



**Building
Sustainable
Prosperity**



Northern Ireland Programme for Building Sustainable Prosperity

Transitional Objective 1 Programme

(EU Structural Funds 2000-2006 CCI No:- 1999/GB 161 PO 007)

Annual Implementation Report 2006

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1. INTRODUCTION

This Report covers the calendar year 1 January 2006 to 31 December 2006 and has been produced by European Division, Department of Finance and Personnel acting as Managing Authority of the Building Sustainable Prosperity (BSP) Programme. It meets the regulatory requirement to report progress on implementation on an annual basis.

BSP accounts for approximately two-thirds of the total Structural Funds resources committed to the Northern Ireland Community Support Framework. Following the allocation of the Performance Reserve funding to BSP in a Commission Decision dated 30 December 2004, this amounts to €929m in EU funding.

The report was approved by the Building Sustainable Prosperity Monitoring Committee through written procedure on 15 June 2007 and is now formally submitted to the European Commission.

Programme Objective

The overall objective of the Northern Ireland Building Sustainable Prosperity Programme is to move Northern Ireland to a state of sustainable prosperity in a competitive modern economy by focusing on the restructuring of its businesses and the key skills development of its people while maintaining a quality environment.

Area Covered: Northern Ireland

Geographically, Northern Ireland is situated on the North West periphery of the United Kingdom and the European Union. Northern Ireland is the smallest region in the UK with an area of 14,160 square kilometres, of which 584 square kilometres comprises inland water. It is comparable in size to the West Midlands in the UK (12,998 square kilometres), Vlaams Gewest in Belgium (13,512 square kilometres) and Campania in Italy (13,595 square kilometres). Northern Ireland is bordered by the Atlantic Ocean to the North

and the Irish Sea to the East. To the South and West a continuous land border with the Republic of Ireland stretches for 499 kilometres.

On Census Day 2001 the population of Northern Ireland was 1,685,267. Males comprised 49% of the total and females 51%.

Northern Ireland is predominantly rural with two-thirds of its population living within a 50 kilometre radius of Belfast, in the East of the region.

With a 2001 population density of 124 persons per square kilometre, Northern Ireland was the second most sparsely populated UK region. Only Scotland had a lower population density.

Over the last 100 years the population of Northern Ireland has grown by around 37%. The population of Northern Ireland grew by 0.5% on average each year over the period 1981-2001, compared with a 0.3% average annual increase for the United Kingdom.



2 Change in General Conditions

2.1 SOCIO ECONOMIC REVIEW

2.1.1 Summary

The Northern Ireland economy at the macro level has improved considerably in recent years, boasting record high levels of employment and solid rates of economic growth. The UK's strong macroeconomic fundamentals and strong growth in public expenditure have contributed towards Northern Ireland's positive performance. Improvement has been made across most industry sectors, particularly so in the Service sector which has experienced an increase of almost twice that of the UK over the past year. The unemployment rate has moved from being highest amongst UK regions to a much more favourable position below the UK average. Although on the surface the economy gives a generally positive impression there still remain a number of areas that need attention. In the labour market, economic activity rates have shown little sign of improvement over the seven years to 2006 and inactivity rates remain highest amongst the UK regions. The main contributor to the production industries, manufacturing, has experienced heavy job losses since 1999 even though output growth within the industry has been positive. Indeed, Gross Value Added (GVA) estimates released in December 2006 would suggest that whilst there has been steady year on year growth for Northern Ireland, there has been minimal change relative to the UK overall position post 1999. Other indicators show that, although improving upon the UK average, by April 2006, median gross weekly earnings for full-time employees across the UK regions were reported second lowest in Northern Ireland.

2.1.2 Main Changes since the Implementation of the Programme

During 2006, the Northern Ireland Assembly remained in suspension and direct rule from Westminster was in place. Although Assembly elections were held in November 2003, the devolved administration was not restored. Mounting pressure on political parties continued for a return to power-

sharing and in March 2007 further elections led to a restoration of the Assembly in May 2007. It is difficult to gauge the economic impact of the Assembly's suspension, but a PWC survey carried out for the BBC in 2002 found that most firms cited "political stability" as the main factor that would stimulate Northern Ireland economic growth.

Although there have been changes in socio-economic conditions, which are detailed later in this section of the Annual Report, most of these reflect ongoing trends that were evident at the outset of the Programme. However, it must be noted that there are areas that have seen positive change since 1999 but others that continue to be problematic. For example, the size and spending power of the public sector continues to largely influence economic growth irrespective of private sector achievement. Unemployment rates have continued to decline but longer-term unemployment is still a major problem, which is proving difficult to address. Nevertheless, employment in Northern Ireland remains at record high levels with total employee jobs totalling 706,070 in September 2006. However, this upward trend has been evident since 1993. The agricultural sector has continued to struggle and is expected to continue to face challenges following the most recent CAP reforms as well as the cost and practical problems involved in the delivery of a range of EU environmental directives.

2.1.3 Relative impact of socio-economic developments

The Government has retained the five priorities¹ contained in the former Executives last draft Programme for Government (September 2002) as the basis for its work and as reported last year there has therefore been no shift in policy in the period covered by this report, with a continuing focus on infrastructure investment and on reform and modernisation of public services across all five priorities. This focus has been further enhanced by the publication of an 'Investment Strategy for Northern Ireland' by the Strategic

¹ Growing as a Community; Working for a healthier people; Investing in Education and Skills; Securing a Competitive Economy; and Developing North/South, East/West and International Relations.

Investment Board. The Strategy contains blueprint for transforming Northern Ireland into a successful, competitive, regional economy with high quality public services. As noted by the Secretary of State, “[w]e are clearly signaling Government’s strong commitment to taking forward major programmes of work including education, health and transport and, of course, those areas that fall within EU compliance”.

The Northern Ireland Sustainable Development Strategy announced in May 2006 sets out a commitment to build sustainable communities founded on economic growth and a high quality environment. It recognises that prosperity and sustainable development are inextricably linked and that the concept of sustainable development should underpin all aspects of policy-making and decisions.

Furthermore the Review of Public Administration, announced in November 2005, details large-scale re-structuring of local government, health and education authorities. In addition, the ‘Economic Vision for Northern Ireland’ sets out a strategic vision which ‘*aims to ensure that Northern Ireland benefits from the Government’s long-term focus on faster economic growth and improving living standards across the United Kingdom*’. This is further support for the former Executives key priorities and is in line with UK policy.

There have been a number of positives regarding the economic conditions within Northern Ireland where growth in the economy has continued throughout 2006 although several challenges remain, particularly in the traditional and low value added sectors. However, overall there has not been a significant change in the general conditions in Northern Ireland that would necessitate an adjustment to the current Programme strategy. In fact, the focus of the current programme is entirely consistent with the Government’s strategy on improving productivity, that is innovation, entrepreneurship, skills and investment.

One current challenge to continued growth in the economy is the increasingly global nature of the marketplace. As a small open economy Northern Ireland cannot insulate itself from global economic developments. Not only is Northern Ireland facing increased competition from new

competitors such as China, India and the EU Accession countries, but also the business cost base is rising. However, globalization also presents a number of opportunities for firms to become more outward looking and to take advantage of new markets. This is the challenge facing businesses in not only Northern Ireland but across all EU regions over the next few years and the importance of competitiveness in the marketplace will be key, which is consistent with the Lisbon Strategy.

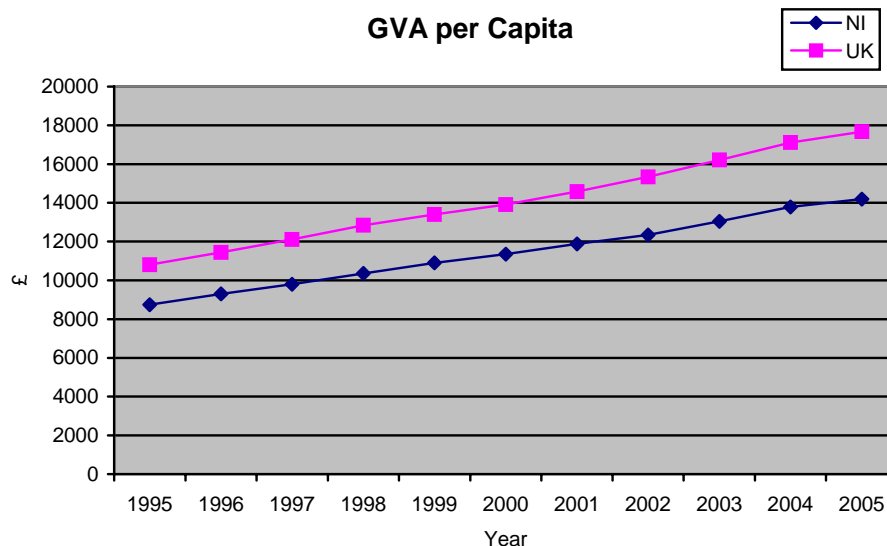
Expenditure on R&D is also a key area in developing the economy within Northern Ireland. The reason for this is that Northern Ireland continues to have relatively low levels of expenditure on R&D when compared with the rest of the United Kingdom, however recent years have seen R&D expenditure growing at a faster rate than the UK. In fact R&D expenditure (as a % of GVA) on Higher Education in Northern Ireland is above the UK average and is an area which should be exploited. Such improvement can be attributed in part to the BSP Programme. Improvements have also been made in the manufacturing sector as Northern Ireland gradually moves to higher value added sectors (as noted in the CSF ex-ante in 1999). Nevertheless, improvements will need to continue both in R&D expenditure and in the manufacturing sector to close the gap in economic performance with the UK and other EU regions. This is also a key priority of the Lisbon Strategy.

The remaining paragraphs in this section discuss further the socio-economic conditions. Section 3.2 (context indicators) illustrates the development of Northern Ireland over the past few years. From the information provided it is apparent that the general socio-economic conditions that underpin the strategy for BSP have not changed significantly since the Programme period began to warrant a change in policy.

2.1.4 GDP/GVA

Gross Value Added is used globally as a measure of economic performance. Under the European System of Accounts 1995, the term Gross Value Added (GVA) is used to denote estimates that were previously known as Gross Domestic Product (GDP) at basic prices. The latest available data shows

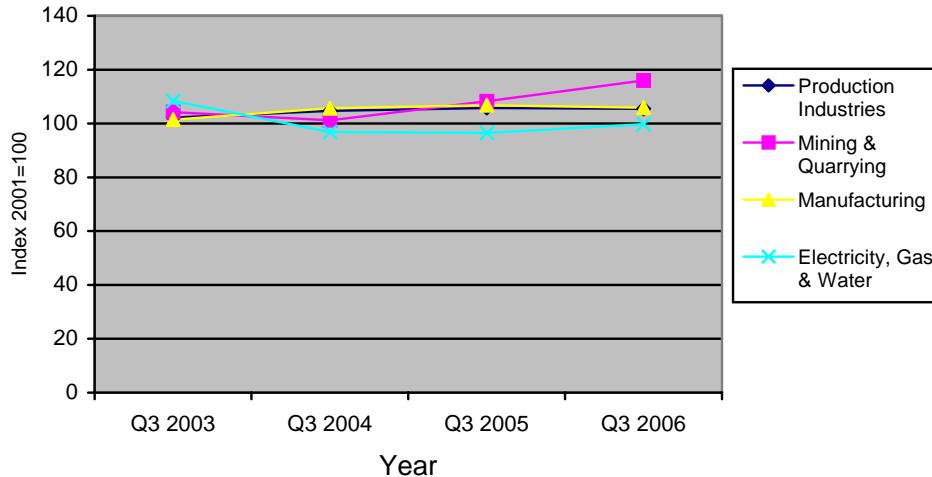
that in Northern Ireland GVA per capita increased by 62.5%, in nominal terms, between 1995 and 2005 compared to the overall average UK growth rate of 63.5%. In the early 1990s Northern Ireland experienced much greater growth in GVA compared to the UK. The relatively higher growth rates during this time can be attributed to the fact that Northern Ireland was spared many of the detrimental effects of the UK recession of the early 1990s. However in the latter half of the period, Northern Ireland's growth rates are much more in line with the UK. As a percentage of UK GVA per capita, the Northern Ireland position has fallen slightly from 80.8% in 1995 to 80.3% in 2005. Generally however, as a percentage of the UK GVA per capita average, Northern Ireland has remained consistently around 80% over the 2000-2005 period. GVA estimates for all of the UK Government Office regions (including Northern Ireland) are produced annually by the UK Office for National Statistics (ONS). Within a European context, Northern Ireland's GVA per head also lags slightly behind that of the EU 25 average. In 2003, GVA per head was 98.6% of the EU25 average. However it is well below UK and ROI levels, which show GVA per head of 23.4% and 60.3% above the EU25 average respectively.



2.1.5 Output

The index of Production is a quarterly survey of over 600 companies and is designed to provide a general measure of changes in the output of the Manufacturing, Electricity, Gas and Water, and Mining and Quarrying industries. Output from all the production industries fell by 0.3% over the year to quarter three of 2006 in Northern Ireland, with the manufacturing component of this decreasing by 0.9%. In contrast, the UK figure for all production industries increased by 0.4% over the same period, with the UK manufacturing component showing an increase of 0.7%. Manufacturing is typically the main determinant of change in the production sector and continues to maintain an important position within the Northern Ireland economy. Within Northern Ireland, the manufacturing sub-section that showed the greatest increase over the year to Q3 2006 was Basic Metals & Fabricated Metal Products (26.9%), while the sub-section showing the greatest decrease in output was Transport Equipment (-20.6%).

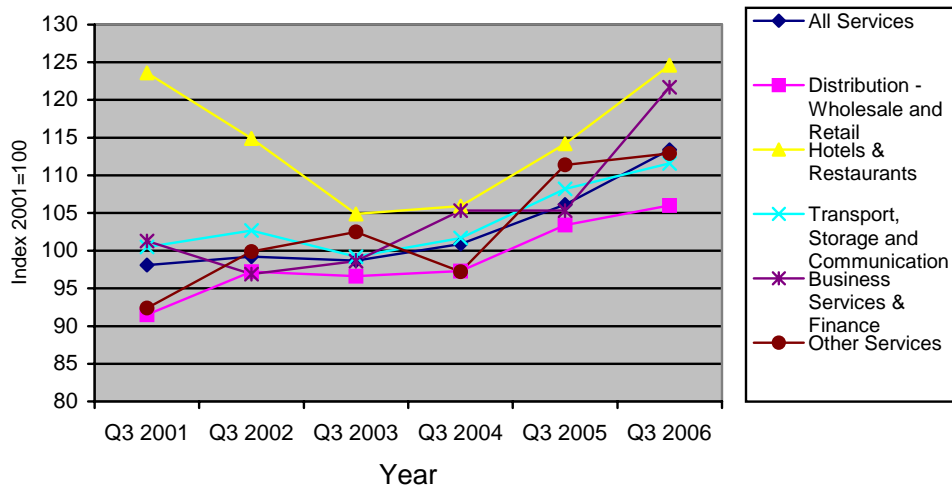
Output of the Production Industries



As a result of increasing demand for better short-term measures of the performance of the service sector in Northern Ireland, the Department for Enterprise, Trade and Investment has developed a new experimental Quarterly Inquiry into the Distribution and Services sector. The survey is designed to provide a general measure of changes in output of the private service sector industries. Northern Ireland's increase in the Service sector

over the year to the third quarter of 2006 (6.9%) is higher than that for the UK as a whole, which increased by an estimated 3.7%. In historical terms, Northern Ireland Services have increased by 15.6% from quarter three of 2001 to quarter three of 2006, compared to an estimated increase of 17.4% for the UK as a whole over the same period.

Northern Ireland Index of Services



The Index of Construction (indexed to 2000) provides a quarter 4 2005 figure of 97.8, a rise from 94.9 in the corresponding quarter of 2000. Over this period there was a notable degree of fluctuation. With specific regard to output, the estimated seasonally adjusted value (at 2000 prices) was £542 million in quarter 4 2005, an increase of 7.3% on the corresponding quarter in 2004 (£505 million), and an increase of 3% on the corresponding quarter in 2000.

2.1.6 Productivity

Economic growth in Northern Ireland is largely driven by productivity growth, which can be measured as output per hour worked. GVA per hour worked in Northern Ireland as a proportion of the UK decreased from 87.6% in 2001 to 81.9% in 2004. Productivity levels in Northern Ireland are considerably lower than the UK average, with Northern Ireland being the least productive region within the UK. Differences between Northern Ireland and UK

productivity rates partly reflect higher growth rates in hours worked and employee jobs, as well as differences in the composition of the local economy compared to other UK regions. Northern Ireland continues to work longer hours on average and the gap between Northern Ireland and the UK is widening. Despite the increased growth in total hours worked in Northern Ireland, its productivity relative to the UK continues to fall, indicating that GVA in Northern Ireland has not grown in proportion to the rise in the total workforce hours worked in the region. This suggests that the recent employment growth has been primarily in low value added sectors.

The four key drivers of productivity, identified in the Economic Vision for Northern Ireland as a means to achieving regionally balanced growth are Innovation, Enterprise, Skills and Investment. In summary, Northern Ireland exhibits relatively low levels of productivity because: Northern Ireland businesses generally invest less in innovation activity; entrepreneurial activity is well below the UK average; there are poor skills levels in the existing Northern Ireland workforce; and investment in infrastructure has been historically lower compared to GB.

2.1.7 Innovation

The resources devoted to research and development (R&D) within a region are an indicator of the degree of innovation. R&D activity is therefore an essential component in the drive towards a competitive economy that can develop new products/processes in response to changing demands and market conditions.

Total expenditure on Research and Development (R&D) in Northern Ireland was £302.4 million in 2005, representing a rise of 10.9% in cash terms (8.8% real terms) from the 2004 figure. For the third consecutive year in 2005 Northern Ireland Higher Education accounts for a greater share of total R&D expenditure (48.3%) than the business sector (47.2%). Both business R&D, higher education R&D and Government R&D rose in real terms over the period, by £15.9 million, (12.6%), £7.6 million (5.4%) and £1.0 million (8.2%) respectively. Analysis of R&D expenditure at industry level shows an increase under manufacturing of 6.6% to £88.3 million in 2005, compared to

an increase under Services and other sectors of 30.8% to £54.3 million. Expenditure recorded by small sized firms (less than 50 employees) has increased in 2004, and now represents 28.2% of total R&D expenditure, compared to 21.9% in 2003.

Human resources are another innovation performance indicator. The number of science and technology graduates in Northern Ireland compare favourably to the other EU member states and the EU25 average. However, at present Northern Ireland has less science and technology graduates per 1,000 persons than the UK. More generally, despite Northern Ireland continuing to have high rates of participation in Higher Education, student migration away from Northern Ireland continues to persist with nearly 30% of Northern Ireland students moving away to take their degree and not returning.

2.1.8 Enterprise

Enterprise heightens competition within the market and provides an entry point for innovative techniques and technology. The Global Entrepreneurship Monitor (GEM) provides a measure on entrepreneurial activity within a global context. Despite entrepreneurial activity in Northern Ireland increasing on the 2002 figure, it still remains lower than in the UK. Within an international context, comparisons with the participating countries from the EU highlights that entrepreneurial activity in Northern Ireland is higher than a number of EU member states, i.e., Belgium and the Netherlands. In an EU context, Northern Ireland ranks alongside Finland and Italy in terms of entrepreneurial activity. The level of female entrepreneurship in Northern Ireland is the lowest of all the UK regions and the gap between male and female entrepreneurship is one of the widest. While graduates are more likely to be entrepreneurs than any other qualification group in Northern Ireland, female graduates have one of the lowest Total Entrepreneurial Activity (TEA) rates of all UK regions.

Northern Ireland's entrepreneurial activity (as measured by VAT registrations) was greater than in Scotland and Wales, but well below the UK average. In 2005, analysis of the Inter-Departmental Business Register

(IDBR) revealed that there were 55,265 businesses in Northern Ireland registered for VAT. This represents an increase of 2.7% over the year, and a higher rate of growth compared to the UK (1.2%).

Northern Ireland has much higher business survival rates compared to the rest of the UK. For example, 74.7% of Northern Ireland businesses registered in 2001 survived for at least three years, compared with 68.9% of the UK average. However, convergence from 1997 survival rates may reflect increasing competition in the Northern Ireland economy. In other words, it is likely that a decreasing percentage of firms are surviving for three years as the market becomes more competitive.

2.1.9 Skills

Across the UK substantial variations in educational achievement at school and university exist, although in most cases a strong performance at 16 is carried through to the percentage of the population with a degree or equivalent. While education attainment has been high in Northern Ireland relative to the UK, this has not always translated into the labour market. Even though Northern Ireland compares reasonably well in terms of the proportion of the working age adults with a high level of qualifications at levels 2 and 3, Northern Ireland has a disproportionately high level of working age persons with no qualifications.

The most recent Skills Monitoring Survey identifies various data relating to skills gaps in Northern Ireland. The same proportion of employers (13%) in both the private sector and the public sector reported a skills gap among some of their existing staff. This perception varied between employers of different sizes as well as across various locations. For example, only 11% of smaller employees (those with 1-4 employees) reported a skills gap compared to 22% of larger employers (50+ employees). Reasons cited by employers for the lack of full proficiency among staff included lack of experience (42%), the introduction of new technology (28%) and new skills needed for the development of new products (27%).

2.1.10 Investment

In terms of technological infrastructure, Northern Ireland has benefited to a significant extent from different EU Programmes, including BSP. In particular Northern Ireland has achieved 100% broadband availability, which is unique to Europe. Every household, business, school and library in Northern Ireland will be able to access broadband regardless of location. In regard to broadband penetration rates however, Northern Ireland is significantly below the rate for the UK and the EU15 average. It is currently only slightly below the rate for the EU25 average and is significantly above RoI rate of 4.4% of the population.

The use of Northern Ireland's telecommunications infrastructure by business has showed a mark increase. Businesses with access to the internet increased from 81% in 2003 to 89% in 2004. Similarly there are more businesses with a website and with external mail.

The role of infrastructure in promoting competitiveness and economic growth within a region is well recognised and is heightened in a country like Northern Ireland, which lies on the periphery of the European Union. Poor infrastructure leads to traffic congestion, reduced productivity and increased costs, as well as discouraging inward investment from firms outside the region. In terms of motorway network, Northern Ireland ranks alongside Ireland, Luxembourg and Estonia. However it is important to bear in mind other factors that influence motorway provision, such as population densities.

2.1.11 Transport

Almost 60 billion tonnes of freight were transported by road within Northern Ireland by vehicles weighing over 3.5 tonnes in 2005. Crude minerals were the greatest single commodity transported within Northern Ireland at 32% of all tonnes moved. Of the 6,590 tonnes transported on international outward journeys, the single largest commodity was Building materials (44%).

There were 917,399 vehicles licensed in Northern Ireland by 31 December 2005, 83% of which were Private Light Goods Vehicles. Over the six-year period from 1999 to 2005, the NI licensed vehicle stock increased by 27% compared with 21% in Wales, 19% in Scotland and 16% in England. During

2005-06, 755,388 tonnes of petroleum were delivered for use in Northern Ireland, almost 2% more than the 2004-05 figure.

During 2005-06 there were 7.7 million rail passenger journeys made, which is an increase of 12% from 2004-05. These generated passenger receipts of approximately £18.7million, a rise of 8% from the previous period. Between 2000 and 2005, the number of terminal passengers, using both Belfast International Airport and Belfast City Airport, increased by 60%. There were approximately 67.2 million bus passenger journeys in Northern Ireland in 2005-06 accounting for £93 million in passenger receipts. This represents a rise in passenger journeys by 2.1 million from a 2004-05 figure of 65.1 million, and an increase in passenger receipts of 3.6% from just below £90 million in 2004-05.

Under Priority 1 in the BSP Programme, Measure 1.6 provides support to enhance the road infrastructure as well as a number of key bus and urban/rural transport projects. At the end of 2005, 3 by-pass schemes had been completed resulting in reduced peak journey times.

Priority 1 of the BSP Programme incorporates an indicator targeting support of 286 Research and Development projects over the course of the programme, of which 80% are to be successfully completed. There are currently 715 such projects receiving support, 88% of which have been successfully completed.

2.1.12 Employment

Employment experienced a period of sustained growth between the late 1990's and mid 2000's, recording an average increase of around 13,000 people per year between Spring 1999 and Spring 2005.

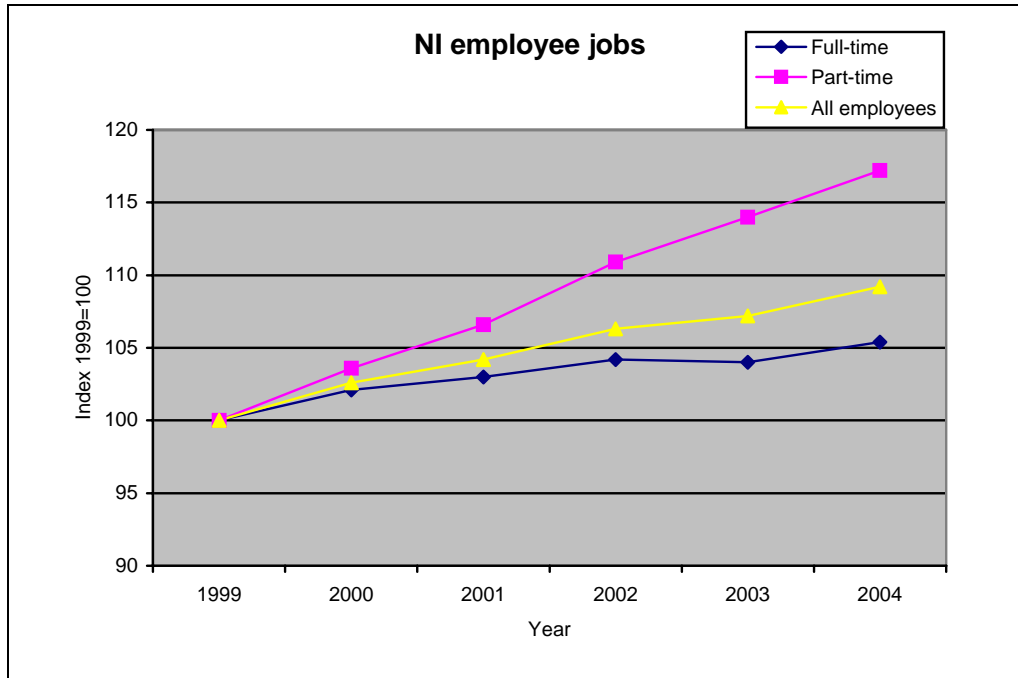
The number of persons in employment in the period October – December 2006 was estimated at 768,000. This estimate represented an increase of 6,000 over the quarter and 17,000 over the year. The working age employment rate is estimated at 69.6%, up 0.3 percentage points over the quarter and up 0.8 percentage points from a year earlier. Northern Ireland's working age employment rate is well below the UK average (74.5%) and is

the lowest among the UK regions. The slight increase in the employment rate given the large increase in employment numbers can be explained by the steady rise in the working age population. The difference between the working age employment rate of males and females is currently estimated at 10 percentage points.

Within an international context, latest figures indicate that Northern Ireland compares favourably with the EU25 and EU 15. Using harmonised employment rates, based on a population aged between 15-64 years for both males and females for EU countries, Northern Ireland's employment rates is currently 66.6%. This is below the UK employment rate of 71.9% and the Republic of Ireland's rate of 68.8%, but 2.9 percentage points higher than the average EU25 employment rate (63.7%) and 1.5 percentage points above the EU15 rate (65.1%). Northern Ireland's employment rate is currently above the Lisbon target of an employment rate of 65% by 2005, but below the Lisbon target of a 70% employment rate by 2010.

Northern Ireland has experience a period of sustained growth in terms of employee jobs. From March 1990 to March 2005, employee jobs in Northern Ireland have increased by 30% compared to just over 9% for the UK as a whole. Much of this increase is reflective of a growth in the services sector and the construction sector – increases of 46.7% and 27.7% respectively for Northern Ireland compared with increases of 23.8% and 3.8% respectively for the UK.

Growth in employee jobs within these industries have more than compensated for the reduction in employee jobs experienced within Northern Ireland's manufacturing sectors. From March 1998 to March 2006, manufacturing jobs fell by almost 20% (107,690 to 86,180). The growth in employee jobs over the last year (Mar-May 2005 to Mar-May 2006) by category shows that full time jobs increased by 14,000 while part time employment fell by 3,000. Workers with second jobs and temporary workers both increased by 2,000.



The seasonally adjusted number of economically inactive persons in the period October – December 2006 was estimated at 536,000, unchanged over the quarter and down 1,000 over the year. The working age economic inactivity rate for Northern Ireland is 27.4%. This is significantly higher than the UK average rate (21.0%) and is the highest of the 12 UK regions.

Two labour market weaknesses in Northern Ireland are high inactivity rates and low female participation compared to the UK. Northern Ireland has a higher proportion of those who identify sickness or disability as the main reason for not wanting to work (31%) than the UK (29%). Northern Ireland also has a higher percentage students that do not want a job (30%) compared to the UK (23%).

2.1.13 Unemployment

The number of people registered as unemployed in Northern Ireland has fallen dramatically since the early 1990's with the current figure standing at less than half of that which it was ten years ago. To set in the context of the Programming period, the Spring 2005 figure (38,000) is 17,000 less than it was six years previous in Spring 1999 (55,000). This translates into a fall in the unemployment rate from around 7.5% to under 5% over the period. Furthermore the Spring 2006 figure for the number unemployed is 34,000,

which represents an unemployment rate of 4.2%. Using the October 2006 figure for comparison purposes, it is clear how far Northern Ireland has moved from being historically the region with highest unemployment rate, to a current rate of 4.2% (October-December 2006) which compares favourably to the UK average of 5.5.

Northern Ireland's unemployment rate is also considerably below the EU25 average of 8.0% and the EU15 average of 7.4%, and is currently in line with the Lisbon target set for unemployment to reduce, by 2010, the average level of unemployment in the EU to the levels already achieved by the best performing countries (around 4%).

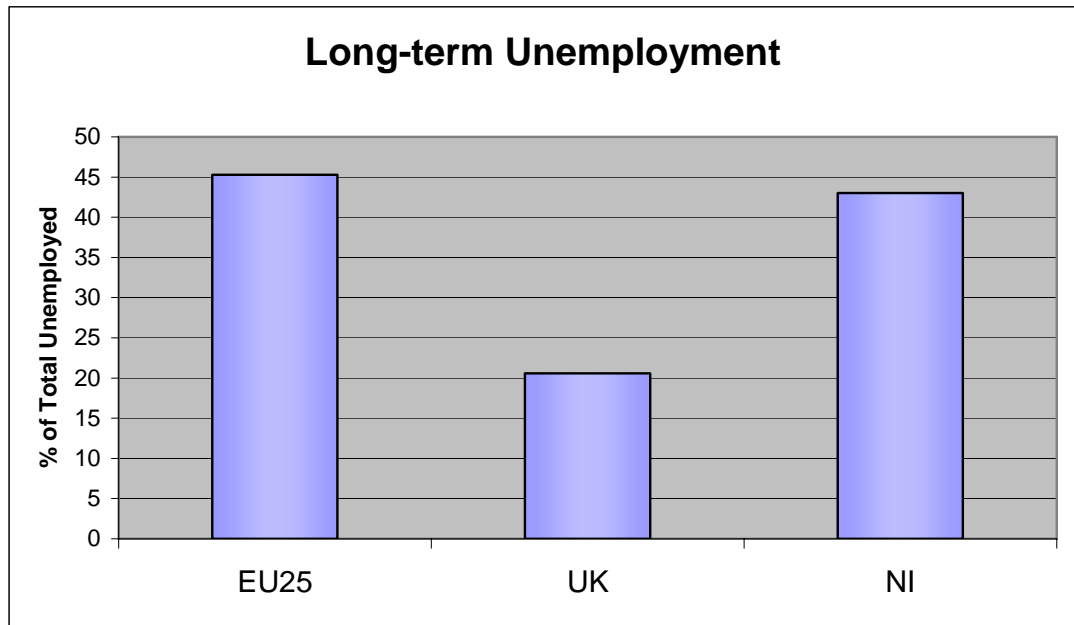
There is also a falling number of unemployed who come under the category of long-term unemployed. The long-term unemployment rate fell from 61.3% in Spring 1995 to 43.5% in Spring 2005. The most recent data available (June – August 2006) shows a further decrease in the long-term unemployment rate (33.5% of unemployed persons are long-term unemployed). However, a similar trend has been experienced across the UK and, as a result, Northern Ireland's relative position has altered little over the last decade.

For comparison purposes, latest available figures from Eurostat show that in 2004, the long-term unemployment rate in Northern Ireland was 43.0%, which was over double that of the UK average at 20.6%, and slightly less than EU 25 average of 45.3%.

In 2005, Eurostat estimate the unemployment rate for those aged 15-24 years old to be 18.7% in EU25, 12.8% in UK and 11.1% in NI.

Priority 2 has influence in this area through the ESF policy fields. Under the Active Labour Markets measure there has been 49,099 (of which 33% are female) annual participants, 6,810 qualifications gained, and 9,797 unemployed have now entered employment. In fact 13,156 are now deemed to have achieved a positive outcome under this measure. Under the Equal Opportunities for All in Accessing the Labour Market measure there has been 40,911 (of which 39% are female) annual participants, leading to 4,159 unemployed entering employment to end 2006. Adaptability and

Entrepreneurship field records 52,765 (27% female) annual participants, 27,112 qualifications gained and 1,570 people achieving positive outcomes.



2.1.14 Income and Earnings

The median gross weekly earnings, taken from the Annual Survey of Hours and Earnings (ASHE), for all employees in Northern Ireland 2006 was £324.7, representing growth of 1.9% over the year. Northern Ireland continues to experience lower average earnings relative to the UK equivalent earnings of £364.1. Comparable figures for the other UK regions indicate that, with the exception of the North East, Northern Ireland had the lowest ranking median gross weekly earnings.

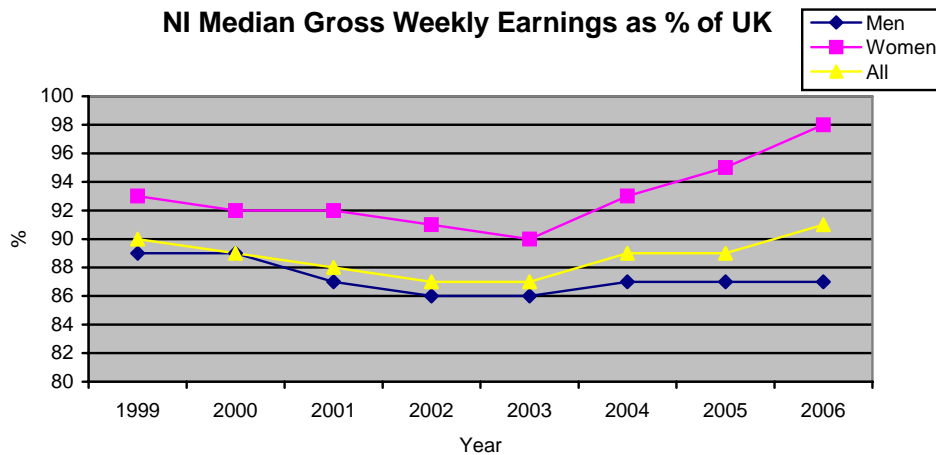
Over the period 2005-2006, there has been a narrowing of the gender pay gap in Northern Ireland by approximately five percentage points, with female full-time median hourly earnings excluding overtime, some 99.8% of male earnings.

The earnings gap between Northern Ireland and the UK continues to be greater for men than women (87% compared to 98%). Over the period since 1999 the earnings gap for both males and females has tended to widen,

relative to Great Britain. However, data since 2004 appears to reverse his trend, particularly so for females.

Trends have continued into 2006 when compared to the eleven other UK regions. Median gross weekly earnings of full-time men in Northern Ireland are lowest amongst UK counterparts, while only female employees in London and the South East of England earned more than their Northern Ireland counterparts.

Within Northern Ireland in 2006, public sector earnings (£376.6) were 25.5% higher than private sector earnings (£300.0). This figure has fallen four percentage points from 2005, and indicates that median gross weekly earnings grew by more in the private sector over the year than they did in the public sector. In the UK average weekly public sector earnings (£387.8) were 6.5% higher than private sector earnings (£355.6).



Median gross weekly pay of full-time employees by industry shows that in April 2005, those in electricity, gas and water supply were the highest earners (£660.2). This compares to employees in the agriculture, hunting and forestry industry where average earnings were the least per week (£238.8).

Average gross weekly earnings of people in rural areas are consistently below those of people living in urban areas over the years from 2000 to 2003. There is no evidence to indicate that the gap in earnings between

urban and rural areas is narrowing (or widening). However, data on household income indicates that the highest household incomes are in the Rural East – the result of the export of earnings gained in Belfast by commuters - with the lowest incomes in the Rural West.

UK regional estimates of Gross Disposable Household Income (GDHI) show that over the past ten years the Northern Ireland position has remained relatively steady relative to the other regions. Along with the North East of England, Northern Ireland has consistently had the lowest GDHI per head in the UK.

The composition of household income differs substantially between Northern Ireland and the rest of the UK. Specifically, a greater proportion of household income is derived from social security benefits. In 2004/2005, 60% of Northern Ireland's weekly household income was derived from wages and salaries. The comparable figure for the UK was 65%. However, this is largely offset by a higher level of self-employment income in Northern Ireland, with 12% of weekly income being derived from the self-employed compared to 9% for the UK. Conversely, 11% of weekly household income in Northern Ireland was in the form of social security compared to 7% for the UK as a whole. Specifically, the proportion of people in receipt of disability living allowance is two times higher than in the UK as a whole.

Over the three years to 2004/05, Northern Ireland households have consistently relied much more on benefits than their GB counterparts. However it should be noted that Northern Ireland has proportionately more households with children under 16 than GB. This means that there are proportionately more households in receipt of Child Benefit and Tax Credits than in GB. This explains some of the difference between reliance on benefits.

Throughout the period 1999 to 2004 Northern Ireland, had the highest proportion of income support claimants of the UK regions and countries. In January 2004, 4.1% of the Northern Ireland estimated total workforce were claiming income support. This figure has fallen to 3.5% in January 2005.

The UK Department of Trade and Industry use the proportion of income support claimants within a region as a measure of social deprivation.

2.1.15 Agriculture

In 2006, provisional figures show that total income from farming (TIFF), which measures the return to farmers and all members of their families working on farms increased by 4.7% to £190million, a rise of 1.6% from the 2005 figure after allowing for inflation. This followed a 19% increase in 2004 and a 6% increase in 2005 in real terms. Despite the increases in the past three years, TIFF remains 12% below the average for the last 20 years, after allowing for inflation. Over the same period, the number of people gaining a living from farming has also declined steadily.

The increase in income in 2006 can be attributed to 3 main factors; first, improved productivity; second, improvement in the price of finished cattle, sheep and pigs; and third, increases in both the level of production and the prices of field crops.

Over the years from 2001 to 2006, the average gross weekly earnings of people in rural areas were consistently below those of people living in urban areas. Although average gross weekly earnings increased in 2006 in urban and rural areas, the lowest rate of growth occurred in 'less accessible rural' areas. The number of VAT registrations in 2006 disaggregated by area indicates that the 'less accessible rural' areas demonstrate the strongest growth in the number of firms.

The total agricultural labour force decreased by 2.2% in 2006 to around 50,000 persons. This includes a 2% reduction in the number of farmers, to approximately 32,000, with a number of full-time farmers declining by 1% and the number of part-time farmers decreasing by 2.5%. The total number of full-time, part-time and casual workers combined, decreased by 5.6%.

At United Kingdom level, TIFF increased by 10% in money terms in 2005, to £2.7 billion, a rise of 7% in real terms. The main reason for the relatively higher increase in income for the UK as a whole compared with Northern Ireland was the effect of increased cereal prices. The cereals sector

accounts for a much larger proportion of agriculture activity in Great Britain than in Northern Ireland. Consequently, the higher cereal prices in 2006 had a greater beneficial impact, relatively speaking, on the value of TIFF in the UK as a whole than it did in Northern Ireland.



Priority 4 in the BSP Programme projects and programmes have been supported for local regeneration, sectoral development, fleet modernization and food/fish processing. The number of supported projects is at 610 at the end of 2006 whilst the number of gross full-time equivalent jobs created has reached 191.5 under this priority.

2.1.16 Tourism

Tourism is an important economic sector for Northern Ireland, both in terms of the employment opportunities it provides and the revenue it generates as well as social and cultural benefits it offers.

Visitor Tourism Performance, as reported by the Northern Ireland Tourist Board, records a one percent decrease in total visits between 2004 and 2005, bringing the figure to 1,972,000. However, the total number of nights spent by visitors in Northern Ireland has increased by 12% to 9,561,000. This translates into a total tourism revenue of £357 million in 2005, an increase of 14% on the 2004 figure (£313 million). Figures prior to 2004

cannot be reliably compared due to the adoption of ROI data in new methodologies.

The results from the first installment of the Tourism Barometer of 2006 suggest that the Northern Ireland tourism industry has had a good start to the year. All accommodation sectors report growth in the overall number of bednights and improved levels of profitability. With the majority of managers reporting business growth, the performance of the hotel sector has matched that of last year. The hostel sector has also recorded a particularly buoyant start to the season with almost two thirds of managers reporting an overall increase in bednights.

The growth in the overall volume of bednights can be attributed in equal measure to an increase in overseas demand and growth in RoI/Domestic market demand. The net result is that room yield is up on the corresponding period in 2005.

The growth in the overseas market has been the key driver in the overall performance of guesthouses. The sector has also experienced an increase in bookings from Northern Ireland and RoI. B&B establishments also report growth across all market areas.

The self-catering sector has benefited from a growth in overseas bookings. Northern Ireland and RoI businesses have also grown, albeit marginally. Caravan and camping operators and hostels each report an increase in demand across all of the main markets.

Priority 1 of the BSP Programme seeks to support 15 marketing initiatives per annum across key markets, and in addition create 1,400 additional jobs in the sector. To date continued support has been provided for the Regional Tourism Organisations and an average of 11 marketing initiatives per annum have been supported since 2000.

2.1.17 Environment

The sustainable development of the Northern Ireland Economy has been assisted by the provision of additional water and sewage treatment schemes since 1999. In particular, activity under Priority 5 of the BSP Programme has

supported the completion of 4 new water treatment schemes and 2 sewage treatment schemes to the end 2006. The provision of these additional schemes will facilitate the continued expansion of the Northern Ireland industrial and business economy without further environmental deterioration and neglect.

Northern Ireland has low levels of atmospheric pollution relative to other parts of the UK. It has a low concentration in sulphur dioxide and nitrogen dioxide emissions. The greatest concentrations of sulphur dioxide are in regions where manufacturing industries are more common. One of the main sources of nitrogen dioxide is road traffic, hence higher concentrations are found in heavily congested areas of major road networks.

In terms of air quality in Northern Ireland, there were 62 exceedences of the standards for ozone at the Derry monitoring site, compared with 18 exceedences at the Belfast Centre site and 17 at the Lough Navar site. The standard for carbon monoxide has not been exceeded over the period 1999 to 2004.

The Environment Agency (within DEFRA) which compiles data on the chemical quality of rivers and canals, reports that the proportion of river length classified as good in Northern Ireland has increased from 55% in 2002 to 63% in 2005. Simultaneously however, the percentage classified as poor or bad also increased from 3% to 7% in 2004 before falling again to 5% in 2005. In England the proportion classified as poor or bad increased from 6% to 8% between 2002 and 2005, while in Wales remained static at 2%.

Based on a methodology adopted following the update of the Ex-ante environmental impact assessment projects should be assigned a development path. This reflects their anticipated environmental impact and will enable monitoring through the central database. An assessment of the data available is contained in paragraph 5.12 of this report.

2.1.18 Conclusion

The preceding text demonstrates the current state of socio-economic conditions in Northern Ireland. Whilst it can be seen that progress has been

made at the macro level with, for example, continued growth in GVA and a growing labour force pool of working age population, it is also clear that a number of problems persist, for example inactivity rates, relatively high long-term unemployment and a high proportion of workers with no qualifications. Nevertheless, it is also clear that the BSP Programme has provided benefit to the socio-economic conditions within Northern Ireland through funded activities and initiatives and how this has contributed to a more positive outlook for the region.

2.2 COHERENCE WITH THE NATIONAL ACTION PLAN FOR EMPLOYMENT AND WITH EMPLOYMENT RECOMMENDATIONS FOR THE UK

The Northern Ireland Employment Context: Progress towards the three overarching objectives

Employment, which has been growing strongly for many years, has continued to grow in 2006 and the most recent data show that there are now 768,000 people in employment in NI – the highest on record. Moreover the employment rate is approaching 70%, and has been consistently reporting figures in excess of 69% quarter after quarter.

Unemployment has been below 5% for the past two years despite rises elsewhere in the UK. The ILO unemployment rate is now around 4-4½%, and is lower than the EU average; the UK average; and than almost every other UK region. NI is now a low unemployment economy.

The most recently published figures on economic inactivity in NI show a rate of 27%: this is within the range of 27%-30% that has characterised the last 20 years. But just perhaps there is the first sign that rates may be on a downward trend: data from Labour Force Survey show that three of the lowest inactivity figures recorded in recent years have been in the last four years.

Recent Government figures show that some 32% of employees in NI are employed in the public sector. This is an increase from the situation a few years ago which suggests that recently the public sector has been growing faster than the private sector (the reverse was true for much of the 1990s and the early part of this decade). Although figures for the UK as a whole are not directly comparable, it is evident that the public sector takes up a much larger share of employment than in the UK as a whole.

There are a number of arguments about what constitutes a good proxy for skills. One proxy is qualifications – or the lack of them. Data from Regional Trends show that in 2005 some 24% of the NI working age population were without a qualification: this was some 10 percentage points higher than the UK average and 7 percentage points higher than the next “worst” region

(Wales, 17%). The position is improving though: ten years ago one in three working age adults didn't have a qualification; today the figure is around one in four.

Responses to the specific Integrated Guidelines and the Joint Employment Recommendations to the UK in 2004.

This section explains how the BSP programme supports the Integrated Guidelines for Growth and Jobs (2005-2008) and Council Recommendations to the UK in 2004. Northern Ireland contributes to the UK National Reform Programme.

²In October 2006, Member States reported the progress made in the implementation of their employment policies in their National Reform Programmes. Following their assessment, the European Commission proposed country specific recommendations in December 2006. The Commission have recommended that the UK:

- Increase basic and intermediate skills, in order to raise productivity, and further improve employment prospects for the most disadvantaged.

BSP aims to promote a labour market open to all through the development of innovative ways of overcoming disadvantage and exclusion. There is therefore overlap between the programme's ESF policy fields and the Integrated Guidelines, as for example, increasing labour supply and gender equality cuts across all policy fields in the programme.

ESF funded activity under BSP adds value to the range of Northern Ireland Government employment and skills programmes and initiatives, including those described in the UK National Reform Programme (October 2006).

2

http://ec.europa.eu/employment_social/employment_strategy/pdf/recommendations2007_en.pdf

Integrated Guideline: Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion.

Council Recommendation to the UK: ensure that active labour market policies and benefit systems prevent de-skilling and promote quality in work, by improving incentives to work and supporting the sustainable integration and progress in the labour market of inactive and unemployed people; address the rising number of people claiming sickness or disability benefits, and give particular attention to lone parents and people living in deprived areas.

Employment policies and programmes in Northern Ireland focus on helping unemployed people to find work and improving the skills of the present and future workforce in line with the needs of the Northern Ireland economy. Initiatives to improve the employability of the economically inactive and hard to help include the integrated Jobs and Benefits Offices and the development of a new menu-based approach to provision.

Jobs and Benefits Offices provide an integrated service to jobseekers, benefit claimants and employers under the Welfare to Work arrangements, getting into employment is at the centre of the benefit claiming process. Services include access to jobs, guidance and/or training opportunities and the New Deal programmes. Two programmes, 'Pathways to Work' and Progress2work(NI) commenced in 2005, details below;

- **'Pathways to Work'** assists people claiming Incapacity Benefit to make the transition back to work. The improved service is currently available to 30% of new claimants in Northern Ireland and will be extended to the whole of the Province by April 2008.
- **Progress2work or p2w(NI)**, is a pilot initiative aimed at providing employability support to people experiencing difficulty in accessing the labour market as a result of having a history of substance misuse, being homeless or who are an ex-offender or ex-prisoner. Initially contracts were awarded until the end of March 2007 during which

time the initiative was targeted to help 300 participants make the transition to education, training or employment, however, following an Interim Evaluation, this pilot has been extended for a further 12 months.

Support from ESF

ESF continues to add value to active labour market policies in Northern Ireland under measures 2.1 and 2.2 of the BSP programme. Measure 2.1 aims to provide new entrants to the labour market with the skills necessary to participate successfully and measure 2.2 aims to re-integrate the long-term unemployed into the labour market and to prevent vulnerable groups from becoming long-term unemployed.

Examples of ESF project activity funded under Measure 2.1 and 2.2 that add value to the Government programmes relating to Integrated Guideline 17 and the associated Council Recommendation include:

- **'Choices'** is an employment-linked, vocational training programme developed by Gingerbread (NI) to improve the life chances of lone parents and their children, confronting poverty and isolation and promoting social and economic inclusion. The project's target group is one parent families. At 31 December 2006 the project had exceeded its target by assisting 120 beneficiaries (target 50), 29 qualifications were achieved (all at NVQ1 or above) and 3 trainees entered employment.
- Omagh District Council's **DELTA** (Development and Empowerment Through a Learning and Training Approach) project aims to enhance the employability of the long-term unemployed and to prevent vulnerable groups from becoming long-term unemployed. The project's target groups are long-term unemployed persons and those at risk of becoming long-term unemployed. At 31 December 2006 the project is on course to meet its target by assisting 109 beneficiaries (target 120). 58 qualifications were achieved (35 at NVQ1 or above) and 14 trainees entered employment.

- **Jobskills**, the Government’s primary vocational training programme, is using ESF to provide training for 16 and 17 year old school leavers. The Jobskills Traineeship project focuses on the delivery and attainment of National Vocational Qualifications (NVQs) at Level 2 and specified key skills awards.

Integrated Guideline: Promote a lifecycle approach to work

Council Recommendation to the UK: improve access to and affordability of childcare and care for other dependants and take urgent action to tackle the causes of the gender pay gap.

In Northern Ireland the Government published a cross-departmental ten-year Gender Equality Strategy in March 2006 which aims to help support people through their lifecycle, tailoring policies and services to the changing social needs which occur at different times in the lives of women and men striving to ensure mainstreaming of gender equality into all policies and service delivery and to tackle the causes of gender inequality.

Support from ESF

The BSP programme adopts a dual approach to gender equality and promoting equal opportunities. ESF support is provided for specific gender equality actions, while equal opportunities is mainstreamed throughout the programme planning, implementation, monitoring and evaluation in line with Northern Ireland’s Section 75 statutory obligations.

Measure 2.8 of BSP is focused exclusively on the vertical and horizontal segregation issues for women in the labour market. ESF project activity funded under this Measure adds value to the Government policy relating to Integrated Guideline 18 and the associated Council Recommendation by reducing the barriers that prevent women from participating in training or employment, particularly childcare.

Examples of ESF project activity funded under Measure 2.8 include;

- Dungannon & District Women’s Group: “**A future in Childcare**” which offers participants the opportunity to access accredited, quality

training in childcare and ICT. A Future in Childcare is a 2 year progressive training project that offers participants the opportunity to gain in Year 1 NVQ II in Childcare and Early Years and CLAIT certificate in ICT with OCR Stage1 and 2 Sage Accounting. Year 2 enables the participants to gain NVQ III in Childcare and Early years together with ECDL and OCR Payroll. The main purpose of this project is to upskill women (including women returners, lone parents, carers, ethnic minorities, spouses of ex-prisoners, part-time workers and women who have never engaged in any previous formal training, e.g. victimised through living in a mainly rural area). On the basis of figures at 31 December 2006 the project is on course to meet its target by assisting 29 beneficiaries (target 60). A total of 29 qualifications were achieved, of which 16 were NVQ1 or above. Nil trainees entered employment.

- Ashton Community Trust. **“Women’s Community Training”** which is a Women’s Community Training programme that outreaches to local women and support their development throughout the project. The project will encourage and support women to return to education. The priority target groups will be long-term unemployed women, women in low-paid work in receipt of benefits and women returners. The project will particularly focus on female lone parents and those with little or no formal qualifications. On the basis of figures at 31 December 2006 the project is on course to achieve its target of by assisting 114 beneficiaries (target 180). A total of 32 qualifications were achieved of which 19 were NVQ1 or above and a total of 4 trainees entered employment.
- Windsor Women’s Centre: **“Euterpe Project 111”** which is a comprehensive programme of educational, capacity building and vocational training opportunities for women. Its design has been informed by the needs of women in the community; therefore its aim is to dismantle barriers to participation such as lack of childcare, lack of confidence, language and cultural barriers. All women wishing to return to education and training, particularly those with low

educational achievement and lacking access to training and employment. On the basis of figures at 31 December 2006 the project is on course to meet its target by assisting 210 beneficiaries (target 260). A total of 66 qualifications all of which were NVQ1 or above was achieved. A total of 6 trainees entered employment.

- Lenadoon Community Forum:” **“Training & Training Project”** which provides personal development and support for marginalised and disadvantaged women with multi-social issues including literacy and numeracy problems, very low self esteem and lacking self confidence. On the basis of figures at 31 December 2006 the project is on course to meet its target by assisting 157 beneficiaries (target 420). A total of 34 qualifications were achieved, of which 10 were NVQ1 or above, A total of 11 trainees entered employment.
- Women’s Tec: **“Gearing Women Up For Trades”** enabling women into non-traditional employment this will have a major impact on job desegregation and gender pay gaps in the Northern Ireland Labour Market. The aim of this project is to provide training, which will engage females to consider a career in the construction industry. Training is delivered by female role models (trainers) and in a supportive learning environment with an emphasis on personal and pre-employment development and learning support and a focus on reducing the traditional barriers to participation through the provision of childcare and travel costs. On the basis of figures at 31 December 2006 the project is on course to meet its target by assisting 22 beneficiaries (target 72). A total of 22 qualifications were achieved, of which 15 were NVQ1 or above. None has yet entered employment.

Integrated Guideline: Ensure inclusive labour markets for job-seekers and disadvantaged people.

Council Recommendation to the UK: ensure that active labour market policies and benefit systems prevent de-skilling and promote quality in

work, by improving incentives to work and supporting the sustainable integration and progress in the labour market of inactive and unemployed people; address the rising number of people claiming sickness or disability benefits, and give particular attention to lone parents and people living in deprived areas.

In Northern Ireland a new community-based concept called 'Targeted Initiatives' were set up in 2002/03 in four areas of low employment and high social deprivation: West Belfast, Greater Shankill, Londonderry and Strabane. The Initiatives, which run out in March 2007, have successfully tested a range of new measures and innovative variations of existing interventions all designed to offer practical help to the economically inactive and those with barriers preventing them from finding employment. The measures include Job Assist Centres (tailored support for those with identified barriers to employment), Transitional Employment Programmes (waged employer placements for up to one year) and partnerships between statutory agencies, local voluntary and community organisations and employers.

The Initiatives were extensively evaluated in 2005 and 2006 and, as a direct result of that independent research, a new community-based employment Intermediary Service (titled "Local Employment Intermediary Service "or "LEMIS") has been developed to offer tailored assistance to voluntary clients to help them overcome their personal barriers to employment. The new community operated intervention, which will work alongside and complement the public Employment Service, will provide independent, confidential, client-centered, flexible services, including advice and mentoring - all of which will be firmly focused on moving the individual into sustained employment as soon as possible. The LEMIS service will be available from April 2007 in areas of high social/economic deprivation and will include all of Belfast, Londonderry and Strabane.

Support from ESF

Measure 2.3 of BSP aims to promote a labour market open to all through the development of innovative ways of overcoming disadvantage and exclusion.

Examples of ESF funded project activity under Measure 2.3 that add value to the Government programmes relating to Integrated Guideline 19 and the associated Council Recommendation include;

- Shankill Open Learning Centre: **STEP 3** – Skills Training for Employment Progression which provides appropriate skills and qualifications to disabled / disadvantaged employees at USEL and to a group of one year placement trainees who are gaining work experience at USEL, in order to enable all participants to compete equally in the mainstream labour market. On the basis of figures at 31 December 2006 the project is on course to achieve its target by assisting 74 beneficiaries (target 120). A total of 40 qualifications all of which were NVQ1 or above and a total of 3 trainees entered employment.
- The Northern Ireland Association for the Care and Resettlement of Offenders (NIACRO): **Jobtrack Programme** which aims to enhance the employability of ex-offenders and people at risk of offending through assessment of individual needs and abilities and tailored programmes of support e.g. Basic/vocational skills/Job placement. On the basis of figures at 31 December 2006 the project is on course to meet its target by assisting 774 beneficiaries (actual 1000). A total of 223 qualifications were achieved of which 46 were NVQ1 or above. A total of 100 trainees entered employment.
- Belfast Gems Ltd/South Belfast Partnership: **Ethnic Minorities Employability Support Project**, providing a dedicated full-time Employment Consultant to support the employability of 75-100 minority ethnic clients per year from the local community with the aim of them entering sustainable employment. This project aims to have a direct impact on those furthest from the labour market who are not only socially excluded by being unemployed but also through the isolation and vulnerability they experience by being unable to communicate in English. On the basis of figures at 31 December 2006 the project is on course to meet its target by assisting 108

beneficiaries (target 150). A total of 87 qualifications were achieved, none of which were NVQ1 or above. A total of 61 trainees entered employment.

- Barnardos: **Dr B's Kitchen** offering opportunities for young people with learning disabilities to train and gain work experience in catering skills in the realistic working environment of a city centre public restaurant. The Project equips trainees with qualifications, skills, knowledge, practical experience and assists them in securing employment within the hospitality industry. On the basis of figures at 31 December 2006 the project is on course to achieve its target by assisting 21 beneficiaries (target 48). A total of 12 qualifications were achieved of which 4 were NVQ1 or above and a total of 5 trainees entered employment.

Integrated Guideline: Promote flexibility combined with employment security and reduce labour market segmentation

Council Recommendation to the UK: increase access to training for low paid women in part-time work; implement national and regional skills strategies to provide better incentives for lifelong learning and thereby increase productivity and quality in work; place particular emphasis on improving literacy and numeracy of the workforce, the participation of 16-19 year olds, and low-skilled workers, especially those in poorly paid jobs.

In Northern Ireland the Government's **Skills Strategy** is the overarching strategy for skills development. The Strategy "Success Through Skills" is the main overarching framework for delivering improvements in skill levels in Northern Ireland thereby improving productivity and competitiveness. The Strategy's aim is to enable people to progress up a skills ladder in order to raise the skills level of the whole workforce. It targets those entering the workforce; those in the workforce who need to be upskilled and reskilled; and those furthest from the workforce those who are economically inactive. Skills are defined as the essential skills of literacy, numeracy and ICT; employability skills including team-working, problem solving and flexibility;

and, the specific occupational skills needed by business. The Skills Strategy will be taken forward in partnership with employers and their representative bodies; individuals and trade unions; training and education providers; the community and voluntary sector and other Government Departments and agencies. The Skills Strategy will be implemented by developing and maintaining a regional employment and skills action plan that will articulate skills needs at local and regional levels, to determine Northern Ireland's priority skill areas and ensure that the supply of training is responsive to changes in demand.

The **Essential Skills for Living Strategy** is helping adults to improve their literacy Numeracy and ICT skills, with a target of supporting 18,500 learners to achieve an Essential Skills qualification by March 2007. The target has been met. By the end of January 2007 support had been provided for 21,441 learners to achieve a qualification. A Pilot to introduce ICT as the third Essential Skill commenced in September 2006.

Support from ESF

Measure 2.1 of BSP funds activities to provide guidance and training in vocational skills, up to NVQ Level 3, for school leavers who are not yet equipped to find and retain employment. ESF is adding value to Government programmes and initiatives by supporting activities to widen participation in lifelong learning and develop basic and vocational skills. For example the:

- **CSV Media Action NI**-which aims "to create opportunities for people to play an active part in the life of their community through media". The Project provides unemployed people with: media & ICT skills training; work experience with BBC N.I.; and the opportunity to become involved in social action media projects of benefit to the community. The target group is unemployed graduates who are well equipped academically but are lacking in terms of vocational talents. Unemployed young people and school leavers who need guidance and training in vocational skills to help them be competitive in the labour market. On the basis of figures at 31 December 2006 the

project has already exceeded its target of 72 beneficiaries (actual 98). A total of 73 qualifications, all of which were NVQ1 or above was achieved. A total of 44 trainees entered employment.

North/South Co-operation

The UK National Reform Programme (October 2006) Annex A, contains the 'Common Contribution by the British and Irish Governments' which reports on progress since the 2005 Common Contribution. Significant progress has been made across a range of areas and the Governments are currently undertaking a comprehensive study on the opportunities for further practical cooperation on the development of a more competitive and prosperous all-island economy, including building on the Lisbon Common Contribution. As part of this process, the Governments have already agreed to co-operate and pool resources in trade promotion and an all-island approach to labour market skills forecasting;

Support from ESF

Under Measure 2.8 of BSP an allocation of €2m will be provided to develop cross-border initiatives focused exclusively on the vertical and horizontal segregation issues for women in the labour market. Project activity will contribute to the promotion of North/South co-operation, co-ordination and the exchange of and exposure to ideas and expertise.

BSP Priority 2 ESF Funding per Measure

The table below sets the ESF allocation per measure under Priority 2, Employment of the BSP programme against the Integrated Employment Guidelines for Growth and Jobs (2005-2008).

Integrated Guidelines	BSP Priority 2 ESF Funding per Measure (MEURO)						
	2.1	2.2	2.3	2.4	2.6	2.7	2.8
Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion	€125.7	€6.4m					
Promote a lifecycle approach to work							€15.4m
Ensure inclusive labour markets for jobseekers and disadvantaged people			€67.8m				

Promote flexibility combined with employment security and reduce labour market segmentation					€1.5m	€47m	
Expand and improve investment in human capital				€21.1m			
Total ESF funding	€132.1m	€67.8m	€21.1m	€48.5m			€15.4m

2.3 SOCIAL INCLUSION UPDATE

2.3.1 The UK National Action Plan for Social Inclusion is set out in accordance with the common European Union (EU) objectives. The strategy incorporates facilitating participation in employment; access by all to resources, rights, goods, and services; preventing the risks of exclusion; protecting the most vulnerable; and mobilising all relevant bodies.

In NI, New Targeting Social Needs (New TSN) is the main policy for tackling poverty, through which all Government Departments use more of their available resources to benefit the most disadvantaged. As reported in the 2005 report a new policy paper “Lifelong Opportunities” was drawn up and after extensive consultation the “Lifelong Opportunities” paper, the Government’s anti-poverty and social inclusion strategy for Northern Ireland was launched on 13 November 2006. Examples of areas where the BSP programme addresses the EU objectives are set out below.

2.3.2 Facilitating Participation in Employment

Priority 1 of BSP is devoted to Economic Growth and Competitiveness where all projects, in some way, contribute to facilitating participation in employment. For example Measure 1.4 Local Economic Development has increased the number of new businesses and the local employment levels. Priority 2 tackles specific labour market needs and this complements Priority 1. Measure 2.6 encourages people to explore the self-employment option, and to provide them with the necessary skills and knowledge required to maximise success rates.

2.3.3 Access by all to resources, rights, goods and services

Under Measure 1.8, €16,240,000 of EU funding was awarded to the East/West gas pipeline, its construction has enabled natural gas which was only available to the Greater Belfast region to be supplied to towns along the route to the West of the province. Priority 5 has also been instrumental in the improvement of water and air quality for all the citizens of Northern Ireland.

Access to training and/or employment can be a particular problem for a number of groups within our society, Measure 2.3 promotes a labour market

open to all. To end 2006, Northern Ireland has received €37,171,390 EU funding under this measure.

2.3.4 Preventing the risk of exclusion

Women can be excluded from access to the labour market because they have family responsibilities, interventions under Measure 2.8 are aimed at promoting the participation of women in training, employment and self employment.

Measure 3.3 provides support to local groups with the aim that they will not be excluded from promoting and taking forward local needs and the interests of socially excluded groups. North Down Community Network is one such example; it acts to instigate community activity in those areas of weak infrastructure. Groups are supported to undertake research to identify local needs, design an action plan and develop solutions through collaborative and partnership working.

2.3.5 Protecting the most vulnerable

The roots of education underachievement can develop in the early years and are often linked to social disadvantage. Good quality preschool education has important benefits for children, especially from socio-economically disadvantaged backgrounds and in particular those with special needs. To end 2006 Northern Ireland has benefited from €7,426,480 under Measure 3.4

2.3.6 Mobilising all relevant bodies

BSP is delivered by Government Departments but most work with organisations at a local level; District Councils, the voluntary and community sector and the Rural Development Council are examples. In addition, the BSP Managing authority has engaged economic and social partners including regional, local and public authorities as members of the Programme Monitoring committee and the associated Working Groups.

2.4 LISBON STRATEGY

2.4.1 In March 2000, at the Lisbon European Council, the leaders of Europe committed themselves to a ten-year programme of economic reform designed to advance a new strategic goal for the European Union. This would enable the EU to become “*the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*”. The Lisbon Strategy is underpinned by a series of targets, agreed at the Lisbon European Council and in Stockholm, Gothenburg and Barcelona.

2.4.2 The Lisbon Strategy involves a number of targets under a range of key themes. Examples of some of the areas that inform the key themes are as follows:

- Employment – More and Better Jobs
- Innovation and Research
- Economic Reform
- Social Cohesion
- Sustainable Development
- Environment

2.4.3 A mid-term Review of the Lisbon Strategy was conducted in 2005 to assess the progress by Member States and the impact of the strategy. In February 2005 the European Commission presented a revised strategy for the EU to create more growth and jobs. New integrated Guidelines were endorsed by the European Council in June 2005. Detailed below are a number of indicators that assess Northern Ireland’s progress with regard to the Lisbon Strategy targets and within the context of the BSP Programme.

2.4.4 The Lisbon Strategy places importance on sustainable economic growth and in general terms the economic outlook for Northern Ireland has been

positive. For example, Northern Ireland Gross Value Added per head has shown a growth consistent with that of the UK over the period 1999 to 2005: 30.2% in Northern Ireland and 32.3% across the UK. Total GVA for Northern Ireland increased by 33.7% in nominal terms over the period 1999 to 2005. In terms of productivity, NI's GVA per hour worked is at 81.9% of the UK average for 2004. Manufacturing productivity has also made a recovery in recent years whilst tourism revenue has continued to grow since 2001. Employment levels in Northern Ireland are at their highest ever levels whilst unemployment continues to fall.

2.4.5 In Innovation and Research, Expenditure on R&D accounted for 0.5% of GVA for Northern Ireland in 2004. This compares to 1.24% for the UK as a whole. Northern Ireland businesses would have needed to invest some £170 million more in R&D in 2004 to reach the UK average. Gross expenditure on R&D accounted for 1.2% of GVA for Northern Ireland in 2004 compared with a UK figure of 1.9%. The target set by the Lisbon Strategy for expenditure on R&D is 3% of GVA by 2010. The BSP Programme has a target to support 286 R&D projects throughout Northern Ireland and support has already been given to 715 projects. This support will help Northern Ireland towards increasing its R&D expenditure.

2.4.6 Regarding innovation activities, nine per cent of NI firms have cooperation arrangements on technological innovation activities with other enterprises or institutions compared with 8.2% across the UK as a whole. In addition, 3% of turnover amongst NI businesses is attributable to new or improved products compared to the UK average of 8.6%. In the three-year period 2002-2004, 56% of enterprises in Northern Ireland were innovative active, comparing to the equivalent UK figure of 57%. The proportion of firms in Northern Ireland engaging in innovation activity has increased from 46% in 1998-2000 to 63% in 2002-04. Under Priority 1 of the BSP Programme there are measures to support the development of SMEs through innovating practices, improved products and enhanced ICT and competitiveness.

- 2.4.7** In terms of entrepreneurial activity, the Global Enterprise Monitor UK Survey shows that in 2005, 4.9% of the adult population in Northern Ireland were involved in such activity compared with 6.2% for the UK. Northern Ireland has surpassed Wales and Scotland in terms of VAT registrations with 31 per 10,000 populations in 2004, although this is still considerably short of the UK average of 38. Exports were estimated to be worth £4.6 billion in 2005/06, which represents an increase of 0.6% over the year, and an increase of 11.9% over the five year period 2000/01 to 2005/06.
- 2.4.8** Under the employment theme, there are a number of measures under Priority 2 that aim to bring about high levels of employment, and develop a skilled, adaptable and entrepreneurial workforce and also to promote access to the labour market for all and foster social inclusion. This is entirely consistent with the Lisbon Strategy. The latest progress under the ESF policy fields show that there have been around 170,000 annual participants of training funded by the BSP Programme.
- 2.4.9** The employment rate in Northern Ireland stands at 69.5% (Oct – Dec 2006) of the working age population. This is significantly below the UK rate of 74.5% and along with London; Northern Ireland is the lowest of the UK regions. Northern Ireland has an employment rate of 66.6% for people aged from 15 to 64. This is higher than the rate for the EU25, which currently stands at 63.7%, but is currently below both the Lisbon target of 70% and the Stockholm intermediate target of 67%.
- 2.4.10** The need for training measures in Northern Ireland is justified by the fact that only 83.9% of economically active adults in NI are qualified to NVQ level 1 or above. The UK figure is higher at 89.6. At NVQ level 4 or above, the figures are 26.5% for Northern Ireland and 29.1% for the UK. For 16 to 19 year olds, 59.8% are qualified to NVQ level 2 or above in Northern Ireland compared to 64.5% in the UK as a whole, whereas for NVQ level 3 or above the figures are 49.6% for Northern Ireland and 52.0% for the UK. For those within employment, 10.6% of employees received job-related training within the last 4 weeks compared to 16.1% across the UK as a whole. This

information demonstrates the positive role that the BSP Programme plays in helping to achieve a better skilled workforce and increase levels of employment and economic activity.

2.4.11 The environment also plays a key role in the Lisbon Strategy. Within the BSP Programme, Measure 5.1 aims to understand and manage the growing pressures on the environment and also develop a proper awareness and understanding of the environment. The measure itself has supported the completion of 4 water treatment plants and 2 sewage treatment plants. This helps Northern Ireland meet the EU Directives on the drinking water as well as sewage and purification. In addition to treatment plants, Measure 5.1 has supported a waste awareness campaign and an air quality project which will help towards complying with the Air Quality strategy. These activities are consistent with the aim of the Lisbon Strategy with regard to the environment.

3. PROGRESS IN THE IMPLEMENTATION OF PRIORITIES

3.1 OVERVIEW OF IMPLEMENTATION

2006 continued to see steady progress in the implementation of the programme with the result that by end-December, almost 95% of funds had been committed and the 2006 N+2 targets for all funds were achieved and even exceeded. This chapter contains information at Priority level and more detailed information per measure is appended at Annex 1.

Overall, significant progress was made in 2006, especially under Priorities 1, 2 and 5 and even though progress in some areas of Priority 3 & 4 still require attention, the indications are that the objectives for each Priority will be met over the lifetime of the Programme. Although Priority 4 expenditure has still some way to go, the Implementing Department is confident that all the targets will be met following the Monitoring Committee decision at the last meeting to approve the revised allocations within the priority. Priority 3 has experienced difficulties with a number of projects funded under Measure 3.3. The Managing Authority and the Implementing Body continue to monitor this situation and are hopeful that this situation will become clearer in early 2007.

As the programme enters its final year, the Managing Authority has continued to take steps to ensure that the Departments record not only financial implementation but also non-financial data to allow for an accurate assessment of the success of the programme against original targets.

By end year, Priority 1, Economic Growth and Competitiveness was 94.85% committed. This priority has progressed well financially and both Implementing Bodies expect to meet their full allocations. During 2006 the Managing Authority and DETI discussed the input of non-financial information at the bilateral held in September. Following this meeting, steady progress has been made populating the database and it is hoped that this information will be fully updated by June 2007.

DG REGIO auditors carried out an audit visit in 2005 and their report was received in April 2006 which highlighted issues including the provision of

detailed records and liaison with Implementing Bodies for the facilitation of site visits. Measure 1.1, 1.2, 1.4 and 1.6 were covered. The audit report highlighted issues around lack of supporting documentation in Measure 1.1. In response to this issue, the Managing Authority has provided its initial response and is still awaiting the Commission's auditors views on this response.

Priority 2, Employment recorded good progress during 2006 and by end-December, this priority had commitments recorded for over 107%. This is due to the fact that that Department of Education approved a number of additional projects to cover any potential shortfall of funding which might have occurred following the Commission decision on the C2k project. The Commission decision approving the project was taken on 21 December 2006.

However, it is anticipated that there will be no difficulty in committing the remaining funds by the end of the programme. At the Monitoring Committee meeting on 25 April 2006 it was agreed to reallocate funds within the ESF Measures in Priority 2. The Committee made this decision to facilitate the changes in classification of EU Funding within the NI accounting system to provide greater flexibility in incurring the actual expenditure. This allows NI to bring forward EU income from 2007-08 to earlier years because 2007-08 will be the baseline year for Barnett calculations after the Comprehensive Spending Review which will end in 2007. The revised Programme Complement was submitted on 22 May 2006 to the Commission and subsequently approved the document on 13 September 2006.

As highlighted earlier, the major component of expenditure under the ERDF Measure (2.5) in this Priority is Classroom 2000(C2K), comprising various measures to provide universal ICT facilities in the schools of Northern Ireland. At the time of approval of this scheme, the Department of Education (DE) and the Managing Authority considered whether C2K should be considered a 'major project' within the provisions of Article 25 of EC Regulation 1260/1999 and subjected to the particular requirements that would follow. The Managing Authority held the view that the scheme did not

fulfil the criteria set out in Article 25 but nevertheless, was willing to provide the information requested by DG REGIO auditors in 2006, who considered that the project should have been subject to Major Project Approval by the European Commission. To facilitate the Commission's enquiries, DE drew up a presentation of the scheme in the form of a major project application which the Managing Authority presented to the Commission on 01 November 2006. DE subsequently provided further information and clarification to the Commission.

On 21 December the Commission adopted a decision³ approving a contribution from ERDF to C2K of €42m, 50% of the total eligible expenditure of €84m.

By end year, Priority 3, Urban and Social Revitalisation, Measures 3.1 and 3.4 were completed. DSD, the Implementing Body responsible for Measure 3.2 and 3.3 advised that the targets for these Measures would be challenging but with the Managing Authority continued to look at ways to help meet the targets. Regarding certain projects funded under Measure 3.3, the Department carried out significant work in preparation for an Internal audit on the Measure which is due to take place early in 2007.

Priority 4, Agriculture, Rural Development, Forestry and Fisheries has performed well during 2006 and the level of funds committed at end December stood at 97.35%. Following the Review of the EAGGF Measures undertaken by DARD which took place during 2006, the Monitoring Committee agreed to reallocate funds in Priority 4 at its meeting on 18 October 2006. DARD undertook this review to reallocate funding from the under-performing measures, following the closure of Measure 4.3, Forestry and also the failure of the Bio-gas project which was due to funded from Measure 4.8 Diversification of Agricultural Activities and Activities close to Agriculture to provide Multiple Activities or Alternative Incomes. The Monitoring Committee agreed to reallocate this funding to Measure 4.2, 4.6, 4.9 and 4.11 on the basis that these measures were performing well in the

³ C(2006)7159

Programme. The revised Programme Complement was submitted on 5 November and accepted by the European Commission on 10 January 2007.

Due to difficult market conditions the Fisheries sector was unable to provide the amount of private funding which had been forecast in respect of the Fisheries Measures. Following discussions with DG FISH, it was agreed to replace this private funding with Public funding. The Department has identified several projects and is also investigating the possibility of including further projects to make up the predicted shortfall of private expenditure and have indicated that they will indeed meet their expenditure targets.

Priority 5 performed well during 2006 and is now fully committed. DRD projects funded under this measure have substantially been completed and DOE have made substantial drawdowns of expenditure on their projects. Therefore, it is expected that this priority will meet all its targets.

3.1.1 N+2 Targets

N+2 targets for all four Structural Funds were met in 2006. Table 1 on Page 92 shows that the targets were actually exceeded in all cases: the ESF expenditure was over €10m ahead of target, ERDF was over €5m, FIFG was over €3m ahead of its targets and EAGGF had a narrower margin of €600,000.

3.1.2 Administrative issues

In administrative terms, the Commission Audit report received in April 2006 highlighted issues around the lack of supporting documentation in some instances. In response to this concern, the Managing Authority took steps at the autumn 2006 bi-laterals to remind all Measure Leaders of the need for retention of correct supporting documents. The Managing Authority will continue to monitor this situation closely during 2007 as part of a package of preparatory measures designed to ensure a smooth and complete closure of the programme.

In terms of the Implementation of the Programme, the Managing Authority continues to meet with Departments at least twice a year and more often as necessary to discuss difficulties and ensure that appropriate remedial action

was taken as necessary. In 2006 the Managing Authority continued to emphasize the importance of populating the non-financial data on the database to record progress towards meeting the Programme objectives and the volume of information is slowly improving.

3.1.3 Conclusion

Satisfactory progress was made in 2006 and the Managing Authority and Departments successfully identified appropriate remedial actions to take account of circumstances during implementation of the Building Sustainable Prosperity programme.

3.2 CONTEXT INDICATORS

Although by nature context indicators will not allow us to assess the impacts of the Programme assistance, they provide an overview of the general conditions of the region and how the BSP Programme, among many other factors, may be influencing the direction of change. The majority of context indicators demonstrate that there has not been significant change in the Northern Ireland position.

3.2.1 Supporting Business Competitiveness

Indicator	Initial Position	Position reported in 2005 AIR	Current Position
New VAT registrations per 10,000 resident adult population	30	29 (2003)	31 (2004)
Net annual change in VAT registrations	53,800 (represent total stock of VAT businesses)	53,830 (2004)	55,265 (2005)
Total Workforce jobs in private sector	518,000	598,040 (June 2005)	
Exports as % of manufacturing sales	34%	32.7% (2004/05)	32.7% (2005/06)
% increase in business expenditure on R&D (BERD)	15%	4% in real terms between 2003 and 2004	12.6% in real terms between 2004 and 2005

3.2.2 Creating the Conditions for Regional Competitiveness

Indicator	Initial Position	Position reported in 2005 AIR	Current Position
Passenger numbers at airports	3,941 (thousands)	6,494 (2004) (thousands)	7,057 (2005) (thousands)
Freight handled at ports	19.6 (m tonnes)	23.4 (m tonnes)	24.1 (m tonnes)
Consumers using natural gas	Industry/ commerce 2,000 domestic 16,000	Industry/ commerce 7,200 Domestic 76,000	Industry/ commerce 7,800 Domestic 92,500
Reduction in emissions as a result of introduction of natural gas	444,000 tonnes – carbon 39,383 tonnes sulphur dioxide	1,300,000 tonnes carbon 50,000 tonnes sulphur dioxide (end 2005)	1,600,000 tonnes carbon 57,800 tonnes sulphur dioxide (end 2006)

3.2.3 Urban and Social Revitalisation

Indicator	Initial Position	Position reported in 2005 AIR	Current Position
(Lowest quartile)/ average earnings	26.6%	25.4% (2003/04)	28.4% (2004/05)
% of unemployed who have been for >1 year	41.9	43.5% (Mar-May 2005)	37.5% (Mar-May 2006)
Difference unemployment in highest TTWA to average ¹	4.4 percentage points	3.3% (Oct-Dec 2005)	3.2% (Oct-Dec 2006)
% households (with at least one person of working age) with no earner	20.6%	21% (Spring 2005)	18.5% (Apr-Jun 2006)

¹ This indicator previously measured unemployment as a percentage of the workforce in each TTWA. It now (2003 onward) measures unemployment as a percentage of those of working age.

3.2.4 Agricultural, Rural Development, Forestry & Fisheries

Indicator	Initial Position	Position reported in 2005 AIR	Current Position
Total income from Farming	31.4 (index in real terms 1995 = 100)	56.4 (index in real terms 1995=100) (2005)	67.1 (<i>index in real terms 1995=100</i>) (2005)
Employment in the food and related sectors	24,050	22,850 (2004)	22,605 (2005)

3.3 PHYSICAL AND FINANCIAL PROGRESS

3.3.1 Priority 1: Economic Growth and Competitiveness

Priority	Total Priority Value (€)	Commitments (€)	%	Expenditure Declared (€)	%
1	529,020,000	501,791,268	94.85	444,286,750	83.98

Priority	Total Number of Applications	Total Number of Approved Applications	%
1	213	205	96.24

This Priority is worth €529,020m. To date €501.791m has been committed and €444,287m has been declared to the Commission.

Measure 1.1 promotes enterprise and company competitiveness through business support, by end 2006, €100.690m, 88% of the allocated funding, has been declared to the Commission.

Research and development under M1.2 has declared €79.211m, 91% of available funding. Because of falling participation in the Compete project a client survey was conducted. As a result the process has been streamlined and a more simplified process is currently being piloted.

At the end of 2006, Measure 1.3 has declared €55,351m, 97% of the allocated funding to the Commission which demonstrates the success of this measure. The Northern Ireland Tourist Board (NITB) picked up a gold Award for the best in-house PR campaign at the Chartered Institute of Public Relations (CIPR) Pride Awards.

Measures 1.4 and 1.5 are progressing satisfactorily each declaring 60% and 70% of monies from the Commission. At 2006 60% for measure 1.4 would appear low but the Implementing Body is confident that the full allocation will be spent and declared by the end of the programme.

As already reported in the 2005 Annual Implementation report access to broadband is available to the whole of Northern Ireland. A survey undertaken by NI Chamber of Commerce in October 2006 indicated that 71% of business had access to the internet, with access being significantly higher amongst larger organisations. Of this proportion, broadband access has increased to 78%, with under 2 in 5 still using dial up access. The main reasons for not having internet access revolved round a perceived lack of benefit to the business (70%), lack of knowledge (4%) and the perceived cost implications to the business (3%).

Roads and transport have declared €103.177m, 90% of the total allocation, with the majority of the projects completed.

During 2006 the Managing Authority held a number of bi-lateral meetings with the two implementing bodies and one of the main issues raised was the lack of non-financial information held on the central database. The issue of recording lower level project information for Departmental schemes has now been resolved and those measure leaders involved are confident that the central database will be fully populated by mid 2007.

Article 4, on the spot checks and Article 10, 5% verification checks are continuing at a steady pace. Again work is well under way to have details of all Article 10 checks carried out placed on the central database. This will benefit the work required for closure.

The Monitoring Committee were alerted of the possibility of the need to reallocate money within this priority, in particular in Measure 1.7 where the reducing costs within the telecommunication sector may make it difficult to draw down its full ERDF funding.

Commission Auditors conducted a review on Measures 1.1, 1.2, 1.4 and 1.6 in 2005. The Managing Authority received the report in April 2006 and has responded to their findings.

Priority Level Indicators

Around 22% of the total value of this Priority can be attributed to activities assisting SMEs and directly creating jobs. Progress to end 2005 shows that

the target for SMEs supported has been surpassed by over 50%. Although all information is not available to provide progress against jobs created to end 2006, progress to end 2004 stands at some 24% above the target figure. In addition, this element has claimed over €94 million, worth some 82% of the total allocation. This demonstrates that there has been substantial overachievement on the ground given the current level of spend. With 95% of the total funds available already committed it is likely that all funds will be committed by end 2006.

The R&D element of this Priority has progressed well reaching 128% of the original target for projects supported. The latest position for projects completing successfully, at 87.97%, is above its target of 80%. However, the timing of the projects being assisted influences achievement of this particular target. As 40% of supported projects are currently ongoing it would not reasonably be expected to have met this target at this stage of the programme. The total allocation to this element of the Priority is almost €87 million and commitment at the end of 2005 stood at 92% of this total. In comparison, the amount claimed was 82% of the total value of Measure 1.2. This demonstrates that there has been substantial progress under this element of the priority and all funding is likely to be committed by end 2006.

The impact indicator for the R&D element of the Priority is to increase Business Expenditure on R&D (BERD) by 15% over the life of the Programme. Whilst programme-specific information will not be available until the end of the programme, it can be noted that total BERD (in cash terms) in Northern Ireland in 2005 was 39% higher than in 1999. This would suggest that this particular impact target is likely to be achieved. It should also be noted that total BERD actually decreased by 22% between 2002 and 2003, yet increased by 2.5% to 2004 illustrating the year-on-year volatility of this particular indicator at the overall Northern Ireland level.

Regarding the tourism aspect of this Priority, the 2001 foot and mouth outbreak and the events of September 11th had a significant impact on tourism activity in 2001 and 2002. However, the number of marketing

initiatives supported in key markets has been recorded at 11 per annum to end-December 2006.

The Tourism sector has also benefited from the creation of 3,950 gross additional jobs from the beginning of the programme until August 2006 and while final figures for end 2006 are not available, continued growth is anticipated. Likewise, whilst tourism pure visitor numbers have increased by 33% to June 2005 from the 2000 baseline, figures to end 2006 are not available and growth is again anticipated. This demonstrates significant advancement for the tourism sector following the events of 2001.

A further significant impact arising from the increase in tourist numbers to Northern Ireland is that it has brought with it an increased visitor spend. This is an outcome that should have a positive impact on the local economy. In 2005, tourism revenue totalled £375 million representing a 14% increase on the 2004 position, with continued growth in visitor spend anticipated to end 2006. Whilst it is not possible to attribute these achievements solely to the activities supported under the BSP Programme, it is obvious that the supported projects play a key role in promoting Northern Ireland as a holiday destination and also in providing material for that purpose.

The total value of the Tourism element of Priority 1 is almost €57 million, of which €42.7 million comes from the ERDF. Over €55 million has been spent under this Measure to the end of 2006 representing 97% of the total funds available. Most indicators at the Measure level are already close to achieving their targets. Overall it is highly probable that this element of Priority 1 will achieve its objectives.

Additional indicator information at Measure level (Measure 1.3B) shows that under the accommodation element 653 bedrooms (750 programme target) have been developed from the 48 accommodation units supported. The units supported indicator is just short of its target of 50 while the new bedrooms achievement has reached 87% of its target.

The shortfall is explained by a different product-mix of the accommodation units actually supported than initially envisaged. When the targets were set, it was on the basis of supporting more hotels than happened. More of the

accommodation units than expected, therefore, were supported within the B&B and guesthouse sector. As the cost of bed provision in this sector is higher per space created than in the hotel sector, fewer bed spaces could be provided overall with the available money.

In addition to the tourism activities mentioned above, 16 visitor attractions have been enhanced or re-themed. Whilst actual visitor numbers to these attractions are not available as yet, qualitative information suggests that visitor numbers are increasing.

	Indicator	Target	Progress to end December 2006
Output	<i>Support to SMEs</i> SMEs supported	3,600	2006 figures being collated. ⁴
Result	Gross jobs created	8,400	2006 figures being collated.
Impact	Net jobs created by new start up	2,940 (10% within new sectors)	Not to be reported until end of programme
Impact	Net jobs created by existing businesses	1,260	Not to be reported until end of programme
Output	<i>Research and Development</i> Research and development projects supported	286	715
Result	% of supported projects completing successfully	80%	87.97%
Impact	Increase in Business Expenditure in R&D	15%	Not to be reported on until the end of the Programme

⁴ Invest NI have initiated an EU Compliance Project in relation to measure 1.1, which is expected to complete its work by the end of June 2007.

	Indicator	Target	Progress to end December 2006
Output	<i>Tourism</i> Marketing Initiatives supported per annum across key markets	15	23 marketing initiatives have been supported since 2000, with an average of 11 per annum
Result	Over the period of the programme to create gross additional jobs in tourism	1,400	2006 figures available later in the year (Dec. 2005 progress reports 3,950 additional jobs created since 2000).
Impact	Over the period of the programme to create 1,000 net additional jobs in tourism	1,000	Not to be reported on until the end of the programme
Impact	Visitor numbers to Northern Ireland as a holiday destination	Increase from 2000 baseline	Figures not yet available for end 2006. (Dec 2005 progress reports visitor figures for 2005 totalled 1,972 million).

Source: DETI; EU Structural Funds Central Database

Other elements of this Priority have also performed strongly. In Measure 1.5, Information Society, the targets regarding business awareness and business take-up of ICT technologies have largely been met. The targets for broadband coverage under Measure 1.7 Telecommunications have also been met by the end of 2006.

In Measure 1.8 Energy Infrastructure and Energy Efficiency, 116km of the gas pipeline has been laid. However, this is at a lower level than anticipated as only the North / West element will receive funding. The targets related to this activity will not, therefore, be met for BSP. The second sub-Measure under 1.8, which provides support for energy efficiency activities, is also completed and has met its objectives.

Under the roads and transport element of the Priority, three road by-pass schemes had been completed accounting for 12.4 km of new carriageway by the end of December 2006. The target for the number of bypasses was met as was the target for the total km of new carriageway.

The bypass schemes are located at Newtownstewart, Limavady and Comber. In addition, the scheme that received funding to strengthen the Foyle Bridge is complete, meaning the bridge now has the capacity to carry 40 tonne HGV vehicles and expected future demand, whilst a throughpass at Omagh has completed.

Under the transport infrastructure element of the Priority, work has been completed on 3 urban public transport projects, the Falls Road Running Repair Depot Stage I, the Falls Road Mechanical & Electrical System and the Short-Strand bus depot. One new rural bus station received funding for design and preliminary works, and completed in March 2006. There is also a project undertaken by Translink that has led to the purchase of new trains, thus providing more sustainable movement of people.

	Indicator	Target	Progress to End December 2006
Output	<i>Roads</i> By-pass schemes	3	All 3 Bypasses completed
Result	Km of new carriageway	12.4 km	12.4km of new carriageway completed
Output	Through-pass scheme	1	Complete
Output	Link Road Scheme	1	Activity is not to be funded
Output	Bridge-strengthening scheme	1	Complete
Output	Strengthen structure to increase capacity to carry the maximum 40 tonne HGV vehicles. Also repainting and resurfacing the bridge.		Strengthening is complete. Painting is complete and Resurfacing is complete
Result	Reduced peak journey times	by an average of 35% for each scheme	Newtownstewart Bypass = 47% Limavady Bypass = 32% Comber Bypass = 44.5%
Impact	Bridge capable of extra carrying capacity to meet future demand, which will see numbers of HGVs increasing from 2,700 per day to 3,200 per day over the next 10 years. Painting will provide required protection for next 20 years	Increased Capacity	Bridge now has the capacity to deal with 40 tonne HGV vehicles and the expected future demand
Output	<i>Rural Transport Infrastructure</i> Rural bus station project	1	Letter of Offer for Lisburn Bus Station reduced due to project slippage. EU funding relates only to design & preliminary works completed in March 2006.
Result	New passenger and staff facilities	1 rural bus station	Letter of Offer for Lisburn Bus Station reduced due to project slippage. EU funding relates only to design & preliminary works completed in March 2006.

	Indicator	Target	Progress to End December 2006
Impact	Improvement in accessibility, social inclusion and more sustainable movement of people	No target	Letter of Offer for Lisburn Bus Station reduced due to project slippage. EU funding relates only to design & preliminary works completed in March 2006.
Output	<i>Urban Transport Infrastructure</i> Urban bus depot projects	3	3 projects are now complete
Result	Compliance with H&S standards and upgrade of urban bus depots	3	Projects are now compliant with H&S standards
Impact	More efficient movement of people and improved urban public transport system	3	3 Urban bus depots now complete and H&S compliant
Output	<i>Enhancement of Services</i> Introduction of Customer Information Service	No target	Project withdrawn
Result	Innovative schemes to complement high-level strategies	4	The accounting system has now gone live and is complete. No further schemes will be funded during this programme.
Impact	Enhance and modernise the operation of integrated transport across Northern Ireland	No target	8 trains purchased and associated infrastructure completed March 06.

Source: DETI; DRD; EU Structural Funds Central Database

Priority 1	Business Start Programme – Craigavon Borough Council
Measure	1.4 Local Economic Development
Total Cost of Project	£876,000
Total Amount Approved	£129,515
Description of Project	<p>The Business Start Programme represents a significant form of support to start ups in Northern Ireland. The programme provides an integrated service to all new business start ups and has been described as "a seamless, single package of support to individuals entering self employment for the first time". The programme provides advice, guidance, business planning and ongoing post start up business support during the critical first twelve months of trading. The programme is undertaken by Invest NI and the councils in Northern Ireland through a partnership approach. The lead role is undertaken by local authorities and local enterprise agencies acting as delivery agents. The benefits gained are that a local approach can be taken to ensure a positive local impact.</p>

3.3.2 Priority 2: Employment

Priority	Total Priority Value (€)	Commitments (€)	%	Expenditure Declared (€)	%
2	566,345,000	606,080,784 ⁵	107.02	408,846,708	72.19

Priority	Total Number of Applications	Total Number of Approved Applications	%
2	463	232	50.11

This Priority is worth €566.345m. To date €606.080m has been committed and €408.847m has been declared to the Commission.

The Department for Employment and Learning (DEL) is responsible for the implementation of ESF Measures under Priority 2, with the exception of Measure 4 which it shares responsibility for, with the Department of Education (DE). The two Departments also share responsibility for delivery of the one ERDF Measure within the Priority, Measure 5, but DE with 95% of the Measure allocation takes the lead role.

Following changes in accounting treatment for European receipts within public expenditure and in order to maximise expenditure to be declared within the 2006/2007 financial year, a number of new measures were agreed by the April Monitoring Committee. This included a formal transfer of ESF expenditure from their 'third-party' measures (2.2, 2.3, 2.4, 2.6 and 2.8) into measure 2.1 to achieve this 'pull-forward' of spend. This transfer did not affect the grants assistance paid under third-party measures which will be met in full.

DEL is satisfied that all their measures are progressing to full expenditure.

⁵ This figure is due to the fact that prior to the Commission Decision on the C2k project, the department approved further projects to cover the loss of any funding in the decision. This situation will be resolved during 2007 following the receipt of the Commission decision.

A total of 197 3rd party projects and 9 Government projects have been ESF assisted during the lifetime of the programme. On the basis of beneficiary data to 31 December 2006, DEL ESF Measures have prompted the training of 171,061 beneficiaries against the overall target of 184,800. The ESF funding stream within Priority 2 is progressing well towards spending its full allocation and achieving its performance targets with no significant difficulties anticipated.

Measure 2.4 is delivered through DE and DEL. DEL's Essential Skills training project commenced in April 2005 and spend will be included in the claim to the Commission during 2007 (probably during quarter ended 30 June). The DE element of this measure continues to make good progress in meeting both financial and objective targets. The Primary Attendance Matters (PAM) scheme is having a beneficial impact on the level of school attendance. Current figures for this project show that the cases referred to the Education Welfare Service have improved by between 53% and 61%, which exceeds the 30% improvement target.

DEL has completed Article 4 Checks for each successful project under calls 1 and 2 and 30% of Article 4 Checks have been carried out on successful third call projects.

Six claims totalling €189.3m ESF have been submitted to date to the Commission. The addition of the ESF advance payment of €19.0m, made by the Commission at the outset of the Programme, gave a total ESF claim figure of €208.3m. This represents 76.9% of the total ESF allocation to DEL Measures under this programme and exceeded the December 2006 N+2 ESF target of €179m. The next claim, for €8.6m (approx), should be submitted in May 2007 and 2 further claims by 31 December 2007.

Under the share of Measure 2.5, managed by DEL, a total of £0.28m ERDF assistance was awarded to 35 projects under the second and final call (23 were successful under call 1). The projects started on 1 April 2006 for a 12 month period and its purpose is to support successful 3rd Call projects using ESF. To date ERDF assistance of £0.008m has been paid to projects.

On the DE element of Measure 2.5, due to questions raised by DG REGIO auditors in April 2006 concerning the expenditure certified under C2K. They took the view that the project should have been subject to Major Project Approval by the European Commission. The Managing Authority held the view that the project did not fulfil the criteria set out in Article 25 and advised DE accordingly. That remains the view today. However, following discussion, it was decided to DE would draw up a presentation in the form of a major project application in order to safeguard the eligibility of the expenditure from challenge. The Managing Authority presented this to the Commission on 01 November 2006 and DE subsequently provided further information and clarification to the Commission.

On 21 December the Commission adopted a decision⁶ approving a contribution from ERDF to C2K of €42m, 50% of the total eligible expenditure of €84m.

Priority Level Indicators

Progress to date under Priority 2 with regard to outputs and results has been very positive. Achievement on the ground has been reported across all the indicators for which there have been supported activities. The Priority is well on target to meet its objectives. The inclusion of a new scheme under the Lifelong Learning policy field has been a positive step. The Priority will now impact across all the policy fields that were identified as objectives. Some analysis of performance to date against each of the policy fields is discussed below.

- *Active Labour Market Policy*

Progress towards the target for beneficiaries for this field has been good with achievement having surpassed the target. The number of qualifications obtained is currently at 92% of the target figure. Female participation stands at 33% amongst the beneficiaries. Over 92% of the

⁶ C(2006)7159

target figure for number entering employment has been met and this demonstrates the impact that this Measure is having. In addition, over 13,000 unemployed individuals have achieved positive outcomes under this policy field, representing 93% of the target.

These latest indicator figures demonstrate considerable progress under this policy field. The total value of the funds under this policy field is €182.3 million (of which €117.8 million comes from the ESF). Financial information at the end of 2005 shows that 68% of the total available funds has been spent. With the indicator achievement in a similar position at this stage of the programme it is likely that should the total funds available be spent then the objectives for this policy field will be met or even surpassed.

- *Promoting Equal Opportunities for all in Accessing the Labour Market*

This policy field has shown good progress with 91% of the target for beneficiaries already met. The qualifications target has achieved 86% of its target. Women accounted for 39% of all beneficiaries under this field. Over 4,100 unemployed people have entered employment, which represents 112% of the target. Progress has also been positive under this policy field. Spend levels under this policy field stands at 38% of the total available funds at the end of 2005 with commitment levels at 62%. This would suggest that all indicator targets will be surpassed if the total available funds are spent.

- *Lifelong Learning*

This policy field currently has a low level of achievement as a suitable scheme was only approved at the end of 2004 and few participants have had sufficient time to complete their respective courses. However, the number of participants is on course to meet its target and the achievement-rate is also anticipated to increase over 2006. Expenditure will occur in 2005 and progress for 2006 will be updated. This is a considerable achievement from a position where there was nothing identified for this policy field following the loss of the Individual Learning

Accounts. DE has supported activities to tackle underachievement in schools and improve attendance.

	Indicator	Target (as revised at June 2005)	Progress to End December 2006
Output	<i>Active labour market measures</i> Number of annual participants	48,100	49,099 (33% female)
Result	Number of qualifications gained	7,400	6,810
Output	Number of individual trainees	31,800	31,060
Result	Number of individual trainees gaining qualifications	5,600	6,104
Impact	Number of unemployed entering employment	10,600	9,797
Impact	Number of unemployed achieving positive outcomes	14,100	13,156
Output	<i>Equal opportunities for all in accessing the labour market</i> Number of annual participants	45,000	40,911 (39% female)
Result	Number of qualifications gained	21,900	18,760
Output	Number of individual trainees	35,400	28,818
Result	Number of individual trainees gaining qualifications	14,000	9,189
Impact	Number of unemployed entering employment	3,700	4,159
Output	<i>Lifelong Learning</i> Number of individual trainees	20,000	11,545 (56% female)
Result	Number of qualifications gained	8,000	4,590
Impact	% achieving positive outcomes	40%	40%
Output	<i>Adaptability and entrepreneurship</i> Number of annual participants	54,200	52,765 (27% female)

	Indicator	Target (as revised at June 2005)	Progress to End December 2006
Result	Number of qualifications gained	25,550	27,112
Output	Number of individual trainees	employed 21,300 unemployed 2,200	emp- 21,106 u/e- 2,313
Result	Number of individual trainees gaining qualifications	12,700	11,207
Impact	Number of unemployed entering self-employment	450	309
Impact	Number achieving positive outcomes	1,700	1,570
Output	<i>Improving women's access to the labour market</i> Number of annual participants	17,500	16,741 (100%)
Result	Number of qualifications gained	4,400	4,375
Output	Number of individual trainees	12,500	11,164
Result	Number of individual trainees gaining qualifications	4,100	2,892
Impact	Number of unemployed entering employment	2,500	1,514
Impact	Number achieving positive outcomes	2,600	2,706
Output	All secondary schools (233) and special schools (48) to have new PC's at a ratio of at least 1 PC to 9 pupils and local area networks installed and to be linked to a wide area network and system integrator providing a managed ICT service at a cost of £115.2m	233 secondary schools and 48 special schools	281
Result	All schools to be utilizing the managed service providing curricular resources and internet access with broadband connectivity	All schools	281 schools

	Indicator	Target (as revised at June 2005)	Progress to End December 2006
Impact	All pupils (155,000) will experience the use of ICT across all areas of the curriculum, including a range of applications and media and will spend, on average, 10% of the weekly timetable using ICT facilities to support learning across the curriculum	155,000 pupils	All pupils using ICT across all areas of the curriculum (161,000 pupils) Data for % usage not yet available

Source: DEL; DE; EU Structural Funds Central Database

- *Adaptability and Entrepreneurship*

Progress in this policy field has been good. The actual beneficiaries and qualifications figures represent 97% and 106%, respectively, of their set targets. This is against spend to date of around 50% of the total allocation of €79.9 million. The number entering self-employment stands at 69% of the target figure and considerable progress will be needed for this target to be met. The female participation rate is currently 27%. This is quite low compared to the other policy fields. However, 2004 information from the Global Entrepreneurship Monitor for Northern Ireland shows that female entrepreneurship activity stands at 2.3% (down from 3.5% in 2003) of the total female adult population compared to a rate of 7.8% for males. In addition, only 6% of females in employment are self-employed. These findings would suggest that a lower female participation rate might be expected under this policy field and the male / female split in this element of the Programme appears to be neither significantly better than nor more extreme than the general pattern within Northern Ireland.

- *Improving Women's Access to the Labour Market*

This field has seen a relatively improved performance after a slow start. The current position sees the actual beneficiaries (16,741) figure at 96% of its target. The qualifications achieved indicator has reached 99% of target. The number entering employment is currently at 61% of target, whilst 75% of the target for the number of beneficiaries achieving positive outcomes has been met. This policy field is worth some €30.8 million (of which €20

million comes from ESF) and expenditure claimed to end 2005 is at 23% of this total. This suggests that all indicator targets will be surpassed should all funds be spent.

Under the Department of Education element of this Priority, all targets have been met. All post primary and special schools now have new PCs and local area networks installed and are linked to a wide area network and system integrator providing a managed ICT service. This project has now been completed and the impact indicator target that all pupils will experience the use of ICT across all areas of the curriculum, including a range of applications and media, has been met.

Priority 2	Triangle Housing Association Ltd – Triangle Supported Employment Service
Measure	2.3 Promoting a Labour Market Open to All
Total Cost of Project	£1,297,556
Total Amount Approved	£814,826
Description of Project	<p>T.S.E.S (Triangle Supported Employment Service is a specialised service which aims to provide the necessary support systems, based on the assessment of individual need, to enable young people and other people of working age with significant disabilities to assert their identities to:</p> <ol style="list-style-type: none"> 1) prepare for vocational life following leaving formal education 2) to avail of employment and career progression opportunities in an integrated fashion within their community and chosen vocational area with ongoing support of a professional supported employment service, with a view to achieving and maintaining meaningful employment.

3.3.3 Priority 3: Urban and Social Revitalisation

Priority	Total Priority Value (€)	Commitments (€)	%	Expenditure Declared (€)	%
3	70,900,000	71,156,612	100.36	58,930,772	83.12

Priority	Total Number of Applications	Total Number of Approved Applications	%
3	191	58	30.37

This Priority is worth €70.9m. To date 100.36% of this priority has been committed and 83.12% has been declared to the European Commission.

Measure 3.1 is fully expended and the Department is in the process of preparing the documentation for its closure.

Progress in the Measure 3.2 Advice and Information services has been slow and to end 2006, the Measure has only declared €1.487m (52.54%) of the available funding. In order to enhance spend, DSD have received and has approved applications for extensions to 3 project groups .

Measure 3.3 Community Sustainability has also been slow due to concerns regarding audit issues identified by the department. This measure has declared €2.217m (17.37% of the measure value) but the Department hopes to complete further expenditure following an internal audit review which is due to take place in March 2007.

The Managing Authority and the Implementing Departments will continue to monitor the situation closely and will take corrective actions to help maximise expenditure by the end of the programme.

Measure 3.4 Investing in Early Learning has been completed and all the targets have been met.

Both Implementing Departments coverage on the non-financial aspects of the programme are generally good on the Central Database.

Priority Level Indicators

There was significant progress in Priority 3 in the latter part of 2004 after a slow start, especially in the case of Measure 3.1, which had the bulk of the funds for the Priority. By the end of 2004, letters of offer were issued and accepted by 7 Projects under Measure 3.1. The first 5 projects dealt with the regeneration of an extensive inner city area within Belfast. The remaining two projects have impacted across 5 areas of Belfast, as well as in 18 other towns and cities across Northern Ireland through support for Jobs and Benefits Offices.

The expenditure within the 7 projects has fully exhausted the funds for Measure 3.1 and the Priority as a whole stands fully committed with around 83% expenditure claimed. The table below includes details of the performance of Priority 3 against its set targets and indicators.

	Indicator	Target	Progress to End December 2006
Output	<i>Urban & Social Revitalisation</i> Number of projects / organisations / schemes funded/assisted	No target	6 groups currently supported under BSP 3.2. One now closed. 3 groups extended to March 07 and one groups application still under consideration for extension
Result	Increase in employment in local area	No target	To be reported at the end of the programme
Impact	Evidence of a positive impact in the local area attributed to assisted projects / organisations / schemes	No target	Quarterly Progress reports reflects positive impact as do Groups Annual Reports. Further information will be reported at the end of the programme when independent evaluation reports will be available
Output	Community organisations assisted	100	BSP 3.3 35 Groups now currently supported
Result	Number of support hours delivered over the life of the programme	2,000	Quarterly progress reports received and monitored with appropriate data on support hours input to database. 6 groups extended to March 07 and 3 still under consideration for extension

	Indicator	Target	Progress to End December 2006
Impact	Evidence of sustainability in the community organisations assisted	No target	Evidence that a number of groups have other secured other sustainable funding mainly from Neighbourhood Renewal Programme

Source: DSD; EU Structural Funds Central Database

Under the 2 projects relating to the Jobs and Benefits Offices, indicator information within Measure 3.1 shows that there have been significant achievements on the ground. The number of job / training enquiries / referrals has increased by 76% in the 23 supported offices from 2000 to 2004. Over the same period the number of gross employment opportunities has increased by 28% in the supported offices whilst the number of people sent for training opportunities increased by 8%.

In addition, there has been a reduction in the number of long-term unemployed in the 23 offices of 28% whilst the overall number of unemployed has dropped by 24% between 2000 and 2004. It is important to note that these changes cannot be entirely attributed to the supported Jobs and Benefits offices as other government programmes, such as New Deal, and the general improvement in the Northern Ireland economy have also played a key role.

Measure 3.1 has also funded a number of regeneration activities including the enhancement of 1,370 square metres of space at Cathedral Close in Belfast to create a versatile public performance area which caters for up to 1,000 people. The Old Bank Building in Royal Avenue, Belfast was refurbished to accommodate artists, crafts people and community organisations in flexible, high quality buildings. In addition, dredging activity for the River Lagan in Belfast was supported to improve the river environment and quality.

Other activities for this Priority have seen funding allocated to 8 organisations delivering services at a local level whilst a further 42 organisations have been successful within Measure 3.3.

It should be noted that there has been significant achievement under this Priority in relation to Measure 3.4. The final number of nursery units (including Nursery Schools) constructed was 51, resulting in the provision of some 1,742 additional full time nursery places and the creation of 65 additional posts for teachers and 86 additional posts for classroom assistants. The 1,742 additional full time places equates to 2,942 children attending on a part time (i.e. morning or afternoon) or full time basis.

This Priority has made significant progress over the last year.

Priority 3	The Community Integration Programme – Antrim Borough Council
Measure	3.3 Community Sustainability
Total Cost of Project	£156,610
Total Amount Approved	£156,610
Description of Project	This project will provide a unique opportunity for a wide range of community/voluntary organisations throughout the Borough of Antrim to network with each other through community forums. The innovative use of ICT throughout the project has provided an additional incentive for groups to get involved and enable them to increase their sustainability.

3.3.4 Priority 4: Agriculture, Rural Development, Forestry and Fisheries

Priority	Total Priority Value (€)	Commitments (€)	%	Expenditure Declared (€)	%
4	257,871,000	251,042,252	97.35	157,154,739	60.94

Priority	Total Number of Applications	Total Number of Approved Applications	%
4	1567	749	47.80

This Priority is worth €257.871m. To date 97.35% of this priority has been committed and 60.94% has been declared to the European Commission. Seven claims totalling €47,752m EAGGF have been submitted to date to the Commission. This represents 61.22% of the total EAGGF allocation under this programme and exceeded the December 2006 N+2 target EAGGF target of €47,140m.

FIFG have submitted 4 claims totalling €19,516m FIFG to the commission and this represents 67.30% of the total FIFG allocation under this programme and exceeded the December 2006 FIFG N+2 target of €16.170m.

Training

Measure 4.1 has performed well during the lifetime of the programme, declaring expenditure of €14,734m which represents 90.62% of the measure value. However following the closure of the Beef Quality Initiative and Good Business Sense training programmes in 2005, expenditure within the measure has slowed and following the review of EAGGF measures carried out by DARD, it was agreed to reallocate the projected shortfall to measures which had been performing well.

Agri-food Industry

99 projects have been funded under Measure 4.2 and this measure has performed extremely well helping provide assistance to a range of sectors in

the Agri-rural sector. The Measure has declared expenditure of €75.206m which represents 62.92% of the measure value.

Measure 4.5 has closed for applications and DARD has expressed disappointment with the uptake of the measure following active publication of the measure. To date the measure has declared expenditure of €1.380m which represents 29.28% of the measure. In the last call for projects, 6 applications were successful, therefore bringing the total of successful projects to 21.

Forestry

Measure 4.3 was closed in 2005 with the agreement of the Monitoring Committee. As part of the reallocations agreed in October 2006, Measure 4.3's total allocation was re-allocated to other Priority 4 measures.

Rural Development

The remaining eight EAGGF-funded Measures (Measures 4.4 and 4.6-4.12) are delivered as part of DARD's Rural Development Programme. These measures are targeted at a range of bodies and organisations.

Measure 4.4 has declared expenditure of €0.202m (52.18%), DARD advise that the uptake of this measure has been disappointing but the performance of the successful projects has been good.

Measure 4.6 is made up of 4 separate elements, each attracting different types of applications – those from the non-profit-taking sector, the profit taking sector, sectoral applications and area-based applications. The measure has declared expenditure of €6.322m which represents 62.86% of the measures. The majority of this expenditure is made up from the non-profit taking sector but after the initial slow start the other 3 elements are now progressing well.

Like a number of the measures which are delivered as part of DARD's Rural Development Programme, Measure 4.7 is made up of the aforementioned 4 separate elements. The non profit taking element is delivered through the NI Rural Development Council, the Rural Community Network and twelve Rural Support Networks. This element has had a high degree of interest with 55

projects awarded funding. 31 of these projects have been completed and the current commitment levels for this element is £10.5million. Progress on the other three elements have now achieved full commitment with 32 projects being funded.

Measure 4.8 has declared expenditure of €1.155m (85.66% of the measure value) and has funded 3 projects in the Profit taking and Sectoral elements of the programme.

Measure 4.9 is made up of 4 separate elements, each attracting different types of applications – those from the non-profit-taking sector, the profit taking sector, sectoral applications and area-based applications. Following a slow start, the measure is performing well with a substantial increase in the number of projects which have been supported in the last year. The measure has currently declared expenditure of €2.160m which is 21.23% of this measure.

Measure 4.10 and Measure 4.11 are similar to the other measures from the Rural Development Programme. Projects are underway under the three elements – the non profit-taking, area based and sectoral 2005 elements. Progress on measure 4.11 has been good and the Measure has declared expenditure of €10.054m (87.46%) and 4.10 has been slow to start but £3.9m has now been committed to projects from the Area Based, Sectoral 2005 and non profit taking elements.

Measure 4.12 is split into 2 separate elements attracting different types of applications from the profit-taking sector and Sectoral applications. Full expenditure has been achieved under the Sectoral element of the measure and the Measure has declared expenditure of €5.338m to the European Commission. No applications have been successful under the profit-taking element.

Fisheries

The Fisheries measure 4.13 has progressed well with expenditure and has met all the n+2 targets for FIGG. However, due to difficult market conditions the Fisheries sector has been unable to provide the amount of private

funding which had been allocated to Measure 4.13. Following discussions between the Managing Authority and DG FISH it was agreed that this private funding could be replaced with public funding. DARD has subsequently accepted 4 further projects into Measure 4.13. DARD is also investigating the possibility of funding further projects co-financed by public funding under this Measure.

At the BSP Monitoring Committee on 18 October, DARD circulated the findings of the review of their measures and the indicative reallocations between the various measures. Final reallocation figures were agreed by the Monitoring Committee in December by written procedure and an amended Programme Complement was sent to the European Commission.

DARD has carried out reconciliation exercises for EAGGF and FIFG to enable the Managing Authority to use the Central Database for automated drawdowns. The Drawdowns for EAGGF and FIFG which were carried out in 2006 used the automated system.

There are a number of measures which have not yet reached 100% coverage of non-financial data and DARD have agreed to allocate more resources to this area in 2007. Also, during the second half of 2006 Rural Development Division undertook a review of its measure level indicators and has recently submitted a paper to NISRA outlining proposed changes. These amendments to the measure sheet targets reflect the increased range of projects that were supported under the Sectoral and Area Based competitions. Once adopted, the changes will enable Rural Development Division to update the database with the relevant indicators more promptly thereby increasing the percentage of projects which have a score recorded against them.

DARD Internal Audit has carried out a review of the Rural Development Measures 4.4 and 4.6 - 4.12 and provided a satisfactory opinion.

Priority Level Indicators

Progress under this Priority has continued to improve. Physical achievement for the training Measure shows that over 67,000 training days had been

delivered by the end of December 2006 resulting in 48,206 people acquiring increased competency by benefiting from the training.

Further information provided by DARD for the outcomes of training provided show that from April 2003 to December 2006, 4,720 qualifications have been achieved. These figures include qualifications awarded to participants on one day courses, for example, National Proficiency Test Council certificates for those completing Pesticide Award units; those obtaining LANTRA certificates (e.g., telehandler operation); those achieving Good Business Sense and Beef Quality Initiative units; and those achieving Challenge programme qualifications. The type of training provided falls into 3 areas. Almost 46% of all training falls into the Practical Skills or legislative areas. Business management training takes up 35% of all training whilst the remaining 19% is training in technical or quality areas.

	Indicator	Target	Progress to End December 2006
	<i>Agriculture, Rural Development, Forestry & Fisheries</i>		
Output	Number of projects and programmes receiving support for local regeneration, sectoral development, fleet modernisation and food/fish processing	420	610
Result	Number of gross full-time equivalent jobs	220	191.5
Result	Number of vessels decommissioned	30	48
Result	Scrap and build of vessels	18	0
Impact	Maintain employment in food and related sectors	24,700 employed	
Output	Number of training days	87,500	67,162
Result	Number of beneficiaries	50,500	48,206
Impact	Improve Income per head in rural areas	No target	Information will be available at the end of the Programme

Source: DARD; EU Structural Funds Central Database

Under the remainder of the Priority, six hundred and ten projects and programmes have been supported, meeting the set target. There have also

been 191.5 full-time equivalent jobs created by the end of December 2006, representing 87% of the target set. The table above details the performance of the Priority against its set indicators and targets. Decommissioned fishing vessels have exceeded their original target. The scrap and build activities are no longer to be funded under BSP and the allocated funds have been moved across the other Measures.

Priority 4	Upgrading of Lough Neagh Discovery Centre – Craigavon Borough Council
Measure	4.10 Encouragement for Tourist and Craft Activities
Total Cost of Project	£862,500
Total Amount Approved	£172,500
Description of Project	<p>The Lough Neagh Discovery Centre has been open since June 1993, offering facilities which include an award-winning 'Discover Lough Neagh' exhibition, Shop, Cafe and Meeting Room, as well as upstairs office space for the Council's Conservation Service.</p> <p>This project aims to renew the Exhibition space with a Lough Neagh Information Area, greater meeting and conference facilities, a viewing area overlooking the Lough and expanded office space for our conservation, environmental education and development staff.</p> <p>In keeping with our sustainable energy policies, we also aim to install solar (specifically photo-voltaic) panels to provide a substantial amount of our energy needs and then use same to encourage others to investigate doing likewise.</p>

3.3.5 Priority 5: The Environment

Priority	Total Priority Value (€)	Commitments (€)	%	Expenditure Declared (€)	%
5	62,149,400	63,822,408	102.69	61,235,647	98.53

Priority	Total Number of Applications	Total Number of Approved Applications	%
5	38	23	60.53

This Priority is worth €62.14m. To date this priority is now fully committed and 98.53% has been declared to the European Commission.

The Water Infrastructure element of this priority continues to perform well and following the completion of the 5 original projects funded under this measure, DRD, the Implementing Department approved a further project following the award of the Performance Reserve, this project is substantially complete and is progressing on target.

DOE, the Implementing Department for the Sustainable Environment element made very significant progress in the implementation of their element of this measure. During 2006, the Managing Authority carried out substantial drawdowns on a number of their projects.

The Measure has declared expenditure of €61.236m up to the end of December 2006.

Priority Level Indicators

Progress in this Priority has been good under the infrastructure element with 4 water treatment schemes and 2 sewage treatment schemes completed at the end of December 2006. The targets have been achieved for all the output and result indicators under this element. The targets for average increase in the capacity of water treatment and sewerage treatment have been met. The achievement of impact indicator targets implies that both water quality and effluent quality comply with EC Directive standards. The

objectives under this element of the Measure will be met. Progress towards targets is detailed in the table below.

Progress under the sustainable environment projects element of this Priority has been increased against the targets. A performance reserve allocation was given to this element of the Priority and an air quality project is under way. It can be reported to end 2006 that 26 district councils applied for Local Air Quality Management Grant Scheme assistance in year 3 of the project. Subsequently letters of offers have been sent out and progress reports received. In addition 2 district councils have received their final grant payment.

	Indicator	Target	Progress to End December 2006
Output	Infrastructure Water treatment schemes	3	4 Water Treatment Works complete.
Result	% increase in capacity	Average 30%	Average 30%
Impact	Water Quality Improvement (variable up to 100%)	No Target	Water quality complies with EC Directive standards
Output	Sewerage treatment schemes	2	2
Result	% increase in capacity	Average 275%	Average 275%
Impact	Effluent quality improvement (variable up to 100%)	No Target	Effluent quality complies with EC Directive standards

There is only one impact to measure the achievement of the supported projects under the sustainable environment element of this Priority. This impact refers to the support given to the 26 Councils to enable them to take forward activities that will contribute towards the EU air quality standards and objectives. To date 11 councils have declared AIR Quality management areas and are in the process of developing action plans. The Councils are taking forward activities with the aim to improve air quality in their local areas

but it will be some time before the impact of these activities could be measured.

The air quality project referred to in the impact indicator is only one aspect of a number of projects that have been, or will be, supported. The projects funded so far cover a range of activities including environmental quality research, contaminated land recovery, waste management, biodiversity conservation, built heritage conservation, environmental education and countryside access. These activities are not directly reflected in the current impact indicator but are likely to make an important positive impact on the environment.

	Indicator	Target	Progress to End December 2006
Output	Air quality project for the 26 District Councils in Northern Ireland	1	26 district councils applied for LAQMG assistance in year 3. All letters of offer have been sent out and progress reports have been received from all applicants in September and December 2006. In addition 2 district councils have received their final grant payment.
Result	Capital infrastructure projects to enable District Councils to measure, monitor and improve air quality	No Target	3 applications for relocation of existing equipment have been received. Other applications included requests for QA/QC and maintenance contracts for air quality monitoring data and equipment.
Result	Staff resource projects to enable District Councils in the carrying out of all appropriate air quality activities	No Target	All 26 district councils who applied requested staff costs for year 3 of the scheme.

Impact	Contribute towards the achievement of national and EU air quality standards and objectives	District councils are responsible for managing local air quality. This includes the identification of areas not likely to meet air quality objectives and the preparation of plans in pursuit of their achievement. To date 11 councils have declared Air Quality management areas and are in the process of developing action plans. 2 councils have revoked their management areas and will not be carrying out action plans. BSP part funding is contributing towards enabling councils to achieve the requisite standards and objectives
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There are a number of impact indicators under Measure 5.1 relating to sustainable environment activities although there is nothing to report against them at this stage. In addition, the impact for many of the environmental projects will not be obvious for some time. For example, air quality outcomes of the activities being supported by the District Councils are unlikely to see positive impacts in the short term.

Priority 5	The Natural Stone Weathering Database - CONSARC CONSERVATION
Measure	5.1 Sustainable Management of the Environment and Promotion of the Natural and Built Heritage
Total Cost of Project	£346,641
Total Amount Approved	£259,978
Description of Project	<p>Northern Ireland has at least 20,000 historic monuments and buildings constructed of natural stone. A combination of pollution damage and climate change is increasingly destroying these important parts of our cultural heritage.</p> <p>This project extends work already underway in a collaboration between QUB and CONSARC to develop both a Northern Ireland and Ireland wide database on Stone Weathering, to assist the repair and undertaking of remedial action.</p> <p>Surveying has begun on buildings and monuments in Northern Ireland and a total of 208 buildings and monuments were surveyed in the County Antrim area including: Carrickfergus Castle; Larne Town Hall; Drumnasole House, Carnlough; St. Macnissis College, Garron Tower; Bridge & Steps, Carnlough; Clotworthy House, Antrim; Layde Parish Church, Cushendall; Turnley Tower, Cushendall; Holy Trinity Church, Ballycastle; Dunseverick Castle; Kinbane Castle; Billy Church, Bushmills</p>

3.3.6 Technical Assistance

Priority	Total Priority Value (€)	Commitments (€)	%	Expenditure Declared (€)	%
	4,150,000	3,937,960	94.89	3,542,721	85.37

Priority	Total Number of Applications	Total Number of Approved Applications	%
	16	15	93.75

European Division of Department of Finance and Personnel (DFP) is the Implementing Body for this Measure, and in accordance with the Programme Complement all projects are commissioned by DFP. Sub-measure 6.1A is for projects relating to the Management and Implementation of the Programme. Sub-measure 6.1b is for projects relating to Programme Information and Publicity.

The Technical Assistance measure is intended for use of the Managing Authority (DFP) in implementing and publicising the BSP Programme and is therefore not open for general application by outside organisations. However, DFP commissions applications for Technical Assistance based upon management and publicity needs of the Programme and ensures that Procurement Service rules regarding competitive tendering procedures are observed.

Activities funded under Technical Assistance by DFP in 2006 include:

- *NILGA*
The European Officer continued in her role in assisting local government representatives on the monitoring committees. She met with Councils, Councillors and stakeholders throughout the year. The European Officer and elected members from the political parties also participated in the Consultative Partnership Group which was set up to discuss the future NI EU Structural Funds Programmes.
- *Systems 2007 Project*

European Division is responsible for co-ordinating the establishment of the 2007-2013 Structural Funds Programmes in Northern Ireland and the administration systems to manage them. Systems 2007 is a PRINCE II project established to procure suitable systems for the Managing Authorities of the 2007-2013 programmes. The funding is for the specification stage where an external consultant was appointed in October 2006 to establish user requirements and produce a report which may serve as a basis for inviting tenders.

- *Concordia.*

In the autumn of 2006, the Social Partnership organization Concordia applied for technical assistance support to help fund a European Officer to support Concordia members on the Monitoring Committee and this application was approved in December 2006.

In terms of Information and Publicity, Technical Assistance was also used to support the production of newsletters, posters, leaflets and promotional goods including a publicity insert in the main newspapers.

By the end of 2006, the Technical Assistance allocation was almost entirely committed and 85% of the anticipated expenditure had been recorded and claimed. The Managing Authority expects the measure to complete expenditure during 2007.

4 FINANCIAL IMPLEMENTATION OF THE ASSISTANCE

Financial Progress (N+2)

Total Programme Value (€)	Commitments (€)	%	Expenditure Declared (€)	%
1,490,435,400	1,497,831,284	100.49	1,133,997,340	76.08

- **Figures to include EU and Match**

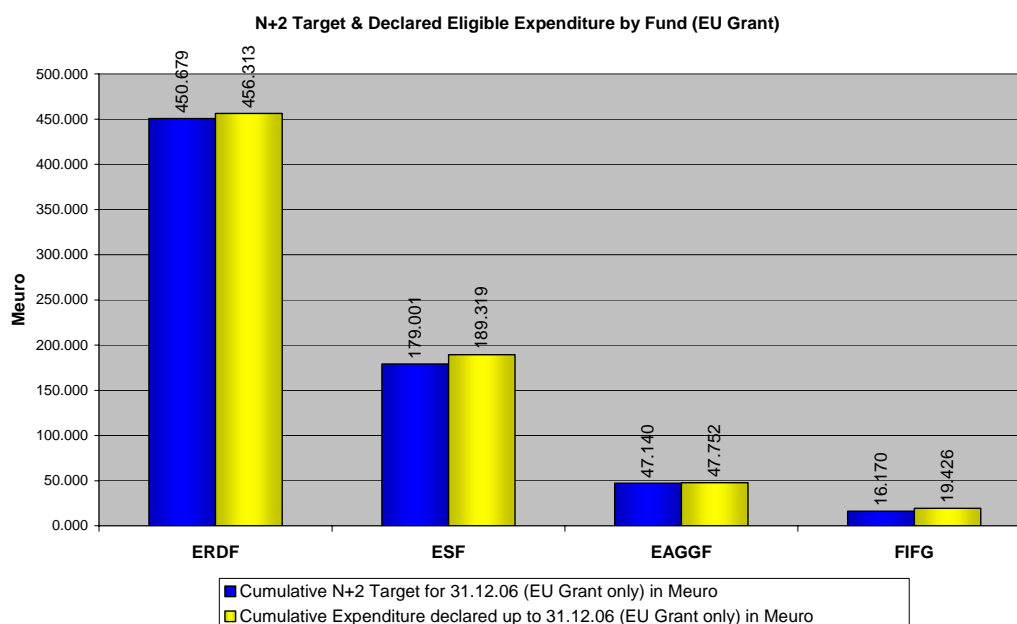
Council Regulation (EC) No 1260/1999 Article 31 (2) requires that claims from the Commission must be made within 2 years of the year of the commitment. Known as the N+2 rule (N = year of commitment, +2 = end of the second year following the year of commitment). The late approval of the BSP Operational Programme in March 2001 that N+2 did not come into operation until end December 2003.

Progress by fund to 31 December 2006 is set out in Table 1 and Figure 1 below. Details of eligible and paid expenditure to end December 2006 can be found at Table 3, page 94.

Table 1

Fund	Cumulative N+2 Target for 31.12.06 (EU Grant only) in Meuro	Cumulative Expenditure declared up to 31.12.06 (EU Grant only) in Meuro
ERDF	450.679	456.313
ESF	179.001	189.319
EAGGF	47.140	47.752
FIFG	16.170	19.516
TOTAL	692.990	712.900

Figure 1



The Payments from European Commission

Payments received from the European Commission total 632.467 meuros up to 31 December leaving an amount of approximately 80 meuro, claimed but not received, outstanding. This amount reflects the claims submitted in November and December.

Breakdown is set out in Table 2 below (figures in Meuros).

Table 2

Fund	Cumulative Value claims submitted up to 31.12.06 (EU Grant only) in Meuro	Cumulative Amount Received (up to 31.12.06) in Meuro
ERDF	456.313	408.866
ESF	189.319	171.293
EAGGF	47.752	35.129
FIFG	19.516	17.179
TOTAL	712.900	632.467

Table 3: Financial Table 10 for Programme Complement by Priority and Measure

Commission Reference No. of the related Operational Programme: 1999 GB 16 1 PO 007

Title: Northern Ireland Programme for Building Sustainable Prosperity Year 2005

Last Commission Decision of the related Operational Programme: 22 March 2001

All figures shown in Meuro (€m)

		Priority / Measure	Total Measure Value *	Total eligible actually paid and certified Expenditure **	% of Eligible Cost ***	Other ****	Field of Intervention *****
			1	2	3+2/1		
PRIORITY 1							
Measure	1.1	Business Support	114.667	100.690	87.81%		161 (11%), 163 (71%), 164 (18%)
Measure	1.2	Research & Technology Development	86.667	79.211	91.40%		181 (20%), 182 (80%)
Measure	1.3	Tourism	56.933	55.351	97.22%		171 (41%), 172 (14%), 173 (45%)
Measure	1.4	Local Economic Development	80.000	48.157	60.20%		163 (25%), 164 (75%)
Measure	1.5	Information Society	16.000	11.214	70.09%		153 (30%), 163 (30%), 324 (40%)
Measure	1.6	Roads & Transport	113.767	103.177	90.69%		311 (6%), 312 (69%), 317 (19%), 318 (6%)
Measure	1.7	Telecoms	38.667	24.241	62.69%		312 (75%), 322 (25%)
Measure	1.8	Energy	22.320	22.245	99.66%		331(95%), 332 (2.5%), 333 (2.5%)
PRIORITY 2							
Measure	2.1	Education & Skills Development ESF	194.529	150.478	77.36%		21 (100%)
Measure	2.2	Tackling Flows into Long-Term Unemployment	9.771	7.205	73.74%		21 (100%)
Measure	2.3	Promoting a Labour Market Open to All	104.323	66.209	63.47%		22 (100%)
Measure	2.4	Improving Opportunities	32.474	6.404	19.72%		23 (100%)
Measure	2.5	Education/Training ICT & Infrastructure	122.028	98.675	80.86%		23 (100%)
Measure	2.6	Developing Entrepreneurship	2.354	1.958	83.20%		24 (100%)
Measure	2.7	HRD Development in Companies	77.141	65.750	85.23%		24 (100%)
Measure	2.8	Advancement of Women	23.725	12.166	51.28%		25 (100%)
PRIORITY 3							
Measure	3.1	Urban Revitalisation	43.970	44.700	101.66%		35 (100%)
Measure	3.2	Advice & Information Services	2.830	1.487	52.54%		36 (100%)
Measure	3.3	Community Sustainability	12.760	2.217	17.37%		36 (100%)
Measure	3.4	Investing in Early Learning	11.340	10.527	92.83%		22 (100%)
PRIORITY 4							
Measure	4.1	Agricultural Training	16.260	14.734	90.62%		113 (100%)
Measure	4.2	Improving Processing & Marketing	119.536	75.206	62.92%		114 (100%)
Measure	4.3	Forestry	0.000	0.155			121 (10%), 126 (90%)
Measure	4.4	Farm Relief & Management Services	0.388	0.202	52.18%		1303 (100%)
Measure	4.5	Marketing of Quality Agricultural Products	4.712	1.380	29.28%		1304 (100%)
Measure	4.6	Basic Services for the Rural Economy	10.057	6.322	62.86%		1305 (100%)
Measure	4.7	Renovation & Development of Villages	20.438	10.457	51.16%		1306 (100%)
Measure	4.8	Diversification of Agricultural Activities	1.348	1.155	85.66%		1307 (100%)
Measure	4.9	Development & Improvement of Infrastructure	10.176	2.160	21.23%		1309 (100%)
Measure	4.10	Encouragement for Tourism & Craft Activities	8.324	1.401	16.83%		1310 (100%)
Measure	4.11	Protection of the Environment	11.496	10.054	87.46%		1312 (100%)
Measure	4.12	Financial Engineering	6.874	5.338	77.65%		1313 (100%)
Measure	4.13	Fisheries	48.262	28.590	59.24%		141(18%),142(14%),143(27%),144(8%),145(28%),146(2%),147(3%)
PRIORITY 5							
Measure	5.1	Management, Protection & Enhancement	62.149	61.236	98.53%		181(1%),343(1%),344(55%),345(37%),1306(2%),1312(4%),
TECHNICAL ASSISTANCE							
Measure	6.1	Technical Assistance Measure	4.150	3.543	85.37%		411(34%),412(13%),413(13%),414(13%),415(27%),
TOTAL			1490.435	1133.997	76.08%		
ERDF RELATED			788.247	568.778	72.16%		
ESF RELATED			444.317	227.263	51.15%		
EAGGF RELATED			208.609	94.315	45.00%		
FIFG RELATED			48.262	22.651	46.93%		
of which							
Regions not receiving Transitional Support							
Regions receiving Transitional Support							
			1490.435	913.007	61.26%		
Priority/Transitional Support							
Priority 1	Regions not receiving Transitional Support						
	Regions receiving Transitional Support		529.020	444.287	83.98%		
Priority 2	Regions not receiving Transitional Support						
	Regions receiving Transitional Support		566.345	408.847	72.19%		
Priority 3	Regions not receiving Transitional Support						
	Regions receiving Transitional Support		70.900	58.931	83.12%		
Priority 4	Regions not receiving Transitional Support						
	Regions receiving Transitional Support		257.871	157.154	60.94%		
Priority 5	Regions not receiving Transitional Support						
	Regions receiving Transitional Support		62.149	61.236	98.53%		
Technical Assistance							
	Regions not receiving Transitional Support						
	Regions receiving Transitional Support		4.150	3.543	85.37%		
TOTAL			1490.435	1133.997	76.08%		

* A table covering the last full calendar year and a table covering cumulative amounts up till the end of the previous year (in the case of an annual report) should be presented.

** The field of intervention should be coded for each Measure using the standard classification on the level of 3 digits; where needed (in case of heterogeneous Measures) more than one code should be given with the corresponding estimated share.

*** This column contains the amounts that are the basis for the calculation of the contribution of the Funds (either the total eligible cost, or the total public/similar eligible

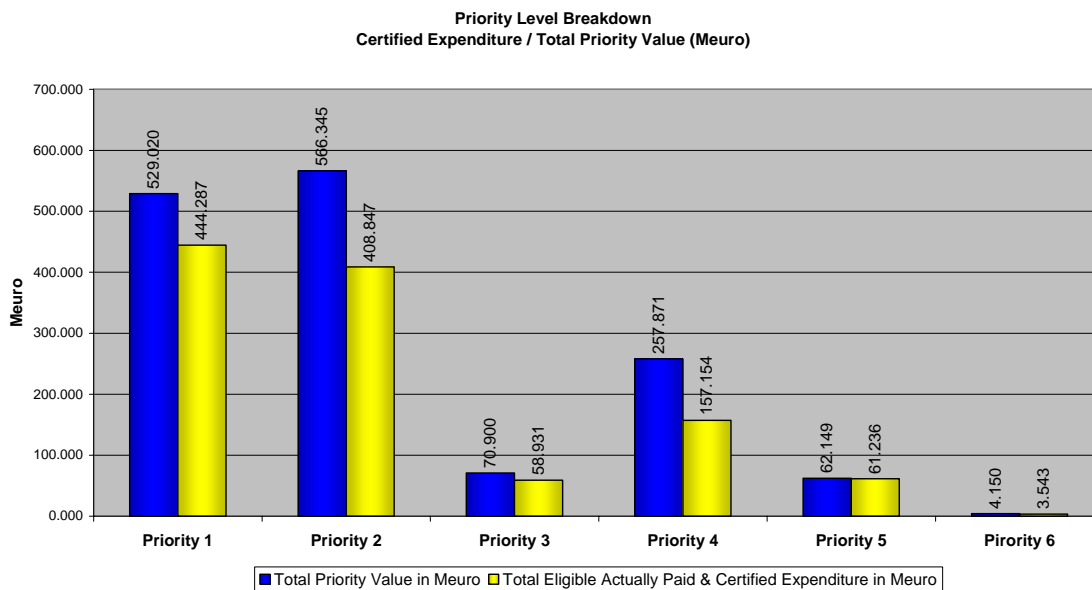
**** Including, for information, in the case of Objective 2, the total amount from the EAGGF Guarantee Section for the Measures referred to in Article 33 of Regulation (EC) No ___/99 (Article 17(3) of Regulation (EC) No ___/99).

***** Only for Objective 1 and 2 and where applicable.

Table 4

	Total Priority Value in Meuro	Total Eligible Actually Paid & Certified Expenditure in Meuro	% of Eligible Cost
Priority 1	529.020	444.287	83.98%
Priority 2	566.345	408.847	72.19%
Priority 3	70.900	58.931	83.12%
Priority 4	257.871	157.154	60.94%
Priority 5	62.149	61.236	98.53%
Priority 6	4.150	3.543	85.37%
TOTAL	1490.435	1133.997	76.08%

Figure 2



5 STEPS TAKEN TO ENSURE QUALITY & EFFECTIVENESS OF IMPLEMENTATION

5.1 INTERFACE WITH DEPARTMENTS

During 2006 the Managing Authority scheduled a series of bilateral meetings with the Implementing Departments in advance of the Spring and Autumn Monitoring Committees. The purpose of these meetings was for the Managing Authority and Departments to report progress in implementing their section of the programme and to discuss any surrounding issues and problems. The progress reported at the meetings provided the foundation for the Managing Authority's subsequent progress report presented to the Monitoring Committee.

Subjects on the agenda included financial targets and forecasts, recording of non-financial data, progress in completing Article 4 and 10 checks, responses to audit recommendations, publicity activity and preparation for the closure of the programme. In addition to Managing Authority and Measure Leader representatives, the meetings were attended by representatives of NISRA and representatives of internal audit units.

In addition to these formal meetings, Managing Authority officials remained in constant contact with their colleagues in implementing departments, offering guidance and discussing issues of concern as they arose.

During 2006 the Managing Authority continued to implement the procedures introduced in 2005 for the quarterly forecasting and monitoring of departmental expenditure in order to identify problems so that any corrective action required could be managed at an early stage, once again this proved essential in managing the N+2 targets for 2006.

5.2 STRUCTURAL FUNDS MONITORING DATABASE

The Structural Funds Application and Monitoring Database (Central Database), which was developed by the Managing Authority in conjunction with the Managing Authority for the PEACE II Programme, is the main

management information tool for financial and non-financial performance for all six Structural Funds Programmes operating in Northern Ireland.

As stated in the 2005 Annual Implementation Report, DARD completed reconciliation of previous manually-generated interim claims for EAGGF and FIFG expenditure, allowing for the commencement of database-generated claims for these funds during 2006.

Since the inception of the database, the Managing Authority has recognised that the specification for collection of Article 10 report data has been minimal. As part of the preparations for closure, the Managing Authority's Financial Control section, in discussion with departmental audit teams, produced an expanded specification to allow full data collection and monitoring of Article 10 checks using the system. This was approved for development by the Project Control Board and implemented by the end of the year. It is likely to be subject to further refinement during 2007.

In July the Project Control Board, acting with advice from the Central Procurement Directorate, agreed a further extension of the contract for support and maintenance of the website and databases with RMA Systems Ltd.

5.3 SUPPORTING EFFECTIVE MONITORING COMMITTEES

The Managing Authority continues its efforts to improve ways in supporting effective Monitoring Committees.

As reported previously, the Managing Authority continues to provide financial support to the Northern Ireland Local Government Association (NILGA) to enable them to employ a European Support Officer. The officer continues to provide support to the Local Government Members of the Committee by providing information on the EU Structural Funds, co-ordinating attendance at Monitoring Committees and liaising with the Managing Authority.

Late in 2006 the Managing Authority received an application from the Concordia Group of social partners EU Monitoring Committees requesting financial support for an EU officer similar to NILGA. This application was approved in December 2006.

5.4 ANNUAL REVIEW MEETING

The Annual Review meeting for the Programme took place in Brussels on 28 September 2006. Items of discussion included the recording of non-financial data, increased coverage of Article 10 checks, Publicity of the programme and looking forward to the closure of the programmes. The agreed minutes of the meeting are attached at Annex III.

5.5 PROGRAMME MONITORING COMMITTEE – WORK PROGRAMME 2005

The composition of the Programme Monitoring Committee is in line with Article 35 of the Council regulation (EC) No 1260/1999 and includes representatives from both the Local Partnership and the Programme Managing Authority. Representatives from the European Commission also attend the Committee in an advisory capacity. A full list of membership is attached at Annex V. Minutes of meetings held during 2006 are attached at Annex IV.

The BSP Monitoring Committee met twice during 2006 (25 April and 18 October 2006) and a summary of key decisions taken is outlined at Annex VI.

5.6 PROGRAMME COMPLEMENT

At its meeting on 25 April the Monitoring Committee agreed to reallocate funds within the ESF Measures in Priority 2. The Committee made this decision to facilitate changes in classification of EU Funding within the accounting system. In doing so has provided greater flexibility on when expenditure can take place. Also, as the current UK spending review cycle ends in 2007-08, this provided the advantage of bringing forward such EU income from 2007-08 to earlier years. The revised Programme Complement was submitted on 22 May 2006 and the European Commission subsequently accepted the document on 13 September.

Further amendments to the Programme Complement were agreed at the Monitoring Committee meeting on 18 October. These amendments were made up from the recommendations from the review of EAGGF measures

which had been undertaken by DARD. DARD undertook this review to reallocate funding from the under-performing measures, the closure of Measure 4.3, Forestry and also the failure of the Bio-gas project which was due to be funded from Measure 4.8 Diversification of Agricultural Activities (and Activities close to Agriculture to provide Multiple Activities or Alternative Incomes). The Monitoring Committee agreed reallocation to Measure 4.2, 4.6, 4.9 and 4.11 on the basis that these measures were performing well in the Programme. The revised Programme Complement was submitted on 5 November and accepted by the European Commission on 10 January 2007.

5.7 ANNUAL IMPLEMENTATION REPORT (AIR) 2005

The BSP AIR 2005 was submitted to the European Commission on 29 June 2006. On 12 July 2006, the Commission advised the Managing Authority that the report was admissible and subsequently declared the report satisfactory on 3 January 2007.

5.8 MANAGEMENT AND USE OF TECHNICAL ASSISTANCE

Information relating to Technical Assistance is contained in Section 3.3.6.

5.9 INFORMATION AND PUBLICITY

The Managing Authority has undertaken a variety of activities during 2006 to promote the BSP Programme, to citizens in Northern Ireland.

Activities include hosting the European Division website www.europe-dfpni.gov.uk; two editions of the Newsletter with a distribution of 1800 each; and several public events which hosted BSP promotional stands.

European Division in their role as CSF Managing Authority distributed 220,000 leaflets in Northern Ireland's 4 main daily newspapers. In addition, Implementing Departments have the responsibility of ensuring appropriate publicity of projects funded contributed by the BSP Programme. Annex IX gives further examples of publicity activity by projects.

5.10 WORKING GROUPS

Seven Working Groups have been established under the Northern Ireland Community Support Framework to act as champions and custodians for the Horizontal Principles underpinning the CSF and the Operational Programmes. Two of these Working Groups are related to the particular principles of the Peace & Reconciliation Programme. This section of the Annual Report outlines the activities of the remaining five Working Groups.

5.10.1 Mainstreaming Equality Working Group (MEWG)

After completion of the research into 'Ways of Assessing the Impact of EU Programmes on Section 75 Groups' carried out in 2005, the Working Group submitted recommendations to the Managing Authority in November 2005 for consideration and implementation in the 2007-2013 EU Structural Funds Programmes.

As the working group has now fulfilled its Work Plan, it has been decided that there is no need to formally meet until the closing summary report has been prepared, which is scheduled for early 2007. Therefore, the Working Group did not meet in 2006.

5.10.2 Communications and Information Working Group (CIWG)

As documented in the 2005 Annual Implementation Report, the Communication Information Working Group reported to the Managing Authority in March 2005 that they considered that they had completed their terms of reference and did not propose to meet again.

As their report was accepted by the Community Support Framework and Building Sustainable Prosperity Monitoring Committees this working group did not meet during 2006.

5.10.3 Information Society Working Group (ISWG)

During 2006 there were three further meetings of the full ISWG; on 14 February 2006, 25 April 2006 and 19 September 2006. There have also been several meetings of the Information Society Best Practice Event sub-group prior to the Best Practice Conference held on the 18th and 19th May

2006. The event was opened by the DETI Permanent Secretary. Over twenty companies from across Europe exhibited ground-breaking technology, many of the exhibitors were prize winners in the 2006 Prestigious Information Society Technology Prize organized by EURO Case and sponsored by the Commission.

During 2006 the Working Group commissioned a consultant to follow-up the 2003 review of Information Society activity, in particular the progress Northern Ireland was making to achieve targets set out in the 2010 Initiative.

Work is underway and a draft report is due at the end of January 2007.

5.10.4 Environment Working Group (EWG)

The Working Group met twice during 2006. The group considered a draft report on the application of the Sustainable Environment Horizontal Principle in the context of the Ecotec Ex-ante report. The group also considered the effectiveness of the Development Path Analysis (DPA) and environmental integration of BSP. Members highlighted the importance of SEA in a supporting role in the selection of projects for the various new funding programmes (2007-2013).

5.10.5 Fisheries Working Group (FWG)

The Fisheries Working Group (FWG) met in March 2006. The main purpose of the meeting was to update FWG on the performance of the Fisheries Measure 4.13 and to seek advice on how best to keep on maximising draw-down of EU funds in delivering a balanced Programme.

The Programme Complement approved by the European Commission in 2002 was also discussed in light of full FIG draw-down continuing to be dependent on delivering at least the agreed total match funding (i.e. the aggregate of National and Private Eligible match funding).

Finally, consent was given to transferring some £1.55M to the Port Facilities sub-measure from surpluses in several other sub-measures.

5.10.6 Human Resource Development Working Group (HRDWG)

In May 2006, the Working Group commissioned research which explored the good practice and lessons learnt in the management and delivery of the ESF co-funded activities under the BSP and Peace II programmes in light of the 2003 Mid-Term Evaluations and 2005 updates. Evaluation work relating to the NI Equal Community Initiative 2000-06 was also included in the analysis.

The main aim of the research was to focus down on the evaluation work that had already been undertaken and to provide clear messages about what had worked well, what had not, and what could be built upon in the future, in terms of ESF supported programme and project activity. The research project adopted a reporting framework based on a number of thematic headings, including: promotion; advice and guidance; application and selection processes; partnership issues; monitoring and evaluation; and programme management and implementation. The research report has now been completed and copies of the full Report and a stand-alone Executive Summary have been disseminated to members of relevant Monitoring Committees.

5.11 **FINANCIAL CONTROL**

Financial Control activities continued to be developed and enhanced during 2006 in liaison with all Fund Paying Authorities, Article 10 Teams, Heads of Internal Audit and subject to the direction of the Managing Authority.

Coordinated reports under Article 13 of Commission Regulation (EC) No 438/2001 on financial control during 2005 were prepared and submitted within the required deadline of 30th June 2006. A separate report for each of the four Structural Funds was provided and each included an updated Article 5 Statement. The Reports will be uploaded onto the EUD website once they have been agreed with the Commission.

To comply with the requirements of Article 10 of Commission Regulation (EC) No 438/2001 at least 5% of declared expenditure from each Fund must be checked – as the declared expenditure increases the number of Article 10 checks also increases. The Article 13 reports for 2005 confirmed values of BSP expenditure checked up to the end of 2005 by Fund as:

	%
ERDF	8.31
ESF	14.72
EAGGF	3.47
FIFG	4.48

Findings from Article 10 checks indicate that, while some enhancement of existing controls can be achieved, no systemic weaknesses have been reported and each of the Departmental Internal Audit Branches reporting provided assurances on the effectiveness of the control systems and procedures in place.

Copies of all completed Article 10 reports are made available to the respective Fund Paying Authorities, the relevant Implementing Body, Heads of Internal Audit and the Managing Authority.

An Article 10 Recording System has been developed on the Central Database which will facilitate the closure process. Procedures have been drawn up and agreed for the receipt of Article 10 reports, detailing action required by the Verification Teams, the Paying Authority and follow up by the Managing Authority if the reports indicated any deficiencies/recommendations. This will assist in ensuring that Interim Payment applications are based on effective financial control systems.

The annual forecast of Interim Payment Applications was coordinated and submitted within the deadline of 30th April and in the form specified in Article 37(2) of Council Regulation (EC) No 1260/1999.

Details of any reportable Irregularities (above the €10,000 threshold) were reported to DTI for inclusion in the UK report to OLAF (see table below).

Following further clarification of the changes resulting from the introduction of the amendment to the Irregularities Regulation revised guidance and instruction on the completion of the Irregularity report form has been issued during 2006 to Implementing Bodies / Departments.

NUMBER OF IRREGULARITIES REPORTED FOR BSP
FROM 2000 - 2006

FUND	NUMBER OF CASES REPORTED	NUMBER OF CASES CLOSED	CLOSURE RATE
ERDF	45	33	73.3
ESF	7	2	28.6
EAGGF	8	4	50.0
FIFG	1	1	100.0
TOTAL	61	40	65.6

A minor modification to the Central Database was carried out to enable the capture of recovery information at Measure level for inclusion in the Annex to the expenditure declarations accompanying each claim to the Commission.

Auditors from DG REGIO visited Northern Ireland in April 2006 to conduct a check of ERDF expenditure declared to 31st December 2004 and the initial findings were reported in February 2006. The Managing Authority has provided an initial response and the Commission's feedback on this is awaited. The Managing Authority has agreed to the Commission's request to carry out additional verification work on expenditure declared within Priority 1 and will submit this as quickly as possible to provide necessary assurances on expenditure declared.

5.12 MONITORING OF ENVIRONMENTAL SUSTAINABILITY

Development Path Analysis (DPA) is used to assess the environmental impact of any given project. Each project is allocated a development path ranging from 1 to 6, which is then recorded on the central applications

database. Analysis of the database has shown that of the 1,324 BSP projects approved before 31 December 2006, 100% had a DPA score, representing 100% of total funding awarded.

Approved Applications and Funding by DPA score

All Priorities	Development Path	No of Approved Projects	% of Approved Projects	Total Funding (Stg)	% of Total Funding
	1	1,020	77%	725,482,657	86%
	2	72	5%	24,978,062	3%
	3	75	6%	37,546,713	4%
	4	3	0%	47,500	0%
	5	95	7%	18,270,441	2%
	6	59	4%	37,063,793	4%
	Table Total	1,324	100%	843,389,166	100%

Source: Central Applications Database

Analysis of the DPA data shows that a majority (77%) of projects have been classified as Path 1, i.e 'business as usual'. These projects account for 86% of all funding. Path 5 (improving eco-efficiency) was allocated to 7% of approved projects, representing 2% of funding. Path 6 (encouraging new types of economic activity which use less environmental wastage) was allocated to 4% of approved projects, and 4% of funding. Projects under Path 2, which aim to clean up the mess from past activities, and projects under Path 3 projects, putting environmental infrastructure in place, denote 5% and 6% respectively of all approved projects. They represent 3% and 4% of all funding respectively. The lowest proportion of projects (under 1%) are allocated to Path 4 (helping existing firms meet increasing environmental standards).

5.13 SUMMARY OF SIGNIFICANT DIFFICULTIES IN IMPLEMENTATION OF THE PROGRAMME

In the 2005 Annual Report, we identified as the main difficulties:

- Underspending on EAGGF measures; and
- Difficulties in the recording of non-financial data.

During 2006 DARD presented a package of transfers between their measures to the Monitoring Committee which was accepted. They are confident that this will enable them to complete full expenditure on the EAGGF measures.

The quantity of non-financial data recorded on the Central Database against certain measures remains a concern of the Managing Authority and continues to be discussed at bilateral meetings.

By the end of 2006, the central database showed 100% recording of DPA scores against approved projects.

Following recommendations by European Commission Auditors, it was agreed that the Classroom 2000 project approved under measure 2.5 should be subject to the major project approval procedure, which involved the Managing Authority and DE, the Implementing Department, in intensive work during the autumn to prepare and lodge the application and subsequently dealing with points of clarification. In addition, DE had to identify contingency expenditure in the event that the project failed to win approval. As stated in paragraph 7, a Commission Decision approving a reduced sum for this project was received by the end of the year.

6 COMPLIANCE WITH COMMUNITY POLICIES

The Managing Authority has taken all appropriate measures within the framework of the assistance to ensure conformity with Community policies including the rules of competition, the award of public contracts, environmental protection and improvement, the elimination of inequalities and promotion of equality between men and women and, as far as rural development is concerned, the Common Agricultural Policy.

7. MAJOR PROJECTS AND GLOBAL GRANTS

Classroom 2000

The major component of expenditure under measure 2.5 is Classroom 2000(C2K), comprising various measures to provide universal ICT facilities in the schools of Northern Ireland. At the time of approval of this project, the Department of Education (DE) and the Managing Authority considered whether this project should be considered a 'major project' within the provisions of Article 25 of EC Regulation 1260/1999 and subjected to the particular requirements that would follow. The Managing Authority held the view that the project did not fulfil the criteria set out in Article 25 and advised DE accordingly. That remains the view today.

However, questions were raised by DG REGIO auditors in April 2006 concerning the expenditure certified under C2K. They took the view that the project should have been subject to Major Project Approval by the European Commission. Following discussion, in order to safeguard the eligibility of the expenditure from challenge, DE drew up a presentation in the form of a major project application which the Managing Authority presented to the Commission on 1 November 2006. DE subsequently provided further information and clarification to the Commission.

On 21 December the Commission adopted a decision⁷ approving a contribution from ERDF to C2K of €42m, 50% of the total eligible expenditure of €84m.

⁷ C(2006)7159

BSP Annual Implementation Report 2006

Annexes

- Annex I Measure Level Reports
- Annex II Breakdown of Eligible Expenditure declared by year
- Annex III Minutes of the Annual Review Meeting
- Annex IV Agreed Minutes of Monitoring Committee Meetings
- Annex V Composition of the BSP Monitoring Committee
- Annex VI Monitoring Committee – Key Decisions
- Annex VII Comparison of Financial and Physical Progress
- Annex VIII Information and Publicity Actions
- Annex IX Common Indicator Tables for Monitoring Rural Development Programme