

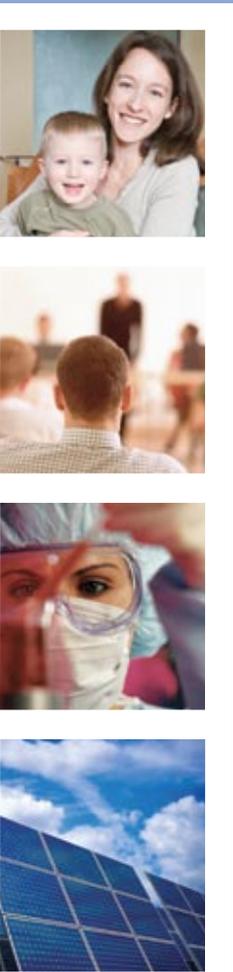
The National Strategic Reference Framework for Ireland



Supporting and Enabling Dynamic Regions



EU Regional Policy **2007-2013**



07-13



Ireland's EU Structural Funds
Programmes 2007 - 2013

Co-funded by the Irish Government
and the European Union



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IRELAND

National Strategic Reference Framework

2007-2013

Supporting and Enabling Dynamic Regions

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(Teil: 01 - 6476834/35/36/37; Fax: 01 - 4752760)
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DUBLIN
PUBLISHED BY THE STATIONERY OFFICE
To be purchased directly from the
GOVERNMENT PUBLICATIONS SALE OFFICE,
SUN ALLIANCE HOUSE, MOLESWORTH STREET, DUBLIN 2,
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GOVERNMENT PUBLICATIONS, POSTAL TRADE SECTION,
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Glossary

BMW	Border, Midland and Western Nuts II Region of Ireland
CEBs	County Enterprise Boards
CPI	Consumer Price Index
CSG	Community Strategic Guidelines
CSO	Central Statistics Office
EAFRD	European Agriculture Fund for Rural Development
EFF	European Fisheries Fund
EGFSN	Expert Group on Future Skills Needs
EIB	European Investment Bank
ERDF	European Regional Development Fund
ESG	Enterprise Strategy Group
EU	European Union
EU-15	European Union 15 Member States prior to May 1 2004 Accession
EU-25	European Union 25 Member States including acceded States on 1 May, 2004
EU-27	European Union 27 Member States including acceded States on 1 May, 2004 and Bulgaria and Romania
ESF	European Social Fund
ESRI	Economic and Social Research Institute
FCU	Financial Control Unit
FDI	Foreign Direct Investment
GEM	Global Entrepreneurship Monitor
GDP	Gross Domestic Product
GNP	Gross National Product
GNI	Gross National Income
HICP	Harmonised Index of Consumer Prices
HPSUs	High Potential Start Ups
HR	Human Resources
ICT	Information Communication Technology
NAPIncl	National Action Plan for Social Inclusion
NCC	National Competitiveness Council
NDP	National Development Plan
NDP/CSF	National Development Plan and Community Support Framework
NESC	National Economic and Social Council
NRP	National Reform Programme
NSRF	National Strategic Reference Framework
NSS	National Spatial Strategy
NUTS Regions	Nomenclature of Territorial Statistical Units – a system of classification of regions across the EU used by the European Commission.
NUTS II	The BMW and S&E are the NUTS II Regions in Ireland for Regional Policy purposes.
NUTS III	The NUTS III regions are Dublin, Mid-East, Mid-West, South-East, South-West, Border, Midland and West Region
OECD	Organisation for Economic Co-operation and Development
RCE	Regional Competitiveness and Employment Objective
R&D	Research and Development
R&TD	Research and Technological Development
RTDI	Research, Technological Development and Innovation
S&E	Southern and Eastern NUTS II Region of Ireland
SGP	Stability and Growth Pact
SSTI	Strategy for Science, Technology and Innovation
SWOT	Strengths, Weaknesses, Opportunities and Threats



Brian Cowen T.D.
Minister for Finance

Foreword

Ireland's National Strategy for using European Union Structural Funds sets out the direction for investment by the European Social Fund and European Regional Development Fund over the next seven years to 2013.

We all know how EU Structural Funds have played an important role in the development of the Irish economy and in the unprecedented economic success, employment growth and dramatic rise in general income levels and standard of living across all sectors of Irish society over the past decade. In particular assistance from the Structural Funds helped us to invest in physical infrastructure, and human capital at a time when the economic situation in the country was not as good as it is now.

The impact of the Structural Funds goes beyond the financial contribution to strengthening our medium-term investment planning, developing a more rigorous value for money ethos in public investment and assisting in more balanced and sustainable Regional development.

We have come a long way in addressing the issues facing our economy and most of the challenges facing Ireland over the next seven years will be addressed in the nationally funded National Development Plan 2007-2013 *'Transforming Ireland – A Better Quality of Life for All'* launched in January, 2007. In this context the Structural Funds will play a complementary role in relation to the NDP 2007-2013 and will focus on niche investments in employment, innovation, research and development and strengthening the competitiveness, attractiveness and connectivity of the National Spatial Strategy Gateways and Hubs. These are important priorities and I am satisfied that EU funding should continue to be invested in this way.

This strategy has been endorsed by the European Commissioner for Regional Policy and follows consultation with interest groups and social partners and is consistent with the approach agreed in *Towards 2016* social partnership agreement.

As Minister for Finance I am pleased to present this National Strategic Reference Framework - *'Supporting and Enabling Dynamic Regions'* - and look forward to delivery of the Strategy through the Operational Programmes.

Brian Cowen T.D.
Minister for Finance

June 2007

Introduction

This National Strategic Reference Framework (NSRF) sets out the policy context within which the funding available to Ireland under the Regional Competitiveness and Employment Objective over the 2007-2013 period through the European Regional Development Fund (ERDF) and the European Social Fund (ESF) may be applied.

The economic progress which Ireland has achieved in recent years means that the volume of EU Regional Policy funding available to Ireland is significantly less, both in absolute and in relative terms, than in the 2000-2006 round. EU budget transfers under the Regional Competitiveness and Employment Objective will total €750 million over the next seven years. To put this in context, the expenditure programmed in the National Development Plan (NDP) 2007-2013 for the same period is €184 billion.

Preparation of this National Strategic Reference Framework took place within a wider policy and investment context. As preparations advanced on this document, other developments were taking place which will have a crucial bearing on Ireland's competitiveness and economic performance over the medium term, both at national and at regional level. These included the preparation and publication of the National Development Plan (NDP) 2007-2013, the conclusion of the wide-ranging long-term Social Partnership agreement, Towards 2016, involving Government and the main socio-economic interest groups and organisations and the launching of major new initiatives to strengthen significantly public investment in Ireland's research capability and in the transport system.

These broader developments are geared towards strengthening Ireland's competitive position thereby providing the basis for sustainable growth on an inclusive basis. As such, they are directed towards the same ends as the European Union's Lisbon strategies.

This document is strategic, not prescriptive. Based on the governing Regulations, and drawing on the consultation process, its purpose is to provide broad policy guidance to the authorities charged with establishing the Operational Programmes, indicating the priority areas from which they should choose. This does not imply that the particular issue must be treated in the Operational Programmes as funding constraints and the desire to achieve measurable results may not permit that. The key vehicle for addressing the full range of national needs is the National Development Plan 2007-2013.

Chapter 1

The Cohesion Policy Context



Chapter 1

The Cohesion Policy Context

EU Cohesion Policy

The European Commission (the Commission) published its third report on Cohesion entitled “A New Partnership for Cohesion - Convergence Competitiveness Cooperation” in February 2004¹. At the same time the Commission made proposals for the Financial Perspectives for the period 2007-2013,² coupled with draft Regulations to guide the management and implementation of EU Regional Policy.

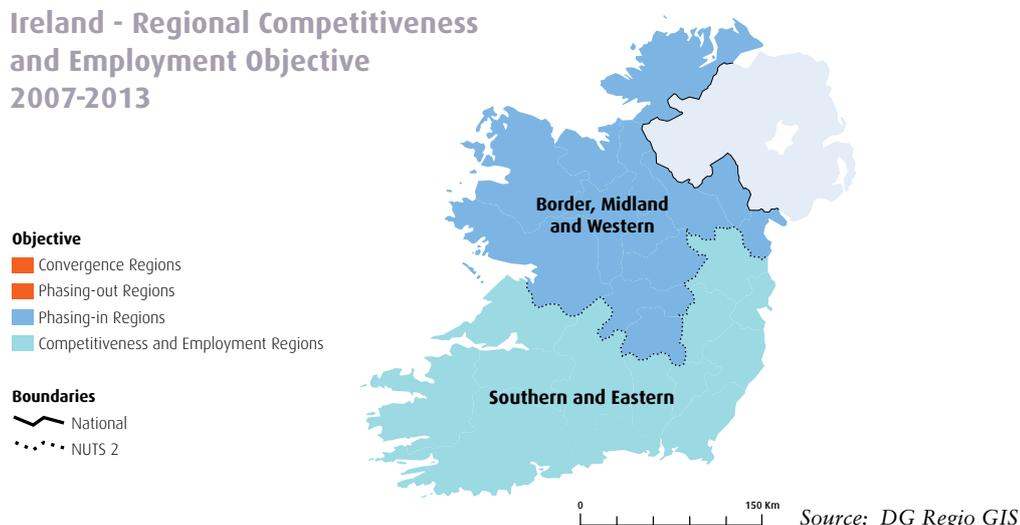
These proposals envisaged a Cohesion Policy with stronger links to the need for sustainable economic growth in the EU (Lisbon and Gothenburg strategies) and to the European Employment Strategy, as well as increased emphasis on competitiveness, employment, and social cohesion. Significant changes were proposed in the method of planning, implementation and management of the Structural and Cohesion Funds.

Following the agreement reached on the budgetary framework and a period of discussion and consultation on the implementation proposals, the Council adopted in July 2006 a series of Regulations governing the next round of EU Regional Policy funding. These established a simplified set of objectives for Cohesion Policy. A Convergence Objective aimed at speeding up the convergence of the least-developed Member States and Regions by improving the conditions for growth and employment. This is the priority objective of EU Regional Policy and is where the bulk of the funding is concentrated. Outside these regions, a Regional Competitiveness and Employment Objective (RCE) is aimed at strengthening regions’ competitiveness, attractiveness and employment. Both of Ireland’s regions are funded under this objective, with the BMW region qualifying for additional phasing-in support. There is also a third objective, European Territorial Cooperation, under which Ireland receives funding for, among other things, the PEACE III Programme.

The principal EU Regulations which apply to this strategy document and to the Operational Programmes drawn up under it are the set of Council Regulations adopted in July 2006. Under these Regulations, each Member State must prepare a National Strategic Reference Framework to guide the preparation of the Operational Programmes.

The Regulations provide that Ireland’s framework document must cover the priorities under the Regional Competitiveness and Employment Objective, and the complementarity of the actions eligible for funding under the RCE Objective with certain other Community instruments.

Figure 1: Ireland - Regional Competitiveness and Employment Objective 2007-2013



1 http://europa.eu.int/comml/regional_policy/sources/docoffic/official/reports/cohesion3/cohesion3_en.htm

2 COM (2004) 101 – *Building our common future, policy challenges and the budgetary means in the enlarged Union*

European Policy Instruments

Ireland's NSRF is informed by a number of National and European policy instruments. At the European level the main instruments are the Integrated Guidelines on Growth and Jobs known as the Lisbon Agenda and the Community Strategic Guidelines on Cohesion. The principal national instruments are discussed in Chapter 3.

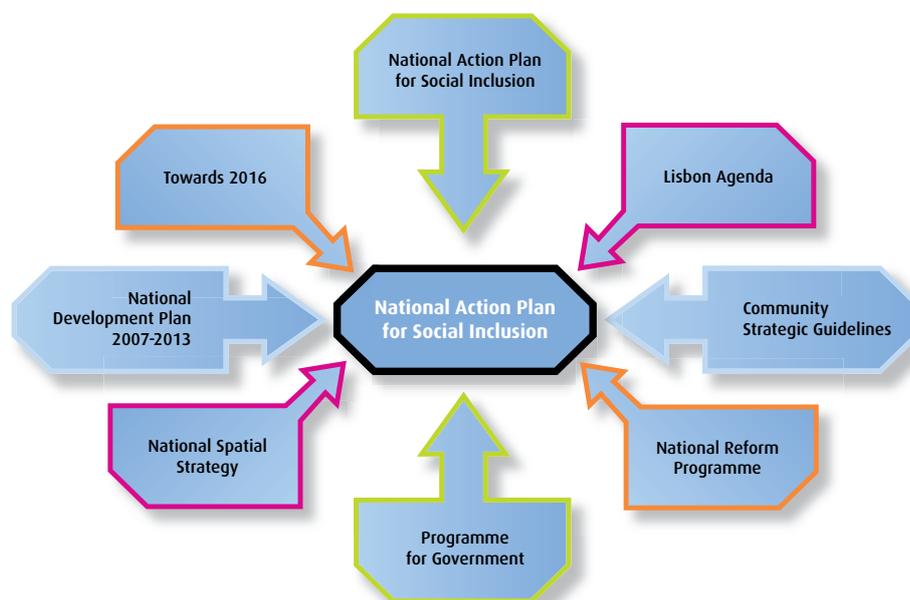
Lisbon Agenda

The Lisbon Agenda provides a framework for the European Union and Member States to work together in support of sustainable economic growth, more and better jobs, greater social cohesion and respect for the environment. The Gothenburg Council in 2001 made environmental protection part of the 'Lisbon Agenda.'

Reflecting Ireland's commitment to the success of the Lisbon Agenda, the investment strategy put forward under annual budgets and the NDP 2007-2013 are consistent with the achievement of these goals. In particular, the planned investment in infrastructure, education, science, technology and innovation, will help to sustain Ireland's strong economic growth and employment performance as our contribution to the jobs and growth element of the Lisbon Agenda.

Investment in these areas also aligns with the Lisbon goal of making the EU 'the most dynamic and competitive knowledge-based economy in the world, with more and better jobs and greater social inclusion'. Moreover, the allocation of investment to promote balanced regional development, social inclusion and environmental sustainability, will make a major contribution to the implementation of the wider aspects of the Lisbon Agenda in Ireland while, of course, delivering significant benefits to the people of Ireland.

National and European Instruments informing the National Strategic Reference Framework



The Community Strategic Guidelines on Cohesion

A shared goal for 2007-2013 is to ensure that Cohesion policy contributes to other Community priorities. To that end, the Commission drafted Community Strategic Guidelines (CSG) for Cohesion Policy for adoption by the Council as provided for in Council Regulation 1083/2006.

The purpose of the CSG is to define the key priorities for EU Regional Policy over the period 2007-2013. These are to promote and encourage innovation, the knowledge economy, enterprise, research, and development, and Information Communication and Technology (ICT).

In addition under the CSG, Cohesion Policy will support the creation of more and better quality employment, and invest in the skill level and adaptability of workers and businesses. It will also support improving the attractiveness of Member States and their regions in order to improve accessibility and the quality and level of services available to their citizens. This NSRF and the Operational Programmes have been framed with those guidelines in mind.

The volume and profile of Cohesion Policy Funding 2007-2013

The European Council reached agreement in December 2005 on the Financial Perspectives 2007–2013. This agreement covered the overall funding for Cohesion Policy and its distribution between the newly-defined Objectives for EU Regional Policy. Subsequently, the Commission made available indicative financial allocations for Member States and Regions for the programming of Cohesion Policy actions. The allocation for Ireland is €901 million of which €750 million is assigned to the Regional Competitiveness and Employment Objective.

