ In this regard, it was held that more consideration should be given to promoting a number of strategic investments that will increase critical mass and impact. With a view to promoting a more strategic approach, the Joint Programme Secretariat in the Northern Periphery Programme prepares a strategic document after each application round. This adopts a pro-active approach and provides an innovative way of addressing strategic gaps in the Programme.⁴² In the North/West Programme, the evaluation found that the Programme has initiated a culture of territorial development and planning from the bottom-up but that more progress needed to be made in involving the strategic decision making levels (the regional and national levels);⁴³
- Developmental work:** as a means to improve the quality of applications among groups/organisations that have limited capacity and experience of funding programmes, the experience of INTERREG Programmes shows that the developmental support can provide added benefits. This can create a more level playing field, help potential applicants with strong project ideas articulate their views, facilitate promotion and encourage more participation within the Programme. In the INTERREG IIIA Programme in Northern Ireland/Ireland, a Developmental Officer was employed to work with applicants at the local level to build capacity and prepare applications, while the Joint Programme Secretariat was seen to provide key support to projects and applicants in the North Sea Programme.⁴⁴ In the INTERREG IIIA Programme in Northern Ireland/Ireland, the development function was also adopted early in the Programme by the appointment of an Officer at sub-regional level by the programme partnerships. On the other hand, the evaluation of the Northern Periphery Programme found that the Regional Contact Points and the Joint Programme Secretariat need to be more proactive to project developers and in following up projects.⁴⁵ In this regard, the Joint Programme Secretariat has reviewed some activities which created a more active secretariat. Similar findings were also identified in the Atlantic Area Programme but it was also concluded that the role of the national correspondents needed to be better co-ordinated to develop a more common approach to development;⁴⁶ and
- Multi-lateral meetings:** largely due to the late start of the Programme, INTERREG IIIA faced immediate pressures on ensuring commitment and spend and concerns were raised that N+2 targets would not be met. Faced with this potential problem, the Managing Authority organised regular multi-lateral meetings with implementing bodies to monitor progress on spend. As well as providing a valuable opportunity for implementing bodies and Programme stakeholders to network, share experience and build programme relations, these multi-lateral meetings provided a continuous check

41 BTS (2006) Future Programme European Funds for Tourism 2007-2013, Final Report, April 2006.

42 European Policies Research Centre (2005) Update of the Mid-Term Evaluation, INTERREG IIIB Northern Periphery Programme, Final Report to NPP Managing Authority, 19 December 2005.

43 Research Voor Beleid (2005) Mid-Term Evaluation of the INTERREG IIIB North Sea Programme.

44 ECORYS (2003) Mid-Term Evaluation of the INTERREG IIIB North West Europe Programme.

45 European Policies Research Centre (2005) Update of the Mid-Term Evaluation, INTERREG IIIB Northern Periphery Programme, Final Report to NPP Managing Authority, 19 December 2005.

46 EDATER (2003) Mid-Term Evaluation of the INTERREG IIIB Atlantic Area Programme 2000-2006, December 2003.

on the progress of each Measure and highlighted areas of concern at an early stage. This allowed the implementing bodies and Managing Authorities time to take appropriate corrective action.

Consultation process

- 2.55 The SEUPB undertook a preliminary consultation exercise to assist the development of proposals for the INTERREG IV Programme 2007-2013. This exercise was conducted between the end of April 2006 to the beginning of July 2006. To facilitate the consultation, a discussion document was prepared to focus questions on a number of issues including:
- What actions should be supported;
 - How lessons learnt from INTERREG could be built on;
 - How the new Programme should be implemented and managed; and
 - What the priorities for the new Programme should be.
- 2.56 The discussion document was widely circulated to all programme stakeholders and the SEUPB held eight public consultation events throughout the eligible region. Direct consultation and discussion was also held with the government departments, North and South, the Scottish Executive, INTERREG IIIA implementation bodies and representatives of all sectors, including business, rural, agricultural, community and voluntary, trade unions and public sector organisations. All programme stakeholders were also encouraged to respond to the consultation through the SEUPB website or by written submission.
- 2.57 Over 200 people attended the public meetings and 100 written responses were received as well as detailed submissions from government departments, North and South.
- 2.58 Existing documentation on INTERREG, written by external parties, has also been reviewed with the key recommendations and issues contributing to the consultation exercise and the development of the INTERREG IV 2007-2013 Programme proposals.
- 2.59 The SEUPB established a Consultative Group on which all the social partners were represented in addition to equality and environmental interests. The Consultative Group reviewed drafts of the Operational Programme and their comments were considered in the preparation of the Programme.
- 2.60 Following detailed discussion and consideration of the issues and recommendations from the consultation exercise, the SEUPB made proposals to the relevant authorities in Ireland, Northern Ireland and Scotland, for the development of the INTERREG Programme. These proposals were then put forward, in the format of a full draft Operational Programme, for further public consultation between February 2007 and April 2007.
- 2.61 During this consultation period, extensive consultation was held with social partners and other stakeholders through the region. Publicly advertised consultation events were organised in both Northern Ireland (incorporating the Border Region) and in Scotland. 60 written responses were submitted and published on the SEUPB's website. The Operational Programme was revised to reflect the consultation process and a report detailing SEUPB responses produced. Details of respondents to the public consultation are attached to this report, (Annex E).

The Ex-Ante Evaluation Process

- 2.62 In May 2006, SEUPB appointed the Economic Research Institute of Northern Ireland (ERINI) and the Economic and Social Research Institute Ireland (ESRI) as the Ex-Ante Evaluators for the INTERREG IV Programme. An ongoing iterative process has taken place during the development of the Programme with the SEUPB. The Ex-Ante Evaluators first concentrated on commenting on the Socio-Economic Review of the region and the Socio-Economic Review document was amended accordingly.
- 2.63 The Ex-Ante Evaluators then met with SEUPB on a number of occasions and made comment on the development of the Operational Programme at each stage of the process. A draft Operational Programme was launched for public consultation in January 2007 and the Ex-Ante Evaluators submitted a draft report to SEUPB, which was subsequently discussed at the Consultative Partnership Group meeting in early May 2007. The Ex-Ante process initiated a very engaged debate on the merits of cross-border co-operation in addressing social and economic needs.
- 2.64 As a consequence of the Ex-Ante Evaluation process a substantive number of changes were made to the draft Operational Programme document. These changes are detailed in Chapter 2 of the Ex-Ante Evaluation.
- 2.65 As a result of changes to the Socio-Economic Review, elements of the SWOT analysis have also been revised. This specifically includes highlighting that improvements in productivity are more relevant to the Border Region and omitting Scotland from the list of areas of strong employment. In addition, in acknowledging that much of the growth in the workforce now comes from immigrants, the reference to the need to meet the needs of a growing workforce has been deleted as immigration itself tends to respond to employment opportunities.
- 2.66 In light of comments in the Ex-Ante Evaluation that lessons from the Programme tend to emphasise administrative issues, more reference is provided on the impact of INTERREG IV in terms of the contribution of previous Programmes on society and economy in the eligible region. The Programme highlights the important lesson of ensuring that activities are located within, and can contribute to, a broader policy framework. Under the section heading, evaluation results of the INTERREG Programmes, the Operational Programme does provide evidence on impact that is presented in the Mid-Term Evaluation update. This includes presentation of the key outcomes in terms of economic and social development, promoting programme engagement and building skills and competencies.
- 2.67 Whilst accepting the broad rationale for the priorities the Ex-Ante Evaluation queried the efficacy of developing networks in the private sector. The Operational Programme has included reference to a report from InterTradelreland, *Business Networks on the Island of Ireland* (2005), which argues that 'networks and clusters help firms to achieve critical mass and economies of scale and compete in larger, more diverse and more competitive markets than they could if they were to continue to act alone'.⁴⁷

47 Hunt, M., Doyle, G., McDermott, D., and McCormack, P. (2005) *Business Networks on the Island of Ireland*, InterTradelreland.

- 2.68 In relation to Priority 2 the Ex-Ante Evaluation outlined the importance of citing examples from previous INTERREG Programmes which demonstrate the value of sharing best practice and improving access to services and facilities. In response, the Programme has cited projects such as the GP out of hours provision (a project which provided GP services on a Programme basis) which has worked to promote economic and social development and improve the health and social well being of groups living in the border area. In light of comments that the Priority 2 provides only a general sense of proposed activities, the Operational Programme outlines more detail in the list of indicative operations as to what types of projects Priority 2 will support.
- 2.69 However, some suggestions from the Ex-Ante Evaluators were not taken on board by SEUPB and the Consultative Group. One of these suggestions was the contention in the Ex-Ante Evaluation report that there is a lack of evidence that the socio-economic problems of the eligible region are caused by the existence of the border.
- 2.70 The Ex-Ante report comments that since the completion of the EU single market in 1992 and the abolition of border controls there have been few impediments to trade on the island of Ireland. In also commenting that the ending of systematic large-scale paramilitary violence has removed most of the perception of danger associated with crossing the border, the report argues that the remaining impediments arising from the existence of the border are connected with currency and tax differences and with the rules linked with the provision of public services. The Ex-Ante Evaluation, however, does not present any evidence to support this claim. The report goes on to argue that since many of the socio-economic problems experienced by the eligible region are not caused by border proximity per se, it does not necessarily follow that programme co-operation would necessarily be the most effective way of improving conditions. It is concluded that the underpinning for the Programme is not based on sound economic rationale but from the imperatives of the EU ERDF regulation in respect of European territorial co-operation.
- 2.71 The SEUPB does not accept this particular conclusion of the Ex-Ante Evaluation report. The INTERREG IV Operational Programme recognises that while not all of the socio-economic problems in the eligible area are due to the existence of borders, it is maintained that land and maritime borders have exacerbated these problems. It is also held that some of these socio-economic problems are more difficult to resolve due to the existence of borders and that the INTERREG IV Operational Programme is one intervention, among other national and local government initiatives, which is focused on improving the overall socio-economic conditions of the eligible region.
- 2.72 The INTERREG IV Operational Programme outlines that the creation of the Irish border cut off towns and markets from their natural hinterlands and the promotion of subsequent economic isolationist policies in the decades after partition, contributed towards the economic decline of border areas.⁴⁸ While it is acknowledged that many of these effects have been addressed by the Single Market, the pattern of poor economic performance in some border areas remains.

48 Brian Harvey, B., Kelly, A., McGearry, S., and Murray, S. (2005) The Emerald Curtain: the Social Impact of the Irish Border, April 2005.

- 2.73 Indeed, the adverse consequences of back-to-back development are most clearly felt in Border Regions and this is highlighted by recent research which identifies the access and infrastructure deficiencies that beset the border areas between Northern Ireland and Ireland. The research also shows lower attainment rates in some border territories (educational attainment and higher earners and professionals) and suggests that some portion of this poor performance can be attributed to the planning and infrastructure gaps in the border zones.⁴⁹
- 2.74 Furthermore, it is not accepted that the remaining impediments arising from the existence of the border are solely connected with currency and tax differences and with the rules linked with the provision of public services. Research, for instance, has shown that the existence of the Irish border distorts the full operation of the labour market and that a range of constraints to mobility exist. As well as social security benefits and tax issues, obstacles such as transport, education, training, telecommunications, banking, insurance and lack of information on employment and mobility were identified.⁵⁰ The evaluator has failed to note these obstacles when quoting from the same report.
- 2.75 While recognising that the ending of systematic large-scale paramilitary violence has removed most of the perception of danger associated with crossing the border, research conducted by the Northern Ireland Statistics and Research Agency (NISRA) shows that much sensitivity to crossing the border still remains, particularly for the Protestant Community in Northern Ireland and the Border Region. The survey highlights that just under two thirds (61%) of both the Northern Ireland and the Border Region population do cross the border but with Catholics being more likely than Protestants, in both regions, to do so. The study of obstacles to mobility also identified the 'chill factor' which affects the perceptions of companies doing business in either direction across the border, although this may have changed somewhat since the study was undertaken in 2001.
- 2.76 In summary, the Ex-Ante Evaluation process led to key changes to the Programme rationale and to the evaluation of results and impacts. The Operational Programme has been revised to acknowledge that not all problems analysed in the Socio-Economic Review are due to the existence of borders. The report has also shifted the degree of emphasis in this regard and recognised that the border has exacerbated the problems but is not the sole reason for the problems. In addition, in light of the Ex-Ante Evaluation, the programme indicators have been reviewed and revised and more information has been provided on the Monitoring and Evaluation Framework. The process has also resulted in changes to the Socio-Economic Review, the SWOT analyses, the rationale of the Priorities and the lessons learnt from previous Programmes.
- 2.77 The process concluded at the end of May 2007 with a final report submitted from the ERINI and ESRI. This Report accompanies the Operational Programme.

49 InterTradelreland (2006) Spatial Strategies on the Island of Ireland, Development of a Framework of Collaborative Action.

50 PricewaterhouseCoopers (2001) Study of Obstacles to Mobility, North/South Ministerial Council.

Strategic Environmental Assessment

- 2.78 Prior to engaging in a full SEA, SEUPB carried out a Preliminary Screening exercise to determine the need for and extent of a Strategic Environmental Assessment (SEA). It was determined in the Preliminary Screening Report that a full SEA would be carried out for the Programme. A suitability qualified and experienced environmental consultancy company was appointed.
- 2.79 The Operational Programme was subject to a full public consultation process, over a 12 week period, as outlined in previous sections of this document. The draft Operational Programme was available to the public and a specific question was included requesting views on the environmental and sustainable development impacts of the Programme. Many of the respondents did not express any views on this question, but for those who did the majority of respondents welcomed provision in the Programme to consider environmental and sustainable development issues. Other respondents mentioned the need to ensure that Scotland was fully incorporated in any environmental report prepared. The importance of suitable selection criteria was also stressed. These comments informed the preparation of the final draft of the Operational Programme.
- 2.80 The methodology and timescale for the preparation of an environmental statement was agreed in accordance with the requirements of European Union's Strategic Environment Assessment (SEA) Directive 2001/42/EC.
- 2.81 A Scoping Review was prepared which gathered baseline information by reviewing plans, policies and programmes related to the eligible areas, i.e. Northern Ireland, Border Region of Ireland and Western Scotland. Comparisons were drawn between the baseline data and other parts of the UK and Ireland. The Scoping Review identified the scope and level of detail required and included a consideration of potential trans-boundary effects as required by the relevant SEA Regulations.
- 2.82 The Scoping Review was sent to the 7 relevant Environmental Authorities in the eligible areas:-
- Environment and Heritage Service (NI);
 - Environmental Protection Agency (Ireland);
 - Department of Environment, Heritage and Local Government (Ireland);
 - Department of Communications, Marine and Natural Resources (Ireland);
 - Scottish Environment Protection Agency (Scotland);
 - Scottish Natural Heritage (Scotland); and
 - Historic Scotland (Scotland).

The Environmental Authorities had until the 29 May 2007 to respond to the Scoping Review. The responses made by the authorities were forwarded to the environmental consultancy company contracted to carry out the Strategic Environmental Assessment.

- 2.83 Taking on-board the comments made by the Environmental Authorities a full environmental report was prepared for the Programme which included an assessment of alternatives and preferred options. Any uncertainties with regards to potential environmental impacts were acknowledged. Where potential significant environmental impacts were identified a schedule of mitigation measures aimed at avoiding, reducing or offsetting the impacts was prepared (within the approved mitigation hierarchy). Opportunities to enhance positive impacts were also identified. An assessment of residual impacts, i.e. the impact after

mitigation measures have been implemented, was also completed. The environmental report recommended the appropriate level of monitoring for the Programme and took due account of existing monitoring arrangements including Development Path Analysis.

- 2.84 In addition to the previous public consultation outlined above, the environmental report was subject to further public consultation. SEUPB opened the public consultation on the draft Environmental Report on Friday 8 June 2006. Information regarding the consultation and how to respond was sent to 89 environmental organisations from within the eligible areas. These organisations represented single environmental issues or were environmental membership organisations with the ability to spread the information to a greater number of individuals or organisations. SEUPB also made information available on the consultation through its website and advertisements were also placed in newspapers spanning the eligible area. In addition, SEUPB organised a specific public consultation workshop on the draft Environmental Report, to which 10 people attended representing 7 different organisations. This phase of public consultation ended on Friday 6 July 2007 by which time SEUPB had received 5 written responses from:-
- Sustrans – Sustainable Transport Organisation;
 - SEPA (Scottish Environment Protection Agency);
 - Royal Society for Protection of Birds (RSPB) – Northern Ireland;
 - Council for Nature Conservation and the Countryside; and
 - West of Scotland European Consortium.
- 2.85 The Strategic Environmental Assessment considered potentially environmentally preferable alternative means of delivering the Programme within the themes of the INTERREG Programme. The current Programme allocates funding to all nine applicable themes as it was considered that this would best enable the Programme to deliver its intended benefits. Two alternative approaches were considered. Some themes could be omitted altogether, leaving a narrower range of themes than at present, but each with a larger funding allocation. Alternatively, the balance of weighting between the infrastructure and community related themes could be adjusted. It was felt that each of the alternatives is sufficiently similar, that little significant difference in the environmental performance of the Programme would be anticipated, were any one to be adopted in preference to the Programme in its existing form.
- 2.86 Environmental Monitoring will be a fundamental part of the Monitoring and Evaluation Plan which will be agreed by the PMC. A set of indicators will be required to monitor the areas identified in the SEA (including air, human health, population, soil, geology and water). Baselines have been established for these indicators and are included in the Article 9 statement. A number of indicators have already been identified in relation to alternative energy and the environment (see table 4.2 below). The indicators will allow for the monitoring of both positive and negative effects associated with the Programme. These indicators will be identified and included in the Monitoring and Evaluation Plan for the Programme.
- 2.87 Following the conclusion of the consultation process a draft Environmental Statement (Article 9 Statement) was prepared by the environmental consultancy for consideration by SEUPB and their sponsoring departments.
- 2.88 Further to the above a final Environmental Statement for the Programme will be published upon the approval of the Programme and made available to the authorities, the public and the Member States consulted. In particular it will be publicised in the press in Scotland as required by statute (the Environmental Assessment (Scotland) Act 2005).

III Programme strategy

Programme rationale

- 3.1 The previous INTERREG Programmes have made an important contribution to facilitating programme co-operation and promoting economic and social development. A sustained approach to programme development, however, is required to build on the progress made to date and address the economic and social problems inherent in the eligible region.
- 3.2 Northern Ireland, the Border Region of Ireland and Western Scotland share a number of common features with other border areas across the European Union where the problems of development are compounded by geographical isolation from major cities and markets. The existence of land and maritime borders has in some respects, contributed towards exacerbating the economic, social and environmental problems. Some of these problems are also more difficult to resolve due to the existence of borders. Furthermore, unlike most other regions in Europe, the conflict in Northern Ireland and the associated political problems which are particular to the region has in the past, severely restricted co-operation and the development of border areas, although in a new era of peace, co-operation is improving.
- 3.3 Northern Ireland, the Border Region of Ireland and Western Scotland face particular challenges arising from the existence of the border. The border causes natural markets to fragment along territorial lines, reducing economic interaction and the opportunity to develop economies of scale. Borders also distort infrastructure and communication networks resulting in unbalanced economic growth, with different policy approaches making it more difficult to promote cohesive service delivery and address common problems. In essence, therefore, the eligible region has suffered a number of key development problems, some of which have been exacerbated by the existence of land and maritime borders. These key problems are evidenced in two main ways:
- **Economic and social development:** in general, Northern Ireland, the Border Region of Ireland and Western Scotland experience lower levels of economic and social development than the national averages for the UK and Ireland; and
 - **Limited infrastructure:** borders distort and disrupt networks and movement and this has impacted on the development of transport, communication linkages and energy and utility networks in the border areas. Separate and differing policy approaches adopted in areas such as health, education and economic development have also limited programme opportunities and relationships and make it more difficult to address the common problems of Border Regions.
- 3.4 With regard to economic and social development, the analysis presented in the previous section shows that while the eligible region has experienced general economic growth over the last number of years, productivity has remained low compared to the respective national averages. More particularly, there are a number of structural problems in the economies of the Border Region of Ireland, Western Scotland and Northern Ireland which are mainly centred on an overdependence on agriculture, manufacturing and the public sector. The eligible area is also underperforming in relation to its potential to achieve a successful knowledge-based local economy, has lower levels of entrepreneurial activity than the average for the UK and Ireland and has an underdeveloped tourism industry.
- 3.5 Furthermore, while employment has continued to rise and unemployment has fallen, areas in the eligible region have specific problems in relation to long-term unemployment and economic inactivity. Earnings for Western Scotland, the Border Region of Ireland and Northern Ireland also all fall below the national averages.

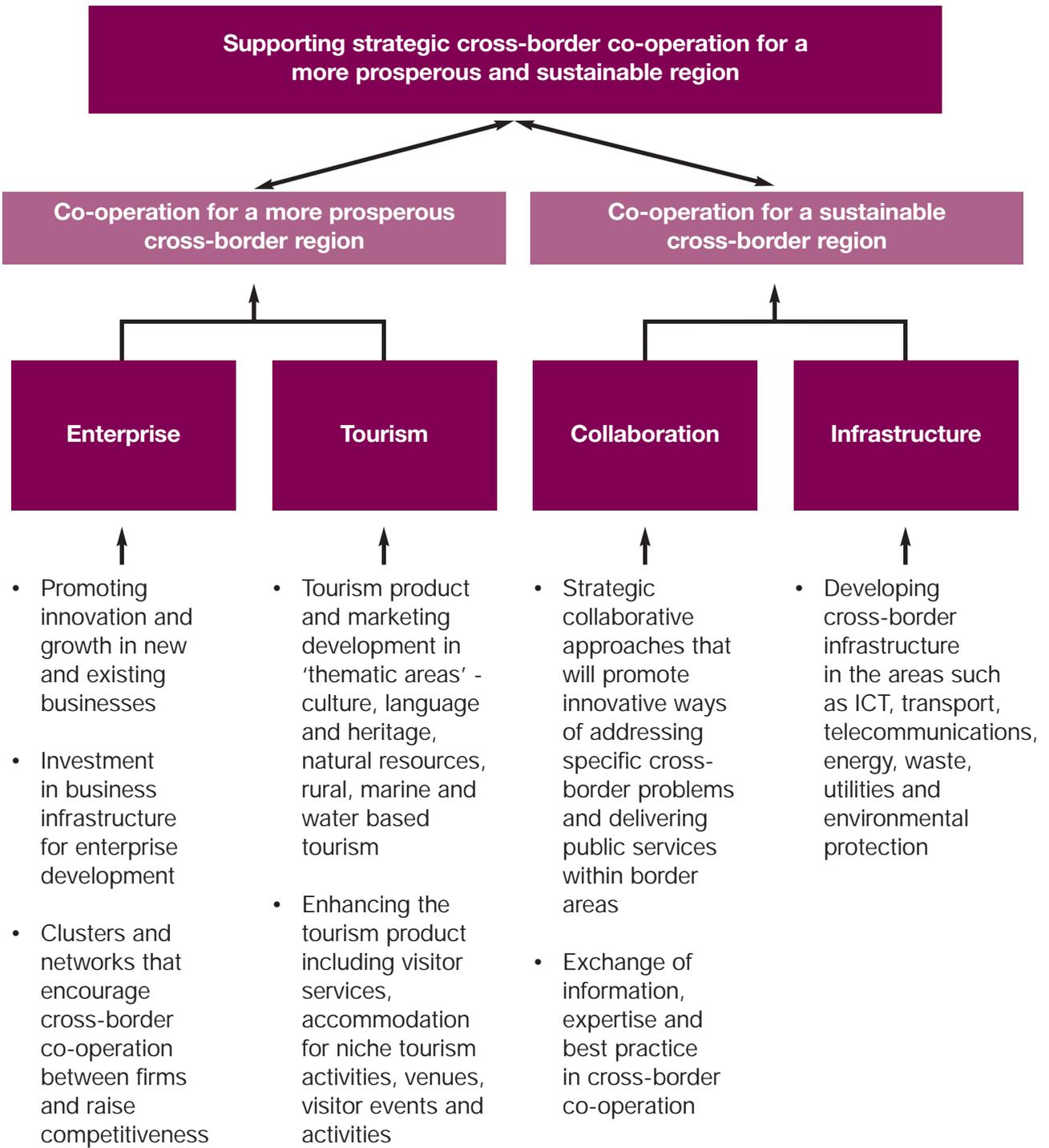
- 3.6 In terms of infrastructure, the existence of the land and maritime borders has impacted on the development of infrastructure in the border areas. Programme transport and telecommunication linkages, for example, remain relatively limited in some areas while greater opportunity also exists to expand networks in the areas of environment, energy, utilities and marine and coastal management.
- 3.7 Separate and differing policy approaches adopted in Northern Ireland, Ireland and Scotland in areas such as health, education and economic development have also had a detrimental effect on border areas. This has restricted programme opportunities and relationships, made it more difficult to address the common problems of Border Regions and had implications for public service provision in some areas and communities that have been cut off from their natural hinterlands.⁵¹ As highlighted in the Joint Communiqué of the British/Irish Intergovernmental Conference, these economic and social problems have particularly impacted on the North-West region which is a peripheral area of the EU and separated by a border.
- 3.8 In addition there has been failure to take advantage of potential economies of scale, opportunities to increase efficiency and effectiveness in the provision and delivery of services and the sharing of knowledge, skills and best practice between the sectors.
- 3.9 With a view to addressing the economic and social problems which have been exacerbated by the existence of land and maritime borders and to promoting greater territorial cohesion, the primary objective of the INTERREG Programme is:
- 3.10 To support strategic Programme co-operation for a more prosperous and sustainable region.
- 3.11 Building on the lessons from INTERREG and taking forward the specific problems identified in the SWOT analysis and from the consultation process, this overall aim translates into two specific aims at Priority level:
- **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.
- 3.12 The Programme, therefore, will achieve added value by promoting Programme co-operation which will help deliver more balanced regional development, promote economic change, strengthen competitiveness, improve access and services to facilities, ensure better value for money and address the negative effects of the border. The following diagram (Figure 3.1) summarises the structure of the INTERREG IV Programme 2007-2013.

⁵¹ Busted, M. (1994) The Irish Border – From Partition and Confrontation to Co-operation? Boundary Bulletin, Vol.4, p13-17.

- 3.13 Therefore, although no guidelines for earmarking funding for the Co-operation Objective towards the Lisbon Agenda have been set out by the European Commission, the INTERREG Programme for the Border Region of Ireland, Western Scotland and Northern Ireland aims to establish a strong alignment with the Community Strategic Guidelines.⁵² Indeed, Priority 1 (Co-operation for a more prosperous programme region), is strongly focused on efforts to encourage innovation and entrepreneurship and creating more and better jobs, whereas Priority 2 (Co-operation for a sustainable programme region), is centred on improving the attractiveness of Member States, and enhancing sustainability and the quality of life. This focus of the Programme is developed in response to the needs outlined in the SWOT analysis of the eligible region (see Section II), the consultation process and the importance of complementing other EU funded Programmes which support programme co-operation, namely the PEACE III Programme for Northern Ireland and the Border Region of Ireland 2007-2013 which is also managed by the SEUPB.
- 3.14 In addition, taking forward one of the lessons from the previous INTERREG Programmes, the 2007-2013 INTERREG IV Programme will work within the programme framework established under the Good Friday/Belfast Agreement and set out in the Comprehensive Study on the All-Island Economy which provides a blueprint for economic co-operation. This framework will be particularly important for identifying areas for co-operation. In addition, while many similar economic and social activities are identified in the Competitiveness and Employment Programmes, complementarity will be achieved with the INTERREG Programme as it focuses on providing added value through programme collaboration and development. A more detailed discussion of the complementarity between the INTERREG Programme and other national and EU funded programmes is provided in Section VI.

⁵² European Commission (2005) Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013. Communication from the Commission.

Figure 3.1: Overall structure of the INTERREG Programme 2007-2013



3.15 Reflecting on the key disadvantages experienced by the eligible region as a result of the land and maritime borders and the specific needs outlined in the SWOT analysis, the Programme aims to promote added value in a number of ways that include:

- Providing additional financial support to address the 'infrastructure gap' and broader economic and social disadvantage in the eligible region;
- Facilitating co-operation which promotes networks and knowledge sharing; and
- Promoting integrated development and delivery which creates synergies and identifies common solutions to programme problems.

Cross-cutting themes

Equality

- 3.16 In accordance with Section 75 of the Northern Ireland Act 1998, the Employment Equality Act (1998) and the Equal Status Act (2000), as amended by the Equality Act (2004), in Ireland and the Equality Act (2006) in Scotland, operations part-financed by the Structural Funds shall comply with and, where appropriate, contribute to Community policy and legislation on equal opportunities for men and women.
- 3.17 The Programme will also have due regard for the need to promote equality of opportunity: between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation:
- Between men and women generally;
 - Between persons with a disability and persons without;
 - Between persons with dependants and persons without; and
 - Without prejudice to the above, have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.
- 3.18 Equality of participation in the Programme Monitoring Committee, working groups or selection panels will be encouraged in accordance with the provisions of the Structural Funds Regulation. All of the Programme Priorities have a potential impact on equality of opportunity and every effort will be made and every assistance given to ensure (within the parameters of the Programme) that all sectors of the population participate fully in the Programme. Further to this, efforts will be made to ensure a minimum representation of 40% of women on the Programme Monitoring Committee. All operations will be required to demonstrate steps they will take to ensure the increased representation and participation of women throughout the Programme. These efforts will be consistent with equality legislation in Northern Ireland, Ireland and Scotland.
- 3.19 In keeping with the requirements of Section 75 of the Northern Ireland Act 1998, the impact of the Programme on equality of opportunity will be assessed.
- 3.20 A full Equality Impact Statement has been prepared for the Programme and is subject to full public consultation in accordance with the SEUPB's equality policy.

Sustainable development

- 3.21 This theme sets out to ensure that the Programme supports activity which promotes sustainable development and creates sustainable communities. This involves ensuring that the Programme safeguards and uses existing resources in a sustainable way to enhance the long-term management of, and investment in, human, social and environmental resources for future generations. This should be seen in the context of the Sustainable Development Strategy adopted by the European Council in June 2006. In particular, point 25 of the Strategy addresses the co-ordination of EC co-financing between ERDF and ESF Programmes. Point 25 states "in order to ensure that EU funding is used and channelled in a optimum way to promote sustainable development, Member States and the Commission should co-ordinate to enhance complementarities and synergies between various strands of Community and other co-financing mechanisms, such as cohesion policy, rural development, LIFE+, Research and Technological Development (RTD), the Competitiveness and Innovation Program (CIP), and European Fisheries Fund (EFF)". A number of factors will help to ensure that the INTERREG Programme achieves the goals set out in point 25, namely:

- In establishing the Programme Monitoring Committee, the Rural Development Programme Monitoring Committee has been asked to bring forward a nominee representing the agricultural and rural community in Northern Ireland;
- SEUPB have requested that the BMW Regional Assembly (Managing Authority for the BMW OP) bring forward nominees for the INTERREG Programme;
- The Department of Finance and Personnel in Northern Ireland will chair a meeting of the European Union Steering Group, a body comprising members from the Managing Authorities of all EU Programmes and accountable departments in Northern Ireland; and
- Environmental interests in Northern Ireland and the Border Region will be represented on the Programme Monitoring Committee.

These steps will help establish a co-ordinated approach to sustainable development through the sharing of experience.

3.22 In addition, funding will be conditional on projects complying with the requirements of both EU and domestic environmental legislation and policy, so safeguarding or enhancing environmental quality and conserving the natural and built heritage at both a local and global level. More specifically, the Programme will require that all funded projects comply with the standards laid out in environmental legislation through:

- The inclusion of standard questions on environmental impacts in all funding application forms;
- A requirement for a full Environment Impact Assessment where this is indicated;
- Environmental considerations taken into account during the selection and appraisal system;
- The allocation of resources by funding bodies for the commissioning of independent assessments of the environmental impacts of project proposals;
- A requirement of proof that all necessary environmental approvals have been obtained prior to the final offer of funds;
- The scrutiny of the Monitoring Committee;
- Environmental impact will also be monitored via the Development Path Analysis (DPA) technique; and
- A full SEA has been conducted on the Programme (see paragraphs 2.78 to 2.88 above).

Partnership

- 3.23 This theme aims to ensure that that the programme structures comprise, where appropriate, a wide and effective association of the local authorities, other competent public authorities, the economic and social partners and the other representative interests in Northern Ireland, the Border Region of Ireland and Western Scotland.
- 3.24 In adopting the partnership approach, the Monitoring Committee will include representation from a range of stakeholders including the Managing Authority, two Member States (including the Department of Finance, Department of Finance and Personnel, the Scottish Government), the Certifying Authority, Business, Trade Unions, the Agriculture/Rural Development/Fisheries sector, Local Authorities, the Community and Voluntary sector, and those representing environmental and equal opportunities interests. The Monitoring Committee members will be representative of all the parts of the eligible region.
- 3.25 Different partnership stakeholders were also involved in the formulation of the Programme. As part of the consultation process, a Consultative Group was established to gain feedback on the successes and lessons learned from INTERREG and gather views and insights on proposals for the INTERREG Programme. This Consultative Group included various government representatives and the social partners.
- 3.26 Steering Committees will reflect the partnership ethos of the Programme and be inclusive of the stakeholders as outlined above.

Impact on Poverty

- 3.27 The INTERREG Programme will conform to the principles outlined in the relevant anti-poverty strategies. In Ireland, this relates to the National Report on Strategies for Social Protection and Social Inclusion 2006-2008⁵³, in Northern Ireland the Anti-Poverty and Social Inclusion Strategy⁵⁴ and the social inclusion policy agenda in Scotland outlined in 'Closing the Opportunity Gap'.⁵⁵ Implementation of the Programme will be consistent with these anti-poverty strategies and this will ensure the targeting of resources and effort on people, groups and areas objectively shown to be the most socially disadvantaged.

Project selection

- 3.28 Joint project development, assessment and selection processes will be established. Project applications will be accessed according to the following criteria:
- Joint or Programme nature of the project;
 - Efficiency;
 - Effectiveness;
 - Positive impacts on equality and environmental sustainability; and
 - Management capacity of promoters.

53 Department of Social and Family Affairs (2006) National Report for Ireland on Strategies for Social Protection and Social Inclusion 2006-2008.

54 Office of First and Deputy First Minister (2006) Lifetime Opportunities, Government's Anti-Poverty and Social Inclusion Strategy for Northern Ireland.

55 Building a Better Scotland (2005) Spending Proposals 2005-2008, Enterprise, Opportunity, Fairness.

- 3.29 In regard to determining the Programme nature of projects, the Programme will draw on guidance provided in Regulation (EC) No 1080/2006 which sets out which arrangements constitute programme co-operation.⁵⁶ The Regulation acknowledges that activities can be identified as Programme if they involve co-operation in at least two of the following four elements:
- Joint development;
 - Joint implementation;
 - Joint staffing; and
 - Joint financing.
- 3.30 It is envisaged that different projects will focus on different elements of joint co-operation but having regard to the full portfolio of projects, all four elements will be addressed across the Programme.
- 3.31 All project partners located in the eligible region (as identified at the beginning of Section II) can participate in the Programme.
- 3.32 In accordance with Article 21(1) of Regulation (EC) No 1080/2006, partners located outside the eligible region can participate in the Programme at project level, provided the beneficial impact is within the eligible region.
- 3.33 The Programme will fund two types of projects between;
- Ireland/Northern Ireland; and
 - Ireland/Scotland/Northern Ireland.
- 3.34 The eligibility of Western Scotland is due to Ireland, not Northern Ireland so that all projects that involve Scottish partners must also involve partners from (or create benefit in) Ireland. However, all projects that involve Western Scotland and Ireland must also involve Northern Ireland. Whilst this is not an EU regulatory requirement, it is a requirement of the legislation governing the SEUPB, and has been agreed by the Member States. It is also a legislative requirement that projects involving Ireland/Northern Ireland will form a significant proportion of the Programme, as the role of the SEUPB must be “predominately North-South”.
- 3.35 Operations fulfilling these conditions may be implemented in a single country provided that they have been presented by entities belonging to at least two countries.⁵⁷
- 3.36 In line with the provisions of Regulation (EC) No 1080/2006 Article 21, up to 20% of programme funding may be spent on operations or projects in adjoining NUTS III areas (referred to in paragraph 2.3). The allocation of such funding will be based on an assessment of the contribution that any such operation or project may make to the achievement of the overall objectives of the Programme. For an operation or project to be considered for such funding, it must meet the criteria referred to in Regulation (EC) No 1080/2006, Article 19 Para. 1, and must include co-operation with partners within the eligible area. Recognising the integral role Belfast has in the economic and social development of the eligible area and the strong cultural, linguistic and social ties of the Western Isles with other parts of the eligible region, it is anticipated that this flexibility will be most relevant to these areas.

⁵⁶ Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5th July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999.

⁵⁷ Article 19 (1) Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5th July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999.

Promoting strategic investments

- 3.37 While also providing opportunity for project development, the INTERREG Programme will take forward one of the key lessons from INTERREG in Ireland, Northern Ireland and Scotland and place a greater emphasis on promoting a number of strategic investments. Under this approach, the Monitoring Committee will request the Steering Committee(s) to outline a number of potential strategic projects and will then invite calls for tenders to deliver specific requirements. This enables a more proactive approach to be developed within the Programme by allowing the Steering Committee to consider strategic options and develop targeted proposals that will create critical mass and deliver particular activities and outcomes. Strategic projects may be of varying scales and types, depending on the nature of the issues being addressed, and may include a high level of local participation as appropriate.
- 3.38 As part of this approach, where projects of similar themes/focus are approved by the Steering Committee these individual projects may be amalgamated/fused together to become one large programme project. This approach will help ensure greater value for money and broaden the partnership base of the projects which will extend the geographical catchments of the project and increase the pool of knowledge and expertise. In addition, in accordance with the Joint Communiqué of the British/Irish Intergovernmental Conference in May 2006, the strategic investments will support a number of significant developments in the North/West area.

IV Programme priorities and areas of intervention

Programme objective

4.1 The overall objective of the INTERREG Programme is to support strategic programme co-operation for a more prosperous and sustainable region. Building on the successes and lessons of previous INTERREG Programmes, and reflecting on the SWOT analysis and outcomes from the consultation process, the INTERREG Programme will specifically focus on developing a dynamic economy and supporting programme infrastructure to improve access to services so as to improve the quality of life for those living in the eligible region. These strategic objectives will be grouped into two Priority areas (Technical Assistance will form a third Priority). For each Priority, this section provides detail on the rationale, aims, indicators and budgetary allocations.

Priority 1: Co-operation for a more prosperous cross border region

4.2 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. The Priority will focus on two key areas that include:

- Enterprise; and
- Tourism.

Enterprise

Rationale

4.3 Reflecting its peripheral geographical location and largely rural nature, the eligible region is currently facing a number of key structural economic problems. Compared to the rest of Ireland and the UK, the region relies more heavily on manual and lower skilled employment and has a particular overdependence on the public sector, agriculture and traditional manufacturing. In light of increasing competitive pressures, this position is not sustainable, pointing to a need to develop a more diverse and dynamic economy. Developing entrepreneurial activity and innovation, business start ups and growth in small firms and the social economy, however, can be highlighted as an area for potential development to strengthen the economy and improve competitiveness. The Global Entrepreneurship Monitor (GEM) reports of recent years, for instance, indicate that Ireland now has one of the highest levels of entrepreneurial activity in the EU, but research indicates a lower level of entrepreneurship in Northern Ireland, Scotland and the Border Region. In addition, while government agencies are working to stimulate the development of networks, much of this support has been conducted on a single jurisdictional basis which is potentially restricting the expansion of networks and hindering economic development. Research, for example, shows that the majority of networks tend to be regional in nature (62%) while only 7% are all-island or Programme in nature.⁵⁸ Increased co-operation can strengthen competitiveness through inter-firm co-operation and collaboration, joint ventures, sharing of skills and experiences to stimulate innovation, and the opportunity to address larger domestic and international markets.

⁵⁸ Hunt, M., Doyle, G., McDermott, D., and McCormack, P. (2005) Business Networks on the Island of Ireland, InterTradeIreland.

4.4 To complement the development of a more diverse and competitive economy, business also requires increasing levels of comparable skills. Indeed, studies demonstrate that improvements in human capital directly contribute to long term economic growth by enhancing labour productivity. However, while agencies in Northern Ireland, Ireland and Scotland place high priority on providing support in this area, it is recognised that collaboration and knowledge sharing and facilitating linkages between education and business networks can deliver greater skills development and employment and contribute towards innovation and competitiveness.

Aim

4.5 With a view to creating a more diverse and dynamic economy, this objective aims to provide support to new and existing businesses to promote innovation, encourage competitiveness and create a more sustainable economic base. In particular, this Priority will support a number of significant developments in the North/West area. This element of the Priority has three key areas of support:

- **Business support:** this aims to provide assistance to new and existing businesses that will promote innovation and creative activities that will have the potential to grow nationally and internationally. In particular, assistance will be offered to those sectors of the economy that can capitalise on the shared opportunities between the various parts of the eligible region. This will include providing assistance to businesses to develop new and innovative products and business processes. As part of this support, relevant agencies in each jurisdiction will work closely together to share expertise to improve the skills of the business community, including skills sales, marketing, strategic development, management and innovation. Support will also be provided for training, mentoring and the development of educational/business skills as required, including developing linkages between industry and third level institutions. As part of this support, employment agencies will also work together to improve sharing of information and access to job opportunities on a programme basis;
- **Investment in business infrastructure:** This aims to support the development of business infrastructure necessary for the emergence of a strong innovative regional economy. Investment will focus on particular areas such as incubator units for business starts, provision of high quality workspace, and investments in specific sectors such as creative industries, and financial and customer services. Investment support will also be available for the development of education and training infrastructural facilities, with direct links to the business sector; and
- **Networking:** promoting the development of a stronger business and entrepreneurial environment by supporting clusters and networks that will encourage programme collaboration between businesses. In particular, networks will focus on encouraging strategic co-ordination of small firms (and between indigenous and foreign owned companies with operators in business supply chains) to raise competitiveness, market access and enhance reputation and credibility within and outside the region. In addition, through networking and cluster development, this will aim to encourage the identification and growth of a critical mass of suppliers, customers and competitors to underpin sectoral development.

Tourism

Rationale

4.6 Although the eligible region contains high quality landscapes and has a natural endowment of tourism resources, the tourism sector's performance remains low compared to Ireland and the rest of the UK. Within the eligible region, variations also exist with Northern Ireland experiencing lower levels of performance and tourism playing a much stronger role in the economy of the Border Region of Ireland and Western Scotland in particular. High seasonality is also an issue in the region which has implications for growth and general sustainable development. Opportunity, therefore, exists to develop the potential for tourism in the eligible region and build on the progress made in some areas by establishing partnerships and linkages that will improve the tourism product overall and attract domestic and overseas visitors to visit and stay in the region. In this regard, particular opportunities exist to develop tourism products that will draw on the natural environment of the region and the strong cultural linkages that exist between Western Scotland, Northern Ireland and the Border Region.

Aim

4.7 This objective aims to support the development of tourism products that will attract domestic and overseas visitors and contribute towards improving the performance of the tourism industry in the eligible region. The tourism products (accommodation, venues, and visitor events and activities) will be supported on a programme basis and will be based on niche areas such as culture, language, heritage, natural resources, marine and water based tourism, and other themes of rural tourism. In particular, a focus will be placed on encouraging projects which develop tourism activities and broaden the tourism season. In addition, support will be provided to promote the tourism product of the region through tailored marketing approaches.

Quantified targets and indicators

4.8 The specific outputs, results and impacts of the Priority will be monitored and evaluated using the indicators and targets in the following table. Not all targets lend themselves to analysis by gender. However, where appropriate reporting will be broken down by sex. Target values relate to the full Programme expenditure up to 2015. More detailed information on indicators, including baselines and methods of measurement, is included in Annex B and further information in relation to the Monitoring and Evaluation Plan for the Programme is outlined in Chapter 5 paragraphs 5:29-5.38:

Table 4.1: Targets and indicators, Priority 1

Enterprise		
Output	Result	Impact
Business support		
<ul style="list-style-type: none"> 200 businesses assisted: analysed by new/existing and by type of activity: developing new and innovative products and processes, improving sales and marketing skills 	<ul style="list-style-type: none"> 40% of assisted businesses developing new products 40% of assisted businesses developing new processes 10% increase in sales in supported businesses resulting from sales and marketing activities 	<ul style="list-style-type: none"> 20% of assisted businesses enter new markets, both domestic and international Increase in turnover of firms after 2 years of receiving support 80% of new firms still in existence after 2 years of receiving support 5% of turnover in assisted businesses after 2 years comes from export sales 50 new jobs created
Investment in business infrastructure		
<ul style="list-style-type: none"> 5 incubation units developed 	<ul style="list-style-type: none"> 300,000m² floor space constructed/refurbished 	<ul style="list-style-type: none"> 75% of floor space has been bought or is being rented by firms after 2 years [Target to be confirmed] 20 businesses occupying this space, analysed by numbers within creative industries, financial and customer services
Networking		
<ul style="list-style-type: none"> 25 networking projects supported 	<ul style="list-style-type: none"> 200 businesses collaborating on a programme basis as a result of participation in networks 	<ul style="list-style-type: none"> 40% programme networks still in existence after 2 years
Tourism		
Output	Result	Impact
<ul style="list-style-type: none"> 10 new products developed/existing products enhanced, analysed by new/existing and niche areas (culture, heritage, natural resources, marine and water based) 10 tourism marketing/brand products completed, analysed by new/existing and niche areas (culture, heritage, natural resources, marine and water based) 	<ul style="list-style-type: none"> 5% increase in tourism visitors (tourist and domestic) to support existing tourism products/facilities 	<ul style="list-style-type: none"> 80% of new tourism products/facilities still in existence after 2 years 10% increase in the numbers of visitors to each of Scotland, Border Region and Northern Ireland – April to September 5% increase in the numbers of visitors to each of Scotland, Border Region and Northern Ireland – October to March Increase in average length of stay

4.9 The overall indicators for Priority 1 will focus on the following impact indicators, as set out below:

- No of new jobs created;
- Increase in turnover of firms after 2 years of receiving financial support;
- Floor space which have been bought or are being rented by firms after two years; and
- Increase in no of visitors to Scotland, Border Region and Northern Ireland.

Target beneficiaries

4.10 This Priority will be targeted at the following final beneficiaries:

- New and existing businesses that have the potential to grow nationally and internationally;
- Business starts and businesses in specific sectors such as creative industries, financial and customer services, the social economy, energy efficiency, marine science, food and drink and forestry;
- School leavers and those already in employment, including those at manager level, who are focused on entering employment in business starts and businesses in specific sectors such as creative industries, and financial and customer services;
- Educational and training organisations and institutions, including third level colleges;
- Employment and business promotion/support agencies in Scotland, Ireland and Northern Ireland;
- Business promotion/support agencies that work on a programme basis;
- Agencies and partnerships with statutory responsibility for the promotion of tourism; and
- Tourist providers, including those responsible for accommodation, venues and visitor events.

Indicative operations

4.11 The following is an indicative list of the kinds of operations that will be funded by this Priority:

- Support for the development of new products and business processes and innovative methods that will improve competitiveness. This could include financial, mentoring and support networks;
- Collaboration between government agencies to share expertise to improve the skills of the business community, including skills sales, marketing, strategic development, management and innovation;
- Local economic initiatives, including support for the social economy;
- Establishment of education and training centres of excellence in specific sectors such as creative industries, financial and customer services, energy efficiency, marine science, food and drink and forestry;
- Establishment of business incubation centres/workplace development;

- Networking and conference events;
- Networking seminars and workshops that provide business advice and support on collaboration and joint ventures, sales and exports and business development;
- Programme entrepreneurship initiative, promoting entrepreneurship, business linkages and knowledge sharing;
- Training courses, seminars, mentoring Programmes and business placements and exchanges in particular areas such as business starts and specific sectors such as creative industries, financial and customer services energy efficiency, marine science, food and drink and forestry. Co-operation between business and third level colleges in vocational education and training;
- Co-operation between business and research and development centres;
- Tourism product development in thematic or specific interest areas such as culture and heritage, natural resources, and marine and water based tourism;
- Signposting, visitor information, visitor services and visitor events;
- Tourism accommodation; and
- Tailored marketing approaches to promote tourism products.

Budget

The budget for Priority 1 is €75.5m or 39.3% of ERDF funding. Detailed financial allocations are provided in the financial tables in Appendix C.

Priority 2: Co-operation for a sustainable Programme region

4.12 This Priority aims to improve access to services so as to improve the quality of life for those living in the eligible area. The Priority will focus on two key areas:

- Collaboration; and
- Infrastructure.

Collaboration

Rationale

4.13 The existence of land and maritime borders has emphasised the peripherality of the eligible region and has in the past contributed and may still contribute towards exacerbating the economic, social and environmental problems. Some of these problems are also more difficult to resolve due to the existence of the borders. Indeed, as separate and differing policy approaches have been adopted in areas such as health, education and the economy, this has had a detrimental effect on the economic and social condition of the border area, impacted on the development of programme partnership and activity, including civic networks, and made it more difficult to address common problems on a programme basis. In addition, the largely rural nature of the eligible region adds further complexity to the economic and social challenges that need to be addressed. By promoting co-operation between public bodies and other partners, however, opportunities exist to create synergies, share best practice and information with a view to assisting policy making and facilitating greater joined-up delivery, improving access to services and facilities and ensuring better value for money. In this regard, the Programme will be able to build on the experience and lessons of innovative service delivery activities promoted under

INTERREG IIIA projects such as the GP out of hour's provision and other projects that have worked to promote economic and social development and improve the health and social well being of groups living in the border area.

Aim

- 4.14 This element of Priority 2 aims to promote programme co-operation and the exchange of expertise, information and best practice between public bodies and other relevant stakeholders. In particular, the Priority will fund strategic collaborative approaches that will promote innovative ways of addressing specific programme problems, delivering services within border areas and promoting sustainable communities. This support could be in the areas of health, environment, rural development, marine and coastal management, education, social development, emerging planning and the functions under the responsibility of local government, including the development of civic networks. As part of this support, attention will also be placed on developing programme research services that can improve the evidence base and quality of comparable information to assist spatial planning and policy making. In addition, networks involving stakeholders in other EU Member States will be supported to encourage the sharing of best practice across the EU for developing innovative responses to programme co-operation. In accordance with the Joint Communiqué of the British Irish Intergovernmental Conference in May 2006, this Priority will also support a number of significant developments in the North-West area.

Infrastructure

Rationale

- 4.15 The existence of land and maritime borders has emphasised the peripherality of the eligible region and contributed towards exacerbating the economic, social and environmental problems. These problems include, *inter alia*, the distortion/disruption of transport, telecommunication linkages, and energy and utility networks. The conflict in Northern Ireland, however, further exacerbated many of these problems as investors were reluctant to develop programme infrastructure linkages in light of civil unrest. Indeed, in some cases, networks such as programme roads or rail were closed or disrupted during the conflict and due to security issues; the necessary investment was not placed in areas such as energy and ICT networks (including broadband connectivity). These effects have reduced the stock of programme infrastructure which is required to support economic and social development and improve regional competitiveness. The conflict and the existence of land and maritime borders have also created difficulties in addressing problems which are inherently transjurisdictional in nature. For instance, waste and environmental issues and protection of the natural heritage and marine environment, including the drive to meet CO₂ emissions under the Kyoto agreement, are key areas in which an integrated response on a programme basis is required. Overall, co-operation in the area of infrastructure will also help to ensure more efficient planning and joined-up delivery of key infrastructure projects, resulting in better value for money and economies of scale in public investment.

Aim

- 4.16 This element of Priority 2 aims to support a number of selected programme infrastructure projects in the areas of telecommunications, transport, energy and utilities and the environment. In particular, the Priority will develop ICT telecommunication networks to enhance the level of connectivity in the region, develop and upgrade transport networks (road, rail and sea), support programme approaches to address issues of environmental protection and develop alternative energy sources to reduce carbon emissions and improve the environment. Investment in programme infrastructure will improve access to services and business opportunities for those living in the eligible area. In accordance with the Joint

Communiqué of the British-Irish Intergovernmental Conference in May 2006, this Priority will also support a number of significant developments in the North/West area.

Quantified targets and indicators

4.17 The specific outputs, results and impacts of the Priority will be monitored and evaluated using the indicators and targets set out in the following table. Not all targets lend themselves to analysis by gender. However, where appropriate reporting will be broken down by sex. Target values relate to the full Programme expenditure up to 2015. More detailed information on indicators, including baselines and methods of measurement, is included in Annex B and further information in relation to the Monitoring and Evaluation Plan for the Programme is outlined in Chapter 5 paragraphs 5:29-5:38:

Table 4.2: Targets and indicators, Priority 2

Collaboration		
Output	Result	Impact
<ul style="list-style-type: none"> 10 programme projects supported (research projects, action/strategic plans) 15 strategic local authority initiatives supported 	<ul style="list-style-type: none"> 1,000 beneficiaries of supported programme public services 100% of research projects completed 15 conferences and seminars held (with 600 attendees) 	<ul style="list-style-type: none"> 80% of innovative programme projects funded still in existence 2 years after the end of the Programme 15 solutions to Programme problems addressed through joint action
Infrastructure		
Output	Result	Impact
Transport		
<ul style="list-style-type: none"> 3 km of roads upgraded/restored/built 	<ul style="list-style-type: none"> Increase in traffic flow of vehicles/freight after one year [Target will be set when roads to be included for funding have been identified] Reduction in journey times (mins) [Target will be set when roads to be included for funding have been identified] 	<ul style="list-style-type: none"> Improved safety (reduction in the number of accidents after 2 years) [Target will be set when roads to be included for funding have been identified]
Alternative energy and the environment		
<ul style="list-style-type: none"> 10 renewable energy/energy efficiency projects assisted 	<ul style="list-style-type: none"> 6 renewable energy sources created or developed 	<ul style="list-style-type: none"> 12% of electricity demand met from indigenous renewables

Collaboration

Output	Result	Impact
<ul style="list-style-type: none"> 5 environmental management projects funded 	<ul style="list-style-type: none"> 250 households who switch to/take up renewable energy methods of production 150 businesses who switch to/take up renewable energy methods of production 	<ul style="list-style-type: none"> 12% of electricity demand met from indigenous renewables Reduction in per capita emissions of CO₂ of 0.5 tonnes

Infrastructure

Output	Result	Impact
Telecommunications		
<ul style="list-style-type: none"> 2 telecommunications projects funded – telecommunication line/infrastructure installed 	<ul style="list-style-type: none"> 25% Reduction in time taken to transmit data between North America and North-West 5 percentage point increase in the take up and use of Broadband by business 	

4.18 The overall indicators for Priority 2 will focus on the following impact indicators are as follows:

- No of innovative programme projects funded/still in existence 2 years after the end of the Programme;
- No of solutions to programme problems addressed through joint action;
- No of participants entering – progressing within education/training/employment in defined sectoral areas; and
- Population served by enhanced infrastructure projects.

Target beneficiaries

4.19 This Priority will be targeted at the following final beneficiaries:

- Public bodies and other relevant stakeholders promoting strategic collaborative approaches to address programme problems;
- Research organisations;
- Public, private and social partner organisations involved in networks with stakeholders in other EU Member States that focus on addressing programme issues; and
- Providers which deliver infrastructure projects in the areas of telecommunications, ICT, transport, energy, waste and utilities.

Indicative operations

4.20 The following is an indicative list of the kinds of operations that will be funded by this Priority:

- Programme projects that develop innovative ways of addressing specific programme problems, delivering public services within border areas and promoting sustainable communities. These services could be in the areas of health, environmental protection, spatial planning, education, emerging planning (programme fire and emergency services) marine and coastal management, rural and social development and the promotion of civic networks and partnerships;
- Strategic plans that promote programme collaboration between local authorities;
- The development of joint plans, strategies or action plans for delivering programme public services;
- Research projects to determine the feasibility/potential of delivering programme public services and infrastructure projects;
- Programme research and analysis which can improve the evidence base and quality of comparable information to assist spatial planning and policy making;
- Programme infrastructure projects in the areas of telecommunications, transport (road, rail and sea), energy and utilities; and
- Renewable energy strategies aimed at developing solutions to all-island and Scottish energy challenges and activities to promote reductions in carbon emissions. The establishment of networks with relevant stakeholders in other EU Member States which are seeking to develop innovative responses to programme co-operation. These networks could include social partners and stakeholders from the public and private sectors.

Budget

4.21 The budget for Priority 2 is €105m or 54.7% of ERDF funding. Detailed financial allocations are provided in the financial tables in Appendix C.

Financial balance between Priority 1 and 2

4.22 A greater proportion of funding is allocated to Priority 2 as a range of activities are proposed to be supported under the element of collaboration. The Priority, for instance, has outlined that potential activities could be in the areas of health, environment, rural development, marine and coastal management, education, social development, emerging planning and the functions under the responsibility of local government, including the development of civic networks. Many of these activities are also resource intensive and will require appropriate financial resources. In addition, Priority 2 aims to support infrastructure projects which are also resource intensive. Potential activities in this area include projects for waste management, transport, alternative energy and the environment and telecommunications.

Priority 3: Technical assistance

4.23 This Priority will focus on two areas, as set out and described below:

- Programme information and publicity; and
- Management, monitoring and evaluation of the Programme.

Programme information and publicity

Rationale

4.24 Authorities in Ireland, Northern Ireland and Scotland recognise the emphasis which the European Commission places upon information and publicity for EU funded activities. Communication plans are also required by Regulation (EC) No 1083/2006 on information and publicity measures on assistance from the Structural Funds. Indeed, the Structural Funds Regulations require that publicity is given to EU funded activities particularly for informing potential final beneficiaries about the opportunities afforded by the assistance and the general public about the role played by the European Union through the assistance concerned.

Aim

4.25 The aim of this element of the Priority is to publicise the contribution of the Programme in addressing the economic and social issues which are exacerbated by the existence of land and maritime borders by:

- Informing potential and final beneficiaries about the opportunities offered by the Programme in the eligible region;
- Informing the general public inside the region and outside about the programme's results and impacts; and
- Regularly reporting to the Monitoring Committee on the achievements of the Communication Action Plan.

4.26 In developing a communication strategy, the particular challenge of publicising the Programme in the West of Scotland and within the context of other EU supported programmes is recognised. In this regard, proactive communication activities will be developed to promote the Programme.

Management, monitoring and evaluation of the Programme

Rationale

4.27 Under the Structural Funds Regulations, the impact of Operational Programmes must be regularly monitored and evaluated. This provides the evidence base to ensure that optimum use is made of EU assistance throughout the life of the Programme. This element of the Priority will provide the resources to enable the requirements of monitoring and evaluation to be met. In recognition of the of the inclusion of Scotland within the eligible area, particular efforts will be made to ensure the participation of Scottish stakeholders in programme structures and projects,

Aim

4.28 With a view to ensuring that optimum use is made by all implementing bodies of EU assistance, the aim of this element of the Priority is to facilitate and support the management, monitoring and evaluation of the Programme. With a view to facilitating the participation of stakeholders in Scotland, this will include establishing a JTS contact point in Scotland.

Quantified targets and indicators

4.29 The specific outputs, results and impacts of the Priority will be monitored and evaluated using the indicators and targets set out in the following table. Not all targets lend themselves to analysis by gender. However, where appropriate reporting will be broken down by sex. Target values relate to the full programme expenditure up to 2015. More detailed information on indicators, including baselines and methods of measurement, is included in Annex B:

Table 4.3: Targets and indicators, Priority 3

Programme information and publicity		
Output	Result	Impact
<ul style="list-style-type: none"> • 2 public launches of the Operational Programme • Publication of Monitoring and Evaluation Plan • 25 dissemination activities supported • 100 press releases 	<ul style="list-style-type: none"> • Average of 60 hits per month on website • 200 publicity and information enquiries 	<ul style="list-style-type: none"> • Increased overall awareness of the Operational Programme • Increased awareness of the role of the EU in the Operational Programme
Management, monitoring and evaluation of the Programme		
Output	Result	Impact
<ul style="list-style-type: none"> • 7 Technical Assistance projects funded 	<ul style="list-style-type: none"> • 14 monitoring reports completed [Target based on 2 reports per year for 7 years] • 6 evaluation reports completed [Target includes 2 overall programme evaluations, 4 thematic evaluations] 	<ul style="list-style-type: none"> • 100% of reports submitted to the EU Commission comply with regulations • 100% of recommendations from evaluation reports responded to by Managing Authority and implemented where appropriate

Indicative operations

4.30 The following is an indicative list of operations that will be financed under this Priority:

- Establishment of contact point in Scotland;
- Development of a communication plan;
- Preparation and implementation of a Monitoring and Evaluation Plan to include assessment of the cross-cutting principles;
- A major information activity to launch the Operational Programme;
- Distribution of information and publicity about the Programme and its impacts, including the dissemination of examples of good practice;
- Central archiving and access provided to all studies carried out on the Programme;
- Design, maintenance and promotion of the website (<http://www.seupb.eu>);
- Verification and assistance in the correct use of programme's logo and other references to the Programme by implementing bodies, funded projects and media relays;
- Costs associated with the preparation, selection, appraisal monitoring of the Programme and of its individual operations (excluding expenditure on the acquisition and installation of computerised systems for management, monitoring and evaluation);
- Expenses associated with the meeting of the Programme Monitoring Committee and its sub-committees/working groups;
- Expenditure relating to controls, audits and on-the-spot checks of individual operations;
- Studies to develop appropriate monitoring and internal co-ordination procedures amongst implementing bodies involved in the Programme;
- Mid-term and other ongoing/ad hoc evaluations of the Programme as identified in the Monitoring and Evaluation Plan; and
- Development of a project and monitoring database.

4.31 The Technical Assistance Priority will be targeted at the following stakeholders:

- Project Partners and other programme structures; and
- Key intermediaries potentially interested in the objectives and delivery of the Programme, such as news media and experts, regional and local authorities and other competent public authorities, trade organisations and business circles, university circles and research centres, the economic and social partners, non-governmental organisations, in particular those involved in equality issues and/or the implementation of aspects of the Good Friday/Belfast Agreement.

Budget

4.32 The budget for Priority 3 is €11.5m or 6% of ERDF funding. Detailed financial allocations are provided in the financial tables in Appendix C.

V Programme implementation provisions

Introduction

5.1 In accordance with the requirement of Article 12 of Council Regulation (EC) No 1080/2006, this section sets out the implementing provisions for the Programme. This has been developed taking into account the requirements of the Council Regulation referred to above and the general provisions for structural funds as outlined in Council Regulation (EC) No 1083/2006. The following issues are considered:

- Designation of authorities;
- Monitoring and evaluation;
- Financial management and control;
- Implementation arrangements;
- Publicity; and
- Adherence to EU policies (competition, sustainable development and equality).

Designation of authorities

5.2 This section deals with the designation of authorities as required by Article 14 of Council Regulation (EC) No 1080/2006.

Managing Authority

- 5.3 The Special EU Programmes Body (SEUPB) is the designated Managing Authority of the Programme. All correspondence in this regard should be directed to SEUPBs head office in Belfast.
- 5.4 The SEUPB is one of the six cross border Bodies set up under the "Agreement between the Government of Ireland and the Government of the United Kingdom of Great Britain and Northern Ireland establishing implementing bodies" signed on 8 March 1999 (the British-Irish Agreement of 8 March 1999). The Agreement was given domestic effect, North and South, by means of the North/South Co-operation (Implementation Bodies) (Northern Ireland) Order 1999 and the British-Irish Agreement Act 1999 respectively.
- 5.5 In accordance with Article 60 of Council Regulation (EC) No 1083/2006 and Article 15 of Council Regulation (EC) No 1080/2006 the SEUPB in its capacity as Managing Authority will carry out the following functions:
- Ensure that operations are selected for funding in accordance with the criteria applicable to the Programme and that they comply with applicable Community and national rules for the whole of their implementation period;
 - Satisfy itself that expenditure of each beneficiary participating in an operation has been validated by the controller referred to in Article 16(1) of Council Regulation (EC) No 1080/2006, as further described in paragraph 5.16 below;
 - Ensure that there is a system for recording and storing in electronic form accounting records for each operation under the Operational Programme and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;

- Ensure that beneficiaries and other bodies involved in the implementation of operations, maintain either a separate accounting system or an adequate accounting code, for all transactions relating to the operation without prejudice to national accounting rules;
- Ensure that the evaluations of Operational Programmes referred to in Article 48(3) are carried out in accordance with Article 47 of Council Regulation (EC) No 1083/2006;
- Establish procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail, are held in accordance with the requirements;
- Ensure that the Certifying Authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- Guide the work of the Monitoring Committee and provide it with the documents required to permit the quality of the implementation of the Operational Programme to be monitored in the light of its specific goals;
- Draft and, after approval by the Monitoring Committee, submit the annual and final reports on implementation to the Commission;
- Ensure compliance with the information and publicity requirements laid down in Article 69; and
- Provide the Commission with information to allow it to appraise major projects.

5.6 In carrying out the functions of the Managing Authority, the SEUPB will work in close liaison with the relevant government departments, which are accountable for expenditure. The Managing Authority, in close consultation and agreement with the Member States, will also agree the management arrangements for the Programme taking into account the advice of the Programme Monitoring Committee. The Managing Authority will ensure that such arrangements are recorded. The Managing Authority remains responsible at all times for the management of the Programme and ensuring that it is delivered in a manner which maximises efficiency and effectiveness.

5.7 In addition, the Managing Authority takes note of the Regions for Economic Change initiative and will consider it during the operational lifetime of the Programme. In the framework of the Regions for Economic Change initiative the Managing Authority commits itself to:

- Make the necessary arrangements to welcome into the mainstream programming process innovative operations related to the results of the networks in which the region is involved;
- To allow in the Monitoring Committee (or Programming Committee) the presence of a representative (as an observer) of the network(s) where the Region is involved, to report on the progress of the network's activities;
- To foresee a point in the agenda of the Monitoring Committee (or programming committee) at least once a year to take note of the network's activities and to discuss relevant suggestions for the mainstream programme concerned; and
- To inform in the Annual Report on the implementation of the regional actions included in the Regions for Economic Change initiative.

Certifying Authority

- 5.8 The SEUPB is the designated Certifying Authority for the Programme. All correspondence in this regard should be directed to the SEUPB's head office in Belfast.
- 5.9 To ensure adequate separation of responsibilities the functions of Certifying Authority will be carried out by the Director of Corporate Services and will be functionally independent of the staff of the Managing Authority.
- 5.10 In accordance with Article 61 of Council Regulation (EC) No 1083/2006 and Article 14 of Council Regulation (EC) No 1080/2006, the SEUPB in its capacity as Certifying Authority will carry out the following functions:
- Prepare and submit to the Commission certified statements of expenditure and applications for payment certifying that:
 - The statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents; and
 - The expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the Programme and complies with Community and national rules.
 - Ensure for the purposes of certification that it has received adequate information from the Managing Authority on the procedures and verifications carried out in relation to expenditure included in statements of expenditure;
 - Take account for certification purposes of the results of all audits carried out by, or under the responsibility of, the audit authority;
 - Maintain accounting records in computerised form of expenditure declared to the Commission; and
 - Keep an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered shall be repaid to the general budget of the European Union prior to the closure of the Operational Programme by deducting them from the next statement of expenditure.

Audit Authority

- 5.11 In accordance with Article 14 of Council Regulation (EC) No 1080/2006 the Internal Auditor of the SEUPB, will be the Audit Authority for the Programme. All correspondence in this regard should be directed to the SEUPB's head office in Belfast.
- 5.12 The Internal Auditor is functionally independent from the SEUPB. The Internal Auditor reports to an Audit Committee, which has an independent chair and independent member. The Internal Audit functions are provided by Internal Auditor, Department of Finance and Personnel for Northern Ireland, and this relationship is governed by a Service Level Agreement. The service level agreement will be amended to incorporate the functions of the Audit Authority as detailed in Article 62 of Council Regulation (EC) No 1083/2006.

5.13 The functions of the Audit Authority include:

- Ensuring that audits are carried out to verify the effective functioning of the management and control system of the Operational Programme;
- Ensuring that audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- Presenting to the Commission, within nine months of the approval of the Operational Programme, an audit strategy covering the bodies which will perform the audits referred to under the first two bullet points and including:
 - The method to be used;
 - The sampling method for audits on operations; and
 - The indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period.
- Submitting to the Commission, by 31 December each year from 2008 to 2015, an annual control report. This report will set out the findings of the audits carried out during the previous 12 month-period (ending on 30 June of the year concerned in accordance with the audit strategy of the Operational Programme) and report on shortcomings found in the systems for the management and control of the Programme. The first report, to be submitted by 31 December 2008, shall cover the period from 1 January 2007 to 30 June 2008. The information concerning the audits carried out after 1 July 2015 shall be included in the final control report supporting the closure declaration referred to in point 7 (below);
- Issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively. This will provide a reasonable assurance that statements of expenditure presented to the Commission are correct and that the underlying transactions are legal and regular;
- Submitting, where applicable under Article 88, a declaration for partial closure assessing the legality and regularity of the expenditure concerned; and
- Submitting to the Commission at the latest by 31 March 2017, a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which shall be supported by a final control report.

5.14 The Audit Authority will provide the opinion of adequacy of controls as outlined in Article 71 (3) of Council Regulation (EC) No 1083/2006.

5.15 A combined audit strategy will be developed which covers the INTERREG Programme for the Border Region, Northern Ireland and Western Scotland and the PEACE III Programme. The Member States have agreed that the Audit Authority referred to above, will have the authority to carry out its duties directly without the establishment of a group of auditors drawn from the two Member States (Article 14(2) 2nd sub paragraph of Council Regulation (EC) No 1080/2006).

Joint Technical Secretariat

5.16 The SEUPB shall be the Joint Technical Secretariat (JTS) for the Programme as defined by Article 14 of Council Regulation (EU) No 1080/2006. All correspondence in this regard should be directed to the SEUPB's head office in Belfast. The JTS will assist the Managing Authority and Monitoring Committee in carrying out its functions.

In particular, the JTS will be responsible for:

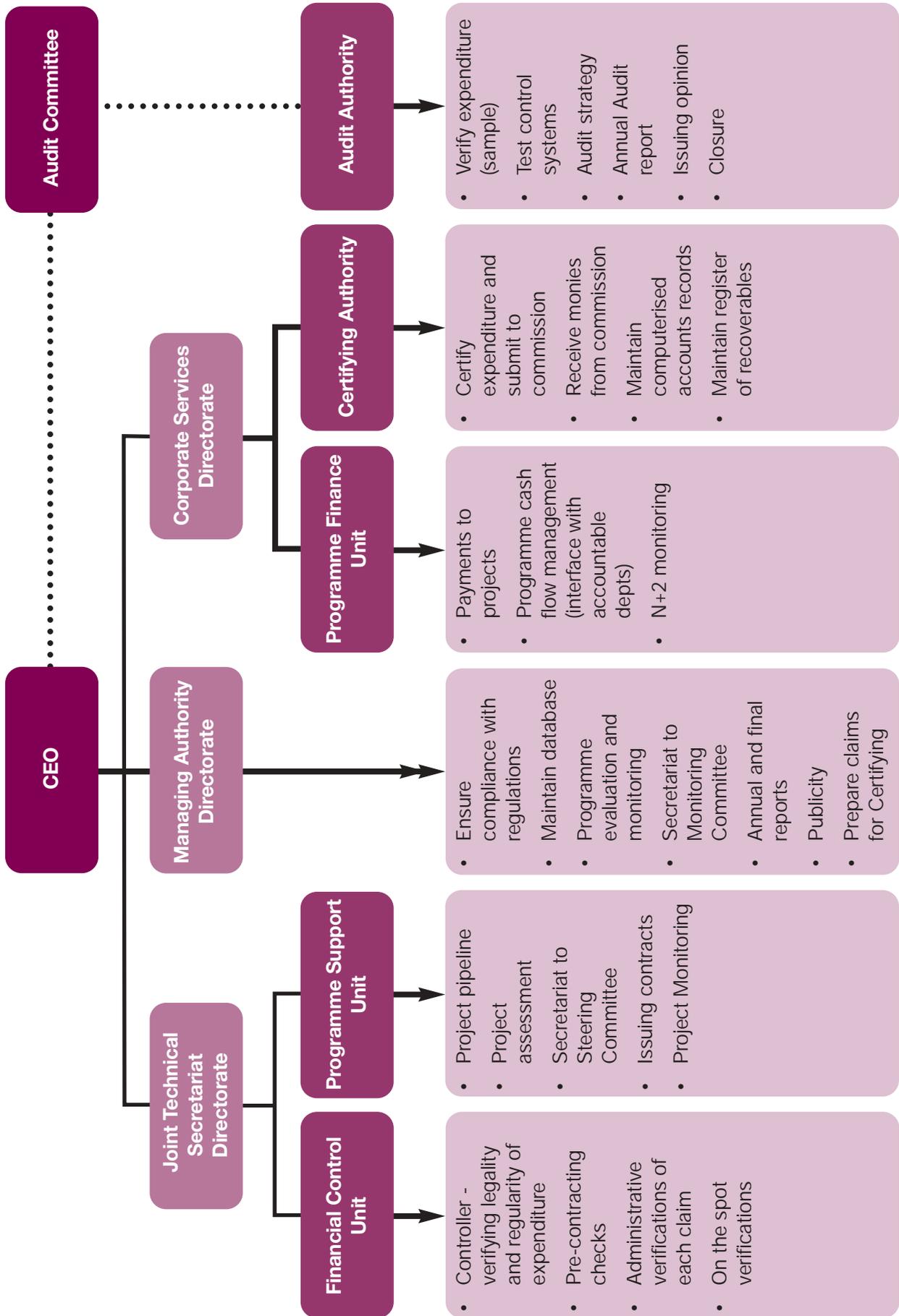
- Creation of a project pipeline by issuing calls for proposals in line with the criteria defined in the Operational Programme and agreed by the Monitoring Committee;
- Assessing project proposals for consideration by the relevant Steering Committee;
- Providing secretariat services to the Steering Committees;
- Issuing contracts of funding to successful project applicants;
- Maintaining monitoring records on behalf of the Programme and entering these into the database;
- The Financial Control Unit (FCU) within the JTS will carry out re-contracting checks in accordance with Article 13 of Council Regulation (EU) No 1828/2006. The Financial Control Unit will also be responsible for administrative verifications of each claim, and on the spot verifications; and
- The FCU will act as the Controller as defined in Article 16 of Council Regulation (EU) No 1080/2006. The legislative basis of the SEUPB enables it to perform the Controller functions throughout the eligible area.

Organisational Structure of SEUPB

5.17 There is a strict segregation of responsibilities at Director level within the SEUPB between the Directors responsible for Managing Authority, Certifying Authority (corporate services) and the Joint Technical Secretariat. Corporate Services provide financial services to other aspects of the organisation through a Programme Financial Unit (PFU), these being segregated at Manager level (accountant level) from Certifying Authority functions. Within the JTS, the FCU is segregated at Manager level (accountant level) and will carry out its functions independently in this regard from the other programme support functions of the Joint Technical Secretariat.

5.18 In accordance with Article 71 of Council Regulation (EC) No 1083/2006 and Article 21 of Council Regulation (EC) No 1828/2006 a full description of the systems and financial controls will be submitted to the Commission before the first interim payment and at the latest within 12 months of the approval of the Programme.

Figure 5.1: Organisational Structure



Monitoring Committee

- 5.19 In accordance with Article 63 Council Regulation (EC) No 1083/2006, the Programme Monitoring Committee will be established. The Monitoring Committee will meet within 3 months of formal approval of the Programme.
- 5.20 The Monitoring Committee will be chaired by the Managing Authority and will include balanced representation from the two Member States (Department of Finance, Department of Finance and Personnel and the Scottish Executive), the Certifying Authority, Business, Trade Unions, the Agriculture/Rural Development/Fisheries sector, the Community and Voluntary sector, and those representing environmental and equal opportunities interests. The participation of these different sectors shall be balanced. Membership will also incorporate elected representatives (including local authority representatives) ensuring that all main political parties are represented on the Committee. Particular effort will also be made to promote the balanced participation of women and men. The EU Commission shall participate in an advisory capacity.
- 5.21 The Managing Authority will be responsible for the preparation of documentation relating to Monitoring Committee meetings including reports, agendas and summary records of meetings. The Programme Monitoring Committee will be chaired by the Chief Executive of the Managing Authority or his/her nominee. The Committee will draw up its own rules of procedure and agree them with the Managing Authority. At its first meeting, the Committee shall approve detailed provision for the proper and efficient discharge of the duties assigned to it, including the frequency of its meetings. In particular, the Monitoring Committee will:
- Provide arrangements to review progress towards achieving the specific objectives of the Programme;
 - Satisfy itself as to the effectiveness and the quality of the implementation of the Programme;
 - Within six months of the approval of the Operational Programme consider and approve the criteria for selecting the operations financed and approve any revision of those criteria in accordance with programming needs;
 - Periodically review progress made towards achieving the specific targets of the Operational Programme on the basis of documents submitted by the Managing Authority;
 - Examine the results of implementation, particularly the achievement of the targets set for each Priority axis and the evaluations referred to in Article 48(3);
 - Consider and approve the annual and final reports on implementation referred to in Article 67;
 - Be informed of the annual control report (or of part of the report referring to the Operational Programme concerned) and any relevant comments the Commission may make after examining that report or relating to that part of the report;
 - It may propose to the Managing Authority any revision or examination of the Operational Programme likely to make possible the attainment of the Funds' objectives referred to in Article 3 or to improve its management, including its financial management; and
 - Consider and approve any proposal to amend the content of the Commission decision on the contribution from the Funds.

- 5.22 Non-Permanent Members from the Member States or other relevant organisations may be invited by the Programme Monitoring Committee to attend Monitoring Committee meetings in response to specific agenda items. Other interested parties will be invited to attend as observers.
- 5.23 The Programme Monitoring Committee may be assisted by a number of working groups, which will report directly to the Programme Monitoring Committee. The operations of the working group will be funded under Technical Assistance. The membership and remit of these groups will be proposed by the Programme Monitoring Committee and may operate on a limited or long-term basis.

Steering Committee

- 5.24 The Monitoring Committee shall delegate the responsibility for the selection of projects to a Steering Committee(s) as enabled by Article 19 of Council Regulation (EU) No 1080/2006.
- 5.25 The Steering Committee(s) will be constituted on a Programme basis, reflect the principles of partnership and have the necessary technical expertise and independence to assess operations for funding. The Steering Committee(s) shall be responsible for selecting projects and will be supported by the JTS.

Annual reports

- 5.26 In accordance with Article 67, the Managing Authority submits to the Commission (within six months of the end of each full calendar year of implementation) an Annual Implementation Report. The first report will be due by 30 June 2008. The report must be examined and approved by the Programme Monitoring Committee before it is sent to the Commission. Once the Commission has received the report, it shall indicate, within a period of two months, if the report is unsatisfactory and provide reasons. Otherwise, the report shall be deemed to be accepted. The Annual Report shall include the following information:
- The progress made in implementing the Operational Programme and Priority axes in relation to their specific, verifiable targets, with a quantification (wherever and whenever they lend themselves to quantification), using the indicators referred to in Article 37(1)(c) at the level of the Priority axis;
 - The financial implementation of the Operational Programme, detailing for each Priority axis;
 - The expenditure paid out by the beneficiaries included in applications for payment sent to the Managing Authority and the corresponding public contribution;
 - The total payments received from the Commission and quantification of the financial indicators referred to in Article 66(2);
 - The expenditure paid out by the body responsible for making payments to the beneficiaries. Where appropriate, financial implementation in areas receiving transitional support shall be presented separately within each Operational Programme;
 - For information purposes only, the indicative breakdown of the allocation of Funds by categories, in accordance with the implementation rules adopted by the Commission, procedure referred to in Article 103(3);

- The steps taken by the Managing Authority or the Monitoring Committee to ensure the quality and effectiveness of implementation, in particular:
 - Monitoring and evaluation measures, including data collection arrangements;
 - A summary of any significant problems encountered in implementing the Operational Programme and any measures taken, including the response to comments made under Article 68(2) where appropriate; and
 - The use made of Technical Assistance.
- The measures taken to provide information on and publicise the Operational Programme;
- Information about significant problems relating to compliance with Community law which have been encountered in the implementation of the Operational Programme and the measures taken to deal with them;
- Where appropriate, the progress and financing of major projects; and
- The use made of assistance released following cancellation as referred to in Article 98(2).

Final report

5.27 A final report will be submitted to the Commission at the latest by 31 March 2017. The same content and procedure (submission to the Commission by the Managing Authority after examination and approval by the Monitoring Committee) for annual reports apply to the final report. In the case of a final report, the Commission will indicate if the report is considered acceptable within a period of five months from receipt of the report.

Annual implementation review

5.28 In accordance with Article 68, every year, when the Annual Implementation Report is submitted, the Commission and the Managing Authority shall review the main outcomes of the previous year. After this review, the Commission may make comments to the Member States and the Managing Authority. The Monitoring Committee will be informed accordingly. The Member States will inform the Commission of any action taken in response to these comments.

Monitoring and evaluation

5.29 Monitoring will be carried out by the Managing Authority under the supervision of the Programme Monitoring Committee. This monitoring will ensure the quality and effectiveness of implementation through assessment of progress towards achievement of the financial, physical and impact indicators. It will involve the organisation and co-ordination of the data relating to the financial, physical and impact indicators and those concerning qualitative aspects of implementation. The Monitoring Committee will meet within 3 months of formal approval of the Programme.

5.30 The general Monitoring and Evaluation Strategy proposed for the INTERREG IV Programme is outlined here and will be further articulated in a detailed Monitoring and Evaluation Plan. The approval of this plan will be one of the first tasks of the Monitoring Committee. The Plan will be publicly available and will be of particular use to Monitoring Committee members and to project managers and implementers.

5.31 The key aspects of the Monitoring and Evaluation Strategy involve:

- Ongoing monitoring and reporting against the agreed Context, Priority and Sub-Priority indicators;
- Ongoing detailed quantitative and qualitative monitoring and evaluation building up from the project level;
- In line with the Commission working paper on on-going evaluation,⁵⁹ periodic evaluations of the Programme will be undertaken if (i) monitoring information reveals a significant departure from targets set, or (ii) major changes to the Operational Programme are required; and
- A full evaluation of the Programme will be carried out during the life-time of the Programme, involving a synthesis of the work carried out in the ongoing evaluations. In addition, this evaluation will review monitoring data and performance indicators with the purpose of assessing progress towards the key objectives and to recommend corrective actions if there is under-performance. It will also be used to support any proposed changes to the Operational Programme or reallocation of financial resources.

Context Priority and Sub-Priority indicators

5.32 A suite of output, result and impact indicators have been developed for the Programme at a Priority and Sub-Priority level.

5.33 These indicators have been informed by a range of processes. Namely, experience gained in monitoring INTERREG IIIA; a Logical Framework exercise carried out as part of the development of the INTERREG IV Operational Programme; the Ex-Ante Evaluation for INTERREG IV, and consultation responses to the draft INTERREG IV Operational Programme.

5.34 The information to enable reporting against each of the indicators will be collected from a variety of sources. The indicators for the Programme are detailed in Chapter 4 and Annex B of this Operational Programme, including, for each indicator, baseline figures where appropriate and available, targets where appropriate, and the source and regularity of the data.

Ongoing quantitative and qualitative monitoring and evaluation

5.35 Council Regulation (EC) No 1083/2006 provides for a shift from the concept of Mid-Term Evaluation towards a more flexible, demand-driven approach to evaluation. This approach allows for stronger links between monitoring and evaluation and between these two interlinked exercises and decision-making. Evaluation will be invoked when actual or potential difficulties are revealed by the monitoring system, or to ensure regular review of the socio-economic impact and other strategic aspects.

5.36 An evaluation plan will be drawn up for the Programme which will provide an overall framework for the on-going evaluation and ensure that it is used as an integrated management tool.

⁵⁹ Working Paper 5: Indicative Guidelines on Evaluation Methods: Evaluation during the Programming Period (October 2006).

- 5.37 Implementing the Monitoring and Evaluation Plan will be the responsibility of the Managing Authority and the associated reports will be assessed by the Programme Monitoring Committee and, in the case of specific evaluations, by the European Commission.
- 5.38 In accordance with the regulations, the INTERREG IV Monitoring Committee shall examine the results of implementation and periodically review progress made towards achieving the targets set for the priorities and sub-priorities. This periodic review will take place at least once each year and will ensure the quality and effectiveness of implementation.

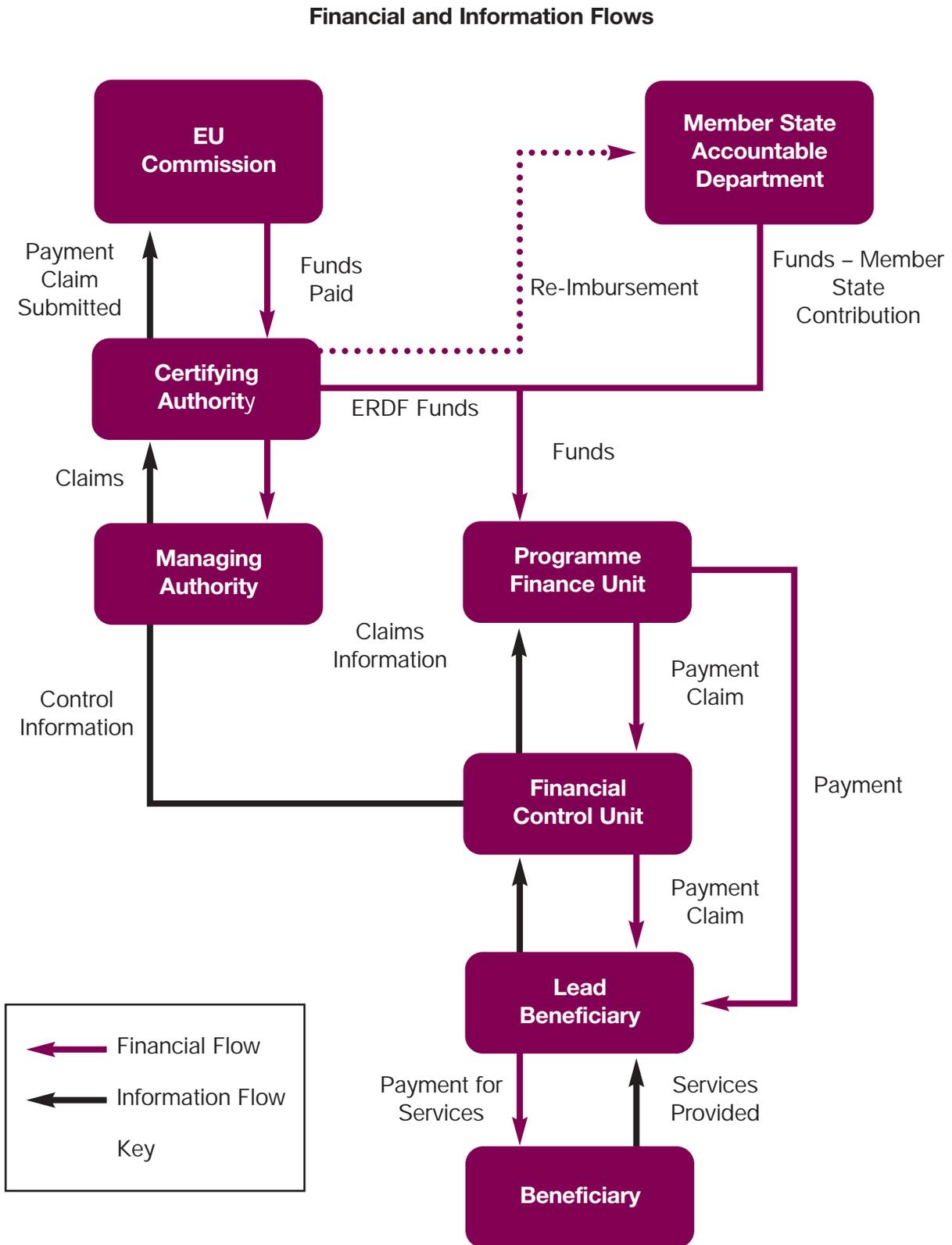
Financial management

Financial flows

- 5.39 Without prejudice to the Commission's responsibility for implementing the general budget of the European Communities, the Member State shall take responsibility in the first instance for the financial control of assistance.
- 5.40 In the Member States, the treatment of Structural Funds expenditure is based on the principle that receipts from the Commission should be managed, disbursed and monitored in exactly the same way and using the same systems as other national public expenditure. The basic principles of Government Accounting apply to these receipts, the most important being:
- Parliamentary scrutiny and accountability;
 - The identification of an Accounting Officer responsible for the funds under his or her control; and
 - A statutory basis for all expenditure, whether from national or EU source.
- 5.41 Detailed provisions for handling transactions are contained in the procedural guide "Government Accounting in Northern Ireland (GANI)" and "Public Financial Procedures" (Ireland).
- 5.42 Payments by the EU Commission of the ERDF contribution to the Programme will be paid directly to a nominated bank account of the SEUPB as Certifying Authority for the Programme. Such payments will at all times comply with the General Regulation.
- 5.43 The Certifying Authority will establish a single dedicated bank account specifically for the purpose of this Programme. All payments, whether, payments from the EU, including payments on account, interim payments, payments of the final balance and Member State contributions will be made to this account.
- 5.44 In some cases the SEUPB will also draw down national match funding from the relevant government department (Northern Ireland/Ireland), and make payments with respect to this match funding. In other cases the lead partner will provide the necessary match funding (in relation to operations in Scotland). Each Letter Of Offer will clearly stipulate the arrangement in relation to match funding.
- 5.45 As required under the European Territorial Co-operation Objective, funding for the Programme will be provided on a Programme basis. This means that all funding from both Member States (including Scotland) will be included within a single financial table.

- 5.46 The Special EU Programmes Body will make all payments to the lead partner of projects, who will be the final beneficiary. The SEUPB has a dedicated Central Payments Unit (CPU) which was established to make payments directly to the lead beneficiaries. The CPU will continue this function for the Programme. The CPU upon receipt of an authorised instruction form from the JTS, will make the payment directly to the lead beneficiary's bank account.
- 5.47 In accordance with Article 80, the Certifying Authority shall ensure that final beneficiaries receive payment in full and as quickly as possible. No deduction, retention or further specific charge which would reduce these amounts shall be made.
- 5.48 In order to facilitate the verification of expenditure by Community and national control authorities, the Member State will ensure that all bodies involved in the management and implementation of Structural Fund operations shall maintain either a separate accounting system, or an adequate accounting codification, capable of providing detailed and complete summaries of all transactions involving Community assistance.
- 5.49 The Joint Technical Secretariat Financial Control Unit (FCU) will receive payment claims from the final recipients. The FCU will check the payment claims against the offer of grant and the project papers, and ensure eligibility and consistency with the performance targets set. If acceptable they then authorise the payment on the basis of eligible expenditure incurred. Payments will then be processed by the Central Payments Unit upon receipt of instructions from the FCU. Wherever these functions are executed by the same organisation, the functions of checking, authorisation and payments are separated within the Joint Technical Secretariat as described in paragraph 5.17.
- 5.50 The financial control arrangements developed will take due account of the key lessons emerging from the range of audits that have been completed in previous Programmes.
- 5.51 Financial and information flows are summarised in the table 5.2.

Table 5.2 Financial and Information Flows



Use of Euro and conversion rates

5.52 In accordance with Article 81, all commitments and payments are made in euro (€). Statements of expenditure have also to be made in euro. Since the UK does not have the euro as its national currency, amounts of expenditure incurred, will be converted into euro by applying the rate in force in the month during which the expenditure was recorded in the accounts of the Certifying Authority. The appropriate rates of exchange will be published by the Commission.

Financial contributions by the funds

5.53 In accordance with Article 54, any project within the Programme may benefit from a contribution from a single Structural Fund only. An operation may not be financed simultaneously by any other Programme.

Re-location

5.54 In the case of assistance granted from the Structural Funds to a large enterprise, the Managing Authority undertakes to request an assurance from the enterprise concerned that the assistance will not be used in support of investment that concerns the relocation of its production or service facilities from another Member State of the European Union.

Differentiation of rates of contribution

5.55 In accordance with Articles 53(3) and 54(1), the contribution of the ERDF shall be subject to the following ceilings: a maximum of 75% of the total eligible cost, and at least 20% of the eligible public expenditure. In the case of investments in firms within the meaning of Article 87 of the Treaty, the contribution of funds will be determined by State Aid Regulations and Regional Aid Rates.

Community budget commitments

5.56 In accordance with Article 75, the Community budget commitments are made on the basis of the decision approving the Operational Programme. The first commitment is made when the Commission adopts this decision and subsequent commitments will be effected as a general rule by 30 April each year.

5.57 In accordance with Article 93, the Commission will automatically decommit any part of a commitment (other than any part which has been settled by the payment on account) for which it has not received an acceptable payment application by the end of the second year following the year of commitment. The contribution from the Funds will be reduced by that amount. In other terms, at the end of 2009, the Commission will decommit (and automatically reduce the amount of contribution of the Funds allocated to the Programme) any part of the first year commitment, less the payment on account, for which an acceptable payment claim has not been received. This applies in all subsequent years. Finally, the Commission will decommit any part of the total commitment to the Programme for which an acceptable payment application has not been received by the 31 March 2017.

5.58 The period for automatic decommitment shall cease to run for that part of the commitment corresponding to operations which, at the specified date of decommitment, are the subject of a judicial procedure, or an administrative appeal having suspensory effects. This is subject to the Commission receiving prior information giving reasons from the Member States and to information being issued by the Commission. In any case, the Commission shall in good time inform the Member State and the Certifying Authority whenever there is a risk of application of an automatic decommitment as referred to above.

- 5.59 Following provisions of Article 76, payments by the Commission of the contribution from the Funds shall be made, in accordance with the corresponding budget commitments, to the Certifying Authority. Payment may take the form of payments on account, interim payments and payments of the final balance.
- 5.60 In accordance with Article 82, the Commission will pay to the Certifying Authority 5% of the total contribution from the Funds to the Programme. There will be a 2% payment in 2007 and a 3% payment in 2008. In accordance with Article 82, all or part of the payment on account depending on progress towards implementation of the Programme, will be repaid to the Commission if no payment application has been received within 24 months of the receipt of the first payment on account.
- 5.61 Any interest generated by the pre-financing shall be posted to the Operational Programme concerned, being regarded as a resource for the Member State as national public contribution and shall be declared to the Commission at the time of the final closure of the Operational Programme.
- 5.62 The payments on account are used to pay end beneficiaries. The Commission will make further payments (interim payments) based on declarations of expenditure certified by the Certifying Authority, to reimburse expenditure paid to end beneficiaries. These further payments are subject to the following conditions:
- Latest annual implementation report, containing the information specified, forwarded to the Commission; and
 - There is no reasoned opinion by the Commission in respect of an infringement under Article 226 of the treaty as regards the operations for which the expenditure is declared in the application in question.
- 5.63 The Certifying Authority will, as far as possible, present applications for interim payments to the Commission three times a year. The last application should be presented no later than 31 October to ensure payment within that calendar year. As required by Article 76(3), the Certifying Authority shall send the Commission their updated forecasts of applications for payment for the current year and the forecast for the following year, by 30 April each year. In accordance with Article 89, the final balance of the assistance will be paid if:
- The Member State has sent an application for payment comprising the following documents by 31 March 2017. These documents include:
 - An application for payment of the final balance and a statement of expenditure in accordance with Article 78;
 - The final implementation report for the Operational Programme, including the information set out in Article 67; and
 - A closure declaration referred to in Article 62(1)(e).
 - There is no reasoned opinion by the Commission in respect of an infringement under Article 226 of the Treaty as regards the operation(s) for which the expenditure is declared in the application for payment in question.
- 5.64 In accordance with Article 80, the Certifying Authority shall ensure that final beneficiaries receive payment in full and as quickly as possible. No deduction, retention or further specific charge which would reduce these amounts shall be made.

5.65 The final balance of the assistance will be paid if by 2017:

- The Commission has received from the Member State an application for payment comprising the following documents by 31 March 2017:
 - An application for payment of the final balance and a statement of expenditure in accordance with Article 78;
 - The final implementation report for the Operational Programme, including the information set out in Article 67; and
 - A closure declaration referred to in Article 62(1)(e).
- There is no reasoned opinion by the Commission in respect of an infringement under Article 226 of the Treaty as regards the operation(s) for which the expenditure is declared in the application for payment in question.

5.66 All statements of expenditure will include, for each Priority axis, the total amount of eligible expenditure, in accordance with Article 56, paid by beneficiaries in implementing the operations and the corresponding public contribution paid or due to be paid to the beneficiaries, in line with the conditions governing the public contribution. Expenditure paid by beneficiaries shall be supported by receipted invoices or accounting documents of equivalent probative value. Advance payments may be included in relation to State Aid in accordance with the conditions laid out in Article 78 (2) of Council Regulation (EC) No 1083/2006.

Implementation arrangements

5.67 The following implementation structures are proposed:

5.68 The principal delivery mechanisms for the Programme will be a Joint Technical Secretariat (JTS). The SEUPB shall be the Joint Technical Secretariat (JTS) for the Programme as defined by Article 14 of Council Regulation (EU) No 1080/2006.

5.69 The Monitoring Committee shall delegate the responsibility for the selection of projects to a Steering Committee(s) as enabled by Article 19 of Council Regulation (EU) No 1080/2006. The Monitoring Committee will approve the number, thematic area and membership of any Steering Committee formed.

5.70 The Steering Committee(s) will be constituted on a cross-border basis, including Scotland, and will reflect the principles of partnership and will have the necessary technical expertise and independence to assess operations for funding. The Steering Committee(s) shall be responsible for approving projects for funding and will be supported by the Joint Technical Secretariat.

5.71 It is envisaged that a number of Steering Committees will be formed reflecting the sectoral areas of the Programme.

5.72 The participation of other organisations for example, local authorities and cross-border groups, will be as lead partners or partners, involved in the delivery of a defined operation.

5.73 The consultation process carried out as part of the preparation of the Programme raised a number of considerations that impact on the identification of appropriate lead partner/partners. These include:

- There are a number of government departments, statutory agencies and other public bodies, including cross-border bodies, who have statutory responsibilities in relation

to the sectors identified in the Operational Programme. This is particularly the case within regulated sectors such as telecommunications/energy and other sectors involved in the delivery of key public services/infrastructure such as health and road/transport. Interventions within these sectors must take due account of these statutory bodies and their responsibilities. The appropriate lead partner for these interventions will be the government department responsible for the sector concerned, or another nominated body as agreed by the relevant government department;

- There are a large number of local authorities within the eligible area, together with a large number of agencies and other sector specific partnerships organised on a local basis. These represent collectively a significant level of local institutional capacity and a significant asset in ensuring that the Programme is responsive to local needs. In particular local authorities have formed partnerships, (Cross-Border Groups) which facilitates a co-ordinated and strategic response on a cross-border basis;
- The three Cross-Border Groups (ICBAN, EBR, and NWR) represent a valuable resource in coordinating the actions of local authorities on a North/South basis. The experience of managing EU funds on a cross-border basis, within partnership principles, with the full involvement of elected representatives from both jurisdictions, represents significant institutional capacity. The Groups have been an important and successful part of the INTERREG IIIA Programme. Every effort should be made to build on their success and competences. The emergence of two new Northern Ireland based partnerships (North East and COMET) provides an opportunity to further extend the principle of partnership between local authorities. Together, the Cross-Border Groups offer the opportunity for a co-ordinated and strategic cross-border response to local issues within the competence of their local authority members;
- The Review of Public Administration in Northern Ireland, which is due to take effect in 2009, will affect the number and functions of local authorities, and the Programme must be responsive to this change, particularly with regard to any new competences given to local authorities;
- The participation of Scotland with its own administrative arrangements increases the range and number of organizations who wish to participate as lead partners, and it is important that the Programme is implemented in a manner which facilitates the opportunity for Scottish involvement across the Programme; and
- There are a range of other private and voluntary sector agencies who have indicated that they would wish to participate as lead partners, this offers the potential for new and innovative approaches to addressing regional issues and provides the opportunity to maximize stakeholder involvement.

5.74 The JTS will invite potential lead partners to submit bids for funding in accordance with the priority axis of the Operational Programme. Given the range of potential partners, and the desire to maximize the impact of the Programme, calls for funding will happen in an open and transparent manner. In order to enhance the strategic impact of the Programme and reduce the administrative requirement in relation to the processing of unsuitable applications, there may be focused invitations to bid, in which cases specific outputs and results, consistent with the Operational Programme, will be specified within the call for applications. Applicants will also be encouraged to adopt a strategic approach and ensure their bid is inclusive of relevant organisations and/or groups. Potential partners, within any particular operation, will be encouraged to co-operate together, rather than compete for funding. Cross-Border Groups have an important role in this regard with respect to local authorities. Bids will identify an appropriate lead partner for the operation.

- 5.75 With the limited exception of those operations, which fall within the first bullet point of paragraph 5.73 no prior allocation of funds will be made to any particular lead partner or type of lead partner. Rather bids will be considered on merit by the Steering Committee. The Steering Committee will have due regard to the selection criteria outlined in paragraphs 3.28 to 3.36.
- 5.76 For Northern Ireland, Ireland and Scotland, the departments accountable for these activities will be decided.
- 5.77 For each operation, a lead beneficiary shall be appointed by the beneficiaries among themselves. The lead beneficiary shall assume the following responsibilities:
- It shall lay down the arrangements for its relations with the beneficiaries participating in the operation in an agreement comprising, *inter alia*, provisions guaranteeing the sound financial management of the funds allocated to the operation, including the arrangements for recovering amounts unduly paid;
 - It shall be responsible for ensuring the implementation of the entire operation;
 - It shall ensure that the expenditure presented by the beneficiaries participating in the operation has been paid for the purpose of implementing the operation and corresponds to the activities agreed between the beneficiaries participating in the operation;
 - It shall verify that the expenditure presented by the beneficiaries participating in the operation has been validated by the controllers; and
 - It shall be responsible for transferring the ERDF contribution to the beneficiaries participating in the operation.
- 5.78 Any organisation which puts itself forward as a lead beneficiary will also have the necessary competencies, resources and capacity to undertake this function.
- 5.79 Each beneficiary participating in the operation shall:
- Assume responsibility in the event of any irregularity in the expenditure which it has declared; and
 - Inform the Member State where it is located about its participation in an operation, in case this Member State, as such, is not participating in the Operational Programme concerned.
- 5.80 In order to validate the expenditure, the Managing Authority shall set up a control system making it possible to verify the delivery of the products and services co-financed, the soundness of the expenditure declared for operations or parts of operations implemented, and the compliance of such expenditure and of related operations, or parts of those operations, with Community and its national rules.
- 5.81 For this purpose each Member State has designated, the SEUPB as the controller responsible for verifying the legality and regularity of the expenditure declared by each beneficiary participating in the operation.
- 5.82 In accordance with Article 71 of Council Regulation (EC) No 1083/2006 and Article 22 of Council Regulation (EC) No 1828/2006, a detailed description of the financial control arrangements will be submitted to the Commission which will further detail these arrangements.

Electronic data exchange

- 5.83 The Managing Authority will set up and operate a computerised system to gather reliable data required for the management, monitoring and evaluation of the Community assistance. The guidelines and recommendations provided by the Commission are being used to specify the new system to ensure compatibility with the Electronic Data Exchange requirements. This system will be operational by October 2007. Information will be collected and codified at project level for the Operational Programme.
- 5.84 The system will be designed to support programming, financial and physical monitoring and the making and monitoring of payments. It will be based on the client/server application giving government departments and other relevant organisations access to a central database. All required financial and physical progress information, appropriately codified, will be relayed electronically to the Commission by the Managing and Certifying Authorities, as appropriate. The frequency of electronic transmission will conform to the management requirements as agreed between the Commission, the Member States and the Managing Authority.
- 5.85 SEUPB, as Managing Authority, has responsibility for operating the database. Steps will be taken to ensure that the necessary linkages are established between the different programme computer systems to avoid duplication of funding from Community assistance sources, to prevent fraud and to ensure the effective delivery of the funds.

Major projects

- 5.86 At the time of planning, no major projects as defined by Article 39 are envisaged to be co-funded by the Programme. Major projects are those which comprise an economically indivisible series of works fulfilling a precise technical function, which have clearly identified aims and whose total cost taken into account in determining the contribution of the Funds exceeds €25million in the case of the environment and €50million in other fields.
- 5.87 Where the Managing Authority envisages the Funds' contributing to a major project, it shall inform the Commission in advance and provide the information necessary for the Commission's appraisal of the project, as set out in Article 40.
- 5.88 The Managing Authority will ensure that a cost-benefit analysis, referred to in Article 39, will be drawn up by an organisation truly independent of the project applicant. The cost may be supported by Technical Assistance from the Programme, with co-financing provided either by the Managing Authority or the project applicant at the request of the Managing Authority. The Commission will appraise major projects, consulting the European Investment Bank where necessary. Within three months of receipt of the information referred to above, the Commission shall decide to confirm or amend the level of Community assistance to the project. If it considers that the project appears not to justify either part or all of the contribution from the Structural Funds, it may decide to withhold part or all of that contribution, stating the reasons for so doing.

Information and publicity

5.89 In accordance with Article 69 of Council Regulation (EU) No 1083/2006, a Communications Plan will be developed. The Communication Plan shall explain how the Programme will provide information and publicity to ensure that European Union assistance is transparent to the target groups identified in the Communication Plan. The target groups will include citizens, potential beneficiaries and beneficiaries. The messages to be delivered by the Communication Plan shall inform potential beneficiaries about the opportunities available through the Programme and inform the general public about the role played by the European Union through the assistance provided. To aid transparency, the publication of details of beneficiaries and the amount of support each of them has received will be essential information for incorporation in publicity activity.

Aims and objectives of the Communication Plan

5.90 The aim of the Communication Plan shall be to maximise and publicise the contribution of the ERDF in contributing to territorial co-operation between Northern Ireland, the Border Region of Ireland and Scotland. This will be achieved by informing potential and final beneficiaries about:

- The conditions of eligibility to qualify for funding;
- The procedures for examining applications and the time periods involved;
- The criteria for selecting projects to be financed; and
- The contacts that can provide information on the Operational Programmes.

5.91 In addition, the Communication Plan will inform the general public inside the region and outside about the Programme's distinctiveness, its results and the value added by the financial support from the Programme. Regular reports to the Monitoring Committee on the achievements of the Communication Action Plan will also be provided.

5.92 The Annual Report on the Operational Programme shall include examples of the information and communication measures taken and report on the arrangements for the publication of the list of beneficiaries. Major amendments to the Communication Plan shall be included in the Annual Report. An evaluation of the measures, contained in the Communication Plan, shall also be included in the Annual Implementation Report for the year 2010 and the Final Implementation Report.

5.93 A major information activity shall be held to launch the Operational Programme and at least one major information activity shall be held each year to present the achievements of the Operational Programme and major projects. Information and publicity about the Programme and its impacts which is likely to attract media attention will be distributed on a regular basis. This shall include the dissemination of examples of good practice. An information and communication network of those responsible for information and publicity in projects and implementing bodies shall be established to share information and examples of good practice.

5.94 The Managing Authority shall maintain a web-based archive of examples of good practice and ensure full public access. It shall also design, maintain and promote the Programme's website (<http://www.seupb.eu>). The Managing Authority shall also ensure that all funded projects comply with Commission Regulations and shall require each application for funds from the Programme to include a Communication Plan, with a budget line, to show how the project will meet its obligations under this Regulation.

Compliance with Community policies

5.95 The Programme will be delivered in full compliance with Community policies. The main policies relevant to the Programme are:

- Competition policy;
- Sustainable development (Article 17); and
- Equal opportunities (Article 16).

Competition policy

5.96 The Programme will abide by the provisions on State Aid as laid down in Articles 87 and 88 of the EC Treaty. The Managing Authority will ensure that any aid granted under this Programme will be in conformity with the provisions laid down in one of the Commission regulations adopted under Council Regulation (EC) No 994/98 of 7 May 1998 on the application of Article 92 and 93 of the Treaty establishing the European Community to certain categories of horizontal State Aid (OJ L 142, 14.5.1988, P.8). At present, the most relevant State Aid Regulations are:

- Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the EC Treaty to *de minimis* aid (OJ L 379, 28.12.2006, p 5);
- Commission Regulation (EC) No 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to State Aid to small and medium-sized enterprises (OJ L 10, 13 January 2001, p 33);
- Commission Regulation (EC) No 68/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to training aid (OJ L 10, 13 January 2001, page 20); and
- Commission Regulation (EC) No 1628/2006 of 24 October 2006 on the application of Articles 87 and 88 of the treaty to national regional investment aid (OJ L 302, 1.11.2006, p.29).

Sustainable development

5.97 The Programme will abide by the principles and objectives of sustainable development, by giving weight to environmental costs and benefits in selecting projects for support under the Programme and by complying with Commission legislation and, where appropriate, the related Northern Ireland statutory duty on public authorities. Where required by Community legislation or where appropriate for other reasons, Environmental Impact Assessments will be made. Indeed, the implementation of the Programme will be consistent with the Sustainable Development Strategy in Northern Ireland⁶⁰, Ireland⁶¹ and Scotland.⁶² In addition, the Programme will abide by the Sustainable Development Strategy, adopted by the European Council in June 2006, as outlined in paragraph 3.21 above.

5.98 Member States will fulfil their obligations under the Community policies and schemes for protecting and improving the environment, in particular the “Natura 2000” network. The Programme commits to guarantee consistency of their Programmes with the protection of sites as provided for under “Natura 2000”. In addition, in line with its commitments, the

60 First Steps Towards Sustainability (2006): A Sustainable Development Strategy in Northern Ireland.

61 Government of Ireland (1997) Sustainable Development: A Strategy for Ireland.

62 Scottish Executive (2005) Choosing Our Future: Scotland's Sustainable Development Strategy.

Member States provide a formal guarantee that it will not allow sites protected under "Natura 2000" to deteriorate during operations part-financed by the Structural Funds.

- 5.99 Development Path Analysis is used (as recommended by the Commission) to assess the environmental impact of each project, and facilitate the environmental profiling of the Programme in terms of the degree to which it is helping to move the assisted region towards a more sustainable development path or more eco-efficient methods.
- 5.100 All projects enjoying co-financing from the Structural Funds will be in compliance with Directive 85/337/EEC as amended by 97/11/EEC. As a result of this consideration, it should either be stated that they do not have any significant, negative environmental impact, or a description of a possible, negative impact as well as of the mitigating measures should be presented. In accordance with Article 40, applications for assistance concerning major projects must include information:
- That allows an evaluation to be conducted on the environmental impact and the implementation of the precautionary principle and the principles that preventive action should be taken;
 - That environmental damage should as a priority be rectified at source; and
 - That the polluter should pay and compliance with the Community rules on the environment.
- 5.101 Within areas classified as Special Protection Areas (SPAs) pursuant to Directive 79/409/EEC (on the conservation of wild birds), aquaculture Structural Fund plans or projects shall only be co-financed following an appropriate written assessment of their effects individually, and in combination with other plans and projects, and following ascertainment that they will not adversely affect the integrity of the SPAs concerned.
- 5.102 Pending their full classification, the same requirements with respect to the co-financing of aquaculture plans or projects with Structural Funds will apply to areas:
- Proposed or required to be proposed by the Government of the United Kingdom or the Government of Ireland as Special Areas of Conservation (SACs) pursuant to Directive 92/43/EEC (on the conservation of natural habitats and of wild fauna and flora); and
 - Proposed or required to be proposed by the United Kingdom Authorities or Ireland Authorities as SPAs pursuant to Directive 79/409/EEC (on the conservation of wild birds).

Equal opportunities

- 5.103 In accordance with the Article 16 and wider Commission policies, priority will be given to projects which advance equal opportunities for men and women. The gender perspective will be promoted during all stages of Programme implementation. The Programme will comply with, and where appropriate contribute to, Community policy and legislation on equal opportunities for men and women. In compliance with Section 75 Northern Ireland Act (1998) the Programme will be subject to a full Equality Impact Assessment during its preparation.

- 5.104 The Programme, in accordance with national legislation and Commission regulation will take steps to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, age or sexual orientation during the implementation of the Programme. Particular steps will be taken to ensure that all operations co-funded are fully accessible to people with disabilities.
- 5.105 The appraisal of operations seeking co-financing from the Programme and which are not specifically oriented towards the improvements of equal opportunities will include an assessment as regards their impact of equal opportunities.
- 5.106 Monitoring and evaluation indicators will also include, where appropriate, provision for separate data in relation to men and women. The Managing Authority will produce desegregated statistics by gender on the basis of available data. It will also ensure that evaluations measure the extent to which the principle of promoting equal opportunities has been taken into account in the implementation of this Programme, with particular regard to the involvement of women and to the relevance and the outcome of such measures. It intends to develop, where appropriate, adequate evaluation procedures, tools and indicators to this end. Technical Assistance will be made available to support the mainstreaming of equal opportunities between men and women.
- 5.107 The Annual and Final Implementation Reports will contain a specific chapter describing the actions taken in the framework of the Programme to ensure the implementation of equal opportunities objectives of the Programme and to state to which extent the targets set out in the Programme have been met.

VI Complementarity

Introduction

6.1 This section outlines the ways in which the INTERREG Programme complements other relevant Programmes and policy initiatives in Northern Ireland and the Border Region. This section identifies key strategic linkages and provides an understanding of how the Programme fits with other broader government initiatives with these Programmes and in addition, with other key policy initiatives. These include:

- Community Strategic Guidelines on Cohesion;
- National Strategic Reference Framework in Northern Ireland, Ireland and Scotland;
- PEACE III Programme;
- Rural Development Programme;
- European Fisheries Fund;
- Economic Vision for Northern Ireland;
- Framework for Economic Development in Scotland;
- National Development Plan 2007-2013, Ireland;
- The Investment Strategy for Northern Ireland;
- Investment strategies in Scotland; and
- The National Spatial Strategy for Ireland 2002-2020.

Community Strategic Guidelines on Cohesion

6.2 To ensure that Community priorities are better integrated into national and regional development programmes, the European Commission established guidelines to frame the development of cohesion policy over the 2007-2013 period. In line with the Gothenburg and Lisbon strategies, the guidelines state that Programmes co-financed through the cohesion policy should seek to target resources on the following three priorities that include:⁶³

- Improving the **attractiveness of Member States, regions and cities** by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
- Encouraging **innovation, entrepreneurship** and the growth of the **knowledge economy** by research and innovation capacities, including new information and communication technologies; and
- Creating **more and better jobs** by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.

⁶³ European Commission (2005) Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-2013. Communication from the Commission.

Within each of these priorities, the Community Strategic Guidelines also outline specific themes or actions that could be supported by Member States in national and regional programmes.

As previously highlighted in this document, there is a strong degree of complementarity between the INTERREG IV Programme and the Community Strategic guidelines. Priority 1, Co-operation for a more prosperous programme region, for example, is strongly focused on encouraging innovation and entrepreneurship and creating more and better jobs. Indeed, in regard to promoting knowledge and innovation for growth, Priority 1 (Enterprise) aims to provide support to enhance new and existing businesses to enable them to grow nationally and internationally. This includes, *inter alia*, developing linkages between industry and third level institutions, providing financial support, developing skills and facilitating networks that will encourage the strategic co-ordination of small firms. In addition, Priority 1 (Tourism) seeks to improve the performance of the tourism industry by enhancing the tourism product. Together these activities are focused on delivering more and better jobs.

Priority 2, Co-operation for a sustainable programme region, is centred on improving the attractiveness of Member States, and enhancing sustainability and the quality of life. Priority 2 (Co-operation for a sustainable programme region), for instance, aims to promote innovative ways of addressing specific programme problems in order to deliver services within border areas and promote sustainable communities. This includes support in the areas of health, environment, rural development, marine and coastal management and social development. With a view to improving the attractiveness of the region, Priority 2 (Infrastructure) seeks to upgrade transport networks (road, rail and sea) and also aims to enhance quality of life by improving the service of utilities such as telecommunications. In addition, Priority 2 (Infrastructure) is centred on environmental protection measures that include waste management and developing alternative energy sources.

National Strategic Reference Framework in Northern Ireland and Ireland

- 6.3 The National Strategic Reference Framework (NSRF) set the overarching strategic framework for the Regional Competitiveness and Employment Structural Funds Programmes in Northern Ireland and Ireland over the 2007-2013 programming period.

The Competitiveness Programme (ERDF) in Northern Ireland

- 6.4 The strategic aim of the NSRF in Northern Ireland is to focus resources on addressing the infrastructure gap, and securing sustainable competitiveness and employment improvements.⁶⁴ The Competitiveness and Employment Programmes are included under the NSRF in Northern Ireland.
- 6.5 **Competitiveness:** the central aim of this Programme is to close the productivity gap between Northern Ireland and the rest of the UK and between Northern Ireland and Ireland. The Programme has three Priorities focusing on:

⁶⁴ Department of Trade and Industry (2006) UK National Strategic Reference Framework, EU Structural Funds Programmes: 2007-2013, 23 October 2006.

- **Increasing investment in research and development and promoting innovation:** of particular relevance to the INTERREG Programme, this focuses on encouraging and facilitating the commercial exploration of publicly funded RTDI, supporting the development of research excellence through strengthening innovation infrastructure and increasing commercial innovation in the private sector;
- **Promoting enterprise and entrepreneurship:** relevant activities in this Priority include, *inter alia*, promoting tourism, encouraging stronger links between local businesses and higher and further education; and
- **Improving accessibility and protecting and enhancing the environment:** this Priority provides support for infrastructure projects that include public transport, telecommunication services and energy.

6.6 A number of complementarities between the INTERREG Programme and the Competitiveness Programme can be identified, particularly in the areas of support for RTDI, tourism and infrastructure. In this regard, the INTERREG Programme will seek to work within this framework and capitalise activity in these areas to encourage programme co-operation and create synergies with Western Scotland and the Border Region of Ireland.

The Employment Programme (ESF) in Northern Ireland

6.7 The central aim of this Programme is to reduce the level of economic inactivity in Northern Ireland, and improve the workforce skills and educational levels. In particular, a focus will be provided on removing the barriers to work and equipping people with the necessary skills to enter the workforce. The Programme has two Priorities that include:

- **Helping people into sustainable employment:** this Priority aims to help unemployed, economically inactive and disadvantaged people enter and remain in sustainable employment and improve access to skills for those with specific skills barriers, to enter or re-enter the labour market; and
- **Improving workforce skills and adaptability:** this priority area aims to raise the skill levels and adaptability of workers and those not in employment through lifelong learning and ensuring the right workforce skills for future employment opportunities.

6.8 Some complementarities with the Employment Programme can be identified in terms of Priority 1 in the INTERREG Programme which seeks to provide training to re-skill and up-skill school leavers and those in employment. However, while the INTERREG Programme is focused on programme arrangements and providing training within specific sectoral areas, consideration will be given to the Employment Programme to ensure that synergies are created and no duplication of services arises.

Competitiveness (ERDF) and Employment (ESF) Programmes in Ireland

6.9 The NSRF in Ireland aims to support and enable dynamic regional development and outlines a number of overarching strategic priorities that are to be addressed under three Programmes. Two of these Programmes (Regional Programme BMW and the Employment Programme) are relevant to the Border Region; the other Programme (Regional Programme S&E) is only relevant to the Southern and Eastern Region of Ireland.

6.10 The Strategic focus of the NSRF reflects the national investment priorities contained in the NDP 2007-2013 and the niche and complimentary position EU Regional Policy will play in Ireland over the period.

6.11 The Human Capital Investment Priority will address issues of Ireland's competitiveness challenges and changing economic and demographic structure by upskilling the workforce and increasing the participation and activation of groups outside the workforce.

- 6.12 ERDF Priority 1 will allow the Regional Operational Programmes to focus investment on the particular weaknesses and build on the strengths of their Region in the RTDI field. This Priority will also support the development of knowledge and innovation and help foster entrepreneurship in Ireland through targeted interventions in each Region.
- 6.13 ERDF Priority 2 has been designed to address the weaknesses in the BMW and S&E Regions in strategic infrastructure, in particular focusing investment on strengthening the Gateways and Hubs as drivers of the Regional economies and improving strategic Gateway and Hub inter-connectivity in a niche and complimentary manner to the NDP 2007-2013. ERDF Priority 2 will also promote environmental and sustainable development.
- 6.14 On a similar basis to the Programmes in Northern Ireland, there are a number of commonalities between the INTERREG Programme and activities to be supported under the NSRF in Ireland. These areas particularly include improving technological development and providing economic infrastructure. Consideration, therefore, will have regard to the NSRF and seek to complement activities by facilitating co-operation and promoting synergies between Northern Ireland and the Border Region.

NSRF, Scotland

- 6.15 The NSRF outlines that Scotland qualifies for two Structural Funds objectives under the 2007-2013 programming period. The Highlands and Islands qualify for phasing out Convergence Funding while the Lowlands and Uplands of Scotland are eligible to receive funding under the Regional Competitiveness and Employment Objective.⁶⁵ In regard to the Highlands and Islands, a number of priorities are included under the Convergence objective, as follows:
- Promoting enterprise sustainability;
 - Reinforcing community sustainability;
 - Improving economic infrastructure;
 - Accessing the Highlands and Islands labour market;
 - Progressing in the Highlands and Islands labour market; and
 - Improving access to lifelong learning.
- 6.16 The Strategy for Competitiveness and Employment includes the following priorities for Scotland:
- Supporting innovation and entrepreneurship;
 - Promoting community regeneration;
 - Supporting rural development;
 - Progressing into sustainable employment;
 - Progressing through sustainable employment; and
 - Improving access to lifelong learning.

⁶⁵ Department of Trade and Industry (2006) UK National Strategic Reference Framework, EU Structural Funds Programmes: 2007-2013, 23 October 2006.

6.17 There are key complementarities between the NSRF in Scotland and the INTERREG Programme, particularly in regard to themes such as entrepreneurship, sustainable development, regeneration and rural development. On this basis, the INTERREG Programme will support activity within the framework of the NSRF and aim to provide further added value by encouraging economic, social and environmental programme development.

PEACE III Programme (ERDF)

6.18 The Programme for Peace and Reconciliation in Northern Ireland and the Border Region of Ireland (PEACE III) 2007-2013 is a European Union supported Structural Funds Programme aimed at reinforcing progress towards a peaceful and stable society and promoting reconciliation. Also managed by the SEUPB, the Programme focuses on a number of specific activities that aim to:

- Facilitate relationships on a cross-community and/or programme basis to assist in addressing issues of trust, prejudice and intolerance and accepting commonalities and differences;
- Acknowledge and deal with the hurt, losses, trauma and suffering caused by the conflict; and
- Address the physical segregation or polarisation of places and communities in Northern Ireland and the Border Region with a view to encouraging increased economic and social programme and cross-community engagement.

6.19 In implementing these activities, the Programme also seeks to encourage Programme co-operation between Northern Ireland and the Border Region of Ireland. Therefore, although the INTERREG Programme has placed an emphasis on developing infrastructure and a dynamic economy (as distinct from the PEACE III Programme which is focused on peace and reconciliation and promoting cohesion between communities), consideration will be given to developing synergies, where relevant, with programme activities under PEACE III, particularly in relation to activities which promote sustainable communities.

EU Rural Development Programme (EAFRD)

6.20 Under the 2007-2013 programming period, support for rural development will be included within a new Rural Development Programme (RDP). In accordance with Regulation (EC) No 1698/2005, the RDP in each Member State will focus on three common overarching objectives which include:

- Improving the competitiveness of agriculture and forestry by supporting restructuring, development and innovation;
- Improving the environment and the countryside by supporting land management; and
- Improving the quality of life in rural areas and encouraging diversification of economic activity.

6.21 By taking these objectives forward, the RDP's in Northern Ireland, Ireland and Scotland can complement the Territorial Co-operation Programme. Given the strong rural character of the eligible region, the RDPs and the INTERREG Programme can work together to enhance economic and social development in rural areas and promote sustainable communities.

European Fisheries Fund (EFF)

- 6.22 Under the 2007-2013 programming period, support for the fisheries sector in Northern Ireland, Ireland and Scotland will be provided under the European Fisheries Fund. The Programmes are currently being developed, but the European Fisheries Fund will support five priority axes that include:
- Measures for the adaptation of the Community fishing fleet;
 - Aquaculture, inland fishing, processing and marketing of fishery and aquaculture products;
 - Measures of common interest;
 - Sustainable development of fisheries areas; and
 - Technical assistance.
- 6.23 By taking these priority axes forward, the European Fisheries Fund can complement the INTERREG IV Programme by aiming to promote economic, social and environmental development. By enhancing the fisheries sector and specifically working to improve the local economy in local fishing communities, the European Fisheries Fund will support the overall aim of the INTERREG IV Programme of promoting a more prosperous and sustainable region. At the same time, the INTERREG IV Programme can complement the European Fisheries Fund by providing a more supportive environment for economic development, facilitating programme linkages within the eligible region and introducing measures to promote the diversification of the economy.
- 6.24 In Northern Ireland, the Managing Authority for the EFF and the EAFRD Programmes is the Department of Agriculture and Rural Development (DARD). Consultations have taken place between DARD and SEUPB to manage co-ordination of the funds and identify clear lines of demarcation that will prevent overlap and duplication, promote complementarity and therefore optimise value for money. A representative from the EAFRD Monitoring Committee will be a member of the INTERREG Monitoring Committee and the centralized database will produce regular duplication reports that will be checked by both Managing Authorities. As the portfolio of projects emerge in the Programmes, steps will be put in place between the Managing Authorities to share information in relation to operations funded and also those funded under the inter-regional and transnational co-operation actions of EAFRD.
- 6.25 SEUPB will ensure that final recipients do not also receive funding through the EAFRD via the inter-regional or transnational co-operation actions implemented through Leader Local Action Groups. Under the NIRD, the Local Action Groups will be required to submit detailed proposals for inter-territorial and transnational co-operation to the Managing Authority (DARD) within 12 months of being appointed. SEUPB will liaise with the DARD to ensure there is no potential for duplication with the EAFRD Programmes.
- 6.26 In order to ensure continued satisfactory co-operation and demarcation between EU-funded Programmes in Ireland, a committee on co-ordination of EU funds is to be established. This is detailed in Ireland's National Strategic Reference Framework (NSRF) for European Cohesion policy. The National Strategic Reference Framework (NSRF) under the Department of Finance provides that assistance under the ERDF, ESF, EAFRD and EFF is consistent with the activities, policies and priorities of the EU and complementary with other financial instruments of the Community and that no duplication of effort takes place. The committee to be established under the NSRF will seek to ensure synergy between Operational Programmes and may be called upon to resolve possible demarcation issues.

It will include the two Departments charged with implementation of the EAFRD and EFF Programmes together with the Managing Authorities for other Operational Programmes, including SEUPB.

- 6.27 In relation to the Scottish Rural Development Programme, the risk of duplication is minimised by the fact that Scottish operations in this Programme will have to have partners from Ireland. However, SEUPB will establish contacts with the Managing Authorities for the Scottish EAFRD and EFF Programmes to share information on projects selected and avoid duplication.

Other European Territorial Co-operation Programmes

- 6.28 Under the European Territorial Co-operation objective, the European Commission also 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, Scotland 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;
- **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; and
- **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-operation with Switzerland.

- 6.29 Being supported under the European Territorial Co-operation objective, there are key commonalities between the INTERREG IV Programme and the other transnational programmes. Complementarities, for instance, can be achieved as the Programmes acting together all aim to promote economic, social and environmental development, promote balanced territorial development and contribute towards the Lisbon and Gothenburg agendas. In addition, by encouraging the development of networks, relationships and linkages, the programmes will facilitate the promotion of programme and transnational co-operation. In this regard, the programmes will encourage the exchange of experience and transfer of know-how between stakeholders, increase critical mass and aim to develop responses that can track common transnational issues.

Interregional Co-operation and the INTERACT Programme

6.30 The Programme will take into account the opportunities afforded by the Inter-regional Co-operation Programme. Special attention shall be given to the services provided by the INTERACT II Programme. This EU wide programme focuses on the good governance of territorial co-operation and provides needs based support to stakeholders involved in implementing Programmes under the Territorial Co-operation objective. The target groups for INTERACT are primarily the authorities to be established according to Council Regulations (EC) No 1083/2006 and 1080/2006 as well as other bodies involved in Programme implementation. In order to ensure maximum benefit from the INTERACT Programme for the implementing bodies of this Programme, the use of INTERACT services and documentation as well as the participation in INTERACT seminars will be encouraged. Related costs are eligible under Technical Assistance.

Complementarity and Demarcation

- 6.31 The above sections highlight the complementarity between the relevant ERDF, ESF, EFF and EAFRD Programmes operating in the eligible area. In relation to demarcation, the focus of the INTERREG Programme on strengthening and deepening cross-border co-operation along with the regulatory requirements of Article 19 of Regulation (EC) No 1080/2006 on the Selection of Operations will ensure that clear lines of demarcation exist. With the requirement for joint cross-border projects and the employment of the Lead Partner Principle, activities funded under this programme should not duplicate, but rather complement the efforts under the other mono-fund programmes being implemented at Member State level.
- 6.32 Complementarity and demarcation will be ensured across the PEACE III and this INTERREG Programme as both will share the same Managing Authority, Joint Technical Secretariat, Certifying Authority and Audit Authority. There will also be complementarity between the membership of both Monitoring Committees.
- 6.33 In the consultation and design phase of the Programme, due consideration was given to avoid duplication of effort between Programmes. All relevant departments from the jurisdictions and other Managing Authorities have played an active role in contributing to the design of the Programme. The Programmes have been planned to have complementarity and synergies, but also clear lines of demarcation between them.
- 6.34 In addition, a number of administrative arrangements for demarcation will be put in place regarding the Programme. These include:
- Representation from Programmes on the Monitoring Committee – The INTERREG Monitoring Committee will include representatives from other Monitoring Committees with the express remit of ensuring that the actions under each programme complement each other and that there is no scope for duplication. The presence of representatives from other Monitoring Committees will guarantee a mutual understanding of the implementation of the Programmes; and
 - In Northern Ireland, a centralised database of EU Programmes will capture information across the Programmes. Regular duplication reports will be circulated to all Managing Authorities for checking purposes. In addition, all Managing Authorities will meet monthly at the EU Steering Group co-ordinated by the Department of Finance and Personnel.

6.35 By putting these processes in place the Managing Authority will ensure that a carefully managed co-ordination between funds will prevent overlap and duplication, promote complementarity and therefore optimise value for money.

National Development Plan 2007-2013, Ireland

6.36 The National Development Plan (NDP) is a high level strategic document which sets out an economic and budgetary framework and seven year investment programme for a range of sectoral areas in Ireland. Overall, the NDP 2007-2013 will focus on the priorities for investment in public, economic and social infrastructure in transport, environmental services, housing, education, health, childcare and research and development fields, and for investment in human resources in the education and training fields.

6.37 Of particular relevance to the INTERREG Programme is the inclusion of investment priorities to promote all-island co-operation. Indeed, the NDP provides a framework of North-South co-operation in a number of areas including:

- Infrastructure provision and spatial planning;
- Science, technology and innovation;
- Trade, tourism and investment;
- Human capital;
- Enterprise promotion;
- The provision of public services (health and education);
- Environment;
- Agriculture and fisheries;
- Sport, culture and heritage; and
- Social inclusion.

6.38 Although the economies, North and South, are different in many respects, both face common challenges. These have been identified and agreed by the two Governments in the context of the Lisbon Agenda:

- To continue to grow employment and employment rates;
- To increase productivity;
- To build world-class infrastructure;
- To promote and to develop the role of science, technology and innovation;
- To enable people to acquire and maintain the skills needed for a modern, dynamic knowledge economy and to adapt to changes over their working lives;
- To promote enterprise and entrepreneurship and to provide a positive climate for business, including through better regulation;
- To remove barriers to physical, labour and academic mobility as part of the completion of the European single market;
- To promote social inclusion; and
- To maintain the highest standards of environmental protection.

- 6.39 All-island collaboration offers a unique and relatively unexploited source of competitive advantage for both the North and the South. Throughout the life of the NDP, the Irish Government will pursue collaborative actions to address the competitive challenges facing both parts of the island and the economic problems that persist as a result of the border. Collaborative actions will be pursued on the basis of cost-effectiveness and the delivery of benefits to the North and the South. Meeting these common challenges means building competitive strengths, particularly in the areas of infrastructure, science, technology and innovation and skills formation which will provide the edge in securing a strong position in the knowledge economy of the future.
- 6.40 Co-operation in developing infrastructure will help ensure more efficient planning and joined-up delivery of key infrastructure projects, resulting in better value for money, economies of scale in public investment and better deals from financial markets.
- 6.41 Through collaboration, the two Governments can deliver more efficient and effective public services, for example, in the health and education sectors. Greater co-operation in these sectors can result in more efficient use of facilities, better value for money and improved access to services and facilities throughout the island.
- 6.42 The NDP identifies that both North and South face a particular challenge arising from the existence of the border. The border causes natural markets to fragment along territorial lines, reducing economic interaction and the opportunity to develop economies of scale and strong indigenous industries is lost. Firms tend to shun Border Regions and infrastructural links are not developed, resulting in unbalanced economic growth. Taking an all-island approach will help deliver more balanced regional development and address the negative effects of the border.
- 6.43 Both North and South will have to ensure that they have flexible, well-trained, well-educated and adaptable workforces and a world-class infrastructure to enable them to compete in the global economy. This will require investment in research and development and innovation. Making the island attractive to skilled labour and investment will be important. Programme co-operation in research and development offers real opportunities to add value and generate economies of scale.
- 6.44 The dynamic of the all-island economy can strengthen competitiveness through: inter-firm co-operation and collaboration, joint ventures and trade promotion, the opportunity to address a larger domestic market, exposure of products and services to a wider range of demanding customers and exploiting international opportunities and improved supply-side characteristics.
- 6.45 Significant developments in North/South co-operation have been effected at the level of local authorities, non-governmental organisations, the voluntary, community and business sectors and by central government. The employer, trade union and social partner organisations, North and South, have also made an important contribution to the formulation of policy on developing North/South and East West co-operation.
- 6.46 In October 2006, the British and Irish Governments agreed an agenda for strengthening all-island economic co-operation. The Comprehensive Study on the All-Island Economy sets out the high level goals and initiatives for taking forward co-operation. The Irish Government will work to pursue these goals over the period of the NDP.
- 6.47 Given the range of programme activities outlined in the NDP, strong complementarities can be identified with activities to be promoted under the INTERREG Programme, particularly in relation to tourism, transport, enterprise promotion, environment and infrastructure and energy. In this regard, the INTERREG Programme will work closely within the framework of the NDP to ensure that supported activities are promoted on a strategic and co-ordinated basis.

Comprehensive Study on the All-Island Economy

- 6.48 The report details that although economic development in both parts of the island has sometimes followed different paths, both Ireland and Northern Ireland are on the cusp of an economic transition that will see them move to a new 'innovation oriented' stage of development. In making this transition successfully, both economies face similar challenges related to the increasing pace and intensity of global competition. In such an intense environment every source of competitive advantage must be exploited. The report explores how all-island collaborative action can be one such source.
- 6.49 The report states that the vision must be of an island characterised by a strong competitive and socially inclusive island economy with strong island-wide economic clusters whose development is not impaired by the existence of a political border. The aim of policy should be a world-class all-island economy which manifests itself in comparable levels of economic dynamism and performance in both parts of the island. For Ireland this means consolidating its position as one of the world's most globalised economies. For Northern Ireland it means developing the capability to become more fully integrated into the global economy. For both, it means building up the competitive strengths, particularly in the areas of infrastructure, R&D and in the areas of skills formation and innovation which provide the edge in securing a strong position in the knowledge economy of the future. Some of the steps to achieve this vision will best be taken by each jurisdiction. There are other respects in which collaboration or concerted action by both, working together, will be needed. It is with the latter that this study is concerned.
- 6.50 The report identifies collaborative actions to address the competitive challenges facing both parts of the island and the economic problems that persist as a result of the border with these being pursued where they are cost effective and deliver all-island benefits.
- 6.51 From a purely economic perspective, appropriate areas for Government action arise where there is market failure or where the Government is involved in the provision of public goods, such as infrastructure, or public services such as health and education. The case for an all-island approach is made where the market failure arises from the existence of the border or where the public goods and services could be more efficiently provided on a co-ordinated basis.
- 6.52 The gains from such collaborative action will be all-island benefits and will lead to mutual advantage. However, it is recognised that in some cases, the incidence of the economic gains may be variable in different regions or across both jurisdictions within an overall context of bringing benefits to the island.
- 6.53 The report identifies a number of areas where co-ordinated policy intervention can prove beneficial to the citizens in both jurisdictions on this island. These include
- Interventions to support research and development and the development of the knowledge economy;
 - Interventions in the education and training systems to enhance human capital;
 - Enhanced co-operation in the provision of health and educational services;
 - Enhanced co-operation and co-ordination in the provision of key infrastructure including energy, transport and telecommunications;
 - Co-operation on trade and investment promotion;
 - Enhanced co-operation in support of enterprise and business development; and
 - Improved regulatory environment (including fiscal measures).

6.54 The report sets out a clear and strong economic rationale for all-island economic co-operation. Clear high level goals to work towards have been established and the first steps towards immediate implementation of these are being progressed with a range of initiatives in the key areas.

Economic Vision for Northern Ireland

6.55 The Government's strategy for economic development in Northern Ireland is set out in its Economic Vision for Northern Ireland.⁶⁶ The strategy was drawn up in partnership with Northern Ireland's main social and economic organisations through the Economic Development Forum. It sets out how Northern Ireland can become a high value-added, highly skilled, creative, innovative and enterprising economy, able to compete globally and to provide greater opportunities for employment and wealth creation. The framework emphasises the importance of improving competitiveness, removing barriers to employment and creating a larger, more dynamic private sector in order to increase productivity and living standards. Further details of how the vision will be realised will be outlined in Northern Ireland's forthcoming Regional Economic Strategy. Strong complementarities, therefore, can be drawn between this strategy and the INTERREG Programme which aims to develop the economy of the eligible region through the promotion of programme collaboration.

Framework for Economic Development in Scotland

6.56 The Scottish Executive's broad strategy for economic development is set out in its Framework for Economic Development in Scotland.⁶⁷ The framework, which was revised in 2004, emphasises the importance of improving the rate of economic growth in Scotland (particularly through improving Scotland's productivity performance), supporting balanced regional development, and ensuring sustainable development. On a similar basis to the economic strategy for Northern Ireland, complementarities can be drawn with the INTERREG Programme which aims to develop the economy of the eligible region through the promotion of programme collaboration and networking

6.57 Indeed, with particular relevance to Priority 1 in the INTERREG Programme, the government document, Smart Successful Scotland⁶⁸, establishes a strategy for Scotland's Enterprise Networks and for enterprise development more widely. The strategy, which was also revised in 2004, has three principal objectives:

- Growing businesses (taking forward entrepreneurial dynamism and research and development to deliver innovative, growing companies);
- Boosting learning and skills (developing skills to make the best use of Scotland's human capital and to prepare for tomorrow's labour market); and
- Developing global connections (taking forward aspects of physical and electronic infrastructure, together with building the global connections of Scottish businesses to create world-class locations that are connected to Europe and the global economy).

⁶⁶ Economic Vision for Northern Ireland (www.detini.gov.uk/cgi-bin/downutildoc?id=936)

⁶⁷ www.scotland.gov.uk/library5/government/bafeds-01.asp

⁶⁸ www.scotland.gov.uk/library3/enterprise/sss-00.asp

The Investment Strategy for Northern Ireland

6.58 The Investment Strategy for Northern Ireland⁶⁹ launched in December 2005, pledges sustained government investment in a modern public infrastructure in Northern Ireland over a ten-year period between 2005 and 2015. It includes investment in public transport, roads, water and sewerage, and energy infrastructure to deliver economic returns and environmental benefits and reflects the need to ensure that the investment programme is based on the principles of sustainable development. The INTERREG Programme, therefore, will use this strategy as a framework on which to support infrastructure investment in Northern Ireland.

Investment strategies in Scotland

6.59 The Infrastructure Investment Plan, Building a Better Scotland⁷⁰, provides a framework for spending up until 2008 in areas such as higher and further education, infrastructure in support of community economic development, healthcare and water provision. The new National Planning Framework⁷¹ will provide a framework for key infrastructure investments and economic development, while the National Transport Strategy will set out Scotland's plans to develop a modern, flexible and well-integrated transport system. Any infrastructural investment supported under INTERREG will be in accordance with the priorities outlined in these strategies.

The National Spatial Strategy for Ireland 2002-2020

6.60 The National Spatial Strategy for Ireland 2002-2020 aims to set out a twenty year planning framework that will provide strategic guidance for a range of government policies, regional and local plans, and public investment decisions in an effort to deliver more balanced social, economic and physical development between regions.⁷² The strategy is structured around gateways and hubs, as follows:

- **Gateways** have a strategic location, nationally and relative to their surrounding areas, and provide national scale social, economic, infrastructure and support services. In the Border Region, Letterkenny, Sligo and Dundalk are identified as gateways in the spatial strategy; and
- **Hubs** are a number of small towns that will support the national and international role of the gateways and in turn energise the smaller towns and rural areas within their sphere of influence. In the Border Region, Cavan and Monaghan towns are identified as hubs in the spatial strategy.

6.61 In addition, the strategy outlines the importance of key strategic programme linkages with Northern Ireland, particularly between Letterkenny and Derry and Dundalk and Newry. This strategy, therefore, will provide an overall spatial planning framework for supporting programme activity between Northern Ireland and the Border Region of Ireland.

69 www.sibni.org/isnifulldocument141205.pdf

70 www.scotland.gov.uk/library5/enterprise/babs-00.asp

71 www.scotland.gov.uk/library5/planning/npf04-01.asp

72 Department for the Environment and Local Government (2002) National Spatial Strategy for Ireland 2002-2020, People, Places and Potential.

Regional Development Strategy for Northern Ireland 2025

6.62 The Regional Development Strategy for Northern Ireland 2025⁷³ seeks to strengthen economic and social cohesion by enhancing external linkages and, internally, by helping to foster patterns of development which will assist community cohesion. It sets out a twenty five year spatial planning framework that will provide strategic guidance for a range of government policies, development plans, and public investment decisions in an effort to deliver more balanced social, economic and physical development within Northern Ireland. The strategy is structured around a Spatial Development Strategy which is a hub, corridor and gateway framework. The Regional Development Strategy has significant spatial overlap, and shares similar strategic objectives, with the National Spatial Strategy for Ireland. This overlap is specifically in relation to the key strategic programme linkages between Letterkenny and Derry and Dundalk and Newry. In common with the National Spatial Strategy, therefore, the Regional Development Strategy will provide an overall spatial planning framework for supporting programme activity between Northern Ireland and the Border Region of Ireland.

⁷³ Department for Regional Development (2001) Shaping Our Future - The Regional Development Strategy for Northern Ireland 2025.

Annex A – Map Indicating the Eligible Areas



**Structural Funds 2007 - 2013: Cross-border Cooperation
Northern Ireland, the Border Region of Ireland and Western Scotland**

- Cooperation areas
- Adjacent cooperation areas

0 150 Km

Annex B – Indicators

Target values for all outputs and results relate directly to the contribution of the Programme funds. Some impact indicators also relate directly to the contribution of the Programme funds – these are noted in the tables as Impact (Direct). Other impact indicators and their associated target values do not relate solely to the impact of the Programme funds and will be more strongly influenced by factors additional to the Programme funds – these are noted in the tables as Impact (Global).

Priority 1: Co-operation for a more prosperous cross-border region

Business Support

Type	Indicator	Baseline	Source	Timeframe
Output	200 businesses assisted analysed by new/existing and by type of activity: developing new and innovative products and processes, improving sales and marketing skills	0	Project monitoring	Six monthly
Result	40% of assisted businesses developing new products	0	Project monitoring	Six monthly
	40% of assisted businesses developing new processes	0	Project monitoring	Six monthly
	10% increase in sales in supported businesses resulting from sales and marketing activities	The baseline will be the most recent level of sales (€) in each supported existing business at the outset of receiving support	Project monitoring Baseline data will be collected and recorded in respect of each business at the beginning of the project	Six monthly
Impact (Direct)	20% of assisted businesses enter new markets, both domestic and international	0	Project monitoring	After 2 years
	Increase in turnover of firms 2 years after receiving support	The baseline will be the value of annual turnover (€) amongst assisted existing businesses for the most recent year available at the outset of the project	Project monitoring Baseline data will be collected and recorded in respect of each assisted firm at the beginning of the project	After 2 years
	80% of new firms still in existence after 2 years of receiving support	0	Project monitoring	After 2 years

Type	Indicator	Baseline	Source	Timeframe
	5% of turnover in assisted businesses after 2 years comes from export sales	Value of export sales as proportion of turnover will be collected from each assisted existing business at the beginning of the project Baseline for assisted new businesses equals zero	Project monitoring Baseline data will be collected and recorded in respect of each existing business at the beginning of the project	After 2 years
	50 new jobs created	0	Project monitoring	Six monthly

Investment in business infrastructure

Type	Indicator	Baseline	Source	Timeframe
Output	5 incubation units developed	0	Project monitoring	Six-monthly
	300,000m ² floor space constructed/refurbished	0	Project monitoring	Six-monthly
Result	75% of floor space has been bought or is being rented by firms after 2 years [Target to be confirmed]	The baseline for this indicator will be the achieved value of the result indicator (floor space constructed/refurbished)	Project monitoring	After 2 years
Impact	20 businesses occupying this space, analysed by numbers within creative industries, financial and customer services	0	Project monitoring	After 2 years

Networking

Type	Indicator	Baseline	Source	Timeframe
Output	25 networking projects supported	0	Project monitoring	Six-monthly
Result	200 businesses collaborating on a Programme basis as a result of participation in networks	0	Project monitoring	Six-monthly
Impact	40% of Programme networks still in existence after 2 years	The baseline will be the achieved value of the number of Programme networks supported	Project monitoring	After 2 years

Tourism

Type	Indicator	Baseline	Source	Timeframe
Output	10 new products developed/existing products enhanced, analysed by new/existing and niche areas (culture, heritage, natural resources, marine and water based)	0	Project monitoring	Six-monthly
Result	10 tourism marketing/brand products completed, analysed by new/existing and niche areas (culture, heritage, natural resources, marine and water based)	0	Project monitoring	Six-monthly
	5% increase in tourism visitors (tourist and domestic) to supported existing tourism products/facilities	The baseline will be the annual number of visitors to supported products/facilities for the latest year available prior to INTERREG IV support	Project monitoring Baseline data will be collected and recorded in respect of each assisted tourism product or facility at the beginning of each project	Annually
Impact (Direct)	80% of new tourism products/facilities still in existence after 2 years	0	Project monitoring	After 2 years
Impact (Global)	10% increase in the numbers of visitors to each of Scotland, Border Region and Northern Ireland–April to September	Scotland 7.7m Border Region 0.3m NI 1.2m	Visit Scotland Central Statistics Office Northern Ireland Tourist Board	Annually
	5% increase in the numbers of visitors to each of Scotland, Border Region and Northern Ireland–October to March	Scotland 9.7m Border Region 0.3m NI 0.8m	Visit Scotland Central Statistics Office Northern Ireland Tourist Board	Annually
	Increase in average length of stay	Scotland 5.4 Border Region 5.6 NI 4.8 (nights)	Visit Scotland Central Statistics Office Northern Ireland Tourist Board	Annually

Priority 2: Co-operation for a sustainable Programme region

Co-operation for development

Type	Indicator	Baseline	Source	Timeframe
Output	10 programme projects supported (research projects, action/strategic plans)	0	Project monitoring	Six-monthly
Result	15 strategic local authority initiatives supported	0	Project monitoring	Six-monthly
	1,000 beneficiaries of supported programme public services	0	Project monitoring	Six-monthly
	100% of research projects completed	The baseline will be the achieved number of research projects supported as measured by the output indicator, programme research projects supported	Project monitoring	Six-monthly
	15 conferences and seminars held (with 600 attendees)	0	Project monitoring	Six-monthly
	80% of innovative programme projects funded still in existence 2 years after the end of the Programme	0	Project monitoring	2 years after the end of the Programme
Impact (Direct)	15 solutions to programme problems addressed through joint action	0	Project monitoring	2 years after the end of the Programme

Infrastructure

Transport

Type	Indicator	Baseline	Source	Timeframe
Output	3 km of roads upgraded/restored/built	0	Project monitoring	Six-monthly
Result	<p>Increase in traffic flow of vehicles/freight after one year [Target will be set when roads to be included for funding have been identified]</p> <p>Reduction in journey times (mins) [Target will be set when roads to be included for funding have been identified]</p>	<p>The baseline will be the volume of traffic flow along assisted roads prior to receiving INTERREG IV support</p> <p>The baseline will be the average journey time in minutes along assisted roads prior to receiving INTERREG IV support</p>	<p>Project monitoring</p> <p>Baseline data will be collected and recorded in respect of each assisted road at the beginning of each project</p>	Post-project
Impact	Improved safety (reduction in the number of accidents after 2 years) [Target will be set when roads to be included for funding have been identified]	The baseline will be the annual number of KSI (killed or seriously injured) accidents along assisted roads for the most recent year available prior to INTERREG IV support	<p>Project monitoring</p> <p>Baseline data will be collected and recorded in respect of each assisted road at the beginning of each project</p>	Post-project

Alternative energy and the environment

Type	Indicator	Baseline	Source	Timeframe
Output	10 renewable energy/energy efficiency projects assisted	0	Project monitoring	Six-monthly
	5 environmental management projects funded	0	Project monitoring	
Result	6 renewable energy sources created or developed	0	Project monitoring	Post-project
	250 households who switch to/take up renewable energy methods of production	0		
	150 businesses switch to/take up renewable energy methods of production	0	Project monitoring	Post-project
Impact (Direct)	12% of electricity demand met from indigenous renewables	3.5%	Project monitoring	Post-project
Impact (Global)	Reduction in per capita emissions of CO ₂ of 0.5 tonnes	13 tonnes per capita	Project monitoring	Annual

Telecommunications

Type	Indicator	Baseline	Source	Timeframe
Output	2 telecommunications projects funded – telecommunication line/infrastructure installed	0	Project monitoring	Six-monthly
Result	25% reduction in time taken to transmit data between North America and North West	80 Milliseconds	Project monitoring	Post-project
	5 percentage point increase in the take up and use of broadband by business	58%		

Priority 3: Technical assistance

Programme information and publicity

Type	Indicator	Baseline	Source	Timeframe
Output	2 public launches of the Operational Programme	0	Project monitoring	Six monthly
	Publication of Monitoring and Evaluation Plan	0	Project monitoring	
	25 dissemination activities supported	0	Project monitoring	Six monthly
	100 press releases	0	Project monitoring	
Result	Average of 60 hits per month on website	0		Six monthly
	200 publicity and information enquiries	0		
Impact	Increased overall awareness of the Operational Programme	<p>First survey will be conducted in Autumn 2007</p> <p>Baseline will be the proportion of respondents who were aware of the Programme as at Autumn 2007</p>	Omnibus Survey	Annually
	Increased awareness of the role of the EU in the Operational Programme	<p>First survey will be conducted in Autumn 2007</p> <p>Baseline will be the proportion of respondents who understood the role of the EU in the Programme as at Autumn 2007</p>	Omnibus Survey	Annually

Management, monitoring and evaluation of the Programme

Type	Indicator	Baseline	Source	Timeframe
Output	7 Technical Assistance projects funded	0	Programme monitoring	Six monthly
Result	14 monitoring reports completed [Target based on 2 reports per year for 7 years]	0	Programme monitoring	Six monthly
	6 evaluation reports completed [Target includes 2 overall Programme evaluations, 4 thematic evaluations]	0	Programme monitoring	Six monthly
Impact	100% of reports submitted to the EU Commission comply with regulations	0	Programme monitoring	Six monthly
	100% of recommendations from evaluation reports responded to by Managing Authority and implemented where appropriate	0	Programme monitoring	Six monthly

Annex C – Financial provisions

1. FINANCING PLAN OF THE OPERATIONAL PROGRAMME GIVING THE ANNUAL COMMITMENT OF EACH FUND IN THE OPERATIONAL PROGRAMME

Operational Programme reference (CCI number): 2007CB163PO047

Year by source for the Programme, in EUR⁵⁵:

Year	ERDF
2007	24,885,168
2008	25,534,513
2009	26,355,762
2010	27,358,086
2011	28,390,828
2012	29,288,216
2013	30,209,795
TOTAL	192,022,368

2. FINANCIAL PLAN OF THE OPERATIONAL PROGRAMME GIVING, FOR THE WHOLE PROGRAMMING PERIOD, THE AMOUNT OF THE TOTAL FINANCIAL ALLOCATION OF EACH FUND IN THE OPERATIONAL PROGRAMME, THE NATIONAL COUNTERPART AND THE RATE OF REIMBURSEMENT BY PRIORITY AXIS.

Operational Programme reference (CCI number): 2007CB163PO047

Year by source for the Programme, in EUR⁵⁵:

	Community Funding (a)	National counterpart (b) (=c)+(d)	Indicative breakdown of the national counterpart		Total funding (e) = (a)+(b)	Co-financing rate (f)=(a)/(e)	For information	
			National Public funding (c)	National private funding (d)			EIB contributions	Other funding
Priority Axis 1 ERDF	75,502,500	25,167,500	25,167,500	0	100,670,000	0.750000000	0	0
Priority Axis 2 ERDF	104,999,868	34,999,956	34,999,956	0	139,999,824	0.750000000	0	0
Priority Axis 3 ERDF	11,520,000	3,840,000	3,840,000	0	15,360,000	0.750000000	0	0
Total	192,022,368	64,007,456	64,007,456	0	256,029,824	0.750000000	0	0

Annex D – Intervention codes

Indicative breakdown of the Community contribution by category in the Operational Programme

Commission reference no:

Name of the Programme: EU Programme for Cross Border Territorial Co-operation (INTERREG IV) 2007-2013, Northern Ireland, the Border Region of Ireland and Western Scotland

Date of the last Commission decision for the Operational Programme concerned:

Dimension 1		Dimension 2		Dimension 3	
Priority Theme		Form of Finance		Territory	
Code	Amount (€)	Code	Amount (€)	Code	Amount (€)
3	15,000,000	1	192,022,368	8	192,022,368
5	23,000,000				
9	15,000,000				
10	26,200,000				
23	7,499,868				
39	2,000,000				
42	2,000,000				
43	3,500,000				
48	5,000,000				
51	5,000,000				
54	5,000,000				
57	20,000,000				
58	2,502,500				
61	7,500,000				
76	22,500,000				
81	18,800,000				
85	6,520,000				
86	5,000,000				
Total	192,022,368	Total	192,022,368	Total	192,022,368

Dimension 1**Priority Theme**

Code	Description
3	Technology transfer and improvement of co-operation networks between small businesses (SMEs), between these and other businesses and universities, post-secondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles (scientific and technological parks, technopoles, etc)
5	Advanced support services for firms and groups of firms
9	Other measures to stimulate research and innovation and entrepreneurship in SMEs
10	Telephone infrastructures (including broadband networks)
23	Regional/local roads
39	Renewable energy: wind
42	Renewable energy: hydroelectric, geothermal and other
43	Energy efficiency, co-generation, energy management
48	Integrated prevention and pollution control
51	Promotion of biodiversity and nature protection (including Natura 2000)
54	Other measures to preserve the environment and prevent risks
57	Other assistance to improve tourist services
58	Protection and preservation of the cultural heritage
61	Integrated projects for urban and rural regeneration
76	Health infrastructure
81	Mechanisms for improving good policy and Programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and Programmes
85	Preparation, implementation, monitoring and inspection
86	Evaluation and studies; information and communication

Dimension 2**Form of Finance**

Code	Description
01	Non-repayable aid.

Dimension 3**Territory**

Code	Description
08	Cross-Border Co-Operation area

Annex E – List of Consultation Responses

List of Written Public Consultation Respondents to the INTERREG IV Operational Programme

	Organisation
1	Jim Allister MEP
2	Jim Nicholson MEP
3	Northern Ireland Local Government Association
4	Department of Agriculture and Rural Development
5	Banbridge District Council
6	Craigavon Borough Council
7	Omagh District Council
8	Border Action
9	Border Regional Authority
10	Clones Erne East Partnership
11	County Enterprise Boards in the Border Region
12	Co Monaghan Community Network
13	Co-Operation Ireland
14	Cross Border Local Authority Groups
15	Donegal Community Workers Co-Operative
16	Failte Ireland
17	Irish Central Border Area Network
18	Inland Waterways of Ireland
19	Intertrade Ireland
20	Dumfries and Galloway College
21	Joint response from Scottish Partners
22	Glasgow College of Nautical Studies
23	Visit Scotland
24	Scottish Natural Heritage
25	Scottish Environment Protection Agency
26	Argyll and Bute Council
27	Highlands and Islands Enterprise Network
28	British Waterways Scotland
29	East Ayrshire Council
30	North Ayrshire Council
31	South Ayrshire Council

Annex E – List of Consultation Responses (continued)

List of Written Public Consultation Respondents to the INTERREG IV Operational Programme

	Organisation
32	Scottish Enterprise Ayrshire
33	Scottish Planning and Development Service
34	The Scottish Council for Voluntary Organisations
35	West of Scotland European Consortium
36	West of Scotland Colleges Partnership
37	Ulster Farmers Union
38	Rural Development Council
39	Irish Congress of Trade Unions
40	Joint Business Council
41	Small Firms Association
42	Ilex
43	Associated Craft Butchers of Ireland
44	Belfast Unemployed Resource Centre
45	Blackwater Regional Partnership
46	Border Vision Programme
47	Border Vision and Natural Energies – Joint Response
48	Breifne
49	Co-operation and Working Together
50	Commissioners of Irish Lights
51	Councils of Voluntary Service (CVS)
52	Dare to Grow Partnership
53	European Anti Poverty Network
54	I.C.S.A.
55	Kilmore and Drumsnat Heritage Society
56	MED Rural Development Co Ltd
57	Newry and Mourne Enterprise Agency
58	National Consultative Committee on Racism and Interculturalism
59	People First
60	Royal Society for the Protection of Birds
61	Southern Border Counties

Annex E – List of Consultation Responses

List of organisations who attended the INTERREG IV Consultation Event on Thursday 26th April 2007 in Cookstown:

	Organisation
1	Ulster Unionist Party
2	Sinn Fein
3	Northern Ireland Local Government Association
4	Department of Agriculture and Rural Development
5	Department of Enterprise Trade and Investment
6	Department of Finance and Personnel
7	Department for Regional Development
8	Dept Communications, Energy and Natural Resources
9	Department of Health, Social Services and Public Safety
10	Department of Finance
11	Department of Health and Children
12	North South Co-operation Division
13	NSMC Joint Secretariat
14	Antrim Borough Council
15	Banbridge District Council
16	Belfast City Council
17	Carrickfergus Borough Council
18	Dungannon and South Tyrone Borough Council
19	Limavady Borough Council
20	Lisburn City Council
21	Omagh District Council
22	Newry & Mourne District Council
23	Strabane District Council
24	Strabane LSP
25	Border Action
26	Leitrim County Council
27	Monaghan County Council
28	BMW Regional Assembly Ireland
29	Border Regional Authority

Annex E – List of Consultation Responses (continued)

List of organisations who attended the INTERREG IV Consultation Event on Thursday 26th April 2007 in Cookstown:

	Organisation
30	Co. Monaghan Community Network
31	Co-Operation Ireland
32	East Border Region Partnership
33	Irish Central Border Area Network
34	International Fund For Ireland
35	North East Partnership
36	Scotland Europa
37	Scottish Executive
38	West of Scotland Enterprise Council
39	Irish Congress of Trade Unions
40	Agri-Food and Biosciences Institute
41	Farm Week
42	Farming and Wildlife Advisory Group
43	Fermanagh Rural Community Network
44	Irish Farmers Association
45	Ni Agri Rural Forum
46	NI Rural Development Council
47	Ulster Farmers Union
48	BRP
49	Burnside PR
50.	Carleton Street Community Development Association
51	Co-operation and Working Together
52	CEEP
53	Comet
54	Community Technical Aid
55	Concordia
56	Cookstown and Western Shores Area Network
57	Derry and Raphoe Action
58	Disability Action

SEUPB is a North South Implementation Body sponsored by the Department of Finance and Personnel in Northern Ireland and the Department of Finance in Ireland. Its principal functions are to manage certain European Union Structural Funds and to support a range of development and regeneration programmes in Northern Ireland and Ireland.

**Published by the
Special EU Programmes Body**

Belfast Office:

EU House, 6 Cromac Place, Belfast,
Northern Ireland, BT7 2JB
tel: +44 (0)28 9026 6660
fax: +44 (0)28 9026 6692
email: info@seupb.eu

Omagh Office:

EU House, 11 Kevlin Road, Omagh,
Northern Ireland, BT78 1LB
tel: +44 (0)28 8225 5750
fax: +44 (0)28 8224 8427
email: omagh@seupb.eu

Monaghan Office:

M:TEK Building, Armagh Road,
Monaghan, Ireland
tel: +353 (0)47 77003
fax: +353 (0)47 71258
email: monaghan@seupb.eu

website: www.seupb.eu



*Special EU Programmes Body
Foras Um Chláir Speisialta An AE
Boord O Owre Ocht UE Projecks*