



**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

2008

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1. INTRODUCTION

This report covers the calendar year 1 January 2008 to 31 December 2008 and has been produced by European Union Division, (EUD), Department of Finance and Personnel, (DFP), 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 25th June 2009 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. It is the smallest region in the UK with an area of 14,160 square kilometres, of which 584 square kilometres comprises inland water and 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 with a population density of 124 persons per square kilometre, making it the second most sparsely populated UK region. Gender split as in the 2001 census was males 49% and females 51%.

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

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



2.1 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 macro economic fundamentals and strong growth in public expenditure have contributed towards Northern Ireland's positive performance. Improvement had been made across most industry sectors, particularly in the Service sector. However in Q4 2008, The UK's economy entered official recession with two consecutive quarters of GDP contraction. This translates into a change in the socio-economic conditions such as, decrease in employment, a rise in unemployment and falls in the Index of Construction and Index in Services.

During the life of the programme and until the change in Global economic conditions, Northern Ireland experienced a sustained period of growth. In addition, the unemployment rate has moved from being the highest amongst UK regions to a much more favourable position below the UK average and joint third lowest among the UK regions. Superficially, the economy gives a generally positive impression; however, there still remain a number of areas that need attention. In the labour market, economic activity rates have shown little sign of improvement from 2001 to 2008 and the inactivity rate remains the 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 2008 indicate that whilst there has been steady year-on-year growth for Northern Ireland, impact has been minimal in relation to the overall UK position post 1999. Whilst improving upon the UK average, by April 2008, median gross weekly earnings for full-time employees across the UK regions were reported lowest for workers in Northern Ireland.

2.1.2 Main Changes since the Implementation of the Programme

In March 2007 elections led to a restoration of the Northern Ireland Assembly in May 2007. This new found stability has created a positive and optimistic environment to help enable Northern Ireland to move forward.

The new Northern Ireland Executive's aim is to ***'build a peaceful, fair and prosperous society in Northern Ireland, with respect for the rule of law and where everyone can enjoy a better quality of life now and in years to come'***.

This is to be achieved through the new Programme for Government. The key priorities for the Programme for Government are as follows:

- Growing a dynamic, innovative economy.
- Promote tolerance, inclusion and health and well-being.
- Protect and enhance our environment and natural resources.
- Invest to build our infrastructure.
- Deliver modern high quality and efficient public services.

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 while there are areas that have seen positive change since 1999 there are 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. Employee jobs within Northern Ireland reached recorded high levels during 2008, an upward trend which had been evident since 1993. Between September 1999 and September 2008, employee jobs increased by 15.1%. In June 2008, employee jobs peaked at 734,410 before declining in September (727,770) and again in December, (721,270). 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 new Programme for Government continues to focus on infrastructure investment and on reform and modernisation of public services across its priorities. This focus has been further enhanced by the publication of an 'Investment Strategy for Northern Ireland' announced in March 2006 by the

Strategic 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, **“we are clearly signalling 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 Executive’s 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 continued to the midpoint of 2008, however following the turn in the Global economic outlook, Northern Ireland is set to suffer the same economic conditions experienced in Great Britain, the Republic of Ireland and the rest of the world. Throughout the programme there has not been a significant change in the general conditions in Northern Ireland that necessitated an adjustment to the Programme strategy, however in the current economic climate, socio-economic conditions could necessitate a change in programme direction and focus if all funding had not been committed. This could be a beneficial point to note for the new Programmes, (2007-2013). The focus of the BSP programme is entirely consistent with the government’s strategy on improving productivity, through 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 being placed on competitiveness in the marketplace is consistent with the Lisbon Strategy.

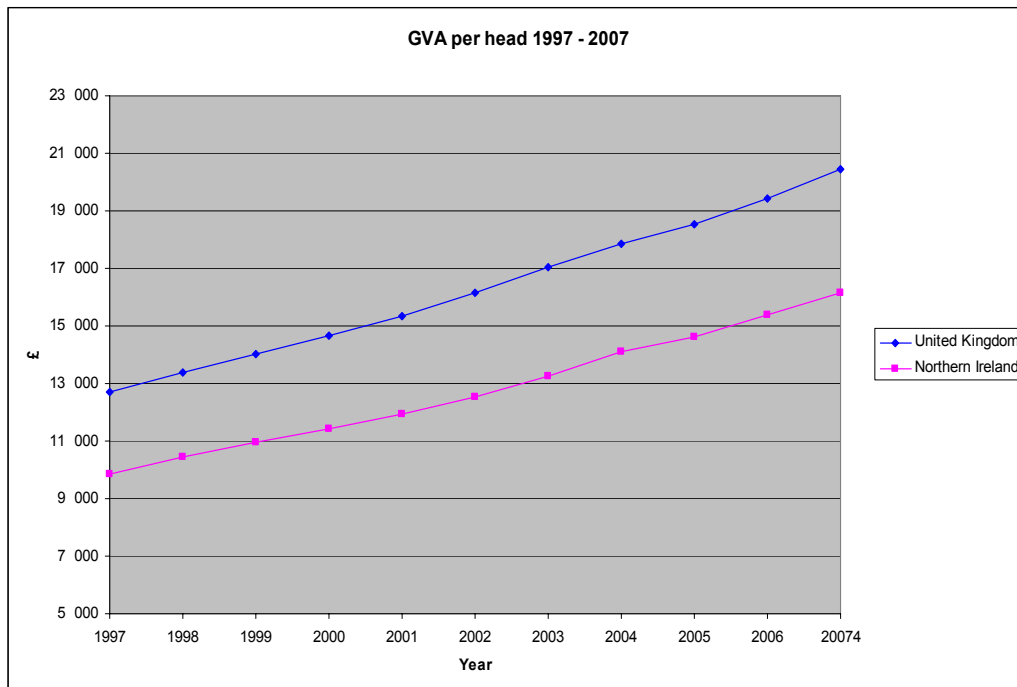
Expenditure on Research and Development (R&D) is also a key area in developing the economy. Northern Ireland continues to have relatively low levels of expenditure on R&D in comparison with the rest of the United Kingdom. Recent years has seen R&D expenditure growing at a faster rate than the UK. In particular, Higher Education in Northern Ireland is above the UK average and is an area which should be concentrated on. This improvement can be attributed directly to the funding received through 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). However, there is still much to do to see improvements continue both in R&D expenditure and in the manufacturing sector to help close the gap in economic performance with the UK and other EU regions. This is also a key priority of the Lisbon Strategy.

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.

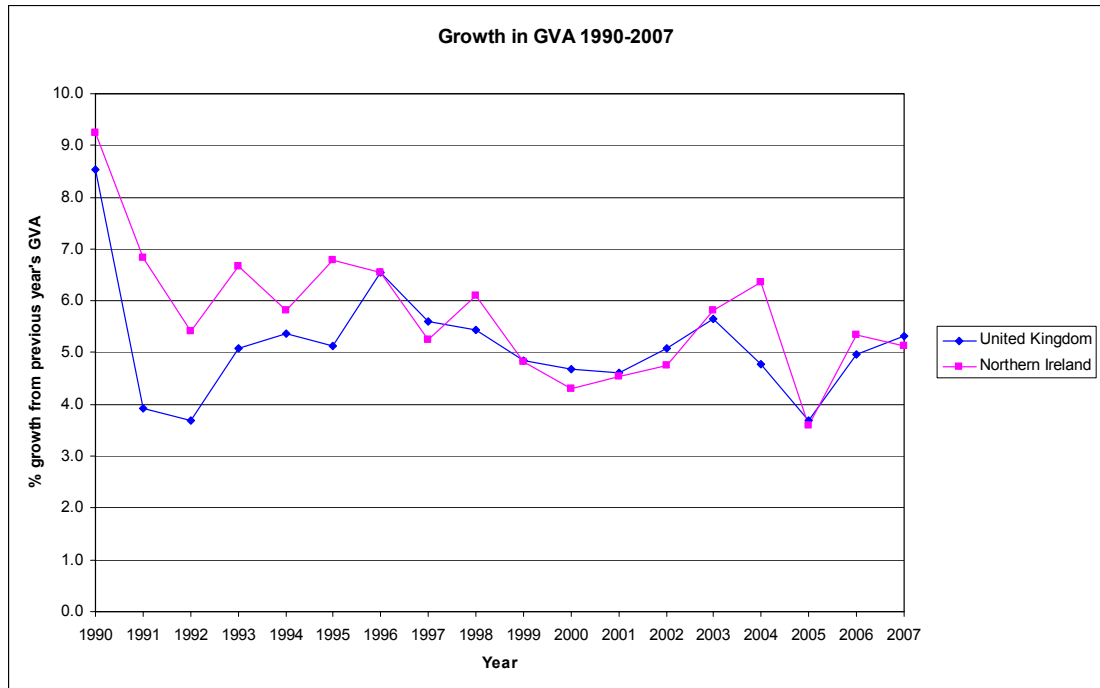
2.1.4 GDP/GVA

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

regions and the devolved administrations, (including Northern Ireland) are produced annually by the Office for National Statistics (ONS). The latest available data (2007) shows that in Northern Ireland GVA per capita increased by 64.0%, in nominal terms, between 1997 and 2007 compared to the overall average UK growth rate of 61.4%.



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.



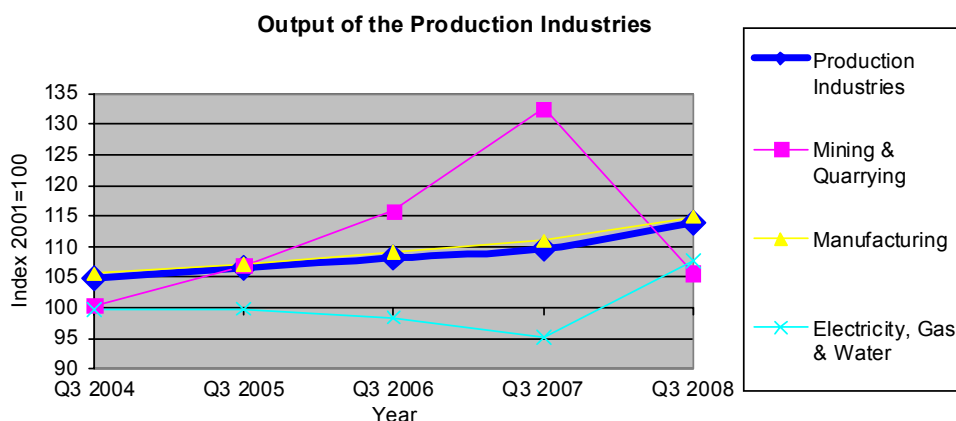
As a percentage of UK GVA per capita, the Northern Ireland position has risen slightly from 80% in 1997 to 81% in 2007. Generally, Northern Ireland has remained around 80% of the UK GVA per capita average over the 1997-2007 period.

2008 GVA Figures for UK and its comprising regions will not be available until December 2009 however, the UK has experienced negative growth in GDP in the past 2 quarters (Q3 2008, -0.6%, and in Q4 2008, -1.5%), this negative growth is more than likely to impact on the future estimates of UK and NI GVA.

2.1.5 Output

The Index of Production is a quarterly survey of almost 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 rose by 3.9% over the year to Q3 of 2008 in Northern Ireland, with the manufacturing component of this increasing by 3.5%. In contrast, the UK figures for all production industries decreased by 2.6% over the same period. 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 2008 was Food, Drink and

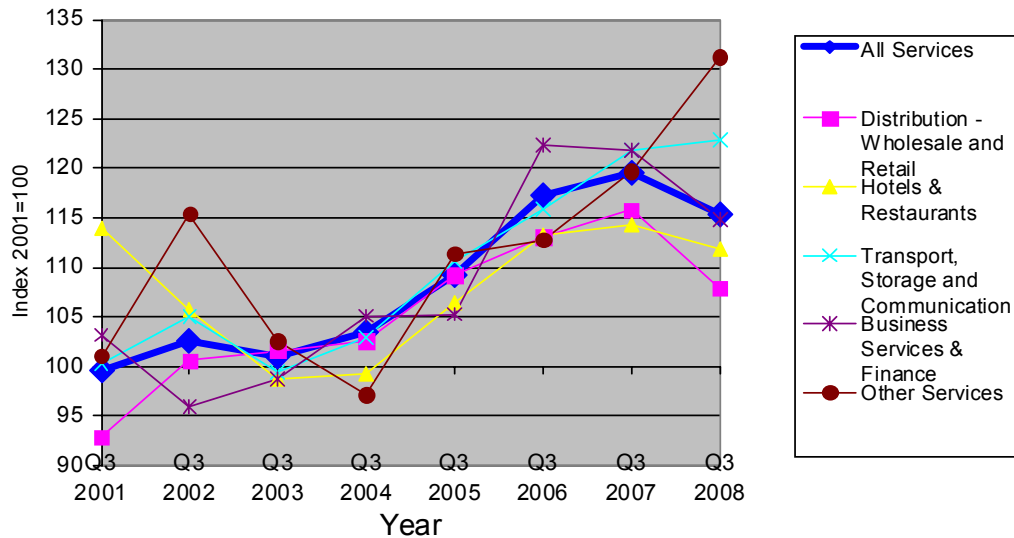
Tobacco (11.5%), while the sub-section showing the greatest decrease in output was Non-metallic Mineral Products (-20.9%).



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. The Index of Services for the Q3 of 2008 show that output levels decreased by an estimated 0.3% over the quarter and by 3.5% compared to the same quarter one year earlier. This is the fifth consecutive quarterly fall in the overall services index for NI.

Northern Ireland's decrease over the quarter (-0.3%) is less than that for the UK as a whole which decreased by an estimated 0.5%. In historical terms, Northern Ireland Services have increased by 24.3% from Q1 of 2001 to Q3 of 2008, similar to an estimated increase of 23.8% for the UK as a whole over the same period.

Northern Ireland Index of Services



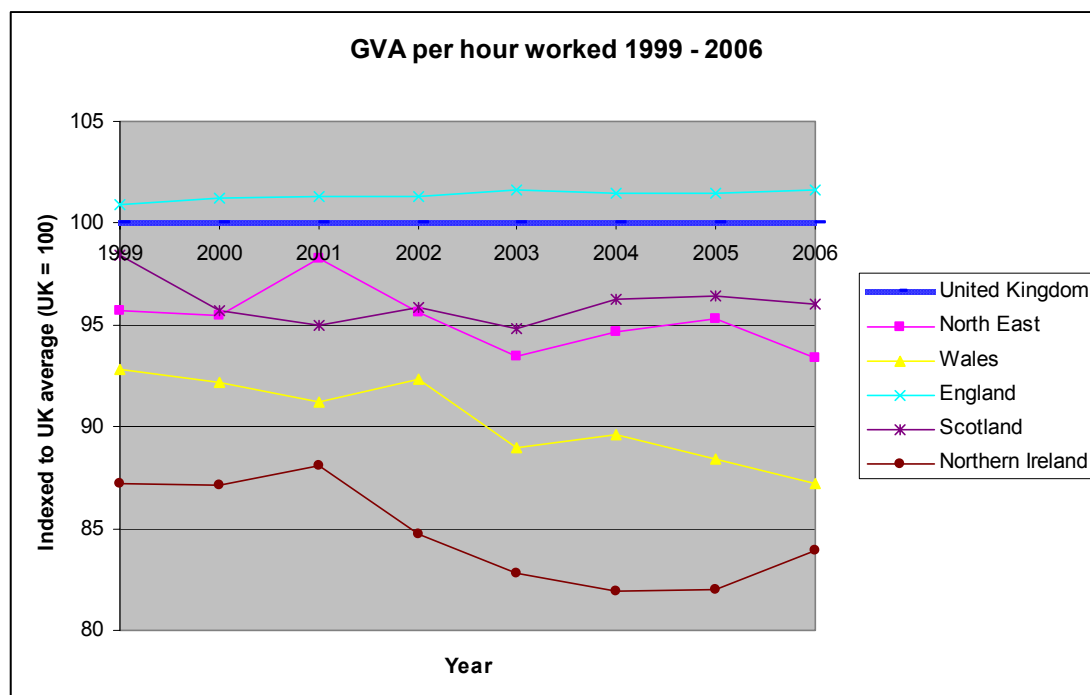
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The Index of Construction (indexed to 2000) provides a Q3 2008 figure of 94.8, down 3.6 points on the corresponding quarter of 2007. This continues the overall downward trend in output evident since the second quarter of 2007. The main drivers behind the overall decrease in construction output are the decreases in the output of new work in general and housing. With specific regard to output, the estimated seasonally adjusted value (at 2000 prices) was £525 million in Q3 of 2008, a decrease of 4.8% on the previous quarter (£546 million) and a decrease of 6.1% on the corresponding quarter in 2007 (£557 million).

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 87.2% in 1999 to 83.9% in 2006. 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 UK.

2.1.7 Innovation

The resource devoted R&D within a region is 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 £351.1 million in 2007, representing a rise of 6.2% in cash terms (3.1% real terms) from the 2006 figure. For the last three years Northern Ireland Business has accounted for a greater share of total R&D expenditure than the Higher Education sector (52.7% compared with 43.1% in 2007, 50.5%

compared with 45.4% in 2006 and 49.1% compared with 46.5 in 2005). Higher Education expenditure fell in real terms by £3.2 million (-2.1%) while Government expenditure increased by £0.6 million over the year. Business R&D expenditure rose by £13.3 million (7.7%) in real terms on the previous year.

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 EU27 average. However, at present Northern Ireland has fewer 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 study for their degree and not returning. The proportion of school leavers continuing on to Higher Education has increased by 4.4 percentage points from 32.9% in 2000/01 to 38.5% in 2006/07, whereas the proportion continuing on to Institutions of Further Education increased by 0.2% from 27.2% in 2000/01 to 27.4% in 2005/06. The proportion of pupils unemployed after leaving school decreased between 2000/01 and 2006/07 from 4.2% to 3.3%.

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 of entrepreneurial activity within a global context. Despite entrepreneurial activity increasing on the 2002 figure (3.7%), to 4.8% of the population in 2008, Northern Ireland remains with Scotland, Yorkshire and the Humber, and the North East, as the UK of regions which have the lowest level of entrepreneurial activity. In 2008, Northern Ireland's entrepreneurial activity was 87% of the UK (5.5%). In addition, Northern Ireland had the highest fear of failure rates in the UK. Within an international context, comparisons with the participating countries from the EU highlight that entrepreneurial activity in Northern Ireland is higher than Belgium, Denmark, Germany and Italy. The level of female entrepreneurship in Northern Ireland in 2008 is the lowest of all the UK regions at 2.3%. The gap between male and female entrepreneurship is the lowest in the UK regions but this may simply be due to the male TEA being the lowest in the UK, 2.8%

below the UK average male TEA. For the first time since 2002 young adults (25-34 year olds) in Northern Ireland have above UK average levels of entrepreneurial activity (7.9%). While graduates are more likely to be entrepreneurs than any other qualification group in Northern Ireland, graduates are less likely than all but two UK regions (Scotland and the North West) to be entrepreneurs.

Northern Ireland's entrepreneurial activity (as measured by VAT registrations per 10,000 adult population) was below the UK average. However in 2007, analysis of the Inter-Departmental Business Register (IDBR) revealed that there were 58,135 businesses in Northern Ireland registered for VAT, this represented an increase of 2.6% over the year, and a higher rate of growth compared to the UK (1.7%). The largest increase over the year in the number of VAT registered businesses occurred within the Property and Business services sector.

Northern Ireland has much higher business survival rates compared to the rest of the UK. Approximately 78.5% of NI Businesses were still trading three years after registering for VAT (2002), compared to UK rate of 71.3%. 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, 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 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 (2005) 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 now has the opportunity to access broadband regardless of location. Northern Ireland has a broadband penetration rate of 51%, below the UK average of 57% but significantly above the EU27 and RoI rates (42% and 31% respectively). The Northern Ireland Business Monitor 2006/07 reports that 72% of businesses surveyed had internet access with three industry sectors (manufacturing, construction and professional services) having a penetration rate for internet access well above 80%.

2.1.11 Transport

76.7 million tonnes of freight were transported by road within Northern Ireland by vehicles weighing over 3.5 tonnes in 2007. Crude minerals were the greatest single commodity transported within Northern Ireland at 40.6% of all tonnes moved. Of the 8,464 tonnes transported on international outward journeys, the single largest commodity was building materials (38%).

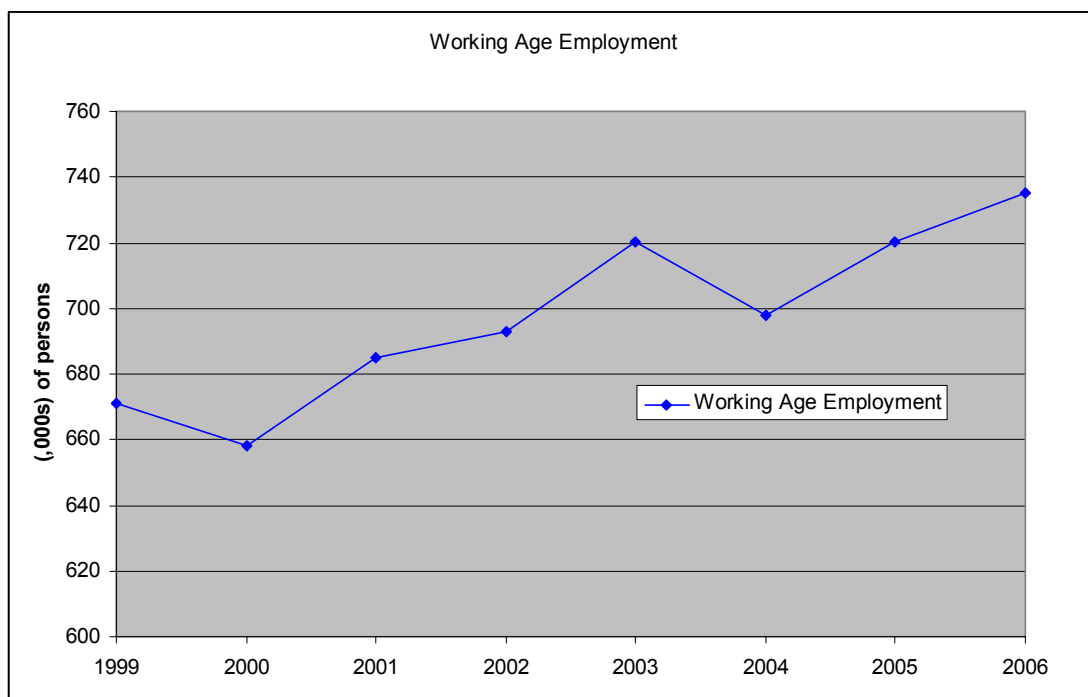
There were 1,008,289 vehicles licensed in Northern Ireland by 31 December 2007, 83% of which were Private Light Goods Vehicles. Over the six-year period from 1999 to 2007, the NI licensed vehicle stock increased by 39.5% compared with 25.7% in Wales, 24.3% in Scotland and 18.8% in England. During 2007-08, 806,483 tonnes of petroleum were delivered for use in Northern Ireland, 6.2% more than the 2006-07 figures.

During 2007-08 there were 9.5 million rail passenger journeys made, which is an increase of 12% from 2006-07. These generated passenger receipts of approximately £25.1 million, a rise of 11% from the previous period. Between

2000 and 2006, the number of terminal passengers, using both Belfast International Airport and Belfast City Airport, increased by 61.2%. There were approximately 69.9 million bus passenger journeys in Northern Ireland in 2007-08 accounting for £106.2 million in passenger receipts. This represents a rise in passenger journeys by 2.4 million from a 2006-07 figure of 67.5 million, and an increase in passenger receipts of 3.8% from just below £102.3 million in 2006-07.

2.1.12 Employment

Employment experienced a period of growth between the late 1999 and 2006, recording an increase of 9.5% in the working age population in employment between Spring 1999 and Spring 2006.

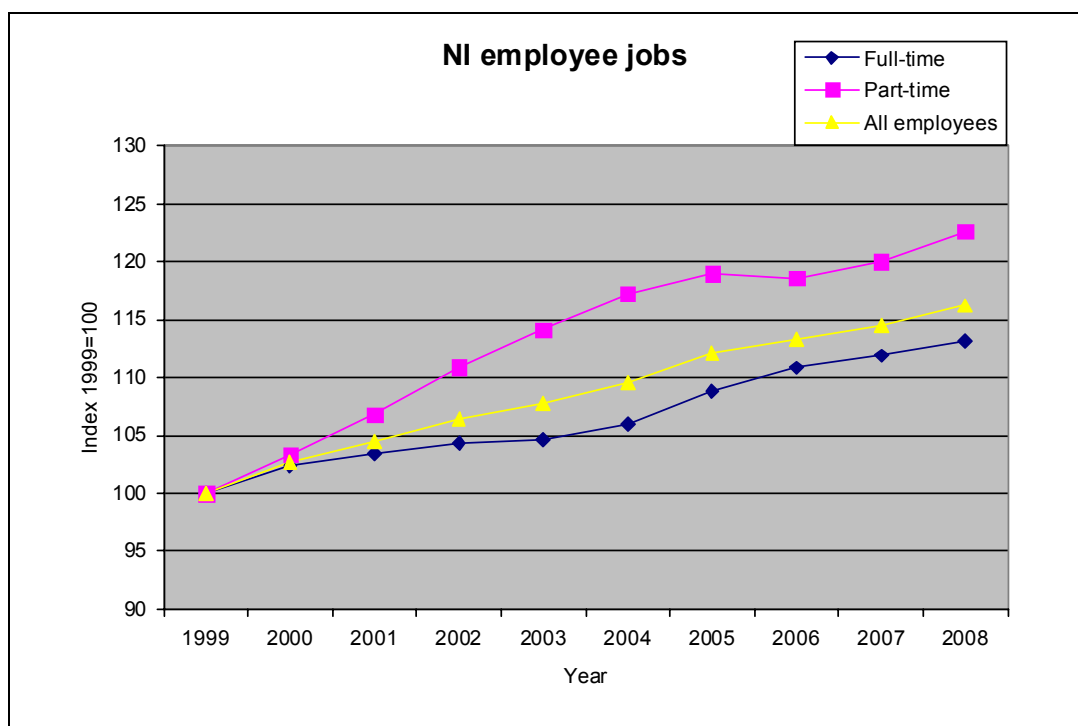


The number of persons in employment in the period October–December 2008 is 774,000. This represents a decrease of 14,000 over the quarter and 9,000 over the year. The working age employment rate is estimated at 68.8%, down 1.2 percentage points over the quarter and 1.0 percentage point from a year earlier. Northern Ireland’s working age employment rate remained well below the UK average (74.1%) and was the lowest among the UK regions. Within an international context, latest figures indicate that Northern Ireland compares favourably with the EU27. 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 rate is currently 66.7%. This

is below the UK employment rate of 71.3% and the Republic of Ireland's rate of 69.1%, but 1.4% higher than the average EU27 employment rate (65.3%). 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 experienced a period of sustained growth in terms of employee jobs. From March 1998 to March 2008, employee jobs in Northern Ireland have increased by 18.8%. Much of this growth is reflective of a growth in the services and construction sectors for Northern Ireland

Growth in employee jobs within the services sector has more than compensated for the reduction in employee jobs experienced within Northern Ireland's manufacturing sectors. From September 1998 to September 2008, manufacturing jobs fell by 18.7%.



The seasonally adjusted number of economically inactive persons in the period October – December 2008 was estimated at 559,000, up 9,000 over the quarter, and up 15,000 over the year. The working age economic inactivity rate for Northern Ireland is 27.4%. This is significantly higher than the UK average rate (20.8%) 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 seeking employment (33%) compared to the UK (29%). Northern Ireland also has a higher percentage of students that do not want a job (30%) compared to the UK (27%).

2.1.13 Unemployment

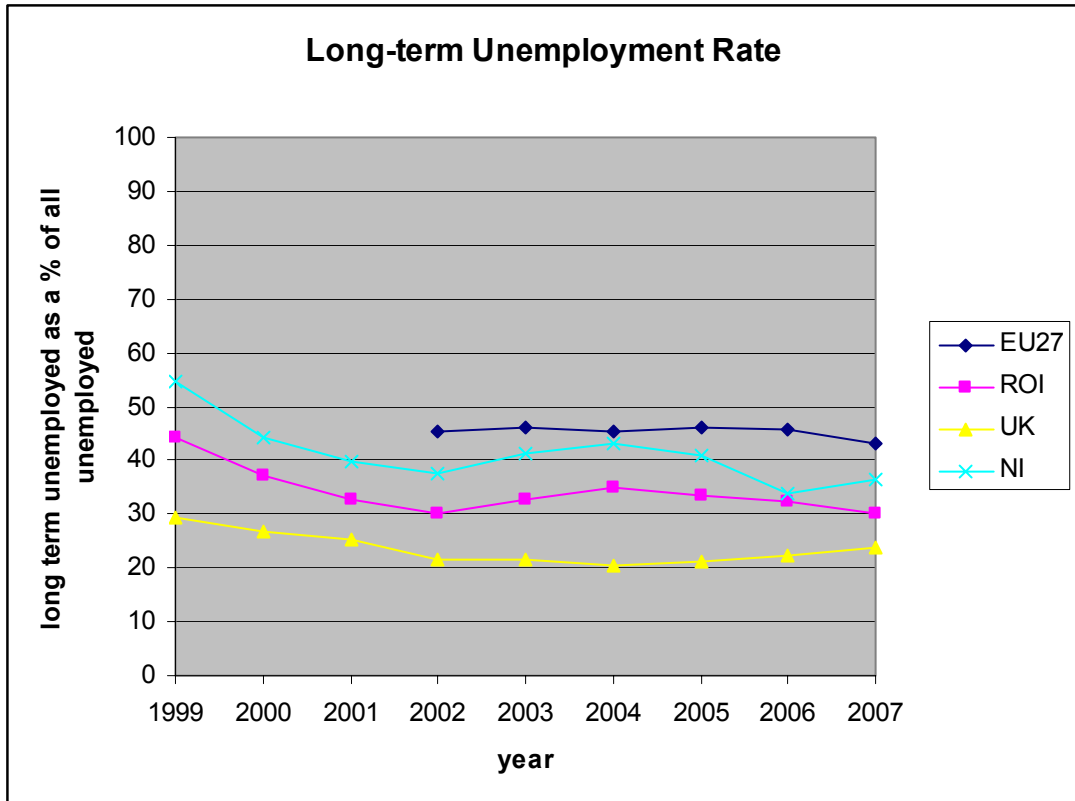
The number of people registered as unemployed in Northern Ireland has fallen dramatically since the early 1990's. To set in the context of the Programming period, the Spring 2006 figure (36,000) is 19,000 less than it was six years previously in spring 1999 (55,000). This translates into a fall in the unemployment rate from 7.4% to 4.5% over the period. Using the October-December 2008 figures for comparison purposes (42,000), it is clear how far Northern Ireland has moved from being historically the region with the highest unemployment rate to a current rate of 5.1%, which compares favourably to the UK average of 6.3% and is joint third lowest unemployment rate amongst the UK regions.

Northern Ireland's unemployment rate is also below the EU27 average of 7.2%, (an ROI rate of 7.9%).

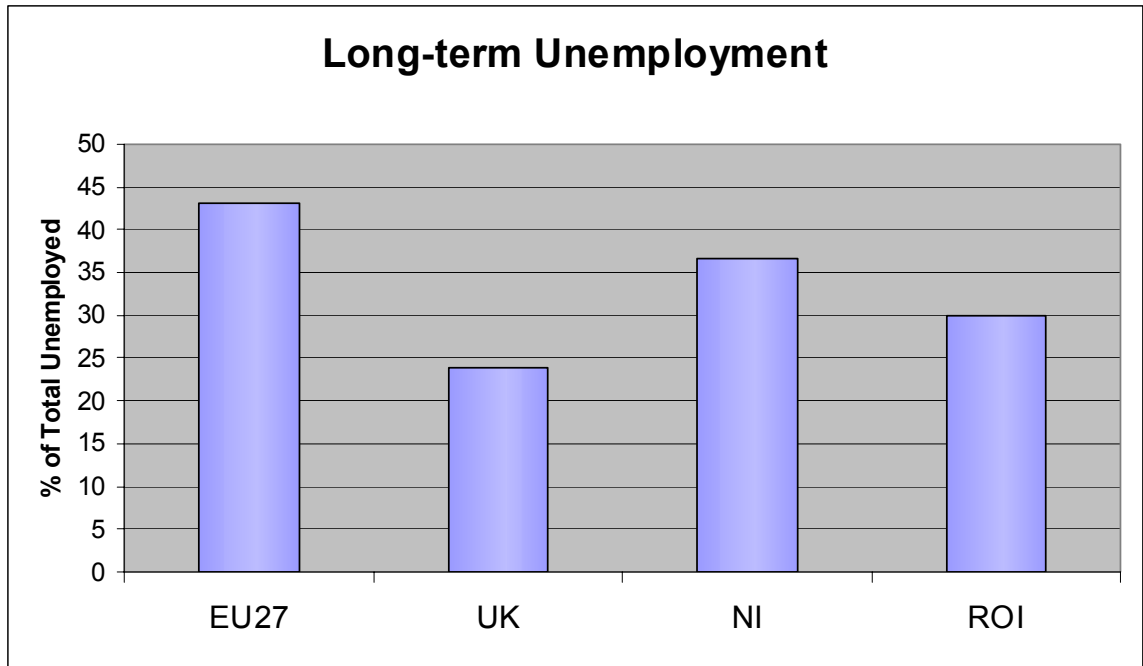
There is also a falling number of unemployed who come under the category of long-term unemployed. The long-term unemployment rate fell from 47.6% in October-December 1998 to 33.6% in October-December 2008. Although this has been a significant reduction, a similar trend has been experienced across the UK regions and as a result Northern Ireland's relative position has altered little over the last decade and remains the region with the highest long term unemployment followed by North West at 30.7%

For comparison purposes, latest available figures from Eurostat show that in 2007, the long-term unemployment rate in Northern Ireland was 36.6%, which was much higher than that of the UK average at 23.9%, but less than EU27 average of 43.3%.

In 2007, Eurostat estimate the unemployment rate for those aged 15-24 years old to be 15.6% in EU27, 14.4% in UK and 9.4% in NI.



Priority 2 has influence in this area through the ESF policy fields. Under the Active Labour Markets measure there has been 49,995 (of which 33% are female) annual participants, 7,539 qualifications gained, and 10,021 unemployed have now entered employment. In fact 13,657 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 43,128 (of which 39% are female) annual participants, leading to 4,322 unemployed entering employment to end 2008. Adaptability and Entrepreneurship field records 52,765 (27% female) annual participants, 27,112 qualifications gained and 1,570 people achieving positive outcomes.

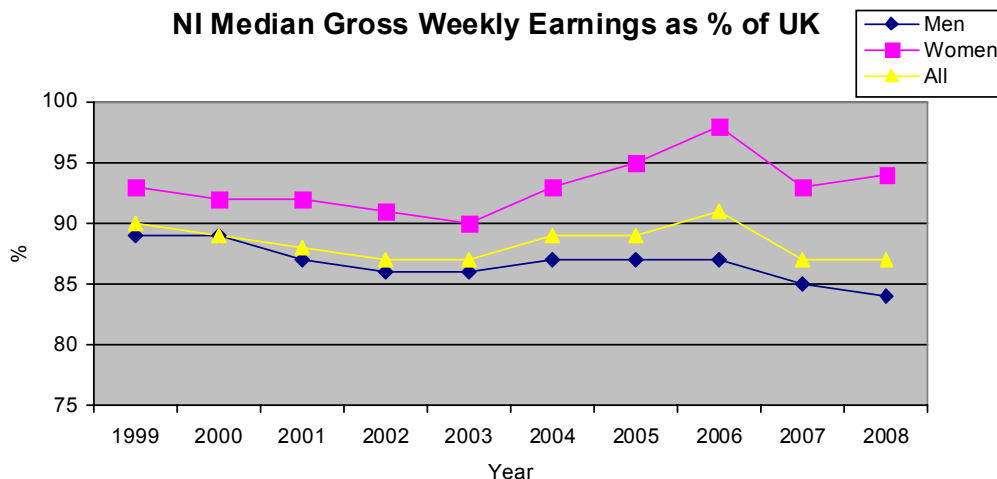


2.1.14 Income and Earnings

The median gross weekly earnings, taken from the Annual Survey of Hours and Earnings (ASHE), for all employees in Northern Ireland 2008 were £346.5, representing growth of 5.1% over the year. Northern Ireland continues to experience lower average earnings relative to the UK equivalent earnings of £388.4. Comparable figures for the other UK regions indicate that Northern Ireland had the lowest ranking median gross weekly earnings.

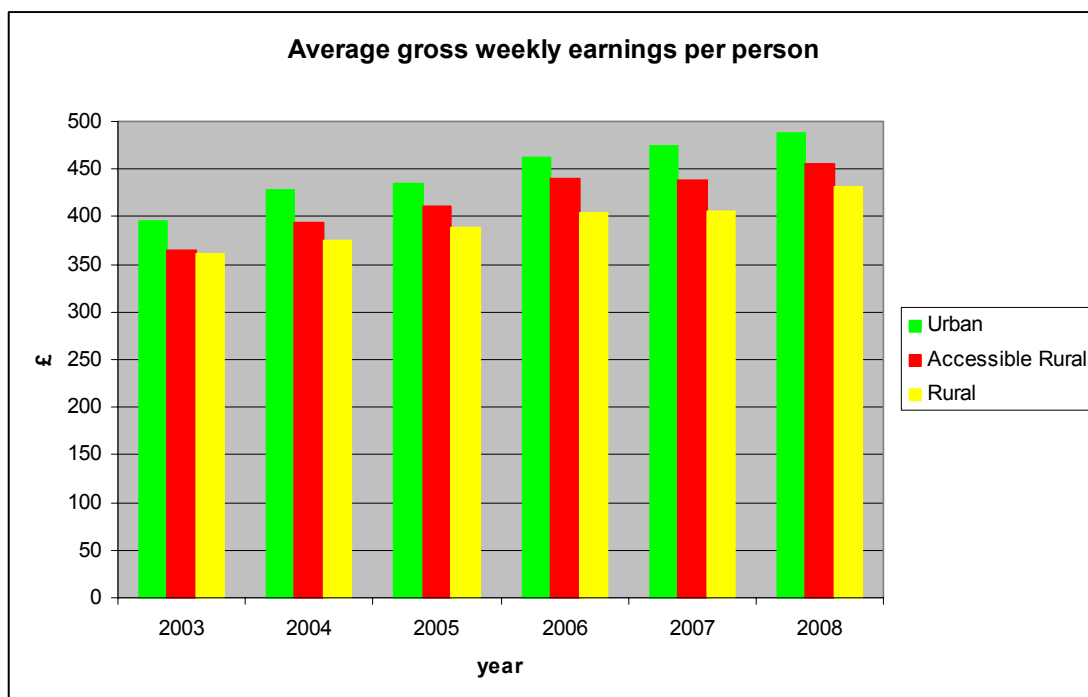
Over the period 2007-2008 the gender pay gap has been relatively unchanged in Northern Ireland. At April 2008 female full-time median hourly earnings excluding overtime, were slightly less than male earnings (97.4%) in NI, this is in comparison to 87.2% in the UK.

In 2008, public sector earnings (£498.8) were 32.3% higher than private sector earnings (£377.1). In the UK, average weekly public sector earnings (£522.6) were 13.6% higher than private sector earnings (£460.0).



Median gross weekly pay of full-time employees by industry shows that in April 2008, those employed in education were the highest earners (£628.5). This compares to employees in hotels and restaurants where median gross weekly pay was the lowest (£267.7).

Average gross weekly earnings increased in 2008 in all areas of Northern Ireland. However, average gross weekly earnings of people in rural areas are consistently below those of people living in urban areas over the years from 2003 to 2008. During most of this period the evidence suggests that the gap between rural and urban weekly earnings was widening. However, this trend appears to be reversed in 2008 when the gap has reduced.



UK regional estimates of Gross Disposable Household Income (GDHI) show that over the past ten years the Northern Ireland position has remained 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. In 2008, the lowest household income per head was in the North East, £12,216, followed by Northern Ireland at £12,472

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 2006/2007, 64% of Northern Ireland's weekly household income was derived from wages and salaries. The comparable figure for the UK was 65%. 10% 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 and explains some of the difference between reliance on benefits.

In May 2008, Northern Ireland has the highest proportion of income support claimants of the UK regions and countries at 9.2% of 16-59 year olds; this is in comparison to 8.2% in the North East and 8.3% in the North West. The UK's Department for Business Enterprise and Regulatory Reform (BERR) use the proportion of Income Support claimants within a region as a measure of social deprivation.

2.1.15 Agriculture

In 2008, provisional figures show that Total Income From Farming (TIFF), which measures the return to farmers and all members of their families working on farms decreased by 1.3% to £233 million, a fall of 5.5% from the 2007 figure after allowing for inflation. This followed a 12% increase in 2006 and a 40% increase in 2007 in real terms. Following this slight decrease in 2008, TIFF is 0.5% above the average for the last 20 years, after allowing for

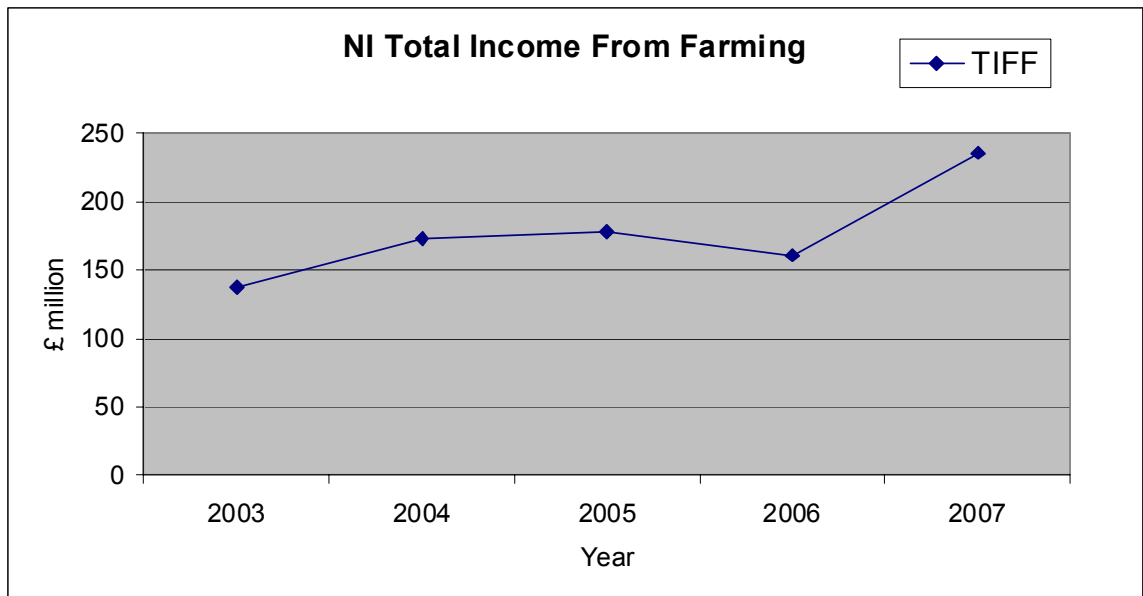
inflation. Over the same period, the number of people gaining a living from farming has declined steadily.

Growth of 13% in Gross Output to £1.40 billion is the main driver behind TIFF for 2008. Across the various sub-sectors, the major change in output was in beef, poultry and milk sectors.

The number of net VAT registrations disaggregated by area over the 10 year period from 1998-2008 indicates that rural areas both accessible and less accessible have demonstrated the strongest growth in net registrations by accounting for 71% of total net registrations over this period.

The total agricultural labour force remained unchanged in 2008 to around 49,000 persons. This includes approximately 31,000 full and part time farmers, with a number of full-time farmers declining by 1.5% and the number of part-time farmers increasing by 1.0%.

Figures for the United Kingdom indicate that UK Total Income from Farming increased by 42% in 2008 to £3.46 billion, a rise of 36% in real terms. The decrease in Northern Ireland compared to the increase in the UK is due largely to a 66% or 1.27 Billion increase in gross output of cereals in the UK as a whole, as a result of an increase in production and higher average cereal prices in 2008 than in 2007. The cereals sector is relatively small in Northern Ireland accounting for only 2.5% of output. Another factor contributing to the differing position for NI compared with the UK as a whole is that the GB milk price remained relatively high throughout 2008, probably because GB producers are much less dependent on export markets. In Northern Ireland milk prices have weakened during the latter half of 2008 in line with global markets. In 2008, gross output in the UK dairy sector rose by 22% compared with 4 % 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 was 653 at the end of 2008 with the gross full time equivalent jobs created reaching 134.5 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 the social and cultural benefits it offers.

Visitor Tourism Performance, as reported by the Northern Ireland Tourist Board, estimates 2,097,000 visits to Northern Ireland in 2008 (this represents less than a 1% change in total visits between 2007 and 2008). The total number of nights spent by visitors in Northern Ireland has increased by 7% to 11,214,000, translating into total tourism revenue of £403 million for 2008, a 7% increase on the 2007 figure (£376 million).

The results from the third instalment of the Tourism Barometer of 2008 indicate that as a result of challenges facing the tourism industry and the impact of the recession, respondents claimed that they were identifying proactive actions to be taken. Principal actions taken were special offers/packages (50%), discounted prices (27%), and revised market activities (22%). Significantly one in five of the 437 respondent enterprises had taken

steps to reduce their workforce while 17% had revised their targets for the coming year.

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 23 marketing initiatives 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 of 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's air quality has shown substantial improvement in recent years, with most measures well within the national air quality objectives. In particular, levels of pollutants associated with coal and oil combustion have reduced over the past decade. Nitrogen dioxide is monitored using automatic techniques at 15 urban sites across Northern Ireland. The annual mean background concentration of NO₂ for Northern Ireland has been below 25µg/m³ since the year 2000. This average is well within the National Air Quality objective for NO₂ of 40µg/m³. The annual average concentrations of NO₂ in urban areas have been generally declining over the long term. This is due primarily to the increased use of catalytic converters in cars and a move from domestic coal burning to gas heating. In the last 10 years, the background level of NO₂ in urban areas has remained relatively stable, but the roadside levels, which have been monitored since 2002, have been more variable.

Particulate matter in the atmosphere with a diameter of less than or equal to 10 microns (PM₁₀) arises from both man made and natural sources. Road transport and fossil fuel combustion produce the majority of particulate matter found in urban locations. All the readings in the last 10 years have been well

below the $40\mu\text{g}/\text{m}^3$ level that has been set out as the UK Air Quality objective for the protection of human health for PM_{10} . The average number of days of moderate or worse air quality in 2007 was 2.8 days across all sites, and 13 days at the Lough Navar rural background site. The average number of days of moderate or worse air quality across all sites in Northern Ireland has decreased in the last ten years from 9 days in 1998 to 2.8 days in 2007. In general, there has been a long term decline in the average number of air pollution days in Northern Ireland. This is largely because of a reduction in emissions of particles and sulphur dioxide, but deviations from this trend may be seen in certain years, for example in 2003, due to particular weather characteristics. Ozone is monitored using automatic sites at Belfast, Londonderry and Lough Navar. The National Air Quality Strategy sets an objective for a daily maximum eight hour running mean of $100\mu\text{g}/\text{m}^3$ ozone not to be exceeded more than 10 times per year. Unlike some other pollutants, levels of ozone in Northern Ireland do not appear to be decreasing, but remain variable from year to year, depending on weather conditions. Therefore, ozone exceedences remain a possibility. The objective has not been exceeded in Belfast or Lough Navar in the last ten years, but has been exceeded in Derry in four of the last ten years.

Greenhouse gas emissions for England, Scotland, Wales and Northern Ireland are published annually, detailing estimates of greenhouse gas emissions since 1990. The estimates are consistent with the United Nations Framework Convention on Climate Change reporting guidelines. In 2006, Northern Ireland's total greenhouse gas emissions were 22,461 ktCO_2 equivalent, which accounted for 3.4% of the UK total. Since 1990, Northern Ireland's total greenhouse gas emissions have decreased by 5.8%. This is less than the reduction seen for the UK as a whole, which has seen a decrease of 15.7% on 1990 levels.

There are over 15,000km of rivers and streams in Northern Ireland, of which approximately one third is monitored annually. Monitoring is carried out routinely against national standards for the General Quality Assessment (GQA) classification scheme. The majority of monitored river length is of at least a good standard (Class B and above), both chemically (75% in 2005-07) and biologically (59% in 2007). Lakes are a significant source of drinking water supplies. Lough Neagh and Upper and Lower Lough Erne make up

over 90% of the total hectareage of lakes greater than 50 hectares in Northern Ireland. Excess levels of phosphorus are considered to be the main nutrient contributing to eutrophication on lakes across Europe, and there is evidence to suggest that the number of Northern Ireland's lakes that are excessively nutrient enriched is increasing.

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 state of socio-economic conditions in Northern Ireland in 2008 making reference to changes that have occurred during the course of the programming period. Whilst it can be seen that progress has been made at the macro level with continued growth in GVA and a growing labour force pool of working age population, it is also clear that in addition to the deterioration of the world & UK economy in 2008, a number of problems persist, for example inactivity rates, relatively high long-term unemployment and a high proportion of workers with no qualifications. However, 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 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 over recent years, has begun to decline in 2008. The most recent data (November-January 2009) show that there are now 765,000 people in employment in NI. Also the working age employment rate has fallen to 68%, having been consistently above 69% over the recent past.

The ILO unemployment rate, which has been below 5% for the past two years despite rises elsewhere in the UK, has now risen to 5.7% but remains lower than the EU average; the UK average; and is 5th lowest of any UK region. NI remains a relatively low unemployment economy.

The most recently published figures on economic inactivity in NI show a rate of 27.8%: this is within the range of 27%-30% that has characterised the last 20 years.

Recent Government figures (December 2008) show that some 31% of employees in NI are employed in the public sector. Figures also show that the public sector has been growing somewhat faster than the private sector: between December 2001 and December 2008 jobs in the public sector increased by 8.1% compared to a 7.3% increase in the private sector. 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.

Various measures have been proposed as indicators of a 'skills base' among the working aged population, and there is continuing debate about the merits of different proxies for skills. One such proxy is qualifications – or the lack of them. Data from Regional Trends show that in 2007 some 22% of the NI working age population were without a qualification: this was some 9 percentage points higher than the UK average and 6 percentage points higher than the next "worst" region (Wales, 16%). The position the position

has improved over recent years: ten years ago one in three working age adults didn't have a qualification; today the figure is closer to one in five.

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. Northern Ireland contributes to the UK National Reform Programme.

In October 2006, Member States reported progress made in the implementation of their employment policies in their National Reform Programmes¹. Based on the findings of the European Commission's 2007 Annual Progress Report, country specific recommendations concerning economic and employment policies have been adopted by the Council on 27th March 2007, following endorsement by the European Council on 8th and 9th March 2007. The Council adopted the following recommendation to the UK:

- *Increase basic and intermediate skills, which is addressed by the recent Leitch review of 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.

1

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

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).

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: implement active labour market policies leading to sustainable integration in the labour market in order to alleviate the high concentration of unemployment and inactivity in certain communities. Special attention should be paid to people facing particular problems in the labour market and at risk of becoming long-term unemployed, working poor or inactive.

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.

As a result of work undertaken to review and build on the success of New Deal, DEL has developed a flexible_menu-based approach to its adult return to work provision. Steps to Work (StW) was introduced in September 2008 and offers access to a wider customer base including Incapacity Benefit / Employment & Support Allowance (ESA) claimants, Income Support claimants, customers in receipt of other benefits and economically inactive customers who are not in receipt of benefits. StW subsumes the previous New Deal Programmes. Participation on StW fulfils an individual's obligations under Social Security legislation.

Additionally, a range of provision, including the Pathways to Work programme is available for people with health conditions and a disabilities to assist them to move into work.

The Employer Strategy was introduced in October 2006 following a review of the Departments employer services. Its purpose was to make a real difference to the services provided to employers in Northern Ireland and to provide a new focus that will allow priority clients access to maximum opportunities and ensure that the services provided for both employer and clients are mutually beneficial.

Under the Employer Strategy dedicated staff led by District Management can work directly with employers to offer a much more co-coordinated approach, and develop mutually productive relationships. The goal is to build relationships that will enable vacancies to be filled effectively and quickly with suitable candidates

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:

- Ashton Community Trust - The **'Steps to Work'** project aims to provide those who are unemployed with no educational or employment skills with the opportunity to improve their chances of employability. At 31 December 2008 the project had exceeded its target by assisting 425 beneficiaries (target 280), 165 qualifications were achieved, and 82 trainees gained employment.
- **'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 2008 the project had exceeded its target by assisting 195 beneficiaries (target 50), 113 qualifications

were achieved (all 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: strengthen efforts to address the underlying factors of the gender pay gap, in particular by improving the gender balance across occupations and sectors, and increasing access to training for low-paid women part-time workers.

Further improve the provision of affordable care services for children and other dependants.

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;

- Strathfoyle Women's Activity Group: '**Women's Empowerment Programme**' aims to provide progression routes for rural women to move into further education & training and open avenues into self employment. On the basis of figures up to 31 December 2008 the project had exceeded its target by assisting 404 annual beneficiaries (target 187), 285 qualifications had been achieved and 81 women had 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 2008 the project well exceeded its target by assisting 372 beneficiaries (target 72). A total of 60 qualifications were achieved, of which 31 were NVQ1 or above and 39 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 2008 the project meet its target by assisting 546 beneficiaries (target 260). A total of 344 qualifications were achieved of which 276 were NVQ1 or above were achieved. A total of 102 trainees entered employment.
- Lenadoon Community Forum:" "**Education & 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. Figures at 31 December 2008 showed the project meet its target by assisting 514 beneficiaries (target 420). A total of 554 qualifications were achieved, of which 354 were NVQ1 or above. A total of 74 trainees entered employment.

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

Council recommendation to UK: implement active labour market policies leading to sustainable integration in the labour market in order to alleviate the high concentration of unemployment and inactivity in certain communities. Special attention should be paid to people facing particular problems in the labour market and at risk of becoming long-term unemployed, working poor or inactive;

Local Employment Intermediary Service (LEMIS)

LEMIS has been operating in Belfast, Londonderry and Strabane since April 2007 to complement the work of the local statutory Employment Service by targeting the long-term unemployed and those in these areas considered to be economically inactive. The areas in question were chosen on the basis of their historically high levels of unemployment/low employment. LEMIS support is delivered under contract and provides tailored assistance to help voluntary clients overcome their personal barriers to employment.

Those who can avail of the service include benefit recipients (e.g. Income Support, Incapacity Benefit, Employment and Support Allowance, Severe Disablement Allowance, Disability Living Allowance). Also, out of work partners of benefit recipients, young people not linked to the benefit systems or engaged in employment, education or training can use this service as well as people not claiming benefits, returners to the labour market and ex-prisoners.

Progress2work (NI) Pilot

In November 2005, a progress2work (NI) Pilot was introduced throughout NI to provide specialist employability support to people with a history of drug and

alcohol misuse, homelessness or having a criminal record, to assist them towards work. Early indications are that although overall figures are low, customers with these barriers are interested in what the new service can offer in helping to improve their employability.

To date, over 500 people have participated on the programme and almost 100 have been assisted into work. The pilot has been extended until March 2010.

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 adds 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 2008 the project achieved its target by assisting 151 beneficiaries (target 120). A total of 60 qualifications all of which were NVQ1 or above and a total of 12 trainees entered employment.
- Triangle Housing Association: Triangle Supported Employment Service aims to provide the necessary support systems to enable people with learning disabilities to achieve and maintain meaningful employment. It will provide individualized packages of specialized support to meet individual disability. Latest figures collected at 31 December 2008 shows 261 annual participants (target 404)² with 63 qualifications achieved and 28 trainees entering employment.
- Belfast Gems Ltd/South Belfast Partnership: **Ethnic Minorities Employability Support Project**, providing a dedicated full-time

² ESF support ceased prior to 2008 and non- ESF participants are not included.

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 the latest figures at 31 December 2008 the project is on course to meet its target by assisting 135 beneficiaries (target 150)³. A total of 130 qualifications were achieved. A total of 80 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 the latest figures at 31 December 2008 the project is on course to meet its target by assisting 991 beneficiaries (actual 1000). A total of 316 qualifications were achieved of which 295 were NVQ1 or above. A total of 109 trainees entered employment.

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

Council Recommendation to the UK: further develop social partnership at all levels to help improve productivity and quality in work, in particular by addressing low levels of basic skills and skills gaps amongst the workforce.

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 up skilled and re-skilled; and those furthest from the workforce those who are economically inactive.

³ ESF support ceased prior to 2008 and non- ESF participants are not included.

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 is being 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

Essential Skills Strategy

Since the launch of the Department for Employment and Learning's Essential Skills Strategy in 2002, there have been over 60,000 adult enrolments on literacy and numeracy courses, and over 44,000 qualifications have been gained by learners. The PSA target set by the Department is to support the achievement of 42,000 Essential Skills qualifications, including 4,000 in Essential Skills ICT, by March 2011. This support is designed to enable people to improve their overall quality of life, personal development and employment opportunities. The number of learners achieving an Essential Skills qualification between 1st April 2008 and 31st March 2009 is 12,852.

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:

- **Conservation Volunteers NI – Environmental and Employment Skills** which is committed to involving people in the environment and through this help them to gain new skills and a new insight about the environment, themselves and the local community. This experience will then help participants to move towards education or employment. The target group is young unemployed people which include university graduates, participants who have been out of school for some years but never held permanent employment and young people aged 16 -18 classed as “status o” who are not involved in work or training. On the basis of figures at 31 December 2008 the project had a total of 20 participants against a target

40. A total of 13 qualifications, all of which were NVQ1 or above was achieved and 6 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 (€m's)						
	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	6.4					
Promote a lifecycle approach to work							5.4
Ensure inclusive labour markets for jobseekers and disadvantaged people			67.8				
Promote flexibility combined with employment security and reduce labour market segmentation					1.5	47.0	
Expand and improve investment in human capital				21.1			
Total ESF funding (€m's)	132.1		67.8	21.1	48.5		15.4

2.3 SOCIAL INCLUSION UPDATE

2.3.1 'Working Together'– the United Kingdom National Action Plan on Social Inclusion 2008-2010 is the fourth UK National Action Plan (NAP) on social exclusion. It explains how people from across the UK will be co-operating from 2008 to 2010 to tackle social exclusion and make a decisive impact on poverty. 'Working Together' addresses social inclusion objectives shared across the EU. The revised and reviewed action plan incorporates four objectives.

- increasing labour market participation,
- tackling child poverty,
- improving access to quality services and
- tackling inequality.

"Lifetime Opportunities" is the Government's Anti-Poverty and Social Inclusion Strategy for Northern Ireland. It is the result of a commitment by the previous Executive to review the New Targeting Social Need policy which led in turn to evaluation, analyses and extensive consultation. "Lifetime Opportunities" is structured around a number of general challenges which become the priorities for future policy and action, these include,

- eliminating poverty,
- eliminating social exclusion,
- tackling area based deprivation,
- eliminating poverty from rural areas,
- shared future – shared challenges,
- tackling inequality in the labour market,
- tackling health inequalities,
- tackling cycles of deprivation,

Examples of areas where the BSP programme addresses the EU objectives are set out below.

2.3.2 Increasing Labour Market Participation

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 Tackling Child Poverty

Working Together explains that “research has demonstrated that particular groups are at risk of living in poverty. These include working families and those families where no family member is employed”.

2.3.4 Improving Access to Quality 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. This measure has an allocated funding of €117,538,000.

Northern Ireland has achieved 100% broadband availability meaning every household, business, library or school has the opportunity to access broadband regardless of location. An impact of BSP funding through measure 1.7 is that in 2003, 34% of Northern Ireland homes and internet access. This is an increase of 29% on the 1999 baseline figure. As broadband penetration in homes, businesses, schools and libraries increases, the risk of “digital exclusion” decreases.

2.3.5 Tackling Inequality

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.

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. Northern Ireland has benefited from €11,340,000 allocated under Measure 3.4.

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.

The Lisbon Strategy places importance on sustainable economic growth and in general terms the economic outlook for Northern Ireland has been positive. As outlined in the socio-economic review, in Q4 2008, The UK’s economy entered official recession with two consecutive quarters of GDP contraction.

This translated into a change in the socio-economic conditions such as, decrease in employment, a rise in unemployment and falls in the Index of Construction and Index in Services. During the life of the programme and until the change in Global economic conditions, Northern Ireland experienced a sustained period of growth. For example, Northern Ireland Gross Value Added (GVA) per head had shown a growth consistent with that of the UK over the period 1997 to 2007: 64.0% in Northern Ireland and 61.4% across the UK. GVA for Northern Ireland increased by 72.7% in nominal terms over the period 1997 to 2007. In terms of productivity, NI's GVA per hour worked is at 83.9% of the UK average for 2006. Manufacturing productivity had also made a recovery in recent years until the economic downturn. Tourism revenue has continued to grow since 2001. Employment levels experienced a period of growth between 1999 and 2006 recording an increase of 9.5% in the working age population in employment. The number of people registered as unemployed in Northern Ireland has dramatically decreased since the late 1990s. The unemployment rate has improved from 7.4% in 1999 to 4.5% in 2006.

2.4.5 In Innovation and Research, in house business expenditure on R&D accounted for 0.62% of GVA for Northern Ireland in 2007. This compares to 1.29% for the UK as a whole. Northern Ireland businesses would have needed to invest some £190 million more in R&D in 2007 to reach the UK average. 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 762 projects. This support will help Northern Ireland towards increasing its R&D expenditure.

2.4.6 Regarding innovation activities, 11 per cent of NI firms have cooperation arrangements on technological innovation activities with other enterprises or institutions. In addition, during 2004-06, the proportions of enterprises that were product innovators in NI (20 per cent) and the UK (22 per cent) were similar to 2002-04, as were the proportions of process innovators (NI: 11 per cent; UK: 12 per cent). In the three-year period 2004-2006, 57% of enterprises in Northern Ireland were innovative active, comparing to the equivalent UK figure of 64%. NI's innovation rate has therefore remained

relatively unchanged compared to the 2005 survey (56 per cent), however the gap between NI and the UK (2005 survey: 57 per cent) has widened. 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.

2.4.5 In terms of entrepreneurial activity, the Global Entrepreneurship Monitor UK Survey shows that in 2008, 4.8% of the adult population in Northern Ireland were involved in such activity compared with 5.8% for the UK. Northern Ireland has surpassed Wales in terms of VAT registrations with 32 per 10,000 populations in 2007, although this is still considerably short of the UK average of 42. Exports were estimated to be worth £5.46 billion in 2008, which represents an increase of 8.6% over the year, and an increase of 56% over the nine year period 1999 to 2008.

2.4.6 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 190,000 annual participants of training funded by the BSP Programme.

2.4.7 The employment rate in Northern Ireland stands at 68.8% (Oct – Dec 2008) of the working age population. This is significantly below the UK rate of 74.1% and 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 EU27, which currently stands at 66.7%, but is currently below both the Lisbon target of 70% and just reaches the Stockholm intermediate target of 67%.

2.4.8 The need for training measures in Northern Ireland is justified by the fact that only in Q1 2009, 83.2% of economically active adults in NI were qualified to NVQ level 1 or above. The UK figure is higher at 91.3%. At NVQ level 4 or above, the figures are 31.6% for Northern Ireland and 32.9% for the UK. For 16 to 19 year olds, 56.1% are qualified to NVQ level 2 or above in Northern Ireland compared to 63.6% in the UK as a whole, whereas for NVQ level 3 or

above the figures are 21.4% for Northern Ireland and 23.9% for the UK. For those within employment, 9.1% of employees received job-related training within the last 4 weeks compared to 14.3% 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.

2.4.9 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

2008 is the last year of operation for the ESF, EAGGF and FIFG measures in the Programme. The ERDF measures all closed in line with programme Commission Decision at the end of December 2007 and have moved into closure mode. Final declarations of expenditure and final closure implementation reports will now be prepared for submission to the Commission.

By the end of December 2008, some 93% of the expenditure available had been claimed, while there are no formal N+2 targets for 2008 as it is the end of the programme ESF, EAGGF and FIFG continued to keep spend up. During this final year of the programmes the Managing Authority continued to carry out regular drawdowns of expenditure.

The Managing Authority has continued to take steps to ensure that the departments record not only the financial implementation but also non-financial data, to allow for an accurate assessment of the success of the Programme against original targets. Significant progress has been made on this issue and the Managing Authority is confident that the Programme will achieve 100% coverage.

By the end of the year, Priority 1 Economic Growth and Competitiveness had declared €497.232 million. During the bi-laterals, the Managing Authority emphasised the importance of completing the non financial coverage on the Central Database. DETI is currently in the process of inputting the remaining information on the Central Database.

Priority 2 - Employment, continued to record good progress during 2008 and by the end of December this priority had declared €541.410m. The ESF element of the Programme continues to perform extremely well and the Managing Authority is confident that all the targets for this priority will be met.

In Priority 3 measures are again closed from the end of 2007 however some €65.476m has been certified to the European Commission. Final balances will be declared during the closure process

For Priority 4 covering Agriculture, Rural Development, Forestry and Fisheries activities the priority has continued to perform well during 2008. Some €212.834 has been declared to the European Commission

A reallocation across Priority 4 Measures was also agreed by the Monitoring Committee by written procedure in December 2008 and an amended Programme Complement was duly sent to the European Commission.

As 2008 was to be the final year for EAGGF & FIFG expenditure, no formal N+2 target applied however DARD availed of the Commission's 6 month's extension to the Programme for both EAGGF & FIFG activities and will continue to maximise expenditure at project level during this period. .

This chapter contains further information at Priority level and more detailed measure level information is appended at Annex I.

3.1.1 N+2 Targets

There are no formal n+2 targets for ESF, EAGGF and FIFG in 2008 however spend continued at a high level. Table 1, on page 75, details expenditure at 31 December 2008 against the total value of the Programme. It should be noted however that DARD has availed of the Commission's 6 month extension to the Programme for both EAGGF and FIFG and will continue to maximise expenditure at project level during this period.

As this is the final year for ESF, EAGGF and FIFG expenditure, the Managing Authority is now working towards preparation and submission of closure documentation in line with regulatory requirements.

3.1.2 Administrative issues

During 2008, the Managing Authority continued to meet with Departments bi-annually to discuss difficulties and ensure that appropriate remedial action is taken as necessary

3.1.3 Closure

~~Work is well advanced with the ERDF measures in closure and closure packs will be submitted by 31 July 2009 in line with regulatory requirements. Lessons learned from ERDF closure are informing processes for the remaining BSP Funds which will close during 2009.~~

Work is underway on closure across the Programme. ERDF will be the first Fund to close on 31st July 2009 this is in line with Regulatory requirements. Lessons learned from ERDF closure are informing processes for the remaining ESF, EAGGF, and FIFG Funds in BSP which will submit their closure packs in 2010.

3.1.4 Conclusion

Satisfactory progress was made in 2008 following remedial action identified by the Managing Authority and Departments to take account of circumstances during implementation.

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 AIR 2007	Update for 2008 reporting period
New VAT registrations per 10,000 resident adult population	29.6 (1998)	32.2 (2005)	33 (2006)
Net annual change in VAT registrations	53,800 (represent total stock of VAT businesses)	56,670 (2006)	58,135 (2007)
Total Workforce jobs in private sector	518,000	615,010 (June 2007)	625,570 (June 2008)
Exports as % of manufacturing sales	34%	34.2% (2006/07)	35.1% (2007/08)

% increase in business expenditure on R&D (BERD)	15%	6.0% in real terms between 2005 and 2006	7.0% in real terms between 2006 and 2007
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3.2.2 Creating the Conditions for Regional Competitiveness

Indicator	Initial Position	Position reported in 2007 AIR	Update for 2008 reporting period
Passenger numbers at airports	3,941 (thousands)	7,121 (2006) (thousands)	7,423 (2007) (thousands)
Freight handled at ports	19.6 (m tonnes)	24.5 (m tonnes)	23.9 (m tonnes)
Consumers using natural gas	Industry/ commerce 1,200 domestic 8,000	Industry/ commerce 8,000 Domestic 92,700	Industry/ commerce 11,100 Domestic 101,100
Reduction in emissions as a result of introduction of natural gas	89,500 tonnes – carbon 5,500 tonnes - sulphur dioxide	1,490,000 tonnes carbon 59,800 tonnes sulphur dioxide (end 2006)	1,740,000 tonnes carbon 67,500 tonnes sulphur dioxide (end 2007)

3.2.3 Urban and Social Revitalisation

Indicator	Initial Position	Position reported in 2007 AIR	Update for 2008 reporting period
(Lowest quartile)/ average earnings	26.6%	28.0% (2007)	27.7% (2008)
% of unemployed who have been for >1 year	54.0% (Mar-May 1999)	43.5% (Mar-May 2007)	29.9% (Mar-May 2008)

Unemployment - Difference between annual average claimant count in highest TTWA to annual average claimant count for NI ¹	2.2 percentage points (1999)	2.1% (2007)	2.3% (2008)
% households (with at least one person of working age) with no earner	20.6%	18.5% (Apr-Jun 2006)	19.5% (2006/07)

3.2.4 Agricultural, Rural Development, Forestry & Fisheries

Indicator	Initial Position	Position reported in 2006 AIR	Position reported in 2007 AIR	Update for 2008 reporting period
Total income from Farming	34.6 (index in real terms 1995 = 100) (2000)	42.8 (index in real terms 1995=100) (2006)	60.0 (<i>index in real terms 1995=100</i>) (2007)	56.7 (<i>index in real terms, 1995=100</i>) (2008)
Employment in the food and related sectors	24,050	22,850 (2004)	22,605 (2005)	(2006)

¹ TTWA – Travel To Work Area

3.3 PHYSICAL AND FINANCIAL PROGRESS

3.3.1 Priority 1: Economic Growth and Competitiveness

Priority	Total Priority Value (€)	Expenditure Declared (€)	% of expenditure declared	ERDF proportion of expenditure declared (€)
1	529,020,000	497,232,101	93.99	355,532,227

Priority	Total Number of Applications	Total Number of Approved Applications	%
1	225	206	91.56

This Priority is worth €529.020m. Spend in this Priority was completed in December and € 497.232m declared to the Commission at the end of 2008. Work continues through the closure process to finalise expenditure in this priority.

Work continues with DGREGIO auditors to bring all outstanding issues from systems and project audit visits. Full details are reported in Chapter 5.

Measure 1.1 promotes enterprise and company competitiveness through business support. This measure which was implemented by Invest NI has promoted enterprise and company competitiveness through business support schemes such as EMIS, Home Start, Pre-Start Incentive and Growth Start were supported and have proved successful. The measure completed in 2007. The measure has been successful in terms of jobs created exceeding targets set for the measure through schemes such as the Growth Major and Growth Minor. During 2008 the focus has been on finalising the expenditure position, updating the database and working with the Managing Authority to clear audit/compliance issues raised by EC Audits e.g. Trigger Points. €106.624m, 96.42% of the allocated funding has been declared to the Commission.

Measure 1.2 This Invest NI measure has supported a number of Research & Technology Development schemes over the duration of the programme. Schemes such as the Environmental Audit Support, Knowledge Transfer Programme, Start, Compete, Green Economy and Smart schemes, have all

proved successful. The measure completed in 2007. During 2008 the focus has been on finalising the expenditure position, updating the database and clearing irregularities. Some €83.606m, 98.07% of the available funding has been declared to the European Commission with remainder of the expenditure will be declared in the final claim.

Measure 1.3 Tourism is delivered by the Northern Ireland Tourist Board and INVEST NI. Both sub-measures are now fully completed and €55.817m (89.17%) has been declared to the European Commission. Through Tourism Strategic Marketing this measure has supported the NI Tourist Board's strategic marketing of Northern Ireland as a tourist destination. NITB activities under the measure included publications, marketing campaigns and development of a website. The measure completed in 2007. During 2008 the focus has been on finalising the expenditure position, updating the database and working with the Managing Authority to clear audit/compliance issues raised by DGREGIO Audits e.g. NITB fire.

This second element of this measure was delivered in partnership by the Northern Ireland Tourist Board and Invest Northern Ireland and completed in 2007. The objective of the measure was the enhancement of tourism through the growth and development of the NI tourism product and infrastructure as well as increasing international competitiveness. During the Programme period, Northern Ireland experienced significant growth in the tourism market, both in terms of visitor number and revenue regeneration. During the lifetime of this measure projects which encouraged expansion, redevelopment, and job creation were supported.

Measure 1.4 Local Economic Development has assisted Northern Ireland's 26 District Councils to implement key programmes identified in their Local Economic Development Action Plans. ERDF monies were match funded by the Councils allowing a varied range of programmes to be delivered. Programmes ranging from collaborative partnerships to address specific sector needs across the regions, to the development of workspace provision, restoration of major tourism attractions which have resulted in a reported increase in footfall to trade development programmes, helping local companies develop their knowledge of export markets have all been delivered. The Measure completed in 2007 and was independently evaluated and reported that some 8,454 business creations had resulted from the measure in addition to 14,201 jobs being created. The

majority of the projects are now completed and €63.384m (79.23%) has been declared to the Commission and while this figure may seem low, at this stage, the Implementing Department still expects to drawdown the majority of the measure value. They do expect a small shortfall in this measure due to exchange rate losses incurred throughout the Programme but it is anticipated that this will be offset by overspends in other measures. During 2008 the focus has been on finalising the expenditure position, updating the database and clearing irregularities.

Measure 1.5 Information Society – The rationale of this measure was to attempt to restructure Northern Ireland's industrial base and shift the focus from declining industries to focus on Information and Communications Technology (ICT). The opportunities for industries centred upon the rapid technological advances in ICTs were seen to provide a real opportunity for growth. The rapid growth in the digital economy outside Northern Ireland meant that to become competitive, that changes were urgently required. A number of Invest NI schemes were supported under the measure including an e-business team providing technical advice and financial support which facilitated client companies to consider ICT solutions to improve their competitiveness and capability. The measure completed in 2007. During 2008 the focus has been on finalising the expenditure position, updating the database and clearing irregularities. Some €13.424m has been declared which represents almost 85.68% of this measure. As part of the reallocations agreed by the Monitoring Committee this measure's value was slightly reduced.

Measure 1.6 Roads and Transport has performed well throughout the Programme by declaring €115.631m, 101.64% of the measure to the Commission. All projects which were funded from this Measure are complete and all expenditure has been declared to the Commission.

Measure 1.7 Telecoms – This measure has supported DETI projects such as the Broadband Fund, Broadband Flagship Initiative, 100% Broadband project and the Department of Education's C2K project. The measure completed in 2007 and all main targets were achieved or exceeded. During 2008 the focus has been on finalising the expenditure position, updating the database and clearing irregularities. Some €36.478m (93.60%) has been declared to the Commission. The implementing Body is confident that the remaining expenditure from this measure will be declared in the final claim.

Measure 1.8 Energy is delivered through 2 sub-Measures and expenditure has substantially been completed. €22.268m, 100.43% of the measure has been declared to the Commission. One sub-measure provided a significant amount of funding towards the North-West gas pipeline, approved by the Commission as a major project and which was completed in 2004. At the end of 2007 the pipeline had 1949 customers connections located throughout the region. During 2008 the focus was on clearing outstanding issues in preparation for closure. The other sub measure delivered energy efficiency measures - the Energy demonstration scheme aimed at encouraging energy efficiency was taken forward under this measure and has proven very successful. The activities supported have promoted the sustainable use of energy and the development of new and renewable forms of energy where it is economically attractive and environmentally acceptable. Like the earlier sub measure this element is in preparation for closure.

Priority Level Indicators

Progress to end 2008 shows that the achievement for SMEs supported is around 50% of the target. There have been 15,753 jobs created to end 2008, some 50% above the target figure.

The R&D element of this Priority has progressed well reaching 762 projects supported compared to the set target of 286. The latest position for projects completing successfully, at 85.96%, is above its target of 80%. However, the timing of the projects being assisted influences achievement of this particular target.

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.

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.

The Tourism sector has also benefited from the creation of 5,920 gross additional jobs from the beginning of the programme. In addition, tourism pure visitor numbers have increased by 33% from the 2000 baseline. This demonstrates significant advancement for the tourism sector following the events of 2001.

	Indicator	Target	Progress to end December 2008
Output	<i>Support to SMEs</i> SMEs supported	3,600	1,752
Result	Gross jobs created	8,400	15,753
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	762
Result	% of supported projects completing successfully	80%	85.96%
Impact	Increase in Business Expenditure in R&D	15%	Not to be reported on until the end of the Programme
Output	<u>Tourism</u> 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	5,920
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	480,000 visitors for the year (preliminary forecast)

Source: DETI; EU Structural Funds Central Database

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. The target for the number of bypasses was met, as was the target for the total number of kilometers 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 will meet expected future demand. A throughpass at Omagh has also been 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 was opened in September 2008. Translink have also purchased new trains to run on the network, thus providing more sustainable movement of people.

	Indicator	Target	Progress to End December 2008
Output	<u>Roads</u> By-pass schemes	3	All 3 Bypasses completed
Result	Km of new carriageway	12.1 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%

	Indicator	Target	Progress to End December 2008
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	Lisburn Station was officially opened on 8 September 2008.
Result	New passenger and staff facilities	1 rural bus station	Lisburn Station was officially opened on 8 September 2008.
Impact	Improvement in accessibility, social inclusion and more sustainable movement of people	No target	Lisburn Station was officially opened on 8 September 2008.
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

3.3.2 Priority 2: Employment

Priority	Total Priority Value (€)	Expenditure Declared (€)	% of expenditure declared	ERDF proportion of expenditure declared (€)	ESF proportion of expenditure declared (€)
2	566,345,000	541,411,527	95.60	49,977,311	271,079,323

Priority	Total Number of Applications	Total Number of Approved Applications	%
2	505	274	54.26

A total of €566m has been allocated to this Priority. ESF spend is due to be completed in 2009 and this priority remains well on target to meet all its spending targets. To date claims totaling €541.412m have been submitted to the European 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 for which it shares responsibility with the Department of Education (DE). The two Departments also share responsibility for delivery of the one ERDF Measure within the Priority, Measure 5. However, DE with 95% of the Measure allocation leads on this Measure.

A total of 197 third party projects and 9 Government projects have been assisted by ESF during the lifetime of the Programme. On the basis of beneficiary (annual participant) data at 31 December 2008, DEL ESF Measures have delivered the training of 191,521 beneficiaries (annual participants) against the overall target of 184,800. The ESF funding stream within Priority 2 is progressing well towards spending its full allocation.

DEL has completed Article 4 Checks for each successful project under the 3 calls and is satisfied that all their measures are progressing to full expenditure allocation.

Measure 2.1 Education and Skills is fully committed and has declared €194.936m (100.21%) to the European Commission.

Tackling long term unemployment under Measure 2.2 has funded 18 projects from the further education and voluntary & community sectors. The Measure has declared €9.281m (94.99%) to the Commission.

Under Measure 2.3 Promoting a labour market open to all assistance has been provided to 50 training projects. €114.196m has been declared to the European Commission which represents 109.46% of the Measure value.

Measure 2.4 is delivered through DE and DEL. DEL's Essential Skills training project commenced in April 2005 and spend is still ongoing with another claim due to be made from the Commission. As a result of the success of the DE 'Primary Attendance Matters (PAM) scheme' and a change in the method of calculation less pupils were referred to the EWS. Although there were some disappointments with regard to acceptable attendance levels an overall improvement in attendance was achieved in most cases. The most recent overall (Primary and Post Primary schools) figure for unauthorised absences is 1.1% for the Primary sector and 2.6% for Post Primary. These figures are based on total half day absences. A total of £14m has been declared to date. The remainder will be declared early in 2009. Overall, the Measure has declared €21.688m which represents 66.79% of the Measure value.

Measure 2.5 is the only ERDF Measure within this Priority. DE is responsible for the majority of the expenditure in this Measure. Following the Commission Decision of December 2006 to approve the Classroom 2000 (C2K) as a major project, the Department has identified further projects to absorb the remaining expenditure from the Measure. The C2k and passive infrastructure element of measure 2.5 has been completed and has met all targets. While EU support for C2k has ended the legacy of the support is still in evidence. As a result of the reduction in support for the C2k element regarding the major project application six additional projects were brought into the measure. These six projects were to improve school infrastructure and accommodation. Some difficulties were encountered in arriving at an appropriate figure for teaching areas but these were resolved by liaising with the architects and quantity surveyors. Again these projects will provide a quality infrastructure for years to come.

Under the share of Measure 2.5, managed by DEL, a total of 0.570m ERDF assistance was awarded to 35 projects under the second and final call. The

second call projects started on 1 April 2006 for a 12 month period and they will support successful third Call projects receiving ESF funding. Article 4 checks have been completed for all projects receiving ERDF assistance.

Measure 2.6 Developing Entrepreneurship did not operate during the 3rd call. Full commitment of €2.361 (100.29%) has been declared to the Commission.

Measure 2.7 HRD Development in Companies has also declared full commitment of €79.510 (103.07%).

The Advancement of Women (Measure 2.8) is making good progress following a slow start. The Measure has assisted a total of 59 projects and has declared €19.483m to the Commission. This represents 82.12% of the Measure value.

Nine DEL claims totalling €271.079m ESF have been submitted to date to the Commission. This represents 95.12% of the total ESF allocation to DEL Measures under this Programme and exceeded the December 2008 N+2 ESF target of €270.95m. The final claim under BSP will be submitted in early 2009. DE claims totalling approximately €9.5m has been submitted to the Commission and it is expected that the remaining expenditure will be drawn down during 2008.

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 also exceeded the target figure. Over 94% of the target figure for number entering employment has been met and this demonstrates the impact that this Measure is having. In addition, over

13,500 unemployed individuals have achieved positive outcomes under this policy field, representing 97% of the target. These latest indicator figures demonstrate considerable progress under this policy field.

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

This policy field has shown good progress with 96% of the target for beneficiaries met. The qualifications target has achieved 90% of its target. Over 4,300 unemployed people have entered employment, which represents 117% of the target. Progress has also been positive under this policy field.

- *Lifelong Learning*

The number of participants has exceeded its set target by 18% which demonstrates considerable achievement given that a suitable scheme was only identified in late 2004. The qualifications target has also been exceeded (by 71%) whilst all participants in training have achieved a positive outcome.

	Indicator	Target (as revised at June 2005)	Progress to End December 2008
	<i>Active labour market measures</i>		
Output	Number of annual participants	48,100	49,995 (33% female)
Result	Number of qualifications gained	7,400	7,539
Output	Number of individual trainees	31,800	31,929
Result	Number of individual trainees gaining qualifications	5,600	6,567
Impact	Number of unemployed entering employment	10,600	10,021
Impact	Number of unemployed achieving positive outcomes	14,100	13,657
	<i>Equal opportunities for all in accessing the labour market</i>		
Output	Number of annual participants	45,000	43,128 (39% female)
Result	Number of qualifications gained	21,900	19,679

	Indicator	Target (as revised at June 2005)	Progress to End December 2008
Output	Number of individual trainees	35,400	31,140
Result	Number of individual trainees gaining qualifications	14,000	9,742
Impact	Number of unemployed entering employment	3,700	4,322
Output	<i>Lifelong Learning</i> Number of individual trainees	20,000	23,521 (56% female)
Result	Number of qualifications gained	8,000	13,700
Impact	% achieving positive outcomes	40%	100%
Output	<i>Adaptability and entrepreneurship</i> Number of annual participants	54,200	52,765 (27% female)
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	21,112 (100% female)
Result	Number of qualifications gained	4,400	7,336
Output	Number of individual trainees	12,500	16,297
Result	Number of individual trainees gaining qualifications	4,100	6,359
Impact	Number of unemployed entering employment	2,500	2,902
Impact	Number achieving positive outcomes	2,600	4,225

	Indicator	Target (as revised at June 2005)	Progress to End December 2008
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	277 schools
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. 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, 2006 information from the Global Entrepreneurship Monitor for Northern Ireland shows that female entrepreneurship activity stands at 2.2% of the total female adult population compared to a rate of 5.2% 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*

The current position sees the actual beneficiaries (21,112) figure at 21% above its target which demonstrates considerable achievement after a relatively slow start. The qualifications achieved indicator has exceeded its target by 67%. Around 2,900 participants have entered employment, whilst a further 4,225 have achieved positive outcomes.

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.

3.3.3 Priority 3: Urban and Social Revitalisation

Priority	Total Priority Value (€)	Expenditure Declared (€)	% of expenditure declared	ERDF proportion of expenditure declared (€)
3	70,900,000	65,476,144	92.35	45,626,950

Priority	Total Number of Applications	Total Number of Approved Applications	%
3	195	59	30.26

A total of €70.9m has been allocated to this Priority. ERDF activity ended in 2007 and this priority remains well on target to meet all its spending targets. To date claims totaling €65.476m have been submitted to the European Commission final expenditure will be included as part of the closure process..

As previously reported in 2007, Measure 3.1 had been fully expended. However, due to Internal Audit findings within DSD on Measure 3.3, the Monitoring Committee agreed to transfer a significant amount of funding from Measure 3.3 to Measure 3.1. DSD were able to increase the awards in existing Projects thus maximizing spend in the Measure. Expenditure declared from

this Measure is currently €44.700m, which following the transfer of funds, represents 89.12%.

Measure 3.2 Advice and Support has declared expenditure of €2.667m (94.24%) to the Commission. Post Project Evaluations carried out on this Measure have shown that accessibility to advice services have improved, particularly for those with special needs during the lifetime of the Programme.

Measure 3.4 Investing in Early Learning is now complete and has achieved all its objectives.

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 the table below includes details of the performance of Priority 3 against its set targets and indicators.

	Indicator	Target	Progress to End December 2008
Output	<i>Urban & Social Revitalisation</i> Number of projects / organisations / schemes funded/assisted	No target	4 groups funded to March 2007. 3 further groups funded to September 2007. There was no activity in 2008
Result	Increase in employment in local area	No target	There are no statistics readily available on increase in employment arising from improved delivery of advice services – to be reported on for closure

	Indicator	Target	Progress to End December 2008
Impact	Evidence of a positive impact in the local area attributed to assisted projects / organisations / schemes	No target	Post project evaluations show evidence of improved accessibility to advice services, particularly those with special needs.
Output	Community organisations assisted	100	17 sub-regional groups supported up to end of March 2007. The target for community organisations assisted has been significantly exceeded.
Result	Number of support hours delivered over the life of the programme	2,000	This target has been significantly exceeded with over 20,000 direct support hours delivered from the start of the programme to March 2007. there was no activity in 2008
Impact	Evidence of sustainability in the community organisations assisted	No target	In addition to the sub regional support groups gaining sustainable funding from the Neighbourhood Renewal Programme and Regional Infrastructure Funding, 17 groups have secured sustainable mainstream funding from the Community Investment Fund.

Source: DSD; EU Structural Funds Central Database

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 55, resulting in the provision of some 1,928 additional full time and part-time nursery places and the creation of 62

additional posts for teachers and 84 additional posts for classroom assistants (Figures for measure 3.4 were revised downwards due to amendments on the database concerning projects dates).

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

Priority	Total Priority Value (€)	Expenditure Declared (€)	% of expenditure declared	EAGGF proportion of expenditure declared (€)	FIFG proportion of expenditure declared (€)
4	257,871,000	212,833,921	82.54	63,153,557	27,732,278

Priority	Total Number of Applications	Total Number of Approved Applications	%
4	1665	879	52.79

Agriculture, Rural Development, Forestry and Fisheries has performed well during 2008 and the Priority has declared a combined total of €212.834m for EAGGF and FIFG to the European Commission.

The exchange rate fluctuation meant that DARD had significantly more Euros to spend in the last year of the programme when the vast majority of projects were closing. The economic downturn also meant that many [private enterprises in receipt of EAGGF Letters of Offer decided not to proceed or significantly downscale planned projects and this led to slippage at project level.

Actions taken to address this slippage included a thorough review of all EAGGF projects, identifying where further eligible spend was possible and approving enhancements or extending LoO's where possible.

A reallocation across Priority 4 Measures was also agreed by the Monitoring Committee by written procedure, in December 2008, and an amended Programme Complement was duly sent to the European Commission.

As 2008 was to be the final year for EAGGF & FIFG expenditure, no N+2 target applied however DARD availed of the Commission's 6 month's extension to the Programmes for both EAGGF & FIFG and will continue to maximise expenditure at project level during this period. .

The Managing Authority is expected to make its final claim for EAGGF & FIFG expenditure in March 2010

Measure 4.1 Training - Expenditure had slowed significantly since the closure of the Beef Quality Initiative and Good Business Sense training programmes in the last quarter of 2005. As a result of this, the projected shortfall in expenditure at the end of the programme was reallocated to other DARD BSP Measures.

Physical performance for the short courses project (008829) has been steady with 79.4% (69,451) of the trainee days delivered target (87,500), and 99.5% (50,233) of the number of beneficiaries target achieved (50,500).

The measure closed at 31 March 2007.

Measure 4.2 Processing and Marketing of Agricultural Products - Uptake under this Measure was very good. The Measure exceeded original targets providing grant assistance to 99 projects, covering a range of sectors in the Agri-Food Industry, and committing £28.7m of EU grant aid. Project expenditure is ongoing with £3.89m EU grant aid paid from 1st Jan 2008 to 31st Dec 2008 which brings the total EU grant aid paid under the Measure to £24.16m. With only 14 payments to be made before April 09 expected shortfall will be around £3m. This shortfall is due to some larger projects downsizing, withdrawing and expenditure becoming ineligible.

Measure 4.5 Marketing of Quality Agricultural Products - Uptake of this measure was disappointing despite active publication by DARD. Funding was awarded to 21 projects, covering a range of sectors with a Commitment of £826K of EU grant aid. All of these projects were completed by 31st Dec 08 with one final payment to be made by the end of Feb 09.

Project expenditure from 1st Jan 08 to 31 Dec 08 was approx £68K EU Grant Aid which brings the total EU grant aid paid under the Measure to approx £422K.

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 Setting up Farm Relief and Farm Management Services - Whilst uptake on this measure has been disappointing the performance of the 2 projects which have been supported has been good. One project was completed in 2006 whilst the other remains operational. Total funding of £124.3k has been made under this measure.

Measure 4.6 Basic Services for the Rural Economy and Population - This Measure has 4 separate elements each attracting different types of applications/projects - those from the non-profit - taking sector, the profit-taking sector, sectoral applications and area-based applications.

Under the non profit-taking element of this Measure, funding to projects is provided through the Rural Development Council. 24 projects have been awarded funding totalling £2.076m with all of these projects now completed.

Measure 4.7 Renovation and Development of Villages and Protection and Conservation of the Rural Heritage - This Measure has 4 separate elements, each attracting different types of applications/projects – those from the non-profit-taking sector, the profit-taking sector, sectoral applications and area-based applications.

Under the non profit-taking element of this Measure (Local Regeneration), funding to projects is provided through the Rural Development Council and capacity building support is provided through the Rural Community Network, 12 Rural Support Networks and Northern Ireland Rural Women's Network.

Under the non profit-taking element of this Measure funding to projects is provided through the Rural Development Council. 39 projects have been awarded funding totalling £2.04m with all of these projects now completed.

Measure 4.8 Diversification of agricultural activities and activities close to agriculture to provide multiple activities or alternative incomes - This measure has supported 3 projects in the Profit taking and Sectoral elements of the programme awarding total funding of £0.4m. Two projects have been completed under the profit taking element with one under the Sectoral element

nearing completion. One Project supported under this measure, Ringdufferin Country Club has been sold. Recovery has been sought and refund received by the Department.

Measure 4.9 Development and Improvement of Infrastructure connected with the Development of Agriculture - This Measure has 4 separate elements, each attracting different types of applications/projects – those from the non-profit-taking sector, the profit-taking sector, sectoral applications and area-based applications.

Under the non profit-taking element of this Measure funding to projects is provided through the Rural Development Council. 17 projects have been awarded funding totalling £1.774m with all of these projects now completed.

Measure 4.10 Encouragement for Tourist and Craft Activities - This Measure has 4 separate elements, each attracting different types of applications/projects – those from the non-profit-taking sector, the profit-taking sector, sectoral applications and area-based applications.

Under the non profit-taking element of this Measure funding to projects is provided through the Rural Development Council. 8 projects have been awarded funding totalling £0.56m with all of these projects now completed.

Measure 4.11 Protection of the Environment in connection with agriculture, forestry and landscape conservation as well as the improvement of animal welfare - This Measure has 4 separate elements, each attracting different types of applications/projects – those from the non-profit-taking sector, the profit-taking sector, sectoral applications and area-based applications.

Under the non profit-taking element of this Measure funding to projects is provided through the Rural Development Council. 15 projects have been awarded funding totalling £1.27m with all of these projects now completed.

Measure 4.12 Financial Engineering - This Measure had 2 separate elements, each attracting different types of applications – those from the profit-taking sector and sectoral applications. No applications were successful under the Profit Taking competition.

Two projects have been approved under the sectoral element, full expenditure has been achieved and output and results targets have been met.

Measure 4.13 Fisheries - This Measure comprises 11 sub-Measures providing a broad range of support for the fishing sector.

Overall progress at Measure level has been good with commitment reaching £33.39M and expenditure totalling £32.93M which is made up of EU, NAT and Private expenditure. These figures also include expenditure for 2009 to date from the extension that was approved.

Achievements to date include:

- 48 vessels decommissioned
- 29 vessel owners compensated for tying-up their vessels to allow for recovery of cod stocks
- 6 safety equipment projects supported
- 20 vessels participating in the marketing and quality on board fishing vessels scheme
- 23 projects assisted under improvement to facilities at NI fishing ports
- 13 aquaculture projects assisted
- 4 marketing initiatives supported
- 27 projects assisted under the collective operations scheme
- 13 fish processors assisted in schemes such as live shellfish export and value-added production
- 1 small scale and coastal project assisted.

Priority Level Indicators

Physical achievement for the training Measure shows that over 69,000 training days had been delivered by the end of December 2008 resulting in around 50,200 people acquiring increased competency by benefiting from the training.

	Indicator	Target	Progress to End December 2008
Output	<i>Agriculture, Rural Development, Forestry & Fisheries</i> Number of projects and programmes receiving support for local regeneration, sectoral development, fleet modernisation and food/fish processing	420	653 (December 2007's figure of 708 has been amended as it was previously based on all 4.13A-K projects rather than only the sub-measure projects that related to fleet modernisation and food/fish processing)
Result	Number of gross full-time equivalent jobs	220	134.5 (revised downward from 209, in fisheries measures as figure was incorrectly based on target jobs created rather than actual, the shortfall in actual vs target can be explained by some larger approved projects not actually starting)
Result	Number of vessels decommissioned	30	48
Result	Scrap and build of vessels	18	0 (The scrap and build measure was never opened)
Impact	Maintain employment in food and related sectors	24,700 employed	19,040
Output	Number of training days	87,500	69,451
Result	Number of beneficiaries	50,500	50,233
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, 653 projects and programmes have been supported, passing the set target. There have been 134.5 full-time equivalent jobs created by the end of December 2008, representing 61% 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.

3.3.5 Priority 5: The Environment

Priority	Total Priority Value (€)	Expenditure Declared (€)	% of expenditure declared	ERDF proportion of expenditure declared (€)
5	62,149,400	64,605,679	103.95	46,238,645

Priority	Total Number of Applications	Total Number of Approved Applications	%
5	39	23	58.97

This Priority is worth €62.149m. Expenditure of €64.606m has been declared to the Commission and this priority has met all its spending targets.

DRD has completed all projects under Measure 5.1. All expenditure was fully drawn down by 31 March 2007. From 1 April 2007 the Water Service, as an Executive Agency within the Department for Regional Development (DRD), changed status to become a private limited company, wholly owned by DRD, and operating as a commercial organisation under the trading name Northern Ireland Water Limited (NIWL). The Managing Authority informed the European Commission (on 6 March 2007) of this change of status and that this will have no effect on the projects approved to date, as the projects will still be used for the purpose for which the grants were originally given. However, if NIWL for commercial reasons, moved to sell the assets, within 5 years of the date of the letter of offer, they have been advised that a clawback will be made and the funds returned to the Commission.

DOE, the implementing body for the Sustainable Environment element of Priority 5, confirms that although full commitment was achieved by the DOE part of the Measure, after confirmation of exchange rates by DFP, the Measure is short of full commitment (£6.122m) by 171k.

The Measure has put into place a course of action which seeks to alleviate this underspend using previously unclaimed expenditure from one of our projects and this process is ongoing at present.

Priority Level Indicators

There has not been any activity within this measure in 2008 and so the summary below reflects the position reported in the 2007 annual implementation report.

Progress in this Priority has been good under the infrastructure element with 4 water treatment schemes and 2 sewage treatment schemes completed. 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 2008
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. 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 2008
Output	Air quality project for the 26 District Councils in Northern Ireland	1	1
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. BSP part funding is contributing towards enabling councils to achieve the requisite standards and objectives

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.

3.3.6 Technical Assistance

Priority	Total Priority Value (€)	Expenditure Declared (€)	% of expenditure declared	ERDF proportion of expenditure declared (€)
6	4,150,000	4,178,875	100.70	3,020,878

Priority	Total Number of Applications	Total Number of Approved Applications	%
6	17	16	94.12

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.

By the end of 2007, the Technical Assistance allocation had been fully utilised and declared to the European Commission. However, any activities funded by Technical Assistance which continued through 2008 were funded by DFP, European Division's internal budget.

Individual Priority and Indicator tables used in this section are summarised at programme level at Annex VII.

4 FINANCIAL IMPLEMENTATION OF THE ASSISTANCE

Financial Progress

Total Programme Value (€)	Expenditure Declared (€)	%
1,490,435,400	1,385,738,247	92.98

- Figures to include EU and Match

Breakdown of Financial Progress by Fund/match-funding

Fund	ERDF	ESF	EAGGF	FIFG
EU (€)	500,396,012	271,079,323	63,153,557	27,732,278
Match Funding (€)	231,051,411	170,377,580	107,106,719	14,841,366

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 meant that N+2 did not come into operation until end December 2003.

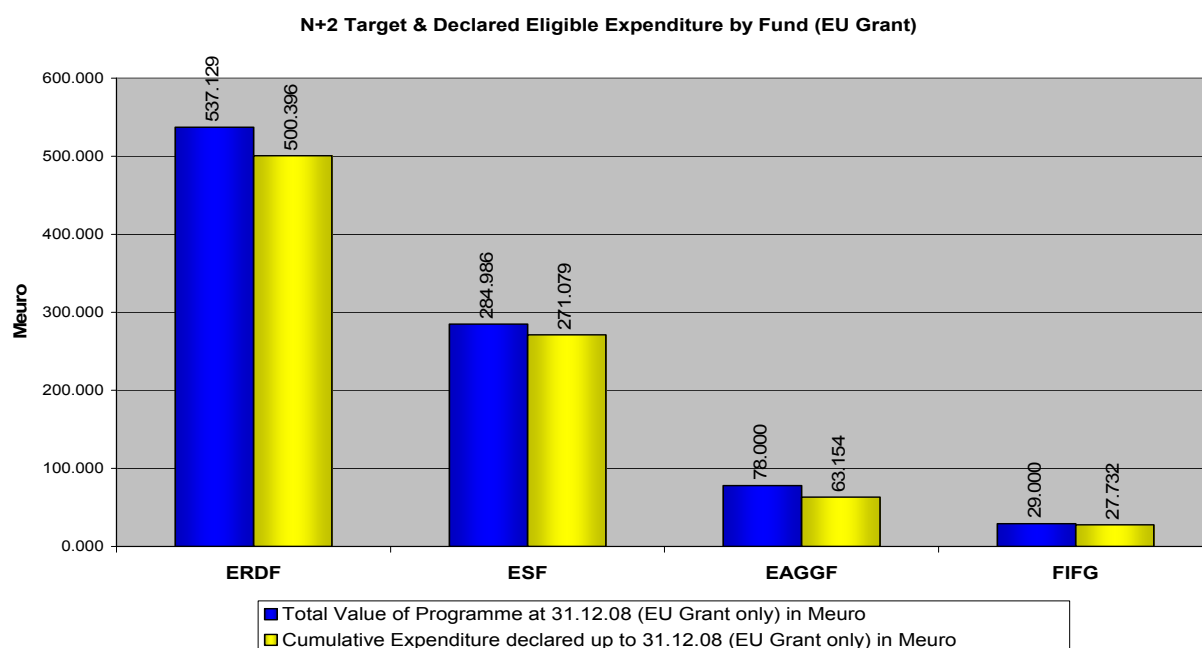
Progress by fund to 31 December 2008 is set out in Table 1 and Figure 1 below. Details of eligible and paid expenditure to end December 2008 can be found at Table 3, page 81

Table 1

Fund	Total Value of Programme at 31.12.08 (EU Grant only) in Meuro	Cumulative Expenditure declared up to 31.12.08 (EU Grant only) in Meuro
ERDF	537.129	500.396
ESF	284.986	271.079
EAGGF	78.000	63.154
FIFG	29.000	27.732

TOTAL	929.115	862.361
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Figure 1



Payments from European Commission

Payments received from the European Commission total €839.217m up to 31 December 2008 leaving an amount of approximately €23.144m, claimed but not received, outstanding. This amount reflects the claims submitted in November and December.

The ERDF and ESF elements of the Programme have reached the 95% limit and therefore no further payments will be received from the Commission until a successful closure of the Programme.

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

Table 2

Fund	Cumulative Value claims submitted up to 31.12.08 (EU Grant only) in €ms	Cumulative Amount Received (up to 31.12.08) in €ms
ERDF	500.396	475.027
ESF	271.079	270.737
EAGGF	63.154	66.452
FIFG	27.732	27.001
TOTAL	862.361	839.217

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

Commission Reference No. of the related Operational Programme: 1999 GB 161 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 & Certified Expenditure **	% of Eligible Cost ***	Other ****	Field of Intervention *****
	1	2	3+2/1		
PRIORITY 1					
Measure 1.1 Business Support	110.587	106.624	96.42%		161 (11%), 163 (71%), 164 (18%)
Measure 1.2 Research & Technology Development	85.253	83.606	98.07%		181 (20%), 182 (30%)
Measure 1.3 Tourism	62.600	55.817	89.17%		171 (41%), 172 (14%), 173 (45%)
Measure 1.4 Local Economic Development	80.000	63.384	79.23%		163 (25%), 164 (75%)
Measure 1.5 Information Society	15.667	13.424	85.68%		153 (30%), 163 (30%), 324 (40%)
Measure 1.6 Roads & Transport	113.767	115.631	101.64%		311 (6%), 312 (69%), 317 (19%), 318 (6%)
Measure 1.7 Telecoms	38.973	36.478	93.60%		312 (75%), 322 (25%)
Measure 1.8 Energy	22.173	22.268	100.43%		331(95%), 332 (2.5%), 333 (2.5%)
PRIORITY 2					
Measure 2.1 Education & Skills Development ESF	194.529	194.936	100.21%		21 (100%)
Measure 2.2 Tackling Flows into Long-Term Unemployment	9.771	9.281	94.99%		21 (100%)
Measure 2.3 Promoting a Labour Market Open to All	104.323	114.196	109.46%		22 (100%)
Measure 2.4 Improving Opportunities	32.474	21.688	66.79%		23 (100%)
Measure 2.5 Education/Training ICT & Infrastructure	122.028	99.955	81.91%		23 (100%)
Measure 2.6 Developing Entrepreneurship	2.354	2.361	100.29%		24 (100%)
Measure 2.7 HRD Development in Companies	77.141	79.510	103.07%		24 (100%)
Measure 2.8 Advancement of Women	23.725	19.483	82.12%		25 (100%)
PRIORITY 3					
Measure 3.1 Urban Revitalisation	50.156	44.700	89.12%		35 (100%)
Measure 3.2 Advice & Information Services	2.830	2.667	94.24%		36 (100%)
Measure 3.3 Community Sustainability	6.574	6.750	102.68%		36 (100%)
Measure 3.4 Investing in Early Learning	11.340	11.359	100.17%		22 (100%)
PRIORITY 4					
Measure 4.1 Agricultural Training	16.260	15.922	97.92%		113 (100%)
Measure 4.2 Improving Processing & Marketing	113.969	97.340	85.41%		114 (100%)
Measure 4.3 Forestry	0.000	0.000			121 (10%), 126 (90%)
Measure 4.4 Farm Relief & Management Services	0.388	0.286	73.71%		1303 (100%)
Measure 4.5 Marketing of Quality Agricultural Products	4.712	2.073	43.99%		1304 (100%)
Measure 4.6 Basic Services for the Rural Economy	12.751	8.286	64.98%		1305 (100%)
Measure 4.7 Renovation & Development of Villages	19.535	17.867	91.46%		1306 (100%)
Measure 4.8 Diversification of Agricultural Activities	1.169	1.174	100.43%		1307 (100%)
Measure 4.9 Development & Improvement of Infrastructure	15.149	6.521	43.05%		1309 (100%)
Measure 4.10 Encouragement for Tourism & Craft Activities	7.958	4.339	54.52%		1310 (100%)
Measure 4.11 Protection of the Environment	11.496	11.093	96.49%		1312 (100%)
Measure 4.12 Financial Engineering	6.222	5.358	86.12%		1313 (100%)
Measure 4.13 Fisheries	48.262	42.574	88.21%		141(18%),142(14%),143(27%),144(8%),145(28%),146(2%),147(3%)
Measure 5.1 Management, Protection & Enhancement	62.149	64.606	103.95%		181(1%),343(1%),344(55%),345(37%),1306(2%),1312(4%)
TECHNICAL ASSISTANCE					
Measure 6.1 Technical Assistance Measure	4.150	4.179	100.70%		411(34%),412(13%),413(13%),414(13%),415(27%)
TOTAL	1490.435	1385.737	92.98%		
ERDF RELATED	788.247	731.448	92.79%		
ESF RELATED	444.317	441.455	99.36%		
EAGGF RELATED	209.609	170.260	81.23%		
FIFG RELATED	48.262	42.574	88.21%		
of which					
Regions not receiving Transitional Support					
Regions receiving Transitional Support	1490.435	1385.737	92.98%		
Priority/Transitional Support					
Priority 1	Regions not receiving Transitional Support				
Priority 1	Regions receiving Transitional Support	529.020	497.232	93.99%	
Priority 2	Regions not receiving Transitional Support				
Priority 2	Regions receiving Transitional Support	566.345	541.410	95.60%	
Priority 3	Regions not receiving Transitional Support				
Priority 3	Regions receiving Transitional Support	70.900	65.476	92.35%	
Priority 4	Regions not receiving Transitional Support				
Priority 4	Regions receiving Transitional Support	257.871	212.834	82.53%	
Priority 5	Regions not receiving Transitional Support				
Priority 5	Regions receiving Transitional Support	62.149	64.606	103.95%	
Priority 6	Regions not receiving Transitional Support				
Priority 6	Regions receiving Transitional Support	4.150	4.179	100.70%	
TOTAL	1490.435	1385.737	92.98%		

* 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

** 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).

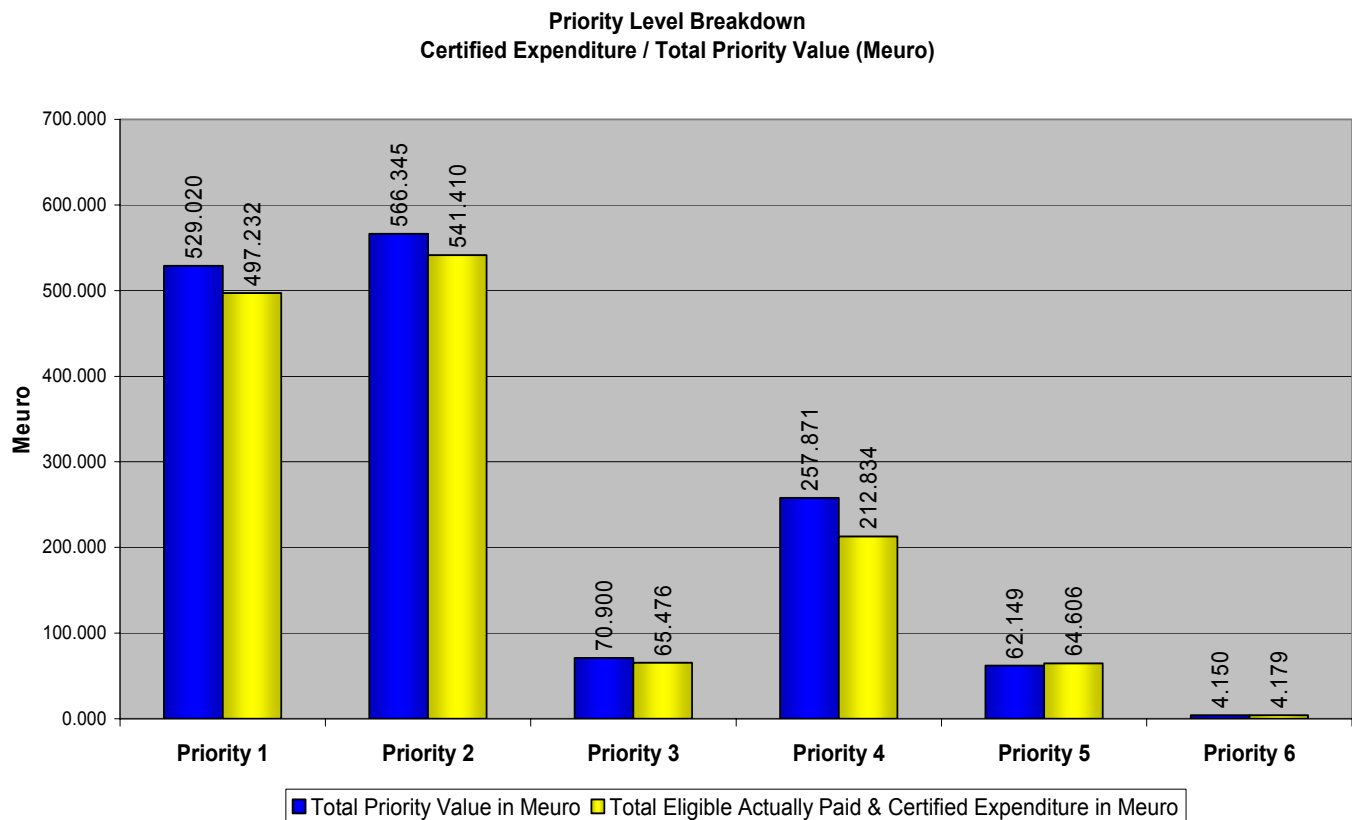
***** Only for Objective 1 and 2 and where applicable.

Table 4

	Total Priority Value in €m's	Total Eligible Actually Paid & Certified Expenditure in €m's	% of Eligible Cost
Priority 1	529.020	497.232	93.99%
Priority 2	566.345	541.410	95.60%
Priority 3	70.900	65.476	92.35%
Priority 4	257.871	212.834	82.57%
Priority 5	62.149	64.606	103.95%
Priority 6	4.150	4.179	100.70%
TOTAL	1490.435	1385.737	92.98%

Figures in this table may differ slightly than those in Annex II due to rounding

Figure 2



5 STEPS TAKEN TO ENSURE QUALITY & EFFECTIVENESS OF IMPLEMENTATION

5.1 INTERFACE WITH DEPARTMENTS

During 2008 the Managing Authority scheduled a series of bi-lateral meetings with the Implementing Departments in advance of the spring Monitoring Committee Meetings. The purpose of these meetings was for the Managing Authority and Departments to review 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, N+2 targets, 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 2008 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. Even though there were no formal N+2 targets for ESF, EAGGF and FIFG it ensured spend remained at the high levels required to achieve full programme targets

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.

The database has been live since 2001 and has been fully developed. In 2008 data from the central database was used to produce the list of beneficiaries of EU funding after 1st May 2007, to meet the requirements of the European Transparency Initiative. A full list of beneficiaries will be attached to the respective Closure report to be submitted to the Commission the first being ERDF by 31 July 2009,

During 2008, the project manager reviewed the database requirements of EU funding programmes during the closure period, beyond 31 December 2008. As a result an agreement was reached with the contractor to maintain the database facilities until 31 March 2010. Access to the public applications website was closed at the end of 2008.

5.3 SUPPORTING EFFECTIVE MONITORING COMMITTEES

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

5.4 PROGRAMME MONITORING COMMITTEE – WORK PROGRAMME 2008

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.

The BSP Monitoring Committee met on 24th April 2008 at the Marine Court Hotel in Bangor. Minutes of the meeting are attached at Annex IV. A summary of key decisions taken by the Monitoring Committee is attached at Annex VI.

5.5 PROGRAMME COMPLEMENT

Further to a revised Programme Complement being submitted to the Commission on 20 December 2007, approval was received on 11 March 2008.

At the Monitoring Committee meeting in April 2008, DARD advised that EAGGF may encounter difficulties in achieving full expenditure; these difficulties were mainly due to a number of potential decommitments at project level occurring within Measure 4.2 (Improving Processing and

Marketing of Agricultural Products) which is aimed exclusively at small and medium sized enterprises. In order to maximise EU drawdown, DARD anticipated that a further reallocation across its Measures would be required.

In addition to the problems encountered by projects under Measure 4.2 the increased strength of the Euro also had a significant impact right across Priority 4. In July 2008 the forecasting rate applied to EC receipts dropped from 1.40 to 1.257 which resulted in DARD being required to bring an additional amount of approximately £4m into the EAGGF Measures between March and December 2008 to reach the total Euro allocations for Priority 4 (i.e. EU+National+Private).

Despite the considerable impact that this had on EAGGF and the limited timeframe in which we are allowed to spend, DARD identified and worked through a number of actions to maximise the level of EAGGF expenditure since the last Programme Monitoring Committee. These actions included enhancements to existing DARD BSP projects as well as bringing innovative actions into the Programme from both DARD and other Departments.

Having completed a review of all EAGGF Measures, looking at the current allocations and projected uptake, DARD proposed a final round of reallocations across Priority 4. Monies were reallocate from underperforming Measures to those Measures such as 4.6 and 4.9 which were actually in a position to absorb additional EAGGF funding to allow DARD to maximise the amount of Euros which could be drawn down from the Commission.

The amendments were agreed by the Monitoring Committee by written procedure on 11 December 2008. The revised Programme Complement was forwarded to the Commission on 28th January 2009 and accepted by the Commission on 2 April 2009.

5.6 ANNUAL IMPLEMENTATION REPORT (AIR) 2007

The BSP AIR 2007 was submitted to the European Commission on 27 June 2008. On 10 July 2008, the Commission advised the Managing Authority that the report was admissible and subsequently declared the report satisfactory on 22 August 2008.

5.7 ANNUAL REVIEW MEETING

At the discretion of the Commission no Annual Review meeting was held in 2008.

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 continues to host the European Division website www.europe-dfpni.gov.uk.

Annex VIII 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. Of the other 5 working groups all have completed their work and 4 have submitted final reports to the Managing Authority with the fifth due in early 2009.

5.11 FINANCIAL CONTROL

Financial Control activities continued to be monitored during 2008 in liaison with all Fund Paying Authorities, Article 10 Teams, and Heads of Internal Audit Services and subject to the direction of the Managing Authority.

Co-ordinated reports under Article 13 of Commission Regulation (EC) No 438/2001 on financial control during 2007 were prepared and submitted within the required deadline of 30th June 2008. A separate report for each of the four Structural Funds was provided. The Commission have in principle approved the reports but have asked for further clarification on some points, for example on systems audits and differences in error rates. The reports will be uploaded

onto the EUD website when these points have been cleared with the Commission following the Annual Co-ordination Meeting in June 2009.

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 2008 confirmed values of BSP expenditure checked up to the end of 2008 by Fund as:

	%
ERDF	11.06
ESF	11.35
EAGGF	8.57
FIFG	12.80

Findings from Article 10 checks indicate that, while some enhancement of existing controls can be achieved, no systemic weaknesses have been reported and the relevant Departmental Internal Audit Branches provided assurances on the effectiveness of the control systems and procedures in place. Article 13 Reports on control activities have been prepared for 2008 and copies of these Fund Article 13 reports are included in Annex X.

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

The Article 10 Recording System, developed on the Central Database, is proving to be a valuable tool in both tracking and following up of any recommendations made as well as general monitoring of Article 10 reporting. It has also assisted in ensuring that Interim Payment applications are based on effective financial control systems and is facilitating the Closure process.

The annual forecast of Interim Payment Applications was co-ordinated 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) are normally reported to BERR for inclusion in the UK report to OLAF however due to an administrative oversight no new irregularities were reported to OLAF

during 2008 – this was corrected early in 2009 when 114 new cases were notified, 77 ERDF; 21 ESF; 15 EAGGF and 1 FIG.

The table below shows current state of play with regard to reported irregularities

FUND	Total cases reported to end 2007	Total cases reported in 2008	Cumulative cases reported to end 2008	Cumulative cases closed to end 2008	Closure rate
ERDF	72	Nil	72	71	98.61
ESF	7	Nil	7	7	100
EAGGF	13	Nil	13	10	76.92
FIG	1	Nil	1	1	100
TOTAL	93	Nil	93	89	95.70

NOTE: 33 of the ERDF cases and 4 of the EAGGF cases above were only sent to the Commission for information as the irregularity was detected before payment was made and therefore not included or had any impact on a claim.

Others where recovery has been affected have been removed from claims, in accordance with Commission Regulations. This situation is reflective of actions on irregularities across the life of the Programme.

Management checks in compliance with Article 4 of EC Regulation 438/2001 are carried out on all projects across the Programme. These comprise desk checks of claims and on-the-spot visits. A formal checklist has been developed for on-the-spot visits to ensure consistency of approach across the Programme. The Managing Authority reviews progress in this area at its bi-annual meetings with Implementing Departments.

At the bi-laterals held in January/February 2008 reviewing 2007 activities, some 1341 formal Article 4 checks have taken place across Programme Priorities as follows:

Priority 1	254	ERDF
Priority 2	297	ERDF=78, ESF=219
Priority 3	60	ERDF
Priority 4	692	EAGGF=474, FIFG=218
Priority 5	22	ERDF
<u>Priority 6</u>	<u>16</u>	ERDF
Total	1341	(ERDF 430 ESF 219 EAGGF 474 FIFG 218)

Many of the issues arising from these checks are in relation to declarations of ineligible spend/activities – this early detection provides an opportunity to refine and clarify processes/letters of offer in order to avoid more serious issues occurring in the latter stages of the project.

The outcome of all Article 4 checks are shared with Article 10 teams in order to inform their process of selection of projects for additional monitoring.

Article 4 checks will continue to be carried out across all projects throughout 2008.

5.12 EXTERNAL PROGRAMME AUDIT ACTIVITY

DGREGIO carried out ERDF audit visits on the BSP Programme in June 2005 and again in September 2007 to follow up on findings from the original ERDF systems audit in 2001. The initial findings from the June 2005 visit were reported in February 2006. These included issues around the ‘trigger points’ in DETI projects, designation of ‘Classroom 2000’ expenditure and the fires at NITB offices causing loss of some original documentation. In addition DGREGIO auditors carried out an individual project audit visit in 2006 where issues around KTP and Business Start funding and transparency were raised.

Work was progressed in 2008 to bring ERDF issues to a close. In response to the ‘triggers’ issue it, it was agreed that the DETI’s Internal Audit would carry out sample exercises on the eligibility of expenditure claimed to date to provide reassurance to the Commission. Terms of Reference specific to this exercise were agreed with DGREGIO auditors and the outcome of the work shared with them to bring the issue to conclusion. The Managing Authority excluded expenditure from these Measures during 2008 in declarations of

expenditure to the Commission until the audit issues were satisfied. The outcome of this additional verification work in agreement with DG REGIO Auditors was provided to the Commission.

Audit recommendations to make the expenditure declared on the Classroom 2000 (C2K) project in Measure 2.5 a 'major project' was taken through the application process during 2006 resulting in a Commission Decision in December 2006. Categorisation of eligible expenditure within the decision required a re-examination and correction of expenditure declarations already made for the project and the bringing forward of further eligible expenditure to complete measure expenditure. DE identified the required adjustments to the expenditure declared under this project and alternative expenditure to replace items now considered ineligible. The Managing Authority and the Implementing Body worked on this issue during 2008 to ensure that the remaining expenditure from this Measure was declared as part of the closure process.

The Managing Authority provided a formal response to the 2007 follow up audit on 10th October 2007 to address outstanding findings. It is hoped with the additional information, supplied by the Managing Authority since the audit, these will be reduced however final formal feedback from the Commission is unlikely to be received before the Regulatory deadlines for ERDF closure and this matter will be updated as part of the final BSP programme report due in 2010.

5.13 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 1,253 BSP projects approved before 31 December 2008, 100% had a DPA score, representing 100% of total funding awarded.

Approved Applications and Funding by DPA score

All Priorities				
DPA Path	No. of Approved Projects	% of Approved Projects	Total Funding (£ sterling)	% of Total Funding
1	958	76.5%	782,108,583	86.5%
2	66	5.3%	27,134,732	3.0%
3	74	5.9%	38,009,298	4.2%
4	4	0.3%	1,547,500	0.2%
5	99	7.9%	18,383,757	2.0%
6	52	4.2%	36,993,702	4.1%
Table Total	1,253	100%	904,177,473	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 87% of all funding. Path 5 (improving eco-efficiency) was allocated to 8% 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, (fewer than 1%) are allocated to Path 4 (helping existing firms meet increasing environmental standards).

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

The Classroom 2000 (C2K) major project application was approved by the Commission in December 2006 and received in the Managing Authority during January 2007.

During 2008, the Managing Authority, and the Department of Education (DE) worked together to conclude the exercise to re-examine and correct the expenditure which had already been declared for this project in compliance with the Commission decision. DE, the Implementing Body of Measure 2.5 has identified new projects to absorb the remaining expenditure from this measure and it is expected that this will be declared as part of the ERDF closure process in 2009.

The C2K programme has delivered a world-class ICT-based learning environment, which has been nationally accredited and internationally recognised. Measure targets have been met or exceeded in all cases. There have been no significant difficulties in implementing the project, and various checks found no major failures of management or control systems.