Table 1: EU Regional Policy Allocations 2007-2013

	Convergence			Regional Competitiveness and Employment		European Territorial Cooperation	Total
	Cohesion Fund	Convergence	Statistical Passing-out	Phasing-in	Competitiveness		
Overall Financial Allocation EU 27	69.578	199.322	13.955	11.409	43.556	8.723	347.410
Indicative Financial Allocation for Ireland				458	293	151	901

Million € current prices. Due to rounding, figures may not add-up to total shown. Source: European Commission

The EU Regional Policy funding available to Ireland is smaller than in previous funding rounds. This reflects the increased concentration of Cohesion Funding on those Member States where GDP per capita is lower and the economic progress which Ireland has made in recent years. RCE funding, the subject of this NSRF, will average 0.05% of GDP. To put this in context, the Structural Funding available to Ireland peaked at 2% of GDP from 1994 to 1999 before falling to 0.5% of GDP in the 2000-2006 period. Structural Funding for the next round is therefore about one-tenth of its relative size during the last round and one-fortieth of that which was available from 1994 to 1999. This has implications for the approach to be adopted in relation to the setting of goals and for the monitoring of results.

Another noteworthy point is the profile of the EU Regional Policy funding available for the Border, Midlands and Western (BMW) region. Under the profile established by the European Commission, this funding is heavily front-loaded. The total allocation for the region under the RCE Objective is €458 million. Of this sum, €152 million is for commitment in 2007. The annual figures fall sharply in subsequent years to approximately €15 million by 2011. They remain at that level in each of the two following years. These allocations are to cover both Social Fund and Regional Fund needs.

Issues also arise for Ireland’s Southern and Eastern region. This region will see an abrupt fall in EU Regional Policy funding from an average of €269 million per annum in the 2000-2006 period to approximately €42 million per annum.

Purpose of NSRF

The role of this document is strategic, not prescriptive. Based on the governing Regulations and drawing on the consultation process, its purpose is to provide strategic guidance to the authorities charged with establishing the Operational Programmes, indicating the priority areas from which they should choose. This does not imply that the particular issue must be treated in the Operational Programmes as funding constraints and the desire to achieve measurable results may not permit that. The key vehicle for addressing the full range of national needs is the National Development Plan 2007-2013.

The NSRF has been developed with a view to contributing towards achieving Ireland's National Reform Programme goals particularly the micro-economic and employment policy objectives. The priorities identified have a strong focus on the Lisbon Agenda and demonstrate a clear European added value.

The priorities chosen for the European Social Fund are focused around upskilling the workforce and measures to increase participation and activation of the groups outside the workforce. For the European Regional Development Fund, the focus will be on supporting innovation, knowledge, and entrepreneurship in the regions, and strengthening the competitiveness, attractiveness and connectivity of the National Spatial Strategy Gateways and Hubs through improved access to quality infrastructure and promoting environmental and sustainable development.

The size and profile of the Funds over the period has an impact on the type of priorities that have been chosen for the NSRF. The Funds will not be used to fund major infrastructural projects but rather niche interventions that will complement the investment programme under the NDP 2007-2013 which will run in parallel with the Operational Programmes.

Approach adopted

For the Operational Programmes, the main issue was whether to concentrate on a small number of actions with a view to achieving clearly distinguishable results or whether in view of the provisions of the governing regulations and the input from stakeholders while this NSRF was being prepared, the available funding ought to be used to support a wider range of activities. Issues of scale and expectations about what can be delivered at this funding level also arise. The priorities identified in this NSRF seek to balance those interests.

The inevitable corollary of the approach together with the relatively small scale of the funding in macroeconomic terms is that while indicators to assess outputs and progress must be incorporated in the Operational Programmes, this cannot be meaningfully done at the level of the NSRF.

Value added of EU Regional Policy

Cohesion Policy has played a significant role in the development and revitalisation of Ireland's economy. The Economic and Social Research Institute (ESRI, 1997) has estimated that Structural Funds interventions over the first two programming periods combined (1989-93 and 1994-1999) will lead to a permanent increase in GNP of 2%. They have also estimated that funding for the first three years of the 2000-2006 programme will add a further 0.7% of GNP (ESRI, 2003). Overall the long run macro-economic impact of the Structural funds, therefore, has been to raise the level of real GNP by about 2.7 percentage points over and above what it would otherwise have been. One of the key elements in the Irish achievement has been the ability to align domestic national and regional policy with the EU strategic dimension. This has allowed policy makers in Ireland to concentrate on a number of key clearly defined objectives aimed at increasing economic potential.

As well as these direct economic benefits the EU Structural Funds have added in value in other ways. The programming approach for Regional Policy requires Member States to take a more strategic longer term approach to their investment programmes. This is now replicated in our multi-annual capital framework and the Government has drawn up the new NDP for 2007-2013 on this basis because of the strategic value of such an approach.

Reinforcing the value for money approach has also been another important contribution made by EU Regional Policy. In the areas of monitoring, financial control and evaluation national expertise and tools have been built up that now are applied in non-EU supported areas. Cost benefit analysis and capital appraisal techniques have been improved and are more widely applied to capital programmes. We are moving in the direction of measuring outputs of expenditure programmes as well as better accounting for inputs.

EU Regional Policy also provides funding to explore innovative actions with projects that will identify and pilot a number of strategic initiatives or themes that have the potential to address deficiencies in the existing regional innovation systems. In this programme, actions which lead to greater collaboration among the NSS gateways and hubs will be considered.

Consequently, the impact of EU Regional Policy goes beyond the direct macroeconomic benefits. Its impact can be seen across a number of areas of strategic and financial planning and management in Ireland. Although the funding available to Ireland has decreased in recognition of our improved economic position, the effects of the Funds will continue to be felt beyond the end of this programming period.

Partnership

It was agreed in 2004 that Ireland's well established social partnership process should serve as the model for the Irish National Reform Partnership under the Lisbon Agenda. The current social partnership agreement, Towards 2016, covers the period up to 2015. The goals of the Lisbon Agenda are wholly consistent with the aims and objectives of the social partnership process in Ireland, not least in terms of supporting sustainable economic growth and job creation. The current social partnership agreement and the inputs from further consultations with the partnership groups are reflected in the choices and decisions contained in the National Development Plan 2007-2013. The Operational Programmes for the ERDF and ESF developed in accordance with this National Strategic Reference Framework are intended to fit in with and complement the NDP 2007-2013.

This approach to reflecting partnership interests and concerns builds on existing, well established, institutional arrangements of stakeholder engagement in Ireland.³

Partnership and the Preparation of the NSRF

The Regulations provide that the NSRF shall be prepared after consultation with the relevant partners in accordance with the procedure that the Member State considers most appropriate and with its institutional structure.

Preparation of the NSRF began in April, 2005 when the Government agreed to proposals in relation to the approach on drafting the NSRF and in relation to the management and development of the Operational Programmes. The Department of Finance then initiated a request to other Government Departments for submissions in relation to the NSRF. A high level committee was formed to prepare the NSRF which comprised officials of the Departments of Finance, and Enterprise, Trade and Employment and representatives of the Regional Assemblies.

At various stages during the drafting of the NSRF, direct consultations with relevant Departments, Agencies, Regional Assemblies and interest groups including the Combat Poverty Agency and the European Anti-Poverty Network took place. The NSRF was circulated and discussed at the NDP/CSF Monitoring Committee, whose membership is representative of the partners outlined in Article 11 of Council Regulation 1083/2006, and regular reports on progress were given to that Committee and to the Operational Programme Monitoring Committees during the preparation process. Representatives of the NDP/CSF Monitoring Committee include the relevant Managing Authorities for the Operational Programmes, implementing Departments, the Regional Assemblies, and statutory bodies representing the interests of equal opportunities, the environment, poverty and rural development.

In parallel to this preparation and consultation process, extensive consultations and negotiations surrounding the national partnership agreement Towards 2016 were also taking place. Those participating in this process included all major socio-economic interest groups and a very broad range of Non-Governmental Organisations (NGOs). The results from this process informed the priorities for the NSRF. In addition an extensive consultation process in relation to the preparation of the National Development Plan, 2007-2013 including two Regional Seminars attended by members of the high level committee took place. The priorities identified in this NSRF reflect the outcomes from that process.

There was ongoing dialogue with the European Commission during the preparation of the NSRF, including significant bilateral meetings in January, October and November 2006 and again in January and February, 2007. Senior officials from the key departments, the two Regional Assemblies and from the relevant services of the Commission attended these meetings.

3 A list of the National Social Partners can be found at Annex IV

Chapter 2

Economic and Social Framework



Chapter 2

Economic and Social Framework

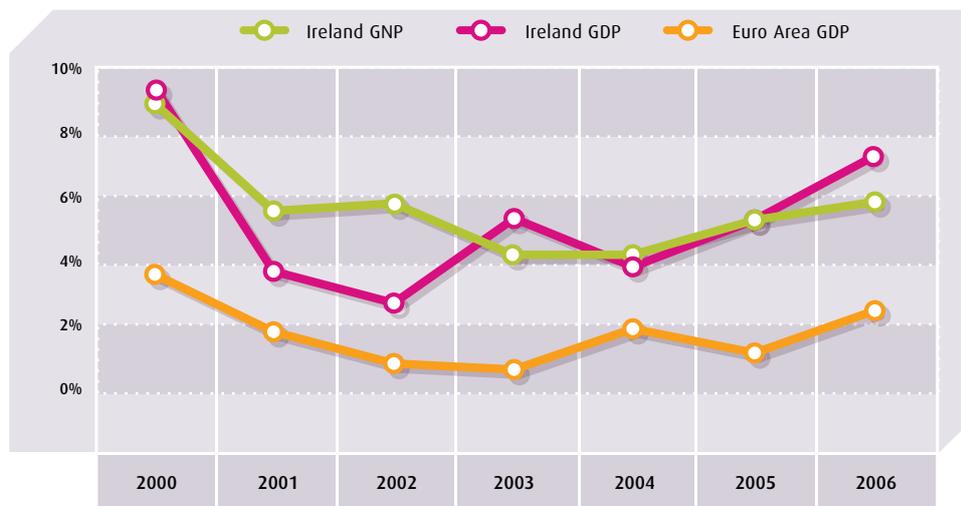
Introduction

The NSRF is framed in the context of an economy whose potential to grow, while still strong, is lower than in the recent past. Going forward, the over-arching economic priority is to consolidate the gains made over the last decade and to put in place the necessary conditions to ensure further economic progress into the future. The investment strategy under the National Development Plan 2007-2013 and the National Strategic Reference Framework are key components in shaping these conditions.

Economic Developments in Ireland under the NDP/CSF 2000 – 2006

The economy recorded a solid performance over the period of the NDP/CSF 2000-2006. GNP growth averaged an estimated 5.2% per annum over the period, broadly in line with that envisaged at the time of the NDP/CSF. This growth rate was somewhat lower than those in the late 1990s and mainly reflected supply constraints, most notably in the labour market where conditions approaching full employment prevailed over most of the period.

Figure 2: Economic Growth 2000 to 2006 – Ireland and the EU



Source: Department of Finance, 2007

In the early part of the period, the economy showed considerable resilience in the face of a number of external shocks, including the global ICT shock and the outbreak of foot-and-mouth disease. The resilience was illustrated by the resulting very small increase in unemployment. Since then, the economy has performed well, although growth has become more reliant on domestic demand than heretofore, with new housing construction accounting for a disproportionately high share of output and employment.

In terms of the components of demand, personal consumption growth averaged 5.4% per annum over the period 2000–2006. This was slightly lower than in the 1994-1999 period, and partly reflects a lower growth rate of household disposable income. Investment spending rose at an annual average rate of 6.2% over the period 2000-2006. Building and construction investment rose relatively strongly over the same period, partly reflecting the demand for new housing.

Table 2: Economic Indicators: 2000-2006

% volume change (unless otherwise stated)	2000	2001	2002	2003	2004	2005	2006	EU-25 2005
GDP	9.2	5.8	6	4.3	4.3	5.5	6.0	1.7
Gross Debt % GDP	37.8	35.4	32.2	31.1	29.7	27.4	24.9*	63.2
Government Balance % GDP	4.4	0.8	-0.4	0.2	1.4	1.0	2.9*	-2.3
HICP	5.2	4.0	4.7	4.0	2.3	2.2	2.7	2.2
Unemployment (%)	4.3	3.9	4.4	4.6	4.4	4.3	4.1	9.0

*provisional or estimate figure

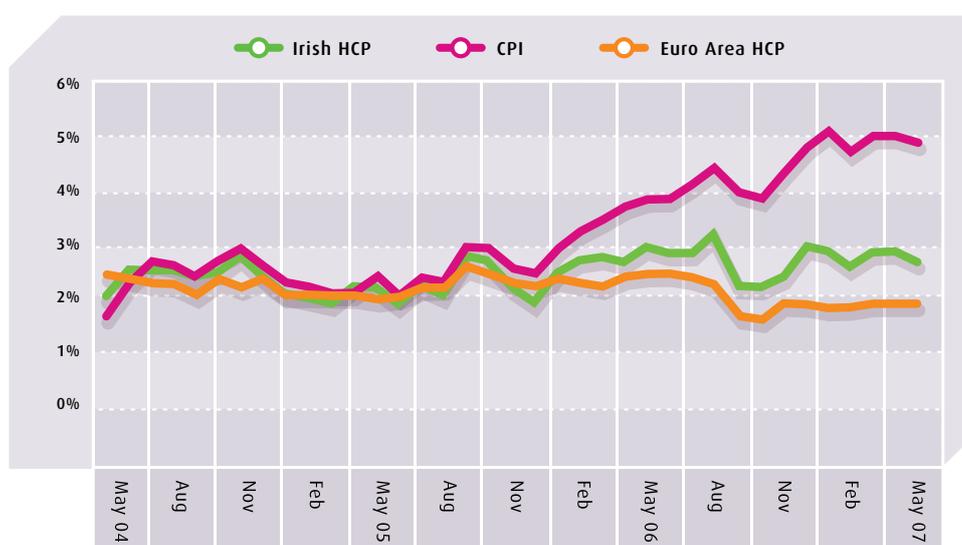
Source: Department of Finance, 2007

On the external side, exports of goods and services rose at an annual average rate of 7.1% over the period 2000-2006. While still relatively strong, this growth was slower than the rates recorded under the 1994-1999 period. This reflects a number of factors, including more modest demand growth in some of our trading partners, a gradual erosion in cost competitiveness as well as some sector-specific issues. On the other side of the equation, the growth rate of imports also slowed to an annual average rate of 7.3% from the double-digit growth rates recorded in the 1994-1999 period.

Prices, Earnings and Costs

During the 2000–2006 period, the Harmonised Index of Consumer Prices (HICP) inflation in Ireland - the appropriate measure for international comparisons – averaged an estimated 3.6% per annum, compared to 2.2% in the euro area as a whole.

Wage inflation was also relatively high over this period. At the same time, the growth rate of labour productivity slowed, with an annual average growth rate of less than 2% (in GNP terms). This slowdown reflected cyclical factors in the early part of the decade and the composition of growth in the mid-part of the decade, with output driven primarily by labour-intensive sectors such as construction and services.

Figure 3: Ireland HICP, Euro Area HICP and CPI Inflation May 2004-May 2007

Source: Department of Finance, 2007

Combined with the relatively strong wage growth, this lower productivity growth resulted in a rise in unit labour costs (i.e. the labour cost of producing a single unit of output) in Ireland and a consequent deterioration in our external competitiveness.

Budgetary Developments and Policy

The Stability and Growth Pact (SGP) provides the overriding framework for Irish budgetary policy. Under that Pact, the public finances, as measured by the General Government Balance, are kept close to balance or in surplus in normal economic circumstances. During the course of the 2000–2006 NDP/CSF we fulfilled our obligations in accordance with the SGP, and the level of General Government Debt fell from around 38% to about 25% of GDP over the period.

The General Government Balance has recorded a surplus every year since 1997 with the exception of 2002 when a small deficit was recorded. This has been achieved while accommodating infrastructural investment of close to 5% of GNP, more than twice the EU average, and with a tax burden that is low by EU standards. Over the period 2007-2013, Ireland will fully meet its commitment under the revised SGP. Public finances must remain sound if the economic gains of the recent past are to be consolidated and further gains are to be realised. Therefore, the key objective of fiscal policy during the period 2007-2013 will be to support sustainable economic growth in order to underpin the ambitious level of investment set out in the NDP 2007-2013.

A prudent budgetary policy will therefore be implemented over the period 2007-2013 that does not add to inflationary pressures in the economy and that leaves flexibility for budgetary manoeuvre should an economic slowdown occur. Provision will also continue to be made for the challenge that our ageing population will pose in due course, notably through the annual transfer of 1% of GNP to the National Pensions Reserve Fund. In summary, the key objective of fiscal policy during the period 2007-2013 will be to ensure the budgetary position is maintained on a sustainable basis in order to support economic growth thereby creating the necessary conditions to invest in the productive capacity of the economy and to generate resources for economic and social development.

Such a policy requires that any growth in day-to-day expenditure must be kept broadly in line with the increase in economic growth. In such circumstances a key expenditure objective will be to achieve more with the resources already being used to realise maximum value for money.

On the basis of the macroeconomic projections and a generally prudent approach to budgetary policy, the seven year investment programme of the NDP 2007-2013 is affordable and will be compatible with the revised Stability and Growth Pact. This is a fundamental imperative for the provision of resources to fund the investment.

Assuming that economic conditions remain reasonably favourable, the next seven years affords a window of opportunity to address investment needs crucial to national and regional competitiveness and the long term sustainability of the economy. Over the longer term other pressures will build up on the public finances, notably in the health and pensions area, arising from an ageing population. It is important that this opportunity is used to improve the productive capacity of the economy in light of the longer term demands that will be placed on it.

It must however, be stressed that ultimately the ability of the State to fund the national investment priorities is dependent on the continuation of stable economic and budgetary policies which deliver the requisite level of growth and resources. The key factors in this regard are set out in the next section.

Labour Market Trends

The 2000-2006 period was characterised by significant changes to the Irish labour market. Employment continued to expand at a robust pace, with growth averaging 3.2% per annum (the equivalent of around 60,000 jobs per annum)⁴. As a result, by mid-2006, there were over two million people at work in Ireland for the first time in the history of the State.

4 *Quarterly National Household Survey data, referring to the second quarter of each year.*

Table 3: Employment Rate

	2010 Targets	Ireland		EU 25	Euro Area
		2005	Q4 2006	Q4 2006	Q4 2006
Overall Employment Rate	70%	67.1%	68.7%	65.2%	65%
Employment Rate for women	60%	58%	59.6%	57.6%	56.7%
Employment Rate for older workers (aged 55-64)	50%	51.7%	53.1%	44%	42.1%

Source: CSO; Eurostat (Q4 2006)

The increase in employment was primarily facilitated by continuing increases in the labour force. This, in turn, was driven by the natural increase in the population of working age, higher participation rates and net inward migration. This last component of labour force growth was particularly strong in later years, most notably since the accession of new Member States in 2004. Indeed, the latest data show that non-Irish nationals now account for 10% of the labour force. The downward trend in the unemployment rate continued over the period, so that by the end of the 2000-2006 Plan, the unemployment rate in Ireland was amongst the lowest in the EU.

Table 4: Transformation of the Irish Labour Market 1994 to 2006

Employment ('000s)	1994	2006	Change	% Change
Total	1220.6	2066.1	845.5	69.3
Full-time	1083.2	1717	633.8	58.5
Part-time	137.4	349.1	211.7	154.1
Male	766.3	1186.3	420	54.8
Female	454.3	879.8	425.5	93.7
Unemployment ('000s)	1994	2006	Change	% Change
Total	211	88.7	-122.3	-58.0
Long-term unemployed	128.2	27.1	-101.1	-78.9
Unemployment Rate	14.7	4.1	-10.6	-72.1
Long-term unemployment rate	9	1.3	-7.7	-85.6
Migration ('000s)	1994	2006	Change	% Change
Emigration	34.8	17	-17.8	-51.1
Immigration	30.1	86.9	56.8	188.7
Net migration	-4.7	69.9	74.6	-1587.2

Source: Central Statistics Office, Quarterly National Household Survey and Population and Migration Estimates Release

Employment has increased by nearly 845,500 or 69.3%, up from 1.221m in 1994 to 2.066m in 2006. Both male and female employment increased, with an increase in female employment of almost 94% (425,500) and an increase in male employment of almost 55% (420,000).

Total unemployment is now less than half (42%) of what it was a decade ago. In 1994 there were 211,000 unemployed people whereas this has fallen to 88,700 in 2006, a 58% decrease. Long-term unemployment is just over a fifth of what it was. There were 27,100 long-term unemployed people in 2006 compared to 128,200 in 1994, a decline of nearly 79%.

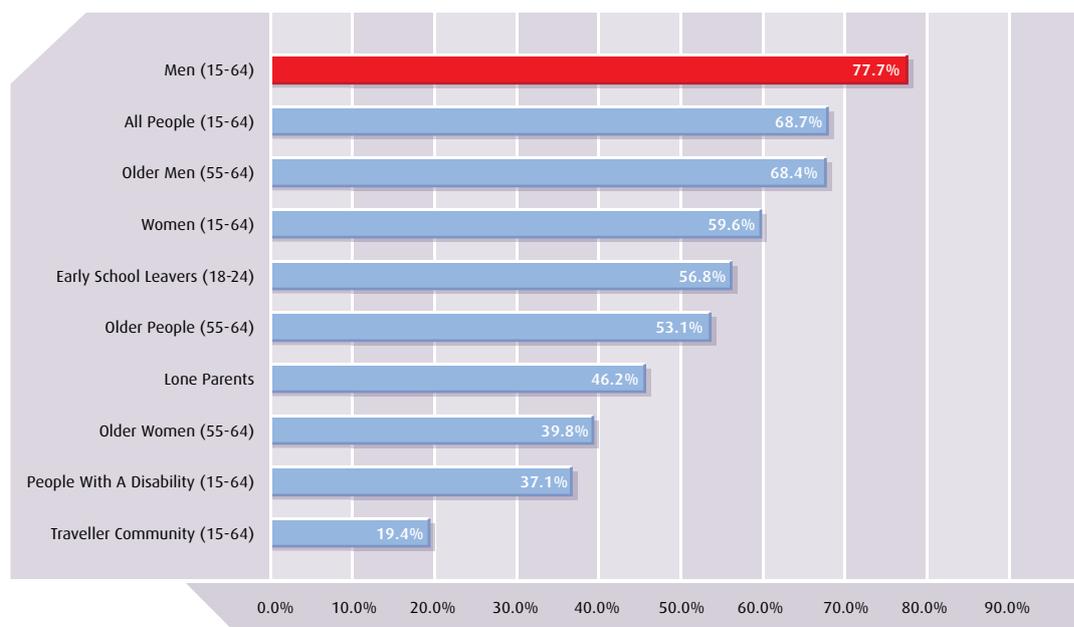
The unemployment rate and the long-term unemployment rate have both declined significantly due to this transformation, with the unemployment rate declining from 14.7% in 1994 to 4.1% in 2006, and long-term unemployment rate declining from 9% to 1.3%.

Due to the significant growth in employment opportunities and the growth in earnings, the country switched from being a net exporter to being a net importer of labour. The number of emigrants in the year to April 2006 was 17,000, less than half (49%) the 34,800 emigrants in 1994. While the number of immigrants in the year to April 2006 was almost three times the number in 1995, 86,900 compared to 30,100. As a result 69,900 more people entered the country than left the country in the year to April 2006, compared to 1994 when 4,700 more people left than entered.

Trends in participation rates

The phenomenal growth in employment over the last decade shown by Figure 4 has been accompanied by rising participation rates in various categories of workers. Nonetheless, in the context of issues linked to the increasing dependency rates implicit in an ageing society and in view of the fact that employment rates (the share of people in a particular group who are employed) remain low for a number of groups, policy should be directed to facilitating improved access to the labour market especially for potentially vulnerable groups.

Figure 4: Employment Rates by Group Q4 2006



Data is for Q4 2006 with the exception of: Early School Leavers which is for Q2 2005, People with a disability which is for Q1 2004 and members of the Traveller Community which is from Census of Population, April 2002.

Source: CSO, QNHS various and Census of Population 2002 & 2006

As set out in Figure 4, employment rates are 77.7% for men and 59.6% for women. The Lisbon target for the female employment rate, to be attained by 2010, is 60%. The employment rate for people aged 55-64, is 54.2% as compared with the Lisbon target of 50% for this group. The employment rate for early school leavers is also below the overall employment rate, 56.8% compared to 68.7% and their unemployment rate at 16.3% is very high compared to an overall average of 4.1%.

Figure 4 also shows that there are a number of groups where less than half of the members of the group are employed. For instance, lone parents have an employment rate of only 46.2%, only 39.8% of older women are employed, people with a disability have an employment rate of only 37.1% and only 19.4% of members of the traveller community of working age are employed. There are other groups who also experience difficulties in gaining employment, but for whom data on employment rates is not available. These include minority ethnic groups and ex-prisoners.

Economic Outlook 2007 – 2013

International outlook

The medium-term economic projections underpinning this NSRF assume that the international environment will remain relatively benign. In particular, it is assumed that growth in our major trading partners will evolve in line with potential. Over the timeframe of this NSRF, there will, of course, be periods of above-trend and below-trend growth in our major trading partners.

The international outlook is currently subject to a number of risks and vulnerabilities. Such risks, if they were to materialise, would have adverse consequences for the economy. Perhaps the most identifiable risk concerns the increasing US current account deficit. It is generally accepted that this deficit will have to be corrected at some stage. The manner in which balance is restored could have adverse implications for the Irish economy, particularly if it involved sharp exchange rate changes. In addition, while the global economy has been fairly resilient to oil price increases over the last few years, oil price volatility, together with the potential for further price increases, present very real threats to the global economy and, by extension, to the Irish economy. The current elevated level of oil prices is mostly a demand-side phenomenon, with prices being driven by stronger demand from newly industrialising countries such as China and India. In these circumstances, relatively high prices are likely to persist in the short - to medium-term, as indicated by oil futures prices.

Labour market prospects

The labour force rose by 3.2% per annum over the period of the NDP/CSF 2000-2006. Going forward, a further expansion of the labour force is in prospect, although the rate of increase is likely to moderate. While favourable demographics will continue to add to the pool of labour, participation rates are now high by EU standards, so that the scope for further significant increases in labour supply from this source is more limited than in the past. Net inward migration will also contribute to labour force growth, and, while there is considerable uncertainty regarding the magnitude of these inflows going forward, it is assumed that they will not be as strong as in the very recent past.

In that light it is assumed, therefore, that the labour force will increase at an average rate of around 2 - 2.5% per annum over the period 2007-2013. These labour force projections take into account the likely effects of ongoing labour market reforms aimed at improving employability, participation, etc. The forecasts underpinning this NSRF assume that, on average over the period, employment will expand broadly in line with the increase in the labour force, with the unemployment rate remaining relatively low. However, any internal or external shocks to the economy would have implications for labour market trends over this period.

Labour productivity

Higher output per person employed is a major component of GNP growth. As outlined earlier, productivity growth slowed over the period 2000-2006. Going forward, it is assumed that productivity growth of around 2% per annum can be attained. Such rates of growth are lower than the historical average, and reflect the increasing importance of labour-intensive services together with the lower relative importance of manufacturing. Nevertheless, such a rate of labour productivity growth would still be reasonably high by international standards. This, in turn, reflects ongoing improvements in the average skills level and educational attainment of the workforce, as less well-educated older workers retire and are replaced by younger and better educated new labour market entrants. In addition, the relatively high level of investment in plant and machinery and in the stock of infrastructure will increase the output of those in employment, as will further technological progress.

Based on this, the key macroeconomic projections for the period of the NSRF are as follows:

Table 5: Macroeconomic projections 2007 - 2013 (annual average)

	2007 – 2013 (per cent increases)
Gross National Product (GNP)	4 – 4½
Consumer Prices	2
Employment	2
Unemployment rate (per cent of labour force)	<5

Source: Department of Finance, 2007

Longer Term Provision

Demographic projections indicate that the size and composition of Ireland’s population will undergo considerable change over the coming decades. Most notably, a substantial increase in the number of older people is expected to occur so that by 2050, the proportion of the population aged 65 and over relative to the population aged 15-64 (the old age dependency ratio) will be in the order of 45%, nearly treble the 2006 figure of 16.1%. This implies that Ireland will move from having six people of working age for every older person to a ratio of just over two to one.

This projected “greying” of the population will pose significant economic and budgetary challenges. Foremost amongst these is a substantial increase in age-related public expenditure. Projections by the EU Economic Policy Committee indicate that public spending on pensions, health and long-term care will increase from 10.6% of GDP in 2004 to 19.6% in 2050⁵.

In addressing these challenges, it should be borne in mind that much of the projected rise in the age-related expenditure burden will not materialise for some time yet. Accordingly, a “window of opportunity” exists in which the public finances and the economy have time to prepare for this increase in expenditure. Over the short- to medium term, it is essential that we take advantage of this opportunity to put in place appropriate measures to cope with rising age-related spending and to boost the productive capacity of the economy.

Doing so will help sustain economic growth into the future, which in turn, will place the public finances in a better position to cope with age-related spending pressures.

To date, a range of Government initiatives which aim to address expenditure pressures, while maintaining the welfare and living standards of older members of society into the future, have been introduced. These include the establishment of the National Pensions Reserve Fund and the preparation of a Green Paper on Pensions Policy. Notwithstanding these initiatives, our low level of debt and sound budgetary position, Ireland is nonetheless considered to be at ‘medium risk’ when it comes to the sustainability of our public finances⁶. Hence, additional policy responses will be required going forward.

Overall, these longer term issues underscore the need for appropriate investment in the short- to medium term. By providing such investment, the NDP 2007-2013 will better equip the economy to meet the challenges ahead.

5 Economic Policy Committee & European Commission (2006) *The impact of ageing on public expenditure: projections for the EU25 Member States on pensions, health care, long-term care, education and unemployment transfers (2004-2050)*.

6 European Commission (2006) *The Long-Term Sustainability of Public Finances in the European Union*.

Competitiveness

The aspects of competitiveness which tend to receive most attention are the costs side and infrastructural investment. Cost issues, especially wage-related costs, are outside of this framework.

Ireland's infrastructure capacity continues to experience strain under the pace of economic and population expansion despite significant investment under the NDP/CSF 2000-2006. Research undertaken by the National Competitiveness Council indicates that Ireland rates outside the top ten best performers in terms of infrastructure stock, distribution efficiency and energy and communications infrastructure⁷. This is consistent with the finding in the update of the Mid-Term evaluation of the CSF 2000-2006 which concluded that Ireland was "generally behind the EU average"⁸ in this regard.

Ireland faces challenges in its competitiveness on several levels. Increased competition both in Europe and in the world market is making it more difficult to compete on the same basis as in the past. There is wide recognition that Ireland is no longer a low-cost operating economy and other factors must be considered in enhancing competitiveness with a greater focus on productivity gains, increasing innovative potential, and investing in the skill level and adaptability of the work force. In terms of hourly productivity based on GNP, Ireland ranks 9th out of the 16 countries benchmarked by the National Competitiveness Council in 2006.

Enhanced flexibility has been a feature of markets in Ireland in recent years. Ireland now has a much more flexible labour market than the majority of EU Member States and this is considered to have been an important factor in our track record in attracting Foreign Direct Investment (FDI). At the same time, financial or capital markets in Ireland are increasingly integrated with those in the EU.

In product markets, such as telecommunications and energy, the process of liberalisation has not advanced as speedily as hoped and considerable challenges remain. Some markets that have traditionally been under the direct control of government have undergone significant reform. Elsewhere, however, the pace of reform has been slower, with barriers to entry, in particular, remaining a feature of a number of markets, most notably in the services sector of the economy such as in the pharmaceutical and legal services, although some progress has been made here.

The challenge of competitiveness requires a multi-faceted approach over a wide range of investment, regulatory and policy interventions. This NSRF cannot on its own address the challenge of competitiveness to the Irish economy, however niche interventions can, where appropriate, complement the work of the National Development Plan, 2007-2013 and Towards 2016 in this area.

Labour Market Challenges

The labour market challenges facing Ireland reflect the underlying dynamics of the labour market and they can be considered in terms of two broad categories:

Challenges that have emerged or become more prominent as a result of Ireland's success: These include the increased need to enhance labour productivity, the need to successfully integrate immigrants into the labour market and into society, and the need for greater focus on enhancing the quality of jobs for women, and hence the gender pay gap. These also include the consequences of Ireland's rising cost base where the country is likely to experience more job losses in lower value-added manufacturing and in less skilled sectors of the economy. Ireland is also likely to experience greater sub-regional pockets of unemployment due to the concentration of traditional and less sustainable industries in certain areas;

Challenges that remain notwithstanding Ireland's success: A number of groups continue to experience difficulties gaining employment. In addition, educational disadvantage, discrimination, poverty and social inclusion remain issues in the Irish labour market.

7 *The Competitiveness Challenge*, NCC p36. http://www.forfas.ie/ncc/reports/ncc_challenge_05/webopt/ncc051124_challenge_2005_webopt.pdf

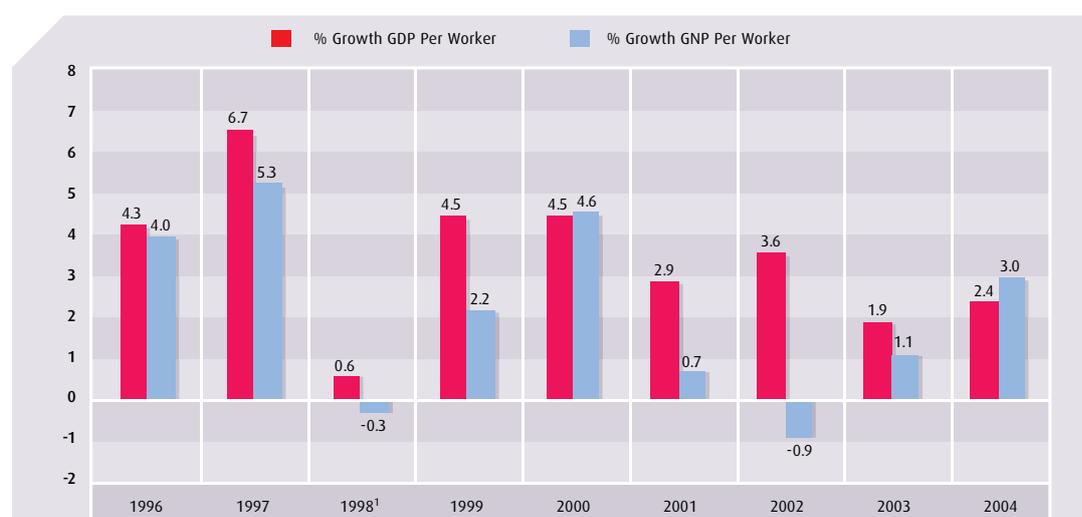
8 *Update Evaluation of the Community Support Framework for Ireland, 2000-2006*, Fitzpatrick Associates, December, 2005 pg. 85

Figure 5 shows the trend in productivity per worker over the period 1995 to 2004, as measured by GDP per worker and GNP per worker. It shows that productivity per worker, when measured by GDP per worker increased by 31.4% or a compound rate of 3.5%. This has been a much higher rate of growth compared to the EU average over the same period and has enabled Irish output per worker to converge on and exceed the EU average.

However, Ireland’s productivity performance is less impressive when measured by GNP per worker, which shows an increase of 21% or a compound rate of 2.2%.

The lower levels of productivity growth, based on the GNP measure reflect the much higher levels of productivity growth recorded by multi-nationals than by indigenous firms. This difference in performance between GDP and GNP measures is due to the very high levels of productivity in multi-nationals (largely in the manufacturing sector) operating in Ireland.

Figure 5: Trend in Irish Productivity 1995-2004



1. The 1998 figure is artificially depressed due to switch from the Labour Force Survey to the Quarterly National Household Survey.

Source: CSO, QNHS various and Census of Population

Figure 5 also shows that Irish productivity growth since 2000 has been much less than in the previous five years. Productivity growth averaged 4.1% (GDP measure) and 3.1% (GNP measure) per annum during the years 1995 to 2000, whereas it averaged only 2.7% (GDP measure) and 1% (GNP measure) from 2000 to 2004.

Undertaking international comparisons of productivity shows the dual sided productivity performance of the Irish economy. Based on a GDP measure of productivity Ireland scores very well - Table 6 shows that Ireland ranks first in a comparison of 12 countries. However, based on a GNP comparison Ireland falls to 8th place in a comparison of 12 countries.

A further examination of Ireland’s productivity figures, set out in Table 6, reveals the following:

Relatively low levels of productivity within indigenous manufacturing sector;

- Relatively low levels of productivity within private services sector;
- Relatively low levels of productivity within the public sector.

Table 6: Comparative Indicators of Ireland's Productivity Performance

GDP: Overall Productivity ¹	GNP: Hourly Productivity ²	Productivity in Private Services ³	Productivity in Public Sector ⁴
1. IRELAND	1. USA	1. Switzerland	1. Switzerland
2. USA	2. France	2. France	2. Finland
3. Italy	3. Germany	3. Germany	3. Netherlands
4. Netherlands	4. Netherlands	4. Italy	4. Denmark
5. France	5. Switzerland	4. Denmark	5. New Zealand
6. Denmark	6. Denmark	6. Britain	6. USA
7. Finland	7. Britain	7. Netherlands	7. Germany
8. Germany	8. IRELAND	8. Finland	8. Britain
9. Britain	9. Italy	9. IRELAND	9. IRELAND
10. Spain	10. Spain	10. Spain	10. France
11. Switzerland	11. Korea		11. Spain
12. Singapore	12. Poland		12. Italy
TOTAL: 16	TOTAL: 13	TOTAL: 10	TOTAL: 12

1. GDP per employee per annum in 2003 in US\$ at Purchasing Power Parities (PPP) sourced from the IMD World Competitiveness Yearbook 2004;
2. Hourly productivity based on GNP in 2003 in Euro, derived by Forfás from national accounts data;
3. Index of Productivity in Private Sector Services in 2003, taken from the European Competitiveness Index 2004;
4. Unweighted average of 'opportunity' indicators measuring performance in Administration, Education, Health and Infrastructure, derived by Forfás using European Central Bank methodology.

Source: National Competitiveness Council/Forfás, 'Annual Competitiveness Report 2004'

Increasing the Productivity of Workers

A key disparity driving Ireland's lower productivity figures in the indigenous sector is the relatively high share of working population with low levels of educational attainment and skill levels and the relatively low share of workers who engage in non-formal education and training to enhance their skill levels.

The proportion of people in employment in Ireland with low skills is higher than the EU average. A report by the Expert Group on Future Skills Needs recently noted 'this means that greater investment in training the lower skilled is necessary if Ireland is to catch up with the countries with which it must compete for markets and foreign investment. Being at the average in terms of training is not enough to bridge the gap among the low skilled.'

Given the high level of employment in the services sector and the trend for this to increase, future investment in human capital is a key driver for increasing Ireland's productivity. Indeed, the level of investment in the education and training of people in work will be a core factor driving Ireland's medium term living standards. To overcome this it will be necessary to increase the levels of participation, and the volume of investment, in the education and training of workers in order to increase the skills levels and productivity levels of the workforce. This will be a Priority of the ESF Programme.

The programme of investment under the NSRF combined with the priorities contained in the National Development Plan 2007-2013 will help to increase the potential of the economy to grow. By investing in both human and physical capital, it will help to increase the overall productive capacity of the economy, increase living standards above what they would otherwise be, and improve the quality of life of Irish people.

The NSRF, through the ESF Operational Programme, can play a valuable role in assisting with the labour market challenges over the period 2007-2013.

Social Inclusion Challenges

The strong performance of the Irish economy over the last decade has been an important factor in combating poverty and social exclusion. Firstly, the enormous growth in employment has made a very significant reduction in unemployment, facilitated increased participation in the labour force, reversed the previous phenomenon of involuntary emigration and produced a real increase in standards of living. Accessing and retaining employment has proved to be one of the most important routes out of poverty. Success in this area has been complemented by the introduction of the minimum wage, the reform of the tax system and the greater flexibility of the social welfare system aimed at supporting people into employment.

The success of the economy has also produced the resources to significantly augment public investment in tackling social exclusion. This has been manifested not only in the large increases in income of those dependent on social welfare payments but in the public investment made under the NDP/CSF 2000-2006 in housing, health services, childcare, education, training, community development and social inclusion generally.

The Government, in 2002, set a target to reduce the numbers of those who are consistently poor to 2% and, if possible, to eliminate consistent poverty as then defined. A major discontinuity between the Living in Ireland Survey 2001, previously used for monitoring progress, and the introduction of the EU Survey on Income and Living Conditions (EU SILC) in 2003 means that it is not possible to compare trends in consistent poverty in that period. However, low levels of unemployment and the substantial resources devoted to Social Welfare and other social services strongly support the view that the downward trend in poverty reduction continued since 1997. Since 2003, the new EU Survey on Income and Living Conditions is being used as the basis to monitor trends for the future. This indicates that the consistent poverty rate has reduced from 8.8% in 2003 to 7% in 2005. The National Action Plan for Social Inclusion 2007-2016 (NAPinclusion) includes the high level target to eliminate consistent poverty by 2016, using a revised up to date measure, with an interim goal to reduce consistent poverty to between 2% and 4% by 2012.

Despite this unprecedented economic performance over the last decade and an overall increase in living standards for everyone, some groups and communities continue to experience poverty and social exclusion. These include: households headed by a person working in the home, particularly lone parents; retired persons; people with disabilities; and those who are unemployed, although the number in this latter group has declined significantly.

The evidence also shows that those in employment, particularly those in two-income households, have achieved most while households headed by a person outside the labour force have not gained to the same degree. An emerging challenge is the situation of the growing numbers of migrants and their families. These groups require particularly focused efforts if they are to be removed from this situation. The problems faced by some persons in these groups are multi-dimensional in nature and require integrated multi-policy responses across a range of policy areas.

The Operational Programmes will complement the NAPinclusion and will assist in tackling some of the challenges and issues highlighted in the NAPinclusion including the activation and participation of groups outside the workforce, urban development and renewal, areas with high levels of unemployment, early school leaving and the integration of immigrants.

Environmental Challenges

While Ireland's environment is generally of a high standard, pressure on it is increasing. This is the result of rapid economic growth, rising population and urbanisation, changing agricultural practices and land use and increased waste generation. Major challenges need to be overcome if Ireland is to improve eco-efficiency and maintain a more sustainable approach to development.

Growth in the household sector has placed a significant demand on resources such as land, energy and water. Household waste production is on the increase with the average three person household producing one tonne of waste per annum. Ireland exports much of its hazardous waste and some non-hazardous waste. Implementing waste prevention and integrated product policies in an increasingly competitive and globalised free-market economy is an ongoing challenge.

The National Climate Change Strategy 2007-2012⁹ published in April, 2007 follows on from the first national strategy, published in 2000 and reviewed in 2002. The strategy identifies the measures by which Ireland will meet its 2008-2012 Kyoto Commitment and demonstrates how these measures position Ireland for the post-2012 period and identifies the areas which further measures are being researched and developed to enable us meet our eventual 2020 commitment.

While the production of renewable energy in Ireland is increasing, Ireland is critically dependent on the importation of fossil fuels. Emissions targets set by the Kyoto Protocol to the UN Framework Convention on Climate Change¹⁰ are set at 13% above the 1990 levels. Due to sustained economic growth in the last ten years Ireland's emissions profile has been in excess of its Kyoto Protocol target. In 2004 Ireland's greenhouse gas emission levels were 23.1% above the 1990 level. Although a marginal increase on figures for 2003, this is nevertheless a significant reduction from a high of almost 27% above the 1990 levels in 2001.

The increase in transport activity has also generated environmental impacts, particularly in terms of greenhouse gas emissions, air quality, noise, and impacts on natural and built environment. The transport sector is now the fastest growing contributor to national greenhouse gas emission levels, with a growth rate of over 144% in the period 1990 – 2004, compared with 23% for the state as a whole. The increase is due almost entirely to increases in road transport emissions. Transport is now responsible for 18.4% of Ireland's greenhouse gas emissions, almost nine percentage points higher than its contribution in 1990.

Ireland's contribution to the climate change agenda will in the main be addressed through investment by the National Development Plan 2007-2013 within the framework of the National Climate Change Strategy 2007-2012.

Eutrophication of Surface Waters

While Ireland's water quality overall remains of a high standard, the eutrophication of freshwaters and estuaries is a significant problem. Eutrophication arises from excess inputs of nutrients (mainly nitrogen and phosphorus) to waters leading to excessive plant growth, depletion of oxygen and habitat degradation. The major sources of nutrient loss to waters are agriculture and municipal sewage discharges, with other sources also making a contribution.

Waste Management

Waste poses a serious economic and environmental challenge for Ireland. Across the EU, waste generation has continued to grow at a pace that equals and sometimes surpasses economic growth. A sustainable approach to dealing with this requires the integration of a number of elements - reducing the extent of waste generation through waste prevention strategies, maximising the recycling and recovery of waste and minimising the environmental impacts of the final disposal of waste, particularly through reducing the reliance on landfill. Ireland has made considerable progress since the late 1990s in implementing such an integrated approach.

9 <http://www.environ.ie/en/PublicationsDocuments/FileDownload,1861,en.pdf>

10 Kyoto Protocol <http://unfccc.int/resource/docs/convkp/kpeng.pdf>

.Environment and the Operational Programmes

Environmental Sustainability is an important horizontal principle in EU Regional Policy and Ireland's ERDF Operational Programmes.

Nevertheless, many of the major environmental challenges, especially in the climate change area, require substantial investment which can only be delivered through funding provided under the NDP 2007-2013. The ERDF can complement the environmental investment programme under the NDP 2007-2013 and the EAFRD with niche interventions designed to support these investment programmes.

The Regional Context

Balanced regional development means supporting the economic and social development of all Regions in their effort to achieve their full potential. Balanced regional development is, accordingly, central to the investment strategy of the NDP 2007-2013 and a priority for ERDF and ESF funding in the NSRF.

The promotion of regional development will be implemented through:

- A major programme of investment under the NDP 2007-2013 in infrastructure with a particular focus on addressing deficits in the various National Spatial Strategy Gateway¹¹ areas;
- Implementation of integrated spatial planning frameworks at Gateway/Regional Authority level which will address appropriate land use at regional level and Gateway levels; and facilitate and complement the NDP 2007-2013 investment in infrastructure;
- Investment in Enterprise and Human Capital development of the Regions, including rural areas;
- The establishment, initially for the period 2008-2010, of a Gateway Innovation Fund on a competitive basis. The Fund will act as a mechanism to bring about better co-ordination in Gateway development, supporting distinctive and innovative projects in Gateway areas which are contributing to the development of the Gateways and their wider Regions.

The objectives of these interventions can be summarised as:

- Ensuring that each Gateway Region maximises its potential for economic and social development;
- Achieving a better balance between the Regions in economic and social development; and
- Fostering enhanced co-ordination in the development of the Gateways and their Regions and between planning and investment at local, regional and national levels.

The role of Government investment policy will be to build on the existing strengths of all the Regions and address their particular development deficits particularly in the area of infrastructure. Through public investment and regional planning, Government will reinforce the inherent strength of individual regions and direct investment to compensate for regional weaknesses. The Government will promote a coherent and coordinated approach to regional development which assists the development of individual regions in a complementary and mutually-supportive manner.

The policy challenges facing Ireland's regions have been the subject of many analyses and reports. The broad approach adopted by the Irish Government is set out in the National Spatial Strategy (NSS). Other important contributions have been made by the National Economic and Social Council (NESC) and the Economic and Social Research Institute (ESRI) as well as by the preliminary studies and evaluations carried out under the supervision of the Regional Assemblies in their preparations for the 2007-2013 funding round.

The National Economic and Social Council Strategy 2006¹² anticipates two overarching challenges in the decade ahead for Ireland. These are to ensure that the NSS is reflected in public investment decisions and policy action and to strengthen commitment to the NSS by deepening the understanding of the economic potential of the gateways and their hinterlands. It notes that there is a risk to national and regional economic development and prosperity from a continuing loss of competitiveness. The Strategy identifies the key issues as:

11 National Spatial Strategy Government of Ireland 2002 <http://irishspatialstrategy.ie>

12 NESC People, Productivity and Purpose <http://www.nesc.ie/dynamic/docs/Main%20Report.pdf>

- the emergence of Dublin as a dynamic metropolitan region on a European scale;
- the underlying transition from manufacturing to services as the dominant form of employment, but not yet of export earnings;
- a changing pattern of economic problems and strengths, including the serious increase in redundancies from manufacturing;
- the future outlook for rural employment, given that employment in construction will not continue to expand at its recent rate, while rural areas have a high dependence on employment in both manufacturing and agriculture, both of which are vulnerable; and
- the availability of land as a resource, much of which is likely to have a radically different role in the economy, and hence in society, than it had for the past two centuries.

Regional issues were also considered by the Economic and Social Research Institute in their Medium Term Review¹³. The ESRI predicts that a shift to lower productivity services, tightening labour market conditions, higher wage costs and continued high levels of net migration inflows will contribute to greater levels of congestion costs in the S&E Region with an impact on the economy's ability to maintain continuing high growth rates. According to the authors, congestion concerns do not exist, to the same extent at least, for the BMW Region. Nonetheless, the need for infrastructure investment in the Region is acute particularly if the dominance of low value, low output indigenous owned enterprise structure there is to be overcome.

Summary Economic Analysis of the Regions

Table 7 summarises the trend in GDP per capita in Purchasing Power Standards for the two regions over the period 2000 to 2004.

GDP per capita 2000-2004

Table 7: GDP per capita in Purchasing Power Standards (PPS), (EU-27 = 100)

	2000	2001	2002	2003	2004
Ireland	132.3	134.6	138.4	140.4	141.4
BMW region	91.5	92.8	95.7	99.6	100.1
S&E region	147.0	149.6	153.8	155.1	156.5
EU-15	115.2	114.8	114.3	113.8	113.2

Table 8 compares the unemployment and participation rates for the two regions for 2006 against 1999.

Table 8: Unemployment and Participation rates 1999 and 2006

	1999		2006	
	Participation Rate	Unemployment rate	Participation Rate	Unemployment rate
BMW	54.9	6.9	60.4	4.5
S&E	59.0	5.4	63.3	4.3
Ireland	57.9	5.7	62.6	4.3
EU-25	61.9	9.1	57.1	8.9

The regionalisation arrangements agreed in the context of Agenda 2000, namely the designation of Ireland as two NUTS¹⁴ II Regions, were part of the response by Government to the challenges then faced by the Regions. These arrangements will be maintained for the 2007-2013 funding round.

In accordance with the EU Regulations, the ERDF Regional Operational Programmes will present an economic SWOT analysis for their respective region. Some key information from that analysis is presented below.

Border, Midland and Western Region

The Border, Midland and West (BMW) Region made substantial economic progress over the period of the 2000-2006 funding round. The Region accounts for 47% of the land area of Ireland. In 2006, its population was 1.132 million, representing 26.7% of the national population.

Output, income, employment and participation rate developments have all been favourable both in absolute and relative terms. Unemployment in the region is well below the EU average. Recent years have seen significant increases in output, both in absolute and per capita terms. Although the Region's relative share of national Gross Value Added (GVA) has fallen slightly since 1995, recently published income data and the current low level of unemployment indicate that the broad trend is towards convergence on the national average.

The region accounted for 18.6% of national Gross Value Added in 2003. Of the total for the region, Agriculture, Forestry and Fishing accounted for 5% with Manufacturing, Building and Construction and Services contributing 32% and 63% respectively. The corresponding figures for 1995 were 13%, 36% and 51% respectively, indicating that the BMW region is in a period of transition with a marked change from agriculture towards services. The apparent stability of the share of industry masks significant changes within that sector which has seen a continuing shake-out of employment in the longer-established sectors of manufacturing.

The strengths and weaknesses of the Region are summarised below.

Strengths and Weaknesses of the Border, Midland and Western Region

STRENGTHS
⌘ <i>Six third level institutions</i>
⌘ <i>Four regional airports</i>
⌘ <i>Improving educational attainment rate</i>
⌘ <i>Number of harbours and sea ports in Region</i>
⌘ <i>Good rail infrastructure in the Midland and West region</i>
⌘ <i>Good road network in Louth and the Midland region</i>
⌘ <i>Lack of congestion</i>
⌘ <i>Large urban centre – Galway</i>
⌘ <i>NSS Gateways (4) and Hubs (4)</i>
⌘ <i>Normalisation process in Border areas</i>
⌘ <i>Nucleus of a strong industrial base in the Midlands and Galway</i>
⌘ <i>Strong Agriculture, Forestry and Fisheries sector</i>
⌘ <i>Tourism</i>

14 NUTS - Nomenclature of Territorial Statistical Units - a system of classification of regions across the E.U. used by the European Commission. For the purposes of Structural Funds, the most important are the so-called N.U.T.S. II regions and N.U.T.S. III regions.

WEAKNESSES

- ⌘ *Largely rural region which is sparsely populated in many areas*
- ⌘ *Low GVA levels/sectors*
- ⌘ *Long commuting distances to large urban centres*
- ⌘ *Poor rural public transport network*
- ⌘ *Infrastructure deficit*
- ⌘ *Low third level education attainment rate*
- ⌘ *Areas of Rural poverty and deprivation*
- ⌘ *RTDI in IoTs and indigenous industry lacking capacity and commercialisation*
- ⌘ *Signs of declining competitiveness*
- ⌘ *Decline in traditional manufacturing industry*

The Southern and Eastern Region

The region covers 53% of the land area of Ireland. In 2006, its population was 3.103 million, representing 73.3% of the national population. Numbers are growing rapidly, especially in the Greater Dublin Area which now accounts for over half of the population of the region. The population is expected to expand by 21% between 2006 and 2021 with two-thirds of the increase concentrated in the Greater Dublin Area. This will put further pressure on an already overstretched economic infrastructure.

The region is the main driver of national economic growth. It accounts for four-fifths of national industrial output and 81.4% of total GVA. Its shares in services output and in agriculture are similar. It is heavily export-dependent with around 80% of its manufacturing production destined for export. This underlines the importance of competitiveness, in all its aspects, for the Region.

In 1999 the Southern and Eastern region was dominated by the Market and Non-Market Services sector which accounted for 81.7% of the national GVA and the Building, Construction and Manufacturing sector which accounted for 81.4%. The Agriculture, Forestry and Fisheries sector in 1999 accounted for 61.5% of the national distribution of GVA. By 2003 the change was only slight with the Building, Construction and Manufacturing sector being the lead sector with 84.2% of national GVA, followed closely by the Market and Non-Market service sector at 80.3% and Agriculture, Forestry and Fisheries at 63.1% of national GVA.

The strengths and weakness of the Region are summarised overleaf.

Strengths and Weaknesses of the Southern and Eastern Region

STRENGTHS

Fourteen third level institutions

Three international airports and two regional airports

Five sea ports

Improving educational attainment rate

Good rail infrastructure

Major investment in road infrastructure

Large urban centres – Dublin, Cork and Limerick

NSS Gateways (5) and Hubs (5)

Strong Building, Construction and Manufacturing and Market and Non-Market services sector

WEAKNESSES

Long commuting times to large urban centres

Poor rural public transport network

Infrastructure deficit

Congestion in Dublin region

Areas of urban poverty and deprivation

RTDI deficit in terms of capacity and commercialisation capability

Signs of declining competitiveness

Chapter 3

Responding to the
Challenges of the
Lisbon Agenda



Chapter 3

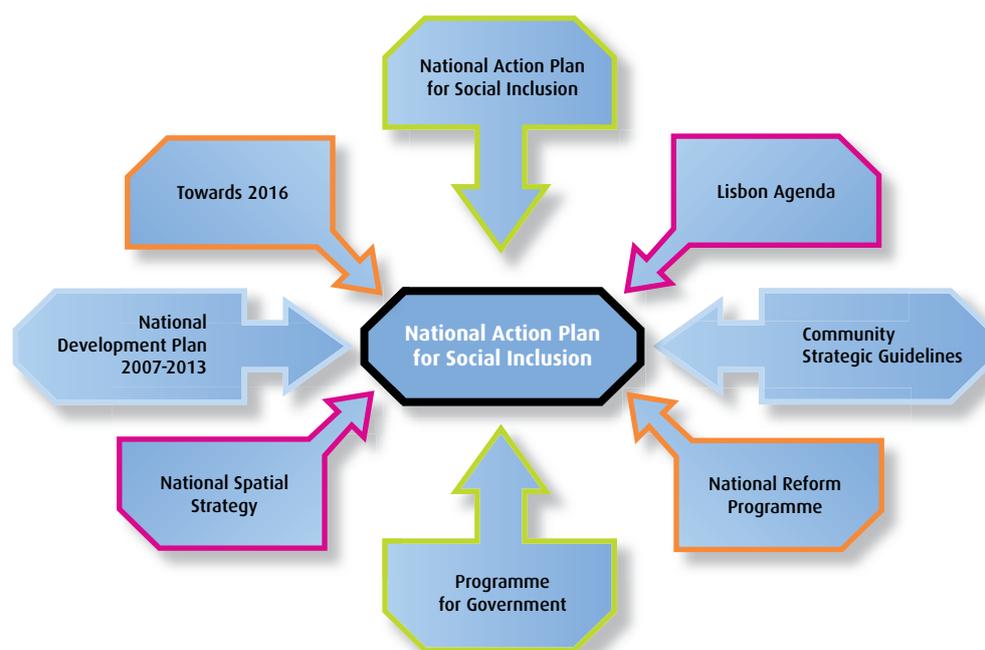
Responding to the Challenges of the Lisbon Agenda

Introduction

Responding to the challenges of the Lisbon Agenda requires an integrated approach by Government. Ireland is performing well on many of the key Lisbon indicators. However, work remains to be done especially in respect of the infrastructure deficit, improving productivity, further strengthening the inclusiveness of the labour market and improving Ireland’s research and development capacity.

As discussed in Chapter 1 the priorities chosen for the NSRF have been informed by National and European instruments as set out in figure 6 below.

Figure 6: National and European Instruments informing the National Strategic Reference Framework



This Chapter provides the strategic policy context within which the Regional Competitiveness and Employment (RCE) Operational Programmes are framed and the priorities outlined in Chapter 4 are set.

The Strategic Context for the Lisbon Agenda

The following sets out the integrated strategic development frameworks for regional development in Ireland.

National Strengths and Weaknesses

The decisions on national investment priorities were informed by the following assessment of the key economic strengths and weaknesses:

NATIONAL STRENGTHS

Macroeconomic stability underpinned by sound public finances reflected in a very low debt level and general Government surpluses for 9 of the last 10 years;

High quality education system at all levels delivering a skilled and flexible labour force which has underpinned employment growth from 1.1 million in 1991 to over 2 million in 2006;

Positive short to medium term demographic situation boosted by recent high levels of comparatively well skilled immigrants;

Taxation and regulatory regime generally conducive to productive investment including inward Foreign Direct Investment;

Membership of the European Union with access to a single market of 494 million persons which has also generated substantial financial transfers to Ireland to underpin sectoral development including in the area of agriculture;

Broadly based consensus on economic and social policy as reflected in successive Partnership agreements.

NATIONAL WEAKNESSES

Significant infrastructural deficits which continue to impact on competitiveness, regional development and general quality of life, notwithstanding major enhancement of economic and social infrastructure stock under NDP/CSF 2000-2006;

Continuing imbalance in regional development although all regions have achieved significant economic and population growth in recent years;

Major environmental challenges which must inform investment and land use decisions;

Signs of declining competitiveness with some costs rising at levels higher than global competitors with particular pressure on manufacturing and indigenous enterprises and the need to improve worker productivity;

Upskilling of workers is not an area where Ireland has a strong tradition and is below the highest international standards;

Comparatively poor performance in Science, Technology and Innovation at both Business and Academic levels;

Pockets of deprivation and lack of opportunities in certain areas, both urban and rural.

The National Reform Programme

The National Reform Programme (NRP)¹⁵ presented by Ireland in October 2005 sought to bring together a broad range of policies and initiatives, the implementation of which were aimed to sustain Ireland's strong economic growth and employment performance. The NRP was Ireland's contribution to the re-launched Lisbon Agenda over the period to 2008¹⁶.

The policy priorities for Ireland under the National Reform Programme are reflected in three main areas as follows:

1 Macro-economic policy/guidelines:

- Maintain a stable macroeconomic environment, sustainable public finances, and moderate inflation levels.
- Within this fiscal framework, continue to prioritise public investment in economic and social infrastructure and other growth-enhancing expenditures.
- Ensure that the economy will be in a position to meet anticipated long-run fiscal pressures, including those arising from the ageing of the population.

2 Micro-economic policy/guidelines:

- Promote, protect and enhance competitiveness.
- Increase R&D investment, capacity and output.
- Encourage greater innovation and entrepreneurship across the enterprise sector.
- Continue to address the physical infrastructure deficit, particularly in the transport sector.
- Continue to roll out regulatory reform.
- Support social inclusion and sustainable development.

3 Employment policy/guidelines:

- Continue to achieve higher levels of employment, improved quality and productivity of work, and social cohesion.
- Focus on education and training, including lifelong learning, to develop high skilled, innovative and adaptable workforce for the knowledge economy.
- Ensure an adequate labour supply to meet economy's needs.

Within the NRP, the need to maintain competitiveness and improve productivity is paramount. Ireland is committed to the two-pronged approach of sustaining the linkages between our economic performance and our social policy, to achieve a fair, just and inclusive society. The important focus should now be on implementation of key strategic priorities at micro-economic level. In that regard, the NRP has specific commitments in the areas of:

- R&D investment targets up to 2013;
- encouraging greater levels of innovation and entrepreneurship, across the Enterprise Sector, with particular focus on SMEs; and
- improving labour supply through intensified measures to address specific target groups in the inactive population.

The overall strategic approach adopted by the Government for the NRP is as set out in its Agreed Programme for Government published by the coalition Government partners in 2002. This set out the overall programme for the subsequent five-year period across the entire policy spectrum and is reviewed annually to report on progress.

15 National Reform Programme http://www.taoiseach.gov.ie/attached_files/Pdf%20files/lisbonagenda.pdf

16 COM (2005) 24, Communication of the European Council "Working together for growth and jobs – a new start for the Lisbon Strategy."

The commitments set in the Programme for Government are aimed at sustaining economic growth and maintaining full employment. To achieve these aims, the Government has committed itself to low inflation, responsible fiscal policies and effective investment policies and also stressed the importance of achieving social equity and ensuring environmental sustainable development as inter-related goals.

A Progress Report on the National Reform Programme was submitted in October 2006¹⁷. It reconfirmed the Government's commitment, working with the Social Partners, to the pursuit of improved quality of life and living standards for all and its recognition of the interdependence of social equity and sustainable development with economic growth and improved employment opportunities.

The Commission's assessment of Ireland's National Reform Programme implementation report is that "Ireland is generally making very good progress with the implementation of its NRP."¹⁸ The Commission went on to indicate that "the report includes new strategies and policy proposals which have the potential to address many of the Commission's concerns."

The Commission identified the following areas as key strengths of Ireland's NRP:

- The recently adopted Science, Technology and Innovation Strategy 2006-2013 and the substantial increase of public investment in R&D;
- Recognition of the need to prioritise public investment in infrastructure and other growth-promoting expenditure; and
- Measures to address early school leaving and enhance skills, such as the welcome commitment to develop by 2007 a long-term national skills strategy.

Implementing the Lisbon Agenda

Macro-economic policy framework

Economic and fiscal policy is conducted within the framework of the Stability and Growth Pact¹⁹. The Government's economic and budgetary objective is to promote competitiveness and ensure that the economy continues to grow at a sustainable rate, thereby facilitating full employment, enhanced living standards and a more equitable society.²⁰ The Government considers that a stable macroeconomic environment and, in particular a commitment to sound public finances and the maintenance and improvement of the economy's competitiveness, provides the basis for the achievement of these objectives. Of particular importance is the need to ensure that public expenditure grows broadly in line with available resources. Within this parameter, the Government will increase the level of investment needed to tackle the economy's infrastructure deficit. In a longer-term context, the Government is determined that the public finances will be in a position to meet anticipated fiscal pressures, including those arising from the ageing of the population.

17 Dedicated website for the Lisbon Agenda www.lisbonagenda.ie this website also contains the 2006 Progress Report

18 Further detail on the Commission's Assessment of Ireland's NRP can be found at http://ec.europa.eu/growthandjobs/pdf/1206_annual_report_ireland_en.pdf

19 Council Regulation (EC) No. 1055/2005 amending regulation EC No. 1466/1997.

20 Stability Programme Update, December 2006. <http://www.budget.gov.ie/2007/downloads/StabilityProgramme.pdf>

The National Development Plan 2007-2013

The National Development Plan 2007-2013²¹ sets out the roadmap to Ireland's future. Within the next seven years, our economy and our society will undergo a transformation almost as radical as the changes we have experienced in the past decade of growth and development.

This change will be driven largely by the continuing increase in our population, projected to reach over five million people by 2021. We will experience a change in our economic base, as we move towards more high value added economic activities and industries, both foreign-owned and indigenous. To optimise our choices for a better long-term future Ireland has set out a roadmap, clearly marking out the landmark challenges we face such as:

- removing the remaining infrastructure bottlenecks that constrain our economic development and inhibit balanced regional development;
- further equipping our children and youth with the skills and education to grasp the opportunities presented to us;
- creating and sustaining high value employment opportunities; and
- redistributing the product of wealth to foster an inclusive society, including adequately catering for those who have already contributed to Ireland's success over previous decades.

The NDP 2007-2013 integrates strategic development frameworks for regional development, for rural communities, for All-Island co-operation, and for protection of the environment with common economic and social goals.

High Level Objectives

The NDP 2007-2013 sets out the key high level objectives of investment for Ireland in the period 2007-2013 they are as follows:

- Promotion of sustainable economic and budgetary stability;
- Promotion of national competitiveness;
- Fostering better balance in regional development with a particular focus on assisting all regions to deliver to their maximum potential;
- Delivery of economic and social infrastructure in an efficient Value for Money Way which improves the quality of life of our citizens;
- Environmental sustainability;
- Promotion of social inclusion; and
- Development of strong cross-border and all island economic and sectoral co-operation.

Over the next seven years, the National Development Plan 2007-2013 proposes investment of some €184 billion in Ireland's economic and social infrastructure, the enterprise, science and agriculture sectors, the education, training and skills base of our people and the social fabric of our society that, within a strong and vibrant economy geared to meet the challenges of the future, will deliver a better quality of life for all.

21 *Transforming Ireland — A Better Quality of Life for All - Full details of the Plan can be found on the website www.ndp.ie*

The five Investment Priorities of the Plan are:

Priority	€billion Investment (Current Prices)
Economic Infrastructure	€54.7
Enterprise, Science and Innovation	€20.0
Human Capital	€25.8
Social Infrastructure	€33.6
Social Inclusion	€49.6
Total	€183.7 billion

Funding of its investment relies on domestic resources, produced by the taxpayer and invested in priorities that will generate a real economic return, increasing overall wealth in our society and raising standards of living beyond what they might otherwise be.

Securing value for money for the NDP 2007-2013 investment and monitoring its implementation will be a key priority and essential to the success of the Plan in transforming Ireland.

The priorities and approach set out in the NDP 2007-2013 are consistent with the ten year social partnership framework agreement - Towards 2016 - concluded in 2006.

The NSRF is to contribute to the investment priorities being pursued under the NDP 2007-2013 in a niche and complementary manner.

The Social Partnership Agreement Towards 2016

Economic and social progress in Ireland is now more broadly based and has deeper roots than in the past. At the same time economic progress is vulnerable in a number of ways, some of which are new. In the past the performance of the economy set limits to our social and environmental possibilities. However, economic policy and social provision can be mutually reinforcing and complementary.

As indicated above dramatic changes are already taking place in the level and composition of Ireland's population. A further large increase in population is expected in the coming years. This represents an opportunity for Ireland but it will also place increased pressure on services, infrastructure and the environment.

The National Economic and Social Council²² (NESC) set out a vision of Ireland in the future²³, the key foundations of which are a dynamic, internationalised, and participatory society and economy, with a strong commitment to social justice, where economic development is environmentally sustainable, and internationally competitive. The Government believes that to achieve the NESC vision requires a longer-term strategic planning perspective, which, in turn, warrants a longer-term partnership framework.

Towards 2016 is a ten year Framework Social Partnership Agreement for the period 2006 to 2015²⁴. It provides the framework for meeting the economic and social challenges ahead. Each of the previous social partnership agreements had a particular focus and contained significant innovations. In this respect *Towards 2016* develops a new framework to address key social challenges, and also shifts the focus of policy to a life cycle approach.

22 *The function of the Council is to analyse and report to the Taoiseach on strategic issues relating to the efficient development of the economy and the achievement of social justice and the development of a strategic framework for the conduct of relations and negotiation of agreements between the government and the social partners. More information is available at www.nesc.ie*

23 *NESC Strategy 2006: People Productivity and Purpose* <http://www.nesc.ie/dynamic/docs/Main%20Report.pdf>

24 *Towards 2016 – Framework Social Partnership Agreement* http://www.taoiseach.gov.ie/attached_files/RTF%20files/Towards%202016PartnershipAgreement.rtf

The shared overall goal of *Towards 2016* is to realise this vision by:

- Nurturing the complementary relationship between social policy and economic prosperity;
- Developing a vibrant, knowledge-based economy;
- Re-inventing and repositioning Ireland's social policies;
- Integrating an island-of-Ireland economy; and;
- Deepening capabilities, achieving higher participation rates and more successfully handling diversity, including immigration.

The goals set out in the framework agreement will be realised by a number of instruments including the National Development Plan 2007-2013, the National Spatial Strategy, the National Action Plan for Social Inclusion, the National Reform Programme and the Operational Programmes for the National Strategic Reference Framework, 2007-2013.

National Action Plan for Social Inclusion (NAPincl) 2007-2016²⁵

The NAPinclusion sets out a wide-ranging and comprehensive programme of actions to address poverty and social exclusion for the next ten years using the lifecycle approach adopted by the social partners in the national partnership agreement *Towards 2016*.

The lifecycle approach places the individual at the centre of policy development and delivery by assessing the risks facing him or her and the supports available at key stages of the lifecycle. These key lifecycle groups are: Children, Young adults, People of Working Age, Older People and People with Disabilities. The adoption of the lifecycle approach offers a comprehensive framework for implementing a streamlined, cross-cutting and visible approach to tackling poverty and social exclusion. The *Towards 2016* strategic vision and key long-term goals for each stage of the lifecycle, together with agreed priority actions, form the basis for the targets and actions, and for the complementary economic and social infrastructure measures set out in the NDP 2007-2013.

It focuses primarily on those who are most deprived and vulnerable. The main emphasis, using the lifecycle approach, is on:

- ensuring children and young adults reach their true potential;
- supporting working age people and people with disabilities, through activation measures and the provision of services to increase employment and participation;
- providing the type of supports that enable older people to maintain a comfortable and high-quality standard of living;
- building viable and sustainable communities, improving the lives of people living in disadvantaged areas and building social capital.

To ensure that a decisive impact on poverty is made, the Government has prioritised a small number of high level goals which are also contained in the NDP 2007-2013. These high level goals, together with the targeted actions and interventions, are designed to mobilise resources to address long-standing and serious social deficits with the ultimate aim of achieving the overall objective of reducing consistent poverty.

Low levels of unemployment and the substantial resources devoted to social welfare and other social services have helped to lift a significant number of people out of consistent poverty over the past decade. However, not everyone has benefited to the same extent, including in particular, those who live in jobless households. Accessing and retaining employment has proved to be one of the most important routes out of poverty. Therefore, the NAP inclusion sets ambitious targets to assist those who are furthest from the labour market.

25 National Action Plan for Social Inclusion 2007-2016 – <http://www.welfare.ie/publications/napsocinc.html>

The NSRF will complement the NAPinclusion and will assist in tackling some of the challenges and issues highlighted in the NAPinclusion including the activation and participation of groups outside the workforce, urban development and renewal, areas with high levels of unemployment, early school leaving and the integration of immigrants.

Strategy for Science, Technology and Innovation (SSTI) 2006-2013

The development of the knowledge-based economy is one of the key challenges and opportunities facing Ireland. The factors which have contributed to Ireland's economic success to date are not sufficient to sustain the recent achievements. Increasing international competition is creating pressure for improvements in efficiency, quality and productivity and a growing need to innovate. These pressures will increase and intensify.

Ireland's economy has made great leaps forward in a relatively short time. This intensive growth can hide vulnerabilities especially when much of its foundations lie in domestic consumption and growth in public services and the construction sector. This type of growth has inevitable limitations. As with the economy, Ireland's progress in science in the past decade has been impressive.

As part of an analysis conducted under the aegis of the Office of the Chief Science Advisor in 2004, the following conclusions about Ireland's Research, Technology and Innovation performance were reached. Weaknesses included an historic absence of a fully developed national strategy for science, technology and innovation, and integration of sectoral and socio-economic research within that framework, the research capacity in the Universities, Institutes of Technology and Industry in terms of closing the output and quality gap with competitors were all seen as areas where significant improvements could be made. The numbers studying science subjects to Leaving Certificate level are low as are structural weaknesses in the universities and institutes.

At the time of the analysis companies in Ireland were found to generally lack the capabilities to absorb research and technology and the commercialisation structures of the companies were also weak. Finally there was a low availability of Seed Capital and a lack of funding for research support disciplines.

In order to address these weaknesses the Strategy for Science, Technology and Innovation²⁶ was launched by the Irish Government in 2006. The strategy envisages that by 2013 Ireland will be internationally renowned for the excellence of its research, and will be to the forefront in generating and using new knowledge for economic and social progress, within an innovation culture.

The SSTI provides for the continued development of a world-class research system underpinned by the essential physical and human infrastructure, doubling the number of PhD graduates over its lifespan. Top-level researchers will be drawn both from home-grown talent and from overseas.

The SSTI proposes mechanisms, such as centralised support to Higher Education Institutions by Enterprise Ireland to ensure that the investment in research is turned into commercial value to the greatest extent possible. In regard to enterprise, the SSTI sets out structures and mechanisms including assisting firms with licensing technology and promoting the formation and advancement of inter-company networks to enhance supports to industry and encourage firms to become more engaged in R&D activity. Detailed targets are set for this, encapsulated in the goal of increasing Business Expenditure on R&D (BERD) from the current level of €1.1 billion to €2.5 billion by 2013.

The SSTI also has significant implications for the education system as a whole, with curriculum and teacher training improvements focused on ensuring that science is a core element for all students, from school entry right through to career choice.

In addition, the SSTI sets out a broad agenda for public sector research across all key research performing Departments. This research will yield important social and economic benefits across areas such as Agriculture and Food, Marine, Health, Environment and Energy.

²⁶ Further information on the Strategy for Science, Technology and Innovation 2006-2013 can be found on the website of the Department of Enterprise, Trade and Employment www.entemp.ie or the publication can be accessed directly at <http://www.entemp.ie/publications/science/2006/sciencestrategy.pdf>

Implementation of the Strategy will move Ireland forward significantly in areas such as the output of PhDs, Gross Expenditure on Research and Development and Business Expenditure on R&D. The strategy is aimed at making ambitious but realistic progress in the period up to 2013 and the resources involved are commensurate with those aims.

Supporting the implementation of the Strategy for Science, Technology and Innovation will be a priority for the NSRF to be implemented through the ERDF Priorities.

Employment Policy and the National Skills Strategy

The EU Integrated Guidelines for Growth and Jobs 2005-2008 provide for increased investment in human capital through better education and skills and the provision of more flexible pathways for learning. They also provide support for quality standards in education and training and adaptation of education and training systems in response to competency requirements.

Irish labour market policy over the period 2005-2008 is focused on:

- Sustaining a high level of employment and low unemployment;
- Ensuring an adequate supply of labour to meet the needs of the economy;
- Maintaining a strong focus on education and training, including lifelong learning, to ensure the development of a high skilled, adaptable workforce.

Helping to support Ireland's National Reform Programme in the labour market area is an important NSRF objective and will be delivered through the ESF Priority.

National Skills Strategy

The Enterprise Strategy Group (ESG) Report stated that Ireland needs to pursue a knowledge-based, innovation-driven economy in order to maintain competitiveness into the future. A key input in the coming years will be the National Skills Strategy based on the findings of the Expert Group on Future Skills Needs report, entitled "Towards a National Skills Strategy²⁷". Investment under this sub-programme will be informed by the Strategy. The objective is to ensure that we have, over the period to 2020, the skills required to achieve the ESG's objective and to remain competitive in the global marketplace.

The Expert Group on Future Skills Needs has articulated a vision where 48% of the labour force would have qualifications at NFQ (National Framework for Qualifications) Levels 6 to 10 (post-Leaving Certificate to PhD levels), 45% would have qualifications at levels 4 and 5 (Leaving Certificate) and the remaining 7% would have qualifications at levels 1 to 3 (Level 3 is Junior Certificate) by 2020. This would be achieved by both improvements in the education of young people coming through the education system and improved training of those of working age. Within this objective, Ireland would build capability at fourth level and double its PhD output (Level 10) by 2013; approximately 172,000 additional people would be up-skilled to levels 6 to 10 of the NFQ, and 300,000 additional workers would be trained up to Leaving Certificate level or equivalent (levels 4 or 5).

This vision requires maximising the skills of the resident population through both education and training and at the same time continuing to attract highly skilled migrants.

These skills needs would be met by maximising the use of the National Training Fund resources, and of existing capacity in educational institutions and maximising the private sector contribution to training and education, in order to raise skill levels in the labour force and protect competitiveness.

27 *Towards a National Skills Strategy* – www.skillsireland.ie

National Spatial Strategy 2002-2020

The National Spatial Strategy (NSS) sets out the Government's vision and strategic framework for achieving sustainable and balanced regional development in Ireland. The NSS was launched in 2002 and embodies a 20-year spatial framework to achieve more balanced regional development in Ireland. The vision underlying the NSS is a better balance of social, economic, physical development and population growth between Regions. The NSS envisages thriving Gateway centres driving the development of their wider Regions, including surrounding towns, villages and rural areas. The NSS summarises balanced regional development as: "Developing the full potential of each area to contribute to the optimal performance of the State as a whole - economically, socially and environmentally."²⁸

The NSS calls in particular for a focusing of investment and growth potential around a network of nine competitive, national gateways. These are Dublin, Cork, Galway, Limerick/Shannon, Waterford, Sligo, Dundalk, Letterkenny/Derry, Athlone/Tullamore/Mullingar. These in turn are supported by a range of other significant urban areas such as an additional nine hubs²⁹ as well as other large towns in order to drive the development of their wider regions.

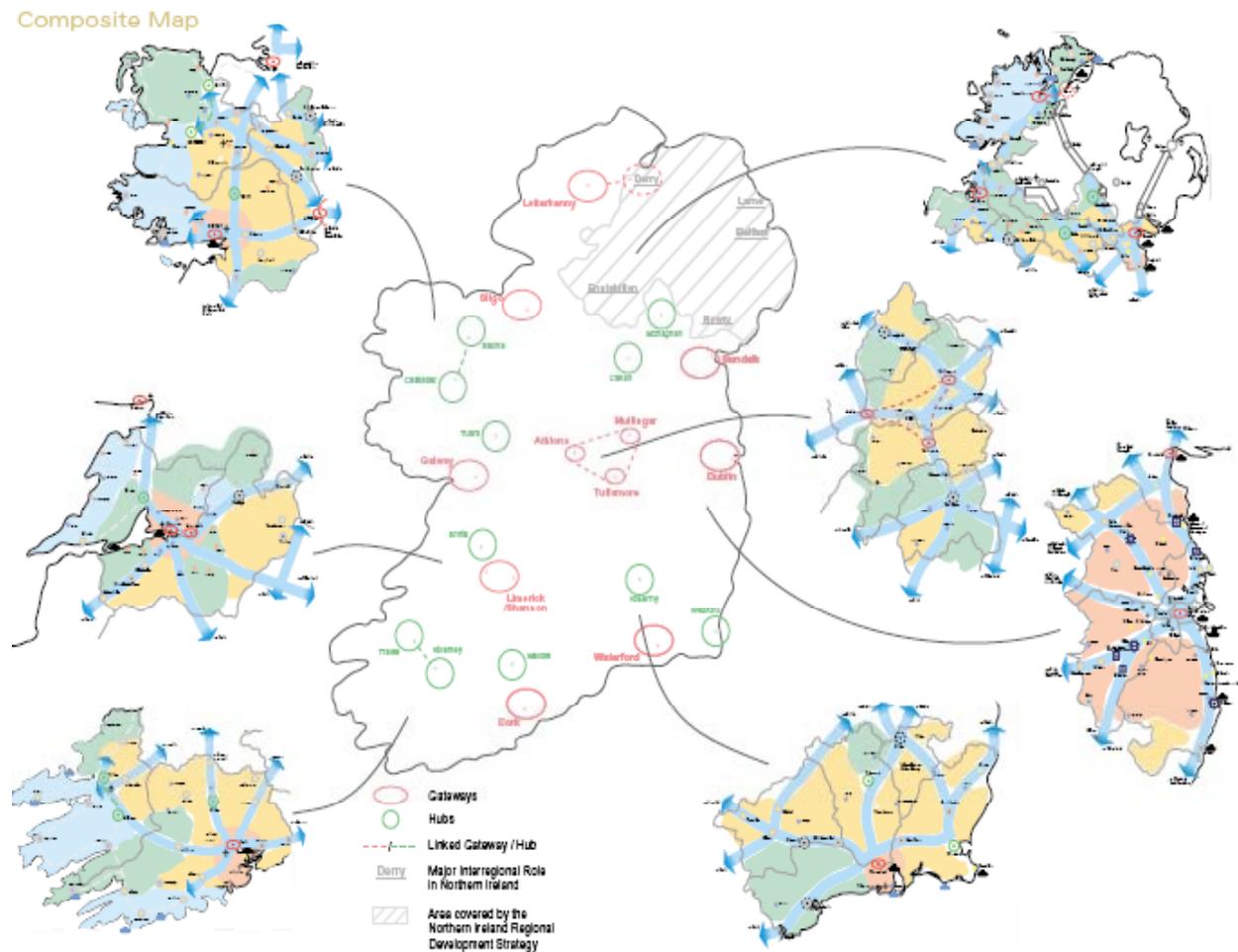
The NSS also outlines a set of complementary policies to ensure that the development potential of rural and remote areas is harnessed to the full to ensure that more balanced development takes place within as well as between regions. Finally, the NSS also calls for a more strategic approach to planning and heads up a hierarchy of spatial plans at national, regional and local levels.

At national level, public investment under the NDP/CSF 2000-2006 has funded many significant investments central to the aims of the NSS in areas such as transport, housing, water services, urban renewal, broadband, regional competitiveness and innovation. Also, the NDP 2007-2013 will focus investment around the network of the nine Gateways identified in the Strategy. It will support urban-rural partnership by linking the Gateways with other urban centres and rural areas. New investment programmes such as Transport 21 have also emphasised the importance of supporting regional development and facilitating the development of the NSS Gateways and Hubs. This investment is playing an important role in the economic growth being experienced in the regions.

28 *National Spatial Strategy Government of Ireland 2002 p.11 <http://irishspatialstrategy.ie>*

29 *Ballinal/ Castlebar, Cavan, Ennis, Kilkenny, Mallow, Monaghan, Tralee/Killarney, Tuam and Wexford*

Figure 7: National Spatial Strategy Map



At Regional level, the NSS has been further articulated through the adoption of Regional Planning Guidelines (RPG) by the Regional Authorities, setting the strategic policy agenda for Local Authority development plans at city and county level. These Guidelines will be the template to secure good alignment between public investment plans at national level and physical planning at Regional and local levels.

At local level, the publication of Regional Planning Guidelines sets a framework for statutory development plans at city and county level. In addition strategic planning initiatives for most of the Gateways (Dublin, Cork, Galway, Limerick, Waterford, Dundalk, Sligo and Midlands) have been put in place. Work on a strategic framework for the Northwest Gateway (Letterkenny/Derry) is advancing and will be completed in early 2007.

This work will be of assistance to the Managing Authorities in preparing interventions in the relevant Operational Programmes to draw down ERDF Funds.

Helping to support and implement the National Spatial Strategy will be a key objective of the NSRF delivered through an ERDF Priority.

Chapter 4

**NSRF - Strategic Priorities
for 2007-2013**



Chapter 4

NSRF - Strategic Priorities for 2007-2013

Introduction – Strategic Priorities and Horizontal Principles 2007-2013

National investment priorities over the period 2007-2013 are to be delivered primarily through the National Development Plan 2007-2013. As indicated earlier, the overall objective of the NDP 2007-2013 is to transform Ireland and promote a better quality of life for all citizens.

The NDP involves an investment of some €184 billion. By contrast it is estimated that this NSRF will involve a total investment of approximately €2.6 billion³⁰ or 1.4% of NDP investment. The strategic objective of this NSRF, is, therefore, within the context of the limited resources available under the Framework, to complement the investment priorities being pursued under the NDP 2007-2013 by focusing on niche priorities in line with the Community Strategic Guidelines, ESF/ERDF Regulations and taking account of the two Regional foresight studies and the extensive consultation process undertaken to prepare the NSRF.

As set out in Chapter 1, the CSG sets the key priorities for EU Regional Policy for the period 2007-2013. These priorities have the objective of promoting and encouraging innovation, the knowledge economy, enterprise, and research and development, upskilling the workforce and increasing participation and activation of groups outside the workforce. Reflecting Ireland's commitment to the success of the Lisbon Agenda, the investment strategy of the NSRF is fully consistent with the achievement of these goals.

Evolution of Ireland's Priorities

The Strategic focus of the NSRF reflects the National investment priorities contained in the NDP 2007-2013 and the niche and complementary position EU Regional Policy will play in Ireland over the period. The NSRF priorities reflect the National and Regional Strengths and Weaknesses outlined in Chapters 2 and 3 and are consistent with the National Strategies developed in response to these challenges.

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

ERDF Priority 1 will allow the Regional Operational Programmes to focus investment on the particular weaknesses and build on the strengths of their Region in the RTDI field. This Priority will also support the development of knowledge and innovation and help foster entrepreneurship in Ireland through targeted interventions in each Region.

ERDF Priority 2 has been designed to address the weaknesses in the BMW and S&E Regions in strategic infrastructure and inter-gateway and hub connectivity, in particular focusing investment on strengthening the Gateways and Hubs as drivers of the Regional economies and improving strategic Gateway and Hub inter-connectivity in a niche and complementary manner to the NDP 2007-2013. ERDF Priority 2 will also promote environmental and sustainable development.

30 Note this figure is the total indicative investment figure under the RCE Objective. The financial table in annex 1 deals with the EU allocation of ESF and ERDF funding under the RCE objective.

European Social Fund (ESF) Priority

The Strategic Framework

The strategic framework for the ESF Priority is set out in Chapter 3 and is based on supporting the delivery of relevant aspects of the Lisbon Agenda. The Lisbon Action Plan outlines actions in the human capital area to be taken at EU and national level aimed at making Europe ‘the most dynamic and competitive knowledge-based economy in the world, with more and better jobs and greater social inclusion’.

The goal of creating more and better jobs will be met by attracting more people into employment or entrepreneurial activity, by improving the adaptability of workers and enterprises and by increasing investment in human capital through better education and skills. These activities will be supported primarily through investment under the National Development Plan 2007-2013. In order to comply with the Community Strategic Guidelines, the ESF Priority will take into account the requirements regarding earmarking of Lisbon-related interventions, equal opportunities, equality between women and men, tackling discrimination, improving access for people with disabilities to opportunities, mainstreaming the learning from EQUAL and strengthening access of migrant workers to the labour market.

The ESF Regulation gives an increased emphasis to the European Union’s commitment towards the elimination of inequalities between women and men. Specific actions addressed to women are combined with a robust gender mainstreaming approach, to increase participation and progress of women in employment. In addition, the ESF Regulation notes that the promotion of innovative activities and trans-national co-operation should be fully integrated in the scope of the ESF. The ESF Priority will seek to enable these objectives to be addressed through the investment choices made at Operational Programme level.

The strategic framework for the European Social Fund is:

- Upskilling the workforce and increasing the participation and activation of groups outside the workforce.

Within this Priority, two sub-priority areas have been identified. These are:

- Upskilling the workforce; and
- Activation and participation of groups outside the workforce.

The challenge for the ESF Operational Programme will be to identify areas for investment that will impact on these objectives and ensure that the areas chosen for investment have the greatest impact possible.

ESF Priority - Human Capital Investment through upskilling the workforce and increasing the participation and activation of groups outside the workforce

This Priority will support CSGs:

- 1.3.1 Attracting and retaining more people in employment and modernising social protection systems;
- 1.3.2 Improve adaptability of workers and enterprises and the flexibility of the labour market;
- 1.3.3 Increasing investment in human capital through better education and skills; and
- 1.3.5 Help maintain a healthy labour force.

Under the ESF Operational Programme, measures chosen for ESF co-financing should have objectives and targets that align with those for the OP and ESF in general. While specific measures may only be able to make a partial contribution to the overall goals, they should nevertheless demonstrate a direct link to the desired higher level outcomes. Lifelong learning and Industrial restructuring will be central to the development of the ESF Operational Programme and appropriate consideration will be given to the need to encourage innovation and partnership in measure delivery.

ESF Sub-Priority I – Upskilling the Workforce

National Skills Strategy

As referred to in Chapter 3, the Enterprise Strategy Group (ESG) Report stated that Ireland needs to pursue a knowledge-based, innovation-driven economy in order to maintain competitiveness into the future. A key input in the coming years will be the National Skills Strategy based on the findings of the Expert Group on Future Skills Needs (EGFSN) report, entitled “Towards a National Skills Strategy”. Investment under this sub-programme will be informed by the Strategy. The objective is to ensure that over the period to 2020, the skills required to achieve the ESG’s objective and to remain competitive in the global marketplace, are in place.

The vision set out by the EGFSN requires maximisation of the skills of the resident population through both education and training while at the same time continuing to attract highly skilled migrants.

These skills needs would be met by maximising the use of the National Training Fund resources and of, existing capacity in educational institutions as well as the private sector contribution to training and education, in order to raise skill levels in the labour force and to protect competitiveness.

The Operational Programme will support the implementation of the National Skills Strategy by providing co-funding from ESF for appropriate measures that are designed to increase skills and education levels in the workforce.

Focus of Interventions

Training of employees

The private sector will always play the greatest role in the training of those in employment. However, the public sector does have a role in encouraging and providing guidance for that investment and in providing training in cases of market failure, such as for the low and unskilled and for those working in the SME sector. The objective will be to increase the number of employed persons acquiring certified training qualifications to increase their employability and companies’ productivity and competitiveness.

Increased numbers of graduates to meet needs of the economy

The aim here will be to contribute to the recurrent costs of providing the additional third level places to meet the identified skills needs of the high technology sector and those recommended by the Expert Group on Future Skills Needs (EGFSN).

Vocational education and accredited education

Interventions under this heading will address the need to provide unemployed persons and other job-seekers with the skills they need firstly to gain suitable employment, secondly to be productive at work, and thirdly to progress in the future to different or more advanced work.

ESF Sub Priority II - Activation and Participation of Groups outside the Workforce

Despite the unprecedented economic performance over the last decade and an overall increase in living standards for everyone, some groups and communities continue to experience poverty, social exclusion and problems gaining employment. This reflects considerable inequality in labour market outcomes, as discussed earlier. These include: households headed by a person working in the home, particularly lone parents; people with disabilities; and those who are unemployed, although the number in this latter group has declined significantly.

Social inclusion

Social inclusion is a stated objective of the ESF. Social inclusion actions, under the ESF Operational Programme, need to remove or at least reduce barriers to employment. This can be achieved by, for example, providing education and training and access to lifelong learning for those most disadvantaged. They should also be reflected in measures to target early school leaving, female participation, labour supply mobilisation and preventative measures to minimise the drift in to long term unemployment. These will help to promote social inclusion with particular emphasis on the re-integration of the socially excluded, new immigrants and the long term unemployed into the labour force.

The new NAPinclusion Strategy referred to in Chapter 3, sets out the Government's high-level goals to combat poverty and social exclusion, based on the lifecycle approach. This approach offers a framework for implementing a streamlined, cross-cutting and visible approach to tackling poverty and social exclusion.

By improving access to employment opportunities the measures outlined in this Priority will have a fundamental impact on the lives and opportunities of those who are in low skilled jobs and those who are furthest from the labour market.

Equal Opportunities

Educational disadvantage and inclusion issues continue to be priorities for Ireland. There is a need to meet the diverse educational needs of an increasingly multicultural society. The current EQUAL Community Initiative Programme has made a valued contribution in allowing an opportunity for innovative practices and actions to be piloted. The strategic focus of the programme on disadvantage and the opportunities it provided for voluntary and community organisations to engage in a participative and bottom-up approach is seen as being very useful in addressing the social impacts of the economic and structural change on groups and communities experiencing exclusion.

Migrant Workers

Mainstream labour market programmes are, of course, available to migrants and will continue to be. Where extra focus is required on the particular problems of migrants, such as language barriers, these will be considered by the relevant Agencies. Projects aimed at the most vulnerable of legally resident migrants that are having difficulty accessing employment because of language difficulties, health issues, lack of training or social skills or non-recognition of their qualifications will be supported with a view to promoting and extending initiatives to increase the levels of employability of the target group.

The objective is to implement a series of initiatives which will increase the employment possibilities for the target group through a linked comprehensive employment programme embracing all stages of preparation which will include language training around the work place, social skills training and a one-on-one mentoring programme that will lead to long term placement of beneficiaries in either training or employment.

Gender Equality

The increased participation of women in the labour market has contributed significantly to Irish economic growth and steps are being taken to further increase participation rates for groups which are currently under-represented or inactive. Steps will be taken to foster the advancement of these groups to decision making levels within organisations and in broader civil society. To be effective particular attention in the targeting of training responses and the greater flexibility in the delivery of training is required.

The National Women's Strategy 2007-2016³¹, addresses the themes of equalising socio-economic opportunity for women, ensuring their well being and engaging them as active citizens. On a broader basis, a gender equality mainstreaming approach within all policy development, including labour market programmes, will further advance the role of women in the Irish economy and Irish society.

As part of the monitoring procedures and arrangements under this Programme, implementing bodies will be asked to report on the contribution to or achievement of social inclusion and equality objectives.

Focus of Interventions

Life Long Learning

Ireland's economy requires a well-educated and flexible workforce in order to continue to meet the demands of an evolving, competitive environment and the demands of industrial re-structuring that globalisation continues to bring. This will require an approach to ongoing education and upskilling that can be provided through a strong focus on life long learning initiatives. Ireland is committed to encouraging participation in further education and training and equipping all individuals with the skills needed in a rapidly changing labour market.

The challenge for the ESF Operational Programme will be to contribute to the upgrade of the competencies and qualifications of the workforce (particularly those with low skill levels and in low value added occupations) by supporting targeted training and education programmes where necessary. These will need to be broad and flexible and incorporate gender sensitive and multi-cultural approaches in terms of design and delivery in order to prove accessible to all those groups that need to access them.

Industrial Re-Structuring

As well as the broader challenges posed by globalisation, there are more specific areas that are under threat from industrial re-structuring and competition from lower cost economies. These sectors need targeted measures to assist the workers in these industries to obtain the necessary skills and education levels to enable them to become re-employed as quickly as possible. This requires actions to upskill the employed as well as the unemployed and to seek new and innovative policies and delivery mechanisms.

Basic Education Skills

The policy in Ireland is to ensure that persons with little or no education or skills are not isolated and vulnerable to potential economic downturn. This is delivered through measures, which address early school leaving, combine education with labour market participation and upskilling. This Priority will seek to support this activity.

Equality and Equal Opportunities

Measures to encourage greater female participation in the work force will also be supported. These measures will take into account the National Women's Strategy and specific measures aimed at achieving gender equality.

31 National Women's Strategy 2007-2016– www.justice.ie

Support for an equality mainstreaming approach across all labour market programme to ensure that labour market programme design and delivery accommodates diversity and enhances access, participation and outcomes for groups experiencing labour market inequality across the nine grounds covered by equality legislation is being developed. This is an area in which ESF funding will add value.

Supporting People with a disability

The implementation of sectoral plans under the Disability Act 2005 will be supported, thereby assisting in the mainstreaming of services for the disabled and increasing participation by people with disabilities in society.

In relation to the labour market programmes, the policy emphasis is to ensure that disabled people have an equal opportunity to participate in mainstream employment and training programmes.

Targeting Young People

Measures should be developed with the objective of enhancing the employability of youths facing social exclusion through crime or other societal problems. This Priority will also support provision for early school leavers with the knowledge, skills and confidence required to participate fully in society and progress to further education, training and employment.

Transnational Co-operation

Due to the significant scope for learning and experience that is to be drawn from transnational co-operation, it is important to develop transnational and interregional co-operation actions under the ESF Priority. Building on the networks with partners established under, for example, the EQUAL Community Initiative, the aim will be to utilise the resources, information and people available through such networks and structures to assist with the development of measures to address the labour market challenges.

Innovation

New actions will be particularly sought out for co-financing within the Priority objectives. In selecting activities for inclusion in the ESF Programme, particular account will be taken of the extent to which an activity contains some element of social innovation. In particular, innovative pilot schemes and expansions of successful pilots will be considered for assistance.

These themes will inform the particular interventions to be developed under the ESF Human Capital Operational Programme.

European Regional Development Fund (ERDF) Priorities

The Strategic Framework

As indicated earlier in this document the key avenue for addressing the major infrastructural needs is the National Development Plan 2007-2013. Notwithstanding this, niche projects that complement the investment programmes contained in the NDP 2007-2013 can be important in focusing on specific regional contributions to the National Development Plan 2007-2013.

The focus in the NSRF will be on innovation and the knowledge economy, an important aspect of which is to disseminate as widely as possible through existing enterprises the knowledge and the technology which already exists but which has not been as fully taken up by small to medium-sized businesses as might be the case. It will also be important to develop interventions that enhance the research capacity of the higher education institutions in the regions.

Investing in the NSS Gateways and Hubs in the Regions has also been identified as a priority for the ERDF. The cities and towns in the regions need to be supported if they are to realise their growth potential. The Managing Authorities need to take this into account and ERDF interventions should address this need. This would be consistent with the theme of city and urban development which features in the ERDF Regulation. These interventions should be aimed at integrated urban development, including physical and social regeneration with a particular focus on socially and economically disadvantaged areas, and addressing quality of life issues and making cities and towns more attractive places to live and work. It would also help to address the issue of achieving balanced growth through the regions and throughout the overall economy.

There is also a requirement under the Community Strategic Guidelines to strengthen the synergies between growth and environmental protection. In the 2007-2013 funding round, the environmental assets of both regions need to be protected and developed. Upfront investment in the environment as provided for under NDP 2007-2013 will not only help to achieve growth on a sustainable basis but, through risk mitigation, will also help to reduce longer-run costs. Investment in technologies to promote sustainable energy and energy efficiency will therefore be an element of the ERDF priorities.

ERDF Priority 1 - Supporting Innovation, Knowledge and Entrepreneurship in the Regions

This Priority will support CSGs:

1.2 Improving knowledge and innovation for growth);

1.2.2 Facilitating innovation and promoting entrepreneurship);

1.2.3 Promoting the information Society for all); and

1.2.4 Improve access to finance).

Innovation and Knowledge

Modern economies increasingly rely on knowledge and innovation. This is especially true of such small open economies as Ireland. The aim should be to boost productivity and efficiency, particularly in the indigenous sector. Interventions under this Priority should be consistent with and support the goals of the Strategy for Science, Technology and Innovation 2006-2013.

Businesses need to be increasingly aware of market and technological developments that present opportunities as well as threats. Linkages and networks with business in other sectors, regions and institutions can help overcome some of the barriers in accessing markets, information and developments.

Enterprise will need to be supported to address weaknesses in their innovative capacities. They need to become more flexible and creative to move to a position where they are more internationally capable to withstand competitive pressures. The aim of these activities will be to transform technological development into commercial products and processes by addressing innovation underperformance supporting more dynamic enterprise and increasing business take-up of ICT.

Innovation is about doing new things, or doing old things in new ways. Technological innovation has a central role to play by supporting the capacity to turn knowledge into new or improved products, processes and services that can withstand international competition. Allied to this, there is a need to increase regional capacity to generate and absorb new technologies (Institutes of Technology in particular). This has implications for the system of scientific and technological education, for applied research and technology transfer infrastructure and for the commercialisation culture within third level institutions.

Ireland has the potential to achieve a further step change in the performance of the STI sector over the period to 2013 and beyond. Potential exists within the enterprise base to increase capability in this regard. Ireland's future economic well-being will be determined by success in these areas and in the promotion of innovation, entrepreneurship and industry academic links. There is a need to improve mechanisms to promote cooperation and networking among firms in the technology area especially in developing shared research agendas and measures to address the research and development needs identified.

Effort is needed to turn the investment in research and development into marketable ideas and products. Knowledge transfer is one means of overcoming investment gaps and weak innovation cultures. In knowledge driven economies, transferring good ideas, research results and skills between universities, other research organisations, business and the wider community is essential to enable innovative new products and services to be developed.

Linkages and networks involving higher education institutes, research centres and business will improve the capacity to innovate. There is a need to transform good research into good business. Likewise, there is a need to transform good teaching and practice into support for the commercialisation of ideas and entrepreneurship in the field of science and technology.

Interventions under this Priority should also support innovative pilot actions in environmental or sustainable development, such as protecting water sources to ensure clean water supply or piloting energy saving initiatives in urban areas. Such actions, if successful, could be shared and mainstreamed in future project design and selection around the Regions.

Entrepreneurship

The vibrancy of the enterprise culture in any country is an important aspect of competitiveness. In Ireland, this entrepreneurial culture is strong. Entrepreneurial activity in Ireland remains to the fore with Ireland ranking second only to Poland among the EU Member States³². Choosing to start a business in Ireland is regarded in a highly positive light and can be achieved quickly. However, results from the Global Entrepreneurship Monitor³³ (GEM) indicate that Ireland's rate of entrepreneurial activity, while still one of the best in Europe, has declined somewhat in recent years.

In four of the past five years GEM research has detected a slight slowing down in the rate of entrepreneurial activity in Ireland. The downward trend to 2004 should not be overstated as the 2005 reports show an improvement in activity.³⁴ However, the percentage of the population that is considering becoming an entrepreneur in the next three years is lower than in many European Member States.

The GEM report for 2005 indicates an increase in entrepreneurial activity among women. However, the proportion of women who have recently set up new businesses in Ireland is low compared to the number set up by men and is also low compared to the percentage of women starting up in other high income countries.³⁵ The challenge is to facilitate the emerging business ideas from all these sources and help translate them into self-sustaining, ambitious companies.

The nurturing of a positive culture of entrepreneurship and the promotion of the formation of new, particularly innovative, enterprises with growth potential remains a key objective for this funding period.

32 *Global Entrepreneurship Monitor 2004* <http://www.enterprise-ireland.com/NR/rdonlyres/EA0A5D72-55D8-4D47-B937-7BA2E3033737/0/Gem2004.pdf>

33 *Global Entrepreneurship Monitor 2004* <http://www.enterprise-ireland.com/NR/rdonlyres/EA0A5D72-55D8-4D47-B937-7BA2E3033737/0/Gem2004.pdf>

34 *Global Entrepreneurship Monitor 2005* <http://www.enterprise-ireland.com/NR/rdonlyres/C9D203CD-E119-44EE-B70E-6C48B27AF2C3/0/GEM2005report.pdf>

35 *Global Entrepreneurship Monitor 2005* <http://www.enterprise-ireland.com/NR/rdonlyres/C9D203CD-E119-44EE-B70E-6C48B27AF2C3/0/GEM2005report.pdf>

In pursuing these objectives, new initiatives will be required which build on the existing ones. These include initiatives such as:

- Start Your Own Business training courses;
- Support to owner/managers of micro-enterprises;
- Disseminate more widely through small and medium-sized enterprises the knowledge of business techniques available within the Institutes of Technology;
- Support business start-ups and expansions; and
- Build the capability of owner/managers of micro-enterprises through training and development measures.

These initiatives are indicative only and the ERDF funds will be of assistance in this field.

Promoting the Information Society for all

The increasing importance of services to the economy, particularly those structured around electronic transactions and information flows, makes it essential that Ireland has access to reliable and cost competitive communications services. The low ranking of Ireland in EU and OECD Broadband league tables reflects the late launch of competitive, affordable broadband by private broadband service providers. Although take-up of Broadband has increased significantly in 2006 (total broadband subscribers increased from 212,000 in Q3 2005 to 430,000 in Q3 2006³⁶) there is still a requirement to stimulate demand among SMEs and households about the benefits of broadband. The objective should be to increase the rate of broadband uptake, particularly outside the larger urban centres and to ensure the universal availability of high-speed internet access to both enterprise and service users. This is important if the vision to develop the regions based on innovation, knowledge-based and high value added enterprise, is to have effect.

Lack of competition among service providers, high prices and local access infrastructure deficits in regional centres have been features of Ireland's broadband market. Metropolitan Area Networks and other infrastructure investment in rural areas have the potential to make significant inroads in areas of the country with a demonstrated demand for broadband but with a clear market failure to provide the service.

Focus of Interventions – ERDF Priority 1

Interventions under this priority should be developed to support the implementation of the Strategy for Science, Technology and Innovation 2006-2013. Working in a complementary manner with the NDP 2007-2013 the measures should be designed to focus on improving the capacity of Higher Education Institutes to undertake research, and in the development of Incubation centres. The needs analyses of the two regions have pointed to the requirement for targeted interventions to enhance research capacity of higher education institutions in the regions.

Regional strategies should concentrate on investing in RTD, innovation and entrepreneurship, applied research and technology transfer infrastructure, ensuring that these investments respond to the economic development needs of the region. This can be done by enhancing technology transfer and knowledge exchange; promoting the development, dissemination and uptake of ICTs within firms, and ensuring that enterprises willing to invest in high added value goods and services have access to finance, including venture capital.

Interventions will help to foster a culture of increased innovation in the regions. This should apply to all organisations across the public, private and voluntary sector.

It is also recommended that interventions be designed to focus on Micro-Enterprise Innovation and Entrepreneurship using the existing County Enterprise Boards as suitable bodies for promoting innovation and entrepreneurship in the Regions. The interventions should be designed to complement Enterprise Ireland's interventions to ensure a consistent national approach.

36 Forfás, *Overview of Ireland's Broadband Performance November, 2006* http://www.forfas.ie/publications/forfas061130a/webopt/forfas061130_broadband_benchmarking_report_webopt.pdf

The Operational Programmes should also consider interventions that stimulate demand for Broadband, and where appropriate and feasible, interventions that provides the service in areas where a clear market failure exists. Any intervention should be complementary to programmes under the NDP 2007-2013.

ERDF Priority 2- Strengthening the competitiveness, attractiveness and connectivity of the NSS Gateways and Hubs through improved access to quality infrastructure and promoting environmental and sustainable development

This Priority will support CSG:

1.1 Making Europe and its regions more attractive places to invest and work;

1.1.1 Expand and improve transport;

1.1.2 Strengthen the synergies between environmental protection and growth; and

2.1 The contribution of cities to growth and jobs.

The focus of this priority and the interventions proposed will be for investment in strengthening the competitiveness, attractiveness and connectivity of the regions through investment in the NSS Gateways and Hubs, and promoting environmental and sustainable development.

Investing in the Gateways and Hubs

As set out in Chapter 3, the National Spatial Strategy details the strategy for achieving better balanced regional development. Under the National Development Plan, 2007-2013, the Government will invest in the Gateways and Hubs to promote sustainable economic development and to ensure a coherent and balanced approach to regional development.

Ireland's infrastructure is experiencing strain under the pace of recent economic growth. The provision of sustainable efficient, flexible, and safe transport infrastructure is a precondition for economic development as it boosts productivity and the development prospects of the regions concerned by facilitating the movement of people and goods. Transport networks boost opportunities for trade, while increasing efficiency. Access to quality transport infrastructure is an acute need particularly in the BMW region. While the National Development Plan 2007-2013 is the main programme for funding transport - some €33 billion is provided for investment in Transport under the Plan - ERDF support can make a value added contribution particularly in helping to strengthen inter-Gateway/Hub networks and connectivity.

Greater inter-gateway/hub collaboration will build on the existing mechanisms and structures to allow more effective regional growth and development and enable further development of more dynamic Regions.

In addition Urban and Village regeneration measures will contribute to enhancing quality of life and improve the built environment of towns and villages. These interventions should be aimed at integrated urban development, including physical and social regeneration with a particular focus on socially and economically disadvantaged areas, and addressing quality of life issues and making cities and towns more attractive places to live and work.

Environmental and Sustainable Development

The quality of the environment in both regions is central to the development of the regional economy and sustainable enterprise, particularly through the tourism and the development of the rural economy. Protecting and nurturing this vital asset is central to improving the quality of life for people and in the attractiveness of the regions as a place to live, recreate and do business.

Poor environmental management is a cost to the economy. People's health can deteriorate, social costs rise, and the cost of clean-up and remedial action can divert resources that could otherwise be used to stimulate more innovative interventions.

Limited resources as available from the ERDF over the period can best be utilised in targeted interventions using a collaborative approach. Communities, public authorities and the business sector should work together to realise the enormous benefits that can derive from more sustainable development and a change in attitude towards the environment, including a renewed focus on risk prevention. Innovative actions aimed at reducing and eliminating waste in product and services should be supported. Opportunities that enable enterprise to avail of new environmental technologies including those that reduce commuting times, and that encourage environmentally friendly practices should be developed.

Sustainable regional development also requires adequate, reliable and competitively priced energy sources. Significant risks are posed by the heavy reliance by enterprise on imported energy. Opportunities exist to develop and exploit Ireland's significant renewable energy resources such as wind, water and biomass. With rising costs of conventional fossil fuels, renewable energy and energy efficiency can become a more economic option that meets the accessibility and cost constraints of the enterprise and communities in the regions.

Focus of Interventions – ERDF Priority 2

It is recommended that the ERDF Operational Programmes design interventions that will address, in a niche and complementary manner to the NDP 2007-2013, those priorities that enhance the attractiveness of the NSS Gateways and Hubs in their Regions. Interventions under this Priority should concentrate on:

- Integrated urban development, including physical and social regeneration, in particular on areas of social and economic disadvantage;
- Addressing quality of life issues and making cities and towns more attractive places to live and work;
- Supporting investments in public transport; and
- Strengthