

European Union Programme for
Territorial Cooperation



EU Programme for Cross Border Territorial Cooperation (INTERREG IV)

2007-2013

Northern Ireland, the Border Region of Ireland and Western Scotland

Draft Operational Programme



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



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I Introduction

Overview

- 1.1 The Cross-Border Territorial Cooperation Programme for Northern Ireland, the Border Region of Ireland and Western Scotland 2007-2013 (hereafter the INTERREG Programme) is a European Union supported Structural Funds Programme which seeks to address the economic and social problems which result from the existence of borders. The overall theme of the Programme is to strengthen and deepen cross-border cooperation 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 Programme aims to support strategic cross-border cooperation for a more prosperous region and improve access to services so as to enhance the quality of life for those living in the eligible area. In particular, the Programme will focus on developing a dynamic economy, supporting infrastructure and promoting innovative ways of addressing specific cross-border 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 cooperation between Scotland / Ireland / Northern Ireland, as well as continuing and enhancing the Northern Ireland / Ireland co operation. The inclusion of Scotland gives an opportunity to build on the traditional cultural, economic and social links between Ireland / Scotland / Northern Ireland, and adds an innovative new aspect to the Programme.

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 cross-border cooperation. 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 cross-border 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 cooperation 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;
- 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 cross-border cooperation within the EU, the INTERREG III Programme (2000-2006) incorporated a number of stands which included cooperation between neighbouring regions and cooperation between groups of regions facing common problems. The strands of the INTERREG III Programme included the following:

- **Strand A: Cross-border cooperation.** Cooperation between adjacent regions aiming to develop cross-border social and economic centres through common development strategies. This stand included €3.3 billion funding for 53 Programmes across the EU;
- **Strand B: Transnational cooperation.** Cooperation involving national, regional and local authorities aiming to promote better integration within the Union through the formation of large groups of European regions. This stand included €1.3 billion funding for 13 Programmes across the EU;
- **Strand C: Interregional cooperation.** Cooperation aiming to

improve the effectiveness of regional development policies and instruments through large scale information exchange and sharing of experience¹. This stand included €0.3 billion funding for 4 Programmes in the EU.

1.7 During 2000-2006, Northern Ireland and Ireland benefited under all three stands of the INTERREG Programme, the largest of which was INTERREG IIIA². 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 cross-border 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 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

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*.

development of a cross-border community infrastructure exploiting rural economy opportunities, whilst safeguarding and improving the environmental well-being of the area;

- **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 In addition, Northern Ireland, Ireland and regions in Western Scotland have been involved in INTERREG IIIB Programmes. This includes the Northern Periphery, North Sea, Atlantic Area and North West Programmes for transnational Cooperation.⁴

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

1.10 The EU budget agreement of 16th December 2005 included a financial allocation of €308 billion (in 2004 prices) for Structural Fund interventions across the EU for 2007-2013⁵. 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 (ERDF); and, the Cohesion Fund, which will be substantially reformed and integrated into the Operational Programmes.

1.11 The Structural Funds are incorporated within three objectives, Convergence, Regional Competitiveness and Employment, and European Territorial Cooperation.

- **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 euros 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;
- **European Territorial Cooperation:** €7.7 billion or 2.5% of Structural Funds to the Cooperation Objective.

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>

This Objective has separate cross-border (73.8%), transnational (20.95%) and inter-regional (5.19%) components. The Cooperation Objective replaces the previous INTERREG Community Initiative Programme.

1.12 As one of the key objectives of the Structural Funds, cross-border cooperation is now mainstreamed by its inclusion as an Operational Objective and places cooperation at the heart of cohesion policy. This increased emphasis on cross-border cooperation 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 Cooperation Objectives.

1.14 Ireland will receive funding under the Competitiveness and Employment, and Cooperation 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 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 follows⁶:

- 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;
- 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 Cooperation Objective.

European Territorial Cooperation 2007-2013

1.17 In accordance with Regulation (EC) 1080 /2006, the European Territorial Cooperation Objective is to be wholly financed by ERDF and will be centred on the development of cross-border 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:

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

- Encouraging entrepreneurship, in particular the development of SMEs, tourism, culture and cross-border trade;
- 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 cross-border waste, water and energy systems and facilities;
- 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 cooperation, the integration of cross-border 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 Cooperation Objective, the area of eligibility for cross-border cooperation

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 Cooperation Objective. This means that the maritime border between Ireland and Scotland is, for the first time, included as an eligible area for cross-border funding. This represents a significant change from previous INTERREG Programmes between Ireland and Northern Ireland.

1.21 With a view to enhancing cooperation 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 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	Percentage earmarking towards the Lisbon Agenda
Northern Ireland				
Competitiveness	Regional Competitiveness and Employment	€306	ERDF	75%
Employment	Regional Competitiveness and Employment	€165	ESF	75%
Ireland				
Regional Programme S&E	Regional Competitiveness and Employment	€146	ERDF	75%
Regional Programme BMW	Convergence and Regional Competitiveness and Employment	€229	ERDF	60%
Employment	Regional Competitiveness and Employment	€375	ESF	75%
Northern Ireland and the Border Region of Ireland				
Programme for Peace and Reconciliation Ireland – Northern Ireland	European Territorial Cooperation	€225	ERDF	N/A
Scotland				
Strategy for the Convergence Objective in the Highlands and Islands of Scotland	Convergence	€121 €52	ERDF and ESF	75%
Competitiveness	Regional Competitiveness and Employment	€376	ERDF	75%
Employment	Regional Competitiveness and Employment	€270	ESF	75%
Northern Ireland, the Border Region and Western Scotland				
INTERREG Programme in Northern Ireland, the Border Region and Western Scotland	European Territorial Cooperation	€192	ERDF	N/A

1.24 The table shows that the INTERREG Programme is included under the European Territorial Co-operative Objective which is funded by ERDF and is not incorporated within the guidelines

for earmarking funding towards the Lisbon Agenda. Under the European Territorial Co-operative 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 include: the Northern Periphery, Atlantic Area and North West Programmes for transnational Cooperation.

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;
- 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

1.27 The Good Friday / Belfast Agreement of April 1998 has established a platform for taking forward territorial cooperation by identifying an inter-connected group of institutions under three 'strands' of relationships, as follows:

- **Strand One** deals with relations within Northern Ireland (the Northern Ireland Assembly and the Executive);

- **Strand Two** deals with relationships between Northern Ireland and Ireland (North/South Ministerial Council and Implementation Bodies);

- **Strand Three** deals with East-West relationships between the British and Irish Governments (British-Irish Inter-Governmental Conference) and between those Governments, representatives of the devolved institutions in Northern Ireland, Scotland and Wales and representatives of the Isle of Man and the Channel Islands (the British Irish Council).

1.28 However, while power was devolved to the Northern Ireland Assembly and its Executive of Ministers on 2nd December 1999, Northern Ireland has experienced much political instability over the last six years which has hindered the implementation of the Agreement and the development of the three strands.

1.29 From 1999, the Northern Ireland Assembly has been suspended for long periods with power being transferred to direct rule Ministers. Despite numerous attempts on behalf of the two governments to restore devolution, the Assembly has remained suspended since October 2002.

1.30 [The political and institutional context will be updated following the end of the consultation period]

1.31 Although the Northern Ireland Assembly remains suspended and power currently rests with direct rule Ministers, some institutional aspects established under the Belfast/Good Friday Agreement continue to function. These institutions have particular relevance of cross-border cooperation under Strands Two and Three of the Good Friday / Belfast Agreement and include the following:

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

North/South implementation bodies

1.32 Six matters were identified for which cooperation 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

1.33 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 Programme 2007-2013, as well as the new PEACE III Programme 2007-2013.

Matters for North/South cooperation through existing bodies

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

British-Irish Intergovernmental Conference

1.35 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 cooperation 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.

1.36 In promoting cross-border cooperation, a Joint Communiqué of the British Irish Intergovernmental Conference in May 2006 stated that 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;
- Better co-ordination of public services, notably in health, education and information services.

1.37 In October 2006, the British and Irish Governments published a common study on cross-border cooperation. The Comprehensive Study on the All-Island Economy, sets out a blueprint for economic cooperation, outlines the economic rationale for North/South collaboration and provides concrete proposals for economic initiatives. The study focuses on increasing cooperation 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;
- In addition, the study specifically outlines the needs of the North-West region and recognises the importance of cooperation in this area⁸.

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

II Presentation of region

Eligible area

2.1 The INTERREG Programme 2007-2013 is targeted at the following eligible areas⁹:

- Three NUTS III¹⁰ areas in Northern Ireland, namely the North, East, and West and South areas;
- The NUTS III Border Region of Ireland, consisting 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 Authority¹¹;
- Regions in Western Scotland that include: Lochaber, Skye and Lochalsh, Argyll and the Islands, Dumfries and Galloway, and East, North and South Ayrshire.

2.2 In addition, in accordance with Article 21(1) of Regulation (EC) 1080/2006, in the context of enhanced cross border cooperation, 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. These areas are: Northern Ireland (i.e. Belfast and Outer Belfast); the Border Region (West, Mid-East and Midlands); and Western Scotland; (Inverclyde, Dunbartonshire and the Western Isles). As discussed under the section on project selection, it is not envisaged that all adjoining regions would participate equally within the Programme, and such operations will only be funded in a context of enhancing cross border cooperation.

2.3 In 2005, the population of the eligible region in Northern Ireland was 1,080,942., which is an increase of 3.6 per cent since 1994. In 2006, the population of the Border Region of Ireland was 467,327, an increase of 12.8 per cent since 1996. The eligible region in Scotland has a population of just under 800,000, the population has increased by 1% between 1981-2005.

Socio-economic review

2.4 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 No 1783 / 1999. The review was subsequently critically reviewed as part of the *ex-ante* evaluation process that accompanied the Programme preparation.

2.5 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 Annex A, the main findings from the review are presented below. A review of

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 border 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 NUTS Boundaries data set (Nomenclature des Unites Territoriales Statistiques) shows sub-national administrative areas within the EU. Every EU Member State has different levels of administrative subdivisions, designated as NUTS-I, NUTS-II and NUTS-III. In the UK and Ireland, local authority areas are generally aggregated into NUTS III regions, to define sub-regional areas.

¹¹ The Irish Regions Office, www.iro.ie

key socio-economic matrices includes the following:

- Productivity;
- Employment;
- Earnings;
- Sectoral employment
- Education;

2.6 The specific sectoral analysis is included under the following headings:

- Innovation and the knowledge economy;
- Enterprise and entrepreneurship;
- Tourism;
- Infrastructure and communications;
- Environment;
- Energy;
- Cross-border cooperation.

Productivity

2.7 In overall terms, the economies of Northern Ireland, the Border Region of Ireland and Western Scotland have experienced much improvement over the last number of years. Figures on productivity produced by Eurostat, for instance, estimated GDP per head in Northern Ireland to be 93% of the EU25¹² average in 2002. Productivity was largely similar in the Border, Midlands and Western Region of Ireland at 92% (no figure exists solely for the Border Region), while the corresponding figure for South Western Scotland was 106%. There is significant variation within the Scottish region, and in particular the geographical isolation of much of the northern part of the eligible area, impacts negatively on GDP figures.

2.8 However, notwithstanding this overall growth in regard to the EU 25 productivity in Northern Ireland, the

Border Region of Ireland and Western Scotland remains low compared to their respective national averages.

2.9 In relation to GVA per head, for instance, the Border Region of Ireland in 2003 was 73.4%, the third lowest of all the regions in Ireland. Similarly, throughout the period 2000 – 2004, Northern Ireland GVA per head remained about 80% of the UK average, the third lowest of all UK regions in 2004. In general, in 2002, the regions in Western Scotland recorded GVA levels similar to, or just below, Northern Ireland.

Employment

2.10 Employment in Scotland, the Border Region and Northern Ireland, has continued to rise over the last number of years while the unemployment rate has also fallen fairly consistently since 1995. All three areas are now well below the EU15 average. Within this positive environment, female participation in the labour force in Ireland increased dramatically throughout the 1990s. In 2002, the female participation rate was relatively similar (41.3% of all workers) to Northern Ireland (44.1%) and Scotland (46.8%). The rate for the Border region was slightly lower at 39.9%.

2.11 Again, however, this positive growth in employment and fall in unemployment needs to be qualified, as shown below:

- **The unemployment rate in the Border Region has remained consistently higher than the rate for Ireland as a whole between 2000 and 2005.** For example, while the unemployment rate in the Border Region fell from 5.2% to 4.9% between Spring 2004 and Spring 2005, the rate for Ireland as a whole decreased from 4.4% to 4.2%;

¹² EU 25 - European Union 25: Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, the Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom.

- **Long-term unemployment (LTU)¹³ remains a persistent problem in Northern Ireland and the Border Region and the levels have been consistently higher than both national averages.**
Although the Northern Ireland LTU rate has decreased overall during the last decade, it has fluctuated between 39.8% of the total unemployed in Spring 2000 and 40.1% in Spring 2005, which was more than twice the rate for the UK as a whole (20.9% in 2005). Similarly, the LTU rate in the Border Region is higher than the rate in Ireland as a whole. In 2005, the LTU rate in the Border Region was 37.9% while the corresponding figure for Ireland was 32.2%. Long-term unemployment in Scotland is broadly similar to the UK average;
- **Although falling, the unemployment rate in 2005 in Scotland is higher (5.8%) than the UK (4.7%) and Irish (4.3%) national averages;** The national figures for Scotland mask underlying specific problems in western Scotland including labour shortages in particular skill areas and the out-migration of young people, The incidence of long term unemployed is also more prevalent in peripheral and island communities.
- **Economic inactivity rates in Northern Ireland are significantly higher than other UK regions.**
While Northern Ireland has experienced a sustained period of growth in terms of employee jobs, economic inactivity statistics reveals that there are 296,000 economically inactive persons¹⁴ 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.

Earnings

- 2.12 In regard to earnings, Northern Ireland, Scotland and the Border Region of Ireland have levels below the national averages. While average wage levels in Scotland between 2002-2004 were slightly higher than Northern Ireland, levels in both regions remained over 10% lower than the rest of the UK. Similarly, in 2002, the Border Region of Ireland had the lowest level of disposable income per person compared to the national average.

Sectoral employment

- 2.13 An analysis of sectoral employment has demonstrated that there are a number of structural problems in the economies of the Border Region, Western Scotland and Northern Ireland. The main problems are outlined below:

- **There is a continuing over dependence on agriculture which is undergoing some critical changes at present, resulting in increased competitive pressures and reduced employment opportunities.** Agriculture is particularly important in the Border Region, where agricultural related industries accounted for 6.6% of GVA in 2002 compared to a national average of 2.7%. Indeed, between 12.7% and 15% of working population are employed in agriculture in three counties, Cavan, Leitrim and Monaghan. South Ayrshire (9.19%) and Lochaber, Skye and Lochlask and Argyll and the Islands (6.56%) also have a significant proportion of the working age population working in agriculture. In Northern Ireland, the

¹³ Long Term Unemployment (LTU) refers to those individuals who have been unemployed for 1 year or more.

¹⁴ 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.

agricultural sector accounted for 2.3% of the total share of GVA in 2002 compared to a figure of 1.0% in the UK;

- **The eligible region relies on traditional manufacturing industries which are coming under pressure from low cost producers in Eastern Europe and the Far East.** As a whole, manufacturing is one of the four largest employment sectors (along with wholesale and retail, construction and health) in Northern Ireland, Scotland and Ireland. In particular, East Ayrshire and the Border Region of Ireland have high proportions of the working population in manufacturing;
- **There is a continued over dependence on the public sector for output and employment in Northern Ireland and parts of Western Scotland.** In Northern Ireland, public expenditure accounts for over 60% of GDP and the proportion of people employed in the public sector (public administration and defence, education, health and social work) in Northern Ireland is currently 30.4%. In addition, Skye and Lochlath and Argyll and the Islands, and Drumfries and Galloway also have a high dependency of employment in the public sector with 31.23% and 27.71%, respectively. This compares with just over 20% of employment in the public sector in the UK as a whole. The Border Region is broadly equivalent to the Irish average;
- **With the exception of Belfast, the eligible region relies more heavily on manual and lower skilled employment.** Service sector employment, on the other hand, is much higher in other parts of Ireland and Scotland and in the Belfast

area. This demonstrates that a spatial division of labour exists between other parts of Ireland and Scotland (notably the principal cities) and the more rural parts of the Border Region, Northern Ireland (excluding Belfast) and Western Scotland.

Education

- 2.14 While Ireland has a much lower rate of those leaving school without qualifications (than either Scotland or Northern Ireland), 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 the percentage of the population trained to third level at 27.7% and 28.1% respectively.
- 2.15 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

- 2.16 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 economies¹⁵. 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 Scotland and the BMW region, for instance, have below average scores while Northern Ireland has one of the lowest performance ratings in the UK.

2.17 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.

2.18 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 Scotland¹⁶.

Enterprise and entrepreneurship

2.19 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 VAT

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%).

2.20 Enterprise and entrepreneurial opportunities are also increasingly being linked to network capacity and activity. At present, however, there is current lack of cross-border networking between Northern Ireland and Ireland which is potentially hindering economic development. This was highlighted in a recent study which examined the geographic distribution of networks and clusters on the island of Ireland and found that the majority of networks tend to be regional in nature (62%) while only 7% are all-island or cross-border in nature¹⁷.

Tourism

2.21 Although the eligible region contains high quality landscapes and has generally experienced a growth in tourism in recent years, the performance of the sector 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

¹⁵ 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.

¹⁶ CIRCA Group (2006) *Audit of Innovation in the BMW Region*, Border, Midwest and Western Regional Assembly

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

proportion of any of the tourism regions in Ireland.

- 2.22 In Northern Ireland, the performance of the tourism sector is relatively weak compared to Ireland and the rest of the UK. The contribution of tourism to the economy in Northern Ireland, for example, currently stands at 1.8% while the much high levels exist in Ireland (4.4%), Scotland (5%) and Wales (7%).
- 2.23 This more limited role of tourism in Northern Ireland is also reflected in sectoral employment. For instance, the percentage of people employed in the hotel and restaurant sector in Northern Ireland is 4.23% but again the figures are much higher for other parts of the eligible region: the Border Region (5.05%); Donegal (6.28%); Sligo (4.95); Dumfries and Galloway (6.75%); Lochaber, Skye and Lochalsh, Argyll and the Islands (10.57%) South Ayrshire (6.58%).

Infrastructure and communication

Transport infrastructure

- 2.24 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, with the presence of over 30 inhabited islands.

Waste management

- 2.25 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

- 2.26 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%.

Environment

- 2.27 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 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 cross-border 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.

- 2.28 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 the West Scotland has 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.

Energy

Renewable energy

- 2.29 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.

Cross-border cooperation

- 2.30 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. These problems developed a particular dimension by the prolonged conflict in Northern Ireland. Conversely, the increased stability on the island of Ireland presents new opportunities for enhanced cooperation for mutual benefit.
- 2.31 The conflict and the existence of the border, for example, impacted on the social, cultural and economic connections among communities. Survey evidence conducted by the Northern Ireland Statistics and Research Agency (NISRA), for example, shows 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. This is supported by other research on residents in a border town in Ireland which found that while for most people, travelling, shopping and socialising North of the border was presented as 'not an issue', very few people admitted to actually crossing the border¹⁸. This shows that the tendency to cross the border has not increased and that the impact of the conflict on cross-border activity will be felt for many years¹⁹. Border areas in Northern Ireland and Ireland also contain communities which have been

¹⁸ Todd, J., Muldoon, O., Trew, K., McLaughlin, K., Rougier, N., Canas Bottos., L. (2005) Borders, States and Nations: Contested Boundaries and National Identity in the Irish Border Area, Geary Discussion Paper Series

¹⁹ Brian Harvey, B., Kelly, A., McGearty, S., and Murray, S. (2005) The Emerald Curtain: the Social Impact of the Irish Border, April 2005.

affected by the conflict through isolation or marginalisation resulting from the severing of social and economic links. Despite this, the research shows that substantial agreement on the positive aspects of increased exchange and cooperation 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 rewards²⁰.

2.32 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. Further to this, different policy approaches adopted in areas such as health, education and economic development have limited cross-border opportunities and relationships and make it more difficult to address the common problems of border regions.

SWOT analysis

2.33 Drawing together the findings from the socio-economic review, the following table summarises the major themes under each heading of the SWOT analysis.

²⁰ 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

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 increasing productivity in the Border Region, relative to the EU 25 ▪ Strong productivity, above EU 25, in South Western Scotland ▪ Strong growth in employment in Northern Ireland, Scotland and the Border Region and declining unemployment. All three areas are now below the EU15 average for unemployment levels ▪ Long term unemployment levels in Scotland similar to the UK average ▪ 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 ▪ High levels of R&D spend in the higher education sector in Scotland and Northern Ireland ▪ Relatively high levels of enterprise and entrepreneurship in Ireland ▪ Strong cultural linkages between Northern Ireland, Western Scotland and the Border Region 	<ul style="list-style-type: none"> ▪ Low productivity compared to national averages, continuing dependence on agriculture and traditional manufacturing industries, and overdependence on the public sector in Northern Ireland and some regions in Western Scotland ▪ High levels of long term unemployment in Northern Ireland and the Border Region 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 cross-border business networking between Northern Ireland and Ireland ▪ Lower broadband penetration in Northern Ireland and Ireland compared to the UK and EU15 ▪ 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 and linkages, e.g. limited transport and infrastructure ▪ Different policy approaches have made it difficult to address the common problems of border regions ▪ Areas of low population density and scattered island communities which impact on efficient service delivery.
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 Western Scotland and Border Region and potential to increase tourism in Northern Ireland ▪ Sharing best practice and creating synergies on a cross-border basis ▪ Development of the unique natural assets of the region to promote sustainable development. ▪ Building on cross-border linkages, capacity 	<ul style="list-style-type: none"> ▪ Increased competition from low cost producers in the Eastern Europe and the Far East ▪ The need to meet the employment needs of a growing workforce ▪ Inflation in Ireland 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 ▪ Political instability and continued suspension of the devolved institutions in Northern Ireland and upsurge in community violence ▪ Perceived barriers to cross-border working such

<p>and skills resource base established under INTERREG Programmes and potential to work together to address common economic, social and environmental problems</p> <ul style="list-style-type: none"> Stability arising from continued developments in the peace process encouraging economic development (e.g. attracting inward investment) and improved cross-community and cross-border linkages 	<p>as currency and tax</p> <ul style="list-style-type: none"> Environmental pollution The potential for climate change to impact negatively on patterns of economic activity and the natural environment.
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Evaluation results of the INTERREG Programmes

2.34 With a view to building on the skills and experience of cross-border cooperation 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 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 Cooperation).²¹ Some of the key findings from the evaluations of the INTERREG Programmes are outlined below.

Facilitating a high level of cross-border / transnational engagement

2.35 The mid-term evaluation update identified that the INTERREG IIIA Programme in Northern Ireland / Ireland had developed real cross-border 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 cross-border engagement and development of 'back-to-back' or parallel projects²². In the INTERREG IIIA, the management structures played an important role in ensuring a greater cross-border engagement throughout the Programme. As well as having a cross-border 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 cross-border in nature. To assist this scrutiny, the SEUPB developed guidance on the definition of cross-border which also helped to provide clarity to the term. In addition, a number of cross-border partnerships were selected to deliver the Measures under the Programme involving IFBs, local authorities and stakeholders from the private, public and voluntary / community sectors. These partnership

²¹ 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

²² Research shows, for example, that only 38% of projects funded under INTERREG I were of a genuinely cross-border 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 cross-border projects amounted to only 24% of the cross-border 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*;

arrangements operated on a cross-border basis and produced a collaborative 'dividend' by stimulating cross-border dialogue, cross-community working and encouraging wider participation in the Programme.

2.36 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 cooperation has added to the dynamics of the Programme and contributed towards securing prosperous and sustainable development of the Northern Periphery²³. In addition, the mid-term evaluation concluded that the Atlantic Area Programme helped 'to create a culture of cooperation between States'²⁴, while the North West Europe Programme identified that even cooperation on simple common issues can be highly valuable in a step-by-step process of achieving the level of genuine transnationality²⁵.

Promoting economic and social development

2.37 The INTERREG Programmes have made an important contribution to cross-border 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 elderly²⁶;

Building on previous skills and experience

2.38 While the INTERREG IIIA Programme has encouraged participation in cross-border cooperation and developed new cross-border 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 cross-border working and were able to 'hit the ground running'. This reflects the cumulative effect of building cross-border relationships which provides the basis for future partnerships between individuals and groups and the creation of a 'partnership' asset.

Contribution to broader national and EU objectives

2.39 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

²³ European Policies Research Centre (2005) Update of the Mid-term Evaluation, INTERREG IIIB Northern Periphery Programme, Final Report to NPP Managing Authority, 19th December 2005.

²⁴ EDATER (2003) Mid-Term Evaluation of the INTERREG IIIB Atlantic Area Programme 2000-2006, December 2003

²⁵ Research Voor Beleid (2005) Mid-Term Evaluation of the INTERREG IIIB North Sea Programme

²⁶ PricewaterhouseCoopers (2005) *Update of the Mid-Term Evaluation of the INTERREG IIIA Ireland / Northern Ireland 2000- 2006, Final Report*, October 2005.

agendas²⁷. 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. In addition, the INTERREG Programme IIIA in Northern Ireland / Ireland has made a contribution to overarching EU policy objectives and, compared to the INTERREG II and I Programmes, and has also operated more closely within a coherent North-South strategic framework. This framework includes, *inter alia*, the Common Chapter and the creation of the six cross-border bodies under the North-South Ministerial Council. 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 areas for cross-border cooperation such as transport planning, educational linkages, tourism, health and waste management²⁸;

Supporting innovation

2.40 The INTERREG Programme has supported a range of projects which have developed innovative ways of overcoming obstacles to cross-border cooperation 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 cross-border 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 cross-border partnerships which

worked to facilitate cross-border cooperation between local authorities and other public, private and voluntary / community sector stakeholders at the local level²⁹.

Lessons from INTERREG

2.41 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 lost which placed immediate pressures on N+2 targets (it takes time to establish new organisations, locate partners and develop cross-border 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 cross-border cooperation, 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

²⁷ European Policies Research Centre (2005) Update of the Mid-term Evaluation, INTERREG IIIB Northern Periphery Programme, Final Report to NPP Managing Authority, 19th December 2005.

²⁸ PricewaterhouseCoopers (2005) *Update of the Mid-Term Evaluation of the INTERREG IIIA Ireland / Northern Ireland 2000-2006, Final Report*, October 2005.

²⁹ PricewaterhouseCoopers (2005) *Update of the Mid-Term Evaluation of the INTERREG IIIA Ireland / Northern Ireland 2000-2006, Final Report*, October 2005.

processes have been important in addressing key criticisms of INTERREG I and II which included the need to strengthen cross-border working, reduce overlaps and duplication with other EU Programmes, and provide better resourcing for administrative arrangements³⁰. 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 were introduced³¹;

- **Adopting a more strategic approach to investment:** although the INTERREG IIIA Programme has supported over 200 projects which have encouraged broad

participation in cross-border cooperation, 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 funds³². 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 proactive approach and provides an innovative way of addressing strategic gaps in the Programme³³. 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)³⁴;

- **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

³⁰ 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*.

³¹ European Policies Research Centre (2005) *Update of the Mid-term Evaluation, INTERREG IIIB Northern Periphery Programme, Final Report to NPP Managing Authority, 19th December 2005*.

³² BTS (2006) *Future Cross-Border European Funds for Tourism 2007-2013, Final Report, April 2006*.

³³ European Policies Research Centre (2005) *Update of the Mid-term Evaluation, INTERREG IIIB Northern Periphery Programme, Final Report to NPP Managing Authority, 19th December 2005*.

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

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 Programme³⁵. 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 Cross-border 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 projects³⁶. 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 development³⁷;

- **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 of implementing bodies and Programme stakeholders to network, share experience and build cross-border relations, these multi-lateral meetings provided a continuous check on 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

2.42 The SEUPB undertook a preliminary consultation exercise to assist the development of proposals for the INTERREG Programme 2007-13. 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;
- what the priorities for the new programme should be.

2.43 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, INTERREG IIIA implementation bodies and representatives of all sectors, including business, rural, agricultural, community and voluntary,

³⁵ ECORYS (2003) Mid-Term Evaluation of the INTERREG IIIB North West Europe Programme.

³⁶ European Policies Research Centre (2005) Update of the Mid-term Evaluation, INTERREG IIIB Northern Periphery Programme, Final Report to NPP Managing Authority, 19th December 2005.

³⁷ EDATER (2003) Mid-Term Evaluation of the INTERREG IIIB Atlantic Area Programme 2000-2006, December 2003

trade unions, public sector organisations. All programme stakeholders were also encouraged to respond to the consultation through the SEUPB website or by written submission.

2.44 Over 200 people attended the public meetings and 100 written responses were received as well as detailed submissions from government departments, North and South.

2.45 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 2007-13 Programme proposals.

2.46 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.

2.47 Following detailed discussion and consideration of the issues and recommendations from the consultation exercise, the SEUPB made proposals to the two governments for considerations in the development of the INTERREG Programme. These proposals were then put forward for further public consultation between February 2007 and April 2007 before both Member States submitted the Programme to the European Commission in early 2007.

III Programme strategy

Programme rationale

3.1 The previous INTERREG Programmes have made an important contribution to facilitating cross-border cooperation and promoting economic and social development. A sustained approach to cross-border 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 and lack of cohesion in service delivery due to existence of the borders. Indeed, the existence of land and maritime borders has exacerbated the peripherality of the eligible region and given rise to a number of problems that have been deepened and made 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 also severely restricted cooperation and the development of border areas.

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 opportunity to develop economies of scale and strong indigenous industries is lost. Firms tend to shun border areas and infrastructure links are not developed, resulting in unbalanced economic growth. In essence, therefore, the eligible region has suffered all the disadvantages that

arise as a result of the land and maritime borders and this is 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;
- **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 cross-border 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.

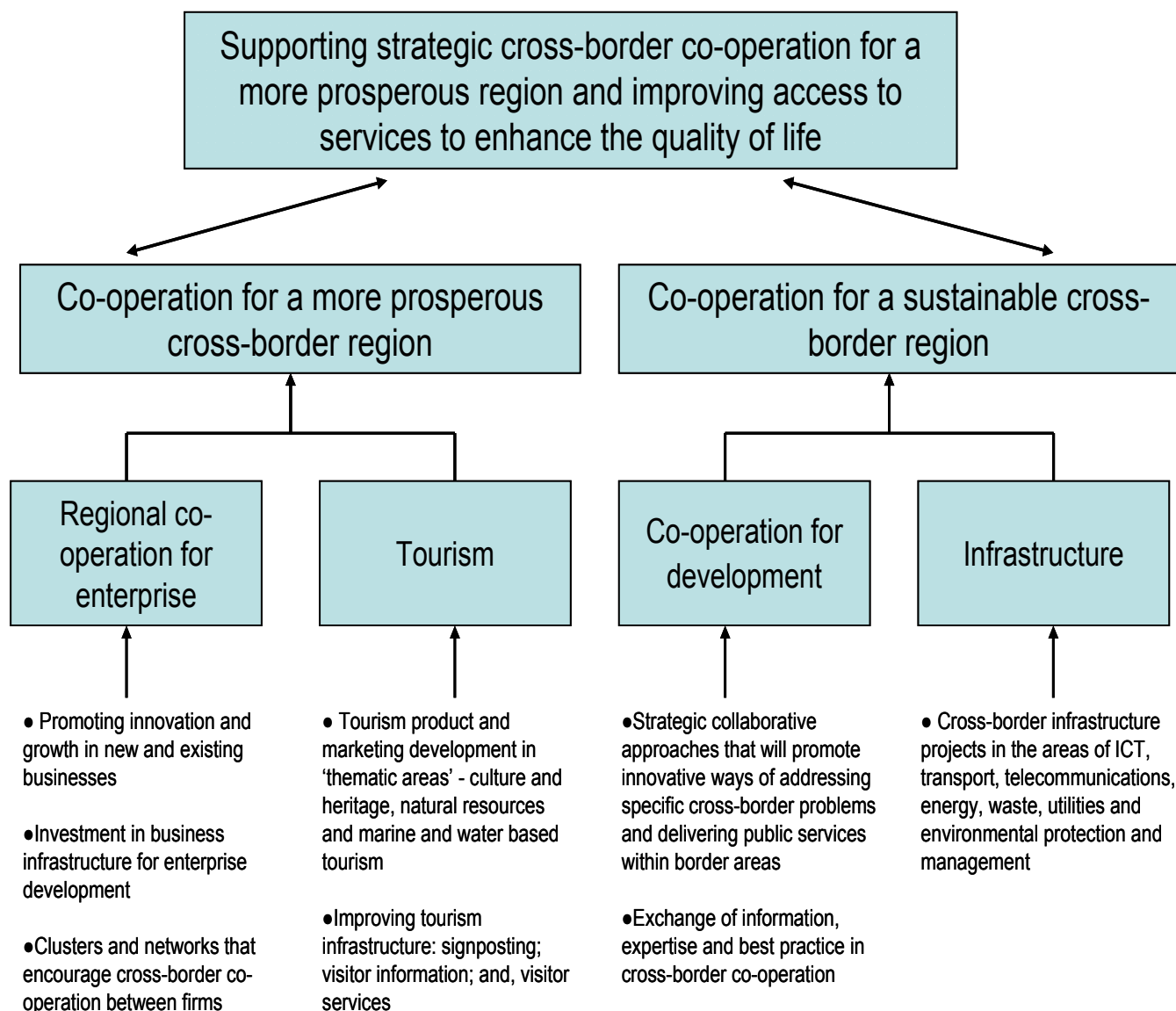
- 3.5 Furthermore, while employment has continued to rise and unemployment has fallen, areas in the eligible region have specific problems in relation to long-term unemployment and economic inactivity. Earnings for Western Scotland, the Border Region of Ireland and Northern Ireland also all fall below 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. Cross-border 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, waste, 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 cross-border 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 hinterlands³⁸. 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 resulted from the existence of land and maritime borders, the primary objective of the INTERREG Programme is:
- 3.10 To support strategic cross-border cooperation for a more prosperous region and improve access to services so as to enhance the quality of life for those living in the eligible area.
- 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 aims translates into two specific aims at Priority level:
- **Priority 1: Cooperation for a more prosperous cross-border 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;
 - **Priority 2: Cooperation for a sustainable cross-border region:** this Priority aims to support activities that promote cross-border cooperation 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 cross-border cooperation which will help deliver more balanced regional development, 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 Programme 2007-13.

³⁸ Busteed, M. (1994) *The Irish Border – From Partition and Confrontation to Cooperation?* Boundary Bulletin, Vol.4, p13-17.

3.13 Therefore, although no guidelines for earmarking funding for the Cooperation Objective towards the Lisbon Agenda have been set out by the European Commission, the INTERREG Programme for the Border Region of Ireland, the West of Scotland and Northern Ireland aims to establish a strong alignment with the Lisbon priorities. This is 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 cross-border cooperation, 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 Programme will work within the cross-border 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 cooperation. This framework will be particularly important for identifying areas for cooperation. In addition, while many similar economic and social activities are identified in the Competitiveness and Employment Programmes, complementarity will be achieved with INTERREG Programme as it focuses on providing added value through cross-border 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.

Figure 3.1: Overall structure of the INTERREG Programme 2007-13



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 cooperation which promotes networks and knowledge sharing;

- Promoting integrated development and delivery which creates synergies and identifies common solutions to cross-border 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 relevant equality legislation 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. Where community infrastructure is weak, action will be taken to address this.

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. Sustainable development is about ensuring a better quality of life for everyone and reducing the inequalities that exist in society. Often those people who are most economically and socially disadvantaged also live in the most degraded environments. This disparity has been exacerbated by the existence of land and maritime border and decades of conflict in Northern Ireland.

3.22 A Strategic Environmental Assessment will be conducted on the Programme. 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;
- 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;
- Through the scrutiny of the Monitoring Committee.

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 Executive), the Certifying Authority, Business, Trade Unions, the Agriculture/Rural Development/Fisheries sector, local elected representatives, the Community and Voluntary sector, and those representing environmental and equal opportunities interests.
- 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 representatives from the public and private sectors as well as the social partners.
- 3.26 All selection panels / Steering Committees will reflect the partnership ethos of the Programme.

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 2006-2008³⁹, in Northern Ireland the Anti-Poverty and Social Inclusion Strategy⁴⁰ and the social inclusion policy agenda in Scotland outlined in Closing the Opportunity Gap⁴¹. 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 cross-border nature of the project;
 - Efficiency;
 - Effectiveness;
 - Positive impacts on equality and environmental sustainability;
 - Management capacity of promoters.
- 3.29 In regard to determining the cross-border nature of projects, the Programme, will draw on guidance provided in Regulation (EC) No 1080 / 2006 which sets out which arrangements constitute cross-border cooperation⁴². The Regulation acknowledges that activities can be identified as cross-border if they involve cooperation in at least two of the following four elements:
- Joint development;

³⁹ Department of Social and Family Affairs (2006) *National Report for Ireland on Strategies for Social Protection and Social Inclusion 2006-2008*.

⁴⁰ Office of First and Deputy First Minister (2006) *Lifetime Opportunities, Government's Anti-Poverty and Social Inclusion Strategy for Northern Ireland*.

⁴¹ *Building a Better Scotland (2005) Spending Proposals 2005-2008, Enterprise, Opportunity, Fairness*.

⁴² 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.

- Joint implementation;
- Joint staffing;
- Joint financing.

3.30 It is envisaged that different projects will focus on different elements of joint cooperation 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 2) can participate in the Programme.

3.32 In accordance with Article 21(1) of Regulation (EC) 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;
- 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 countries⁴³.

3.36 20% of Programme funding may also be made available to adjoining NUTS III areas of the eligible area. That includes NUTS III areas adjoining Northern Ireland (i.e. Belfast and Outer Belfast), the Border Region and Western Scotland. However, given the integral role Belfast has in the economic and social development of the eligible region, it is anticipated that the majority of funding under the 20% flexibility rule will be centred on Belfast. The Western Isles have similar strong cultural, linguistic and social ties with other parts of the eligible region. Only in exceptional cases will investments be approved for other adjoining NUTS III areas.

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. The role of the Steering Committee is outlined further in Section V.

3.38 As part of this approach, where projects of similar themes / focus are approved by the Steering Committee these individual projects will be amalgamated /

⁴³ 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.

fused together to become one large cross-border project. This approach will help ensure greater value for money and broaden the partnership base of the projects which will extend the geographical catchment 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 cross-border cooperation for a more prosperous region and improve access to services so as to enhance the quality of life for those living in the eligible area. 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 cross-border 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: Cooperation 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:

- Regional cooperation for enterprise;
- Tourism.

Regional cooperation for enterprise

Rationale

4.3 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. Increased cooperation can strengthen competitiveness through inter-firm cooperation and collaboration, joint ventures, sharing of skills and experiences to stimulate innovation, and the opportunity to address larger domestic and international markets.

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 business 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 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 sales and marketing skills of the business community. 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 cross-border 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;
- **Networking:** promoting the development of a stronger business and entrepreneurial environment by supporting cross-border clusters and networks that will encourage cross-border collaboration between businesses.

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. Opportunity, therefore, exists to develop the potential for tourism potential 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) will be supported on a cross-border basis and will be based on niche areas such as

culture, heritage, natural resources and marine and water based 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:

Table 4.1: Targets and indicators, Priority 1

Regional cooperation for enterprise			
Output	Result	Impact	Sources of verification
Business support			<ul style="list-style-type: none"> • General monitoring and evaluation • Surveys to supported firms, trainees and educational institutions
<ul style="list-style-type: none"> • No of assisted businesses • No / volume of advisory services provided • No of training places supported • No of work placements initiated • No of new businesses supported 	<ul style="list-style-type: none"> • Amount of expenditure incurred by assisted firms in relation to the support received • Increased sales in supported businesses • % of businesses satisfied with services provided • No of trainees that received accreditation • No of placements completed 	<ul style="list-style-type: none"> • No of new jobs created • Increase in turnover of firms after 2 years of receiving financial support • No of new firms still in existence after 2 years of receiving financial support • % of export sales in turnover of assisted businesses after 2 years • No of participants entering – progressing within education / training / employment in defined sectoral areas 	
Investment in business infrastructure			
<ul style="list-style-type: none"> • No of Centres of Excellence established • No of incubation centres supported 	<ul style="list-style-type: none"> • Floor space constructed / refurbished (m2) 	<ul style="list-style-type: none"> • Floor space which have been bought or are being rented by firms after two years 	
Networking			
<ul style="list-style-type: none"> • No of networking projects supported • No / volume of advisory services provided to networking firms 	<ul style="list-style-type: none"> • No of cross-border network links / partnerships between firms still in existence after 2 years 		

Tourism			
Output	Result	Impact	Sources of verification
<ul style="list-style-type: none"> No of tourism products supported No of marketing campaigns funded 	<ul style="list-style-type: none"> No of new products developed / existing products enhanced No of tourism marketing / brand products completed No of tourism visitors (tourist and domestic) to supported tourism products / facilities No of new jobs created 	<ul style="list-style-type: none"> Increase in no of visitors to Scotland, Border Region and Northern Ireland (broken down between March – Sept and October – February) Increase in length of stay 	<ul style="list-style-type: none"> General monitoring and evaluation

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;
- Increase in no of visitors to Scotland, Border Region and Northern Ireland

- Employment and business promotion / support agencies in Scotland, Ireland and Northern Ireland;
- Business promotion / support agencies that work on a cross-border basis;
- Agencies and partnerships with statutory responsibility for the promotion of tourism;
- Tourist providers, including those responsible for accommodation, venues and visitor events.

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, and the social economy;
- School leavers and those already in employment, including those at manager level, who are focused on entering employing 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;

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 in improve sales and marketing skills of the business community;
- Local economic initiatives, including support for the social economy;
- Establishment of education and training centres of excellence in specific sectors such as creative

- industries, and financial and customer services;
- 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;
- Cross-border entrepreneurship initiative programme 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, and financial and customer services;
- Cooperation between business and third level colleges in vocational education and training;
- Cooperation 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;
- Tailored marketing approaches to promote tourism products.

Indicative budget

- It is proposed that the budget would be in the range of €60m - €105m. This range is in relation to ERDF funding only, which will be available at an intervention rate of 75%. In addition, there will be match funding of 25% required from other public sources.

Priority 2: Cooperation for a sustainable cross-border 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:

- Cooperation for development
- Infrastructure

Cooperation for development

Rationale

4.13 The existence of land and maritime borders has exacerbated the peripherality of the eligible region and given rise to a number of economic and social problems that have been deepened and made more difficult to resolve because of the existence of the border. 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 cross-border partnership and activity, including civic networks, and made it more difficult to address common problems on a cross-border 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 cooperation 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.

Aim

4.14 This element of Priority 2 aims to promote cross-border cooperation 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 cross-border problems, delivering services within border areas and promoting sustainable communities. This support could be in the areas of health, environment, marine and coastal management, education, rural and 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 cross-border 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 cross-border cooperation. 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 eligible region shares a number of common features with other border areas across the European Union where the problems of development are most accentuated and compounded by political isolation. The existence of land and maritime borders has exacerbated the peripherality of the eligible region and given rise to a number of problems that have been deepened and made more difficult to resolve because of the existence of the border. These problems include, *inter alia*, the distortion / disruption of transport, telecommunication linkages, and

energy, waste and utility networks. The conflict in Northern Ireland, however, further exacerbated many of these problems as investors were reluctant to develop cross-border infrastructure linkages in light of civil unrest. Indeed, in some cases, networks such as cross-border 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, waste and telecommunications (including connectivity of IT networks). These effects have reduced the stock of cross-border 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, including the drive to meet Co2 emissions under the Kyoto agreement, are key areas in which an integrated response on a cross-border basis is required. Overall, cooperation 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 cross-border infrastructure projects in the areas of telecommunications, transport, energy, waste 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 cross-border approaches to address issues of waste disposal and environmental protection,

and develop alternative energy sources to reduce carbon emissions and improve the environment. Investment in cross-border 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:

Table 4.2: Targets and indicators, Priority 2

Cooperation for development			
Output	Result	Impact	Sources of verification
<ul style="list-style-type: none"> No of cross-border projects supported (research projects, action / strategic plans, staff funded) No of strategic local authority initiatives supported 	<ul style="list-style-type: none"> No of beneficiaries of supported cross-border public services No of cross-border working groups established No of research projects completed No of conferences and seminars held (and no of attendees) 	<ul style="list-style-type: none"> No of innovative cross-border projects funded / still in existence 2 years after the end of the Programme No of solutions to cross-border problems addressed through joint action 	<ul style="list-style-type: none"> General monitoring and evaluation
Infrastructure			
Output	Result	Impact	Sources of verification
Transport			<ul style="list-style-type: none"> General monitoring and evaluation
<ul style="list-style-type: none"> km of roads upgraded / restored / built 	<ul style="list-style-type: none"> Reduction in journey times (mins x no of users) 	<ul style="list-style-type: none"> % increase in traffic flow of vehicles / freight after one year Improved safety (change in no of accidents after 2 years) 	
Waste			
<ul style="list-style-type: none"> No of waste infrastructure plants upgraded / constructed (solid and liquid) % increase in capacity improvements of waste disposal or recycling facilities 	<ul style="list-style-type: none"> % increase in population served by waste projects 	<ul style="list-style-type: none"> % compliance with EU waste regulations % of solid waste recycled for reuse 	
Alternative energy and the environment			
<ul style="list-style-type: none"> No of energy projects assisted No of environmental protection projects funded 	<ul style="list-style-type: none"> % increase in electricity demand met from renewable energy sources Area (km) of land protected / enhanced 	<ul style="list-style-type: none"> % increase in share of renewable energy sources compared to total energy supply Environment impact in terms of decreased pollution (CO₂, SO₂, NO_x in %) 	
Telecommunications			
<ul style="list-style-type: none"> No of telecommunications projects funded - telecommunication line / infrastructure installed 	<ul style="list-style-type: none"> Reduction of number of network failures 	<ul style="list-style-type: none"> Reduction in time to transmit data 	

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

- No of innovative cross-border projects funded / still in existence 2 years after the end of the Programme;
- No of solutions to cross-border problems addressed through joint action;
- No of participants entering – progressing within education / training / employment in defined sectoral areas;
- 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 cross-border problems;
- Research organisations;
- Public, private and social partner organisations involved in networks with stakeholders in other EU Member States that focus on addressing cross-border issues;
- 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:

- Cross-border projects that develop innovative ways of addressing specific cross-border problems, delivering public services within border areas and promoting sustainable communities. These services could be in the areas of health, environmental management, spatial planning, education, emerging planning (cross-border fire and emergency services), marine and coastal management, rural and social

development and the functions under the responsibility of local government;

- The development of joint plans, strategies or action plans for delivering cross-border public services;
- Research projects to determine the feasibility / potential of delivering cross-border public services;
- Cross-border research and analysis which can improve the evidence base and quality of comparable information to assist spatial planning and policy making
- Cross-border infrastructure projects in the areas of telecommunications, transport, energy, waste and utilities;
- Renewable energy strategies aimed at developing solutions to all island and Scottish energy challenges;
- The establishment of networks with relevant stakeholders in other EU Member States which are seeking to develop innovative responses to cross-border cooperation. These networks could include social partners and stakeholders from the public and private sectors.

Indicative budget

- It is proposed that the budget would be in the range of €75m - €115 This range is in relation to ERDF funding only, which will be available at an intervention rate of 75%. In addition, there will be match funding of 25% required from other public sources.

Priority 3: Technical assistance

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

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

Programme information and publicity

Rationale

4.22 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 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

4.23 The aim of this element of the Priority is to publicise the contribution of the Programme in addressing the economic and social which result from 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;
- regularly reporting to the Monitoring Committee on the achievements of the communication action plan.

4.24 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

4.25 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.

Aim

4.26 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.

Quantified targets and indicators

4.27 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:

Table 4.3: Targets and indicators, Priority 3

Programme information and publicity			
Output	Result	Impact	Sources of verification
<ul style="list-style-type: none"> • No of public launches of the Operational Programme • No of dissemination activities supported • No of press releases • No of strategic plans 	<ul style="list-style-type: none"> • No of people accessing information (website and public information office) regarding the OP • No of publicity and information enquires 	<ul style="list-style-type: none"> • Level of overall public awareness of the OP • Level of awareness of the role of the EU in the OP 	<ul style="list-style-type: none"> • Hits on website • Surveys
Management, monitoring and evaluation of the Programme			
Output	Result	Impact	Sources of verification
<ul style="list-style-type: none"> • No of Technical Assistance projects funded • Establishment of Contact Point in Scotland • Establishment of PMC and SC 	<ul style="list-style-type: none"> • No of monitoring reports completed • No of evaluation reports completed 	<ul style="list-style-type: none"> • Compliance with EU Regulations • Implementation of recommendations in evaluation reports 	<ul style="list-style-type: none"> • Monitoring database • Mid-term evaluation update

Indicative operations

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

- Development of a communication plan;
- 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.org/>);
- 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 evaluations of the Programme or particular aspects of the Programme.
- Development of a project and monitoring database.

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

- Project Partners and other Programme structures;
- 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 Belfast / 'Good Friday' Agreement;

Indicative budget

- Technical Assistance Priority: €11.5 million ERDF. This figure is in relation to ERDF funding only, which will be available at an intervention rate of 75%. Match funding of 25% will be supplied from other public sources.

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;
- 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.

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 8th March 1999). The Agreement was given domestic effect, North and South, by means of the North/South Cooperation (Implementation Bodies)

(Northern Ireland) Order 1999 and the British-Irish Agreement Act 1999 respectively. 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.
- Ensure that there is a system for recording and storing in computerised 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;
- Provide the Commission with information to allow it to appraise major projects.

5.5 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.

5.6 In addition, the Managing Authority takes note of Regions for Economic Change initiative and will consider it during the operational lifetime of the Programme

Certifying Authority

5.7 In accordance with Article 14 of Council Regulation (EC) No 1080/2006 of (EU) Regulation, the SEUPB will be the Certifying Authority for the Programme. 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. Internal procedures will be implemented to ensure full segregation of responsibilities between the Managing and Certifying Authorities.

5.8 The SEUPB in its capacity as Certifying Authority will carry out the following functions:

- Draft and submit to the Commission certified statements of expenditure and applications for payment certifying that:

(a) the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;

(b) 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 complying 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;
- Keep an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation.
- 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 points (1 and 2) and including:
 - the method to be used;
 - the sampling method for audits on operations;
 - 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 31st 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 30th 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 31st December 2008, shall cover the period from 1st January 2007 to 30th 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;

Audit Authority

5.9 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. The Internal Auditor is functionally independent from the SEUPB. 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 Regulation (EC) No 1083/2006. 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;

- Submitting, where applicable under Article 88, a declaration for partial closure assessing the legality and regularity of the expenditure concerned;
- Submitting to the Commission at the latest by 31st 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.

5.10 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.

Monitoring and evaluation

5.11 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.

Monitoring Committee

5.12 In accordance with Article 63 Council Regulation (EC) No 1083/2006, the

Programme Monitoring Committee will be established.

5.13 The Monitoring Committee will be chaired by Managing Authority and will include 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. Elected representatives will be represented. Particular effort will also be made to promote the balanced participation of women and men. The EU Commission shall participate in an advisory capacity.

5.14 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;
- Consider and approve the criteria for selecting the operations

financed within six months of the approval of the Operational Programme 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;
- Consider and approve any proposal to amend the content of the Commission decision on the contribution from the Funds.

5.15 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. Implementing bodies and other interested parties will be invited to attend as observers.

5.16 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.

Annual reports

5.17 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 30th 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;
 - 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;
- The use made of assistance released following cancellation as referred to in Article 98(2).

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Final report

5.18 A final report will be submitted to the Commission at the latest six months after the final date of eligibility of expenditure. 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

5.19 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.

Evaluation

5.20 In addition to on-going monitoring of the progress of the Programme, evaluations will be carried out in accordance with Article 47. The Programme will be subject to an ex-ante and ex-post evaluation. At a regional/policy level, the key issues which will be addressed in evaluation are:

- **Rationale** – to what extent is the Programme strategy justified?
- **Relevance** - to what extent are the Programme objectives pertinent in

relation to the evolving needs and priorities at national level?

- **Efficiency** - how economically have the various inputs been converted into outputs and results?
- **Effectiveness** - how far have the Programme's impacts contributed to achieving its specific and general objectives?
- **Utility** - how do the Programme's impacts compare with the needs of the target population?
- **Sustainability** - to what extent can the positive changes be expected to last after the Programme has been terminated?

5.21 In accordance with Article 43, the ex-post evaluation will be the responsibility of the European Commission, in collaboration with the Member States and the Managing Authority. It will cover the utilisation of resources, the effectiveness and efficiency of the Programme and its impact, and it will draw conclusions regarding policy on economic and social cohesion. It will cover the factors contributing to the success or failure of implementation and the achievements and results, including their sustainability. It will be carried out by independent assessors and be completed not later than three years after the end of the Programming period.

Financial management

Financial flows

5.22 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.

5.23 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 this or her control; and
- A statutory basis for all expenditure, whether from national or EU source.

5.24 Detailed provisions for handling transactions are contained in the procedural guide "Government Accounting in Northern Ireland (GANI)" and "Public Financial Procedures" (Ireland).

5.25 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 and will correspond to the Programmes' budget commitments.

5.26 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.

5.27 In keeping with normal financial practices in the Northern Ireland, receipts from the Commission (with respect to the UK ERDF receipts) will be transferred to a nominated account of the Department of Finance and Personnel. Funds will then be drawn down by SEUPB from the appropriate accountable department on a quarterly basis based on forward cash

requirements.

- 5.28 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.
- 5.29 As required under the European Territorial Cooperation Objective, funding for the Programme will be provided on a cross-border basis. This means that all funding from both Member States (including Scotland) will be included within a single financial table.
- 5.30 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.
- 5.31 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.
- 5.32 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.

- 5.33 The Joint Technical Secretariat (JTS) of the SEUPB will issue offers of grants and receive payment claims from the final recipients to which they have issued offers. All payment claims are backed up by invoices or other accounting documents. The JTS 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 authorise and pay out grants on the basis of eligible expenditure incurred. Wherever they are executed by the same organisation, the functions of checking, authorisation and payments are separated within the JTS.

Use of Euro and conversion rates

- 5.34 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 on 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

- 5.35 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.

Differentiation of rates of contribution

- 5.36 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

5.37 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 30th April each year.

5.38 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 31st March 2017.

5.39 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.

5.40 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.

5.41 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 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.

5.42 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.

5.43 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;
- 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.

5.44 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 31st 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 30th 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 31st 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;
- 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.

5.45 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. 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 31st March 2017:
- **(a)** an application for payment of the final balance and a statement of expenditure in accordance with Article 78;
- **(b)** the final implementation report for the Operational Programme, including the information set out in Article 67;
- **(c)** a closure declaration referred to in Article 62(1)(e); and
- 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.

5.46 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 accordance with the Article 78(2).

Implementation arrangements

5.47 The following implementation structures are proposed:

- 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) 1080 / 2006. This secretariat 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 letters of offer to successful project applicants;
 - Maintaining monitoring records on behalf of the Programme and entering these into the database;
 - Processing claims for payment from project promoters.

5.48 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) 1080 /2006. The Monitoring Committee will approve the number, thematic area and membership of any steering committee formed.

5.49 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.

5.50 It is envisaged that a number of steering committees will be formed reflecting the sectoral areas of the Programme.

5.51 The consultation process carried out to date as part of the preparation of the new Programme raised a number of considerations that affect the delivery structures for this Programme. These include:

- The impact of RPA in Northern Ireland, which is due to take effect in 2009, will affect the role of local authorities in Programme delivery. This has implications for the role of the three Cross Border Partnerships that are currently involved in Programme implementation. Arrangements need to be made from 2007 to 2009 to ensure a smooth transition to the new role when it takes effect;
- The three Cross Border Partnerships have been an important and successful part of Programme delivery. Every effort should be made to build on that success. The emergence of two new Northern Ireland based partnerships (North East and COMET) provides an opportunity to extend the principle of partnership between local authorities throughout the whole of the eligible area;
- The participation of Scotland will increase the number of local authorities who may participate as lead partners;
- Government departments and statutory agencies in Ireland and Northern Ireland, and executive departments and statutory agencies in Scotland who are involved in

North / South and tripartite cooperation projects, will be involved as lead beneficiaries in accordance with their statutory remit. While acting as lead beneficiaries, government departments and statutory agencies can work on a multi-sectoral basis with other stakeholders from the public, private and voluntary community sector.

5.52 In assessing the lessons to be learned from the current INTERREG IIIA Programme, in particular with regard to the implementation of actions in the area of enterprise development, it has emerged that there is a need for a clearer definition of roles. The following considerations have emerged in the consultation process that need to be taken into account in the delivery structures for the new Programme:

- The role of the statutory agencies responsible for enterprise on a regional basis (i.e. Enterprise Ireland and IDA in the Border Region and Invest NI in Northern Ireland) needs to be respected. It is important that they are involved in any actions that fall within their area of competence and that appropriate provisions are made to ensure Programme-wide coordination and coherence of interventions. In addition, account needs to be taken of the fact that there is a North South Body in existence with specific responsibility for enterprise and trade promotion on a cross border basis (i.e. Inter Trade Ireland);
- Similarly the role and responsibilities of statutory tourism bodies and other tourism partnerships needs to be respected. It is important that they are involved in any actions that fall within their area of competence and that appropriate provisions are made to ensure programme-wide coordination and coherence of interventions;

- Local authorities and Cross-Border Partnerships have an important role in promoting local based enterprise initiatives, particularly in the area of micro enterprise and the development of local service business. This is part of their delegated authority in the Border Counties and Scotland and will be an important part of the new role envisaged for local authorities under RPA in Northern Ireland. In addition account needs to be taken of the specific role fulfilled by the County Enterprise Boards in the Border Counties and Enterprise Northern Ireland and the network of Local Enterprise Agencies in Northern Ireland. These organisations fulfill an important role in the development and promotion of local enterprise and it differ from the regional role fulfilled by the statutory agencies referred to above;
- The distinction between the regional role of the statutory agencies and the local role of the local authorities, partnerships and local based enterprise development agencies needs to be reflected in Programme delivery mechanisms.

5.53 Calls for proposals will be issued by the JTS reflecting the responsibilities outlined in the above paragraphs. Where appropriate, in order to respect statutory responsibilities, promote strategic operations, and enhance efficiency and effectiveness of operations, a “closed call” will be made as guided and agreed by the appropriate Steering Committee.

5.54 Local authorities and / or Cross-Border Partnerships will be involved in the Programme as lead beneficiaries. The three partnerships that are currently involved in programme implementation will be joined by the North East Partnership, COMET, and by the local authorities in Scotland. A closed call for proposals will be issued by the JTS to

these partnerships and local authorities to bid for funding for multi-annual projects (2007 to 2009) for activities that fall within their delegated authority and that are included in the areas of intervention of the Programme. After 2009, arrangements will be made that reflect the impact of RPA in Northern Ireland. Local authorities and /or Cross-Border Partnerships shall be able to participate in those parts of the Programme in the areas which they have delegated responsibility. Where appropriate, local authorities can also work in partnership with other stakeholders who may act as lead beneficiary.

5.55 Similarly, calls for proposals will be issued by the JTS to the relevant agencies and organisations involved in the area of health, marine and coastal management, the environment, spatial planning, and other relevant sectors.

5.56 For Northern Ireland, Ireland and Scotland, the departments accountable for these activities will be decided.

5.57 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.
- It shall be responsible for transferring the ERDF contribution to the beneficiaries participating in the operation.

5.58 Any organisation which puts itself forward as a lead beneficiary will also have the necessary competencies, resources and capacity to undertake this function.

5.59 Each beneficiary participating in the operation shall:

- assume responsibility in the event of any irregularity in the expenditure which it has declared;
- 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.

5.60 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.

5.61 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.

Electronic data exchange

5.62 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. Information will be collected and codified at project level for the Operational Programme.

5.63 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.

5.64 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

5.65 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.

5.66 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.

5.67 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

5.68 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 to 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 an essential information and publicity activity.

Aims and objectives of the communication plan

5.69 The aim of the communication plan shall be to maximise and publicise the contribution of the ERDF in contributing to territorial cooperation between in Northern Ireland, 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;
- the contacts that can provide information on the Operational Programmes.

5.70 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.

5.71 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.

5.72 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.

5.73 The Managing Authority shall maintain a web-based archive of examples of good practice and ensure with full public access. It shall also design, maintain and promote the Programme's website (<http://www.seupb.org/>). 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

5.74 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);
- Equal opportunities (Article 16).

Competition policy

5.75 The Programme will abide by the provisions on state aid as laid down in Articles 87 and 88 of the EC Treaty. An

initial review of proposed actions would indicate none of the proposed actions will constitute State Aid. However, 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 Commission has adopted three such block exemption regulations. These are:

- Commission Regulation (EC) No 69/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to *de minimis* aid (OJ L 10, 13 January 2001, p 30);
- 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); and
- 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).

Sustainable development

5.76 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.

5.77 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 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.

5.78 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.

5.79 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;
- that the polluter should pay and compliance with the Community rules on the environment.

5.80 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.

5.81 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);
- 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

5.82 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.

5.83 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.

5.84 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.

5.85 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.

5.86 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. The section outlines complementarity with a number of key policy initiatives, including:

- National Strategic Reference Framework in Northern Ireland, Ireland and Scotland;
- PEACE III Programme;
- Rural Development Programme;
- Economic Vision for Northern Ireland;
- The Investment Strategy for Northern Ireland;
- The National Development Plan, Ireland 2007-2013
- The National Spatial Strategy for Ireland 2002-2020
-

National Strategic Reference Framework in Northern Ireland and Ireland

6.2 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.

NSRF, Northern Ireland

6.3 The strategic aim of the NSRF in Northern Ireland is to focus resources on addressing the infrastructure gap, and securing sustainable competitiveness and employment

improvements⁴⁴. The Competitiveness and Employment Programmes are included under the NSRF in Northern Ireland.

6.4 **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:

- **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 RTD, 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;
- **Improving accessibility and protecting and enhancing the environment:** this Priority provides support for infrastructure projects that include public transport, telecommunication services, waste management and energy.

6.5 A number of complementarities between the INTERREG Programme and the Competitiveness Programme can be identified, particularly in the areas of support for RTD, tourism and

⁴⁴ Department of Trade and Industry (2006) *UK National Strategic Reference Framework, EU Structural Funds Programmes: 2007-2013*, 23rd October 2006

infrastructure. In this regard, the INTERREG Programme will seek to work within this framework and capitalise activity in these areas to encourage cross-border cooperation and create synergies with Western Scotland and the Border Region of Ireland.

6.6 **Employment:** 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;
- **Improving workforce skills and adaptability:** this priority area aims to raise the skills levels and adaptability of workers and those not in employment through lifelong learning and ensuring the right workforce skills for future employment opportunities.

6.7 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 cross-border 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.

NSRF, Ireland / Border Region

6.8 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 South and East Region of Ireland. The overarching priorities in the NSRF for Ireland include⁴⁵:

- **Access to economic and technological infrastructure:** this Priority focuses on providing economic infrastructure such as transport access, connectivity, waste and environmental services;
- **Supporting and enabling knowledge and innovation:** in this Priority is centred on promoting enterprise and improving technological development and the take-up of ICT in business;
- **Supporting and enabling entrepreneurship:** this Priority aims, inter alia, to promote entrepreneurship by supporting business start-ups and build the capacity of existing businesses;
- **Enhancing the quality of the environment:** this focuses on investing in environmental assets and promoting activities such as waste and water management and supporting new environmental technologies;
- **Renewable energy:** this aims to develop the production of energy from renewable sources along with promoting energy efficiency and conservation measures;
- **Sustainable urban development:** to support economic, social and

⁴⁵ Draft National Strategic Reference Framework for Ireland, Cohesion Policy 2007-2013.

physical development in urban areas and strengthen the links between urban areas and their rural hinterlands.

- 6.9 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. The INTERREG Programme Consideration, therefore, will have regard to the NSRF and seek to complement activities by facilitating cooperation and promoting synergies between Northern Ireland and the Border Region.

NSRF, Scotland

- 6.10 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 Objective⁴⁶. 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;
- Improving access to lifelong learning.

- 6.11 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;
- Improving access to lifelong learning.

PEACE III Programme

- 6.12 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 cross-border 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.
- 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 cross-border and cross-community engagement.

- 6.13 In implementing these activities, the Programme also seeks to encourage cross-border cooperation between Northern Ireland and the Border Region of Ireland. Therefore, although the INTERREG Programme has placed an emphasis on developing infrastructure

⁴⁶ Department of Trade and Industry (2006) *UK National Strategic Reference Framework, EU Structural Funds Programmes: 2007-2013*, 23rd October 2006

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 cross-border activities under PEACE III, particularly in relation to activities which promote sustainable communities.

EU Rural Development Programme

6.14 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;
- Improving the quality of life in rural areas and encouraging diversification of economic activity.

6.15 By taking these objectives forward, the RDP's in Northern Ireland, Ireland and Scotland can complement the Territorial Cooperation 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.

Economic Vision for Northern Ireland

6.16 The Government's strategy for economic development in Northern Ireland is set out in its Economic Vision for Northern Ireland⁴⁷. 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 cross-border collaboration.

Framework for Economic Development in Scotland

6.17 The Scottish Executive's broad strategy for economic development is set out in its Framework for Economic Development in Scotland⁴⁸. 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 cross-border collaboration and networking

6.18 Indeed, with particular relevance to Priority 1 in the INTERREG Programme, the government document,

⁴⁷ *Economic Vision for Northern Ireland* (www.detini.gov.uk/cgi-bin/downutildoc?id=936)

⁴⁸ www.scotland.gov.uk/library5/government/bafeds-01.asp.

Smart Successful Scotland⁴⁹, 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);
- 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).

National Development Plan 2007-2013, Ireland

6.19 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 in 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.

6.20 Of particular relevance to the INTERREG Programme is the inclusion of investment priorities to promote all-island cooperation. Indeed, the NDP provides a framework of North-South

cooperation in a number of areas including:

- Infrastructure (roads, public transport, airports and ports);
- Energy (investments in gas, electricity, renewable energy, energy efficiency and research and innovation development of an all-island energy market)
- Communications (wireless spectrum licensing and mobile roaming charges);
- Science, technology and innovation;
- Enterprise promotion;
- Human capital;
- Trade, tourism and investment promotion;
- Health services;
- Education;
- Environment;
- Agriculture and fisheries;
- Culture, heritage, languages and sport;
- Social inclusion.

6.21 Given the range of cross-border 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, 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.

The Investment Strategy for Northern Ireland

6.22 The Investment Strategy for Northern Ireland⁵⁰ launched in December 2005,

⁴⁹ www.scotland.gov.uk/library3/enterprise/sss-00.asp.

⁵⁰ www.sibni.org/isnifulldocument141205.pdf

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

6.23 The Infrastructure Investment Plan, Building a Better Scotland⁵¹, 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 Framework⁵² 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

6.24 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 regions⁵³. 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;
- **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.

6.25 In addition, the strategy outlines the importance of key strategic cross-border 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 cross-border activity between Northern Ireland and the Border Region of Ireland.

Regional Development Strategy for Northern Ireland 2025⁵⁴

6.26 The Regional Development Strategy for Northern Ireland 2025 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

⁵¹ www.scotland.gov.uk/library5/enterprise/babs-00.asp .

⁵² www.scotland.gov.uk/library5/planning/npf04-01.asp.

⁵³ Department for the Environment and Local Government (2002) *National Spatial Strategy for Ireland 2002-2020, People, Places and Potential*.

⁵⁴ Department for Regional Development (2001) *Shaping Our Future - The Regional Development Strategy for Northern Ireland 2025*.

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 cross-border 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 cross-border activity between Northern Ireland and the Border Region of Ireland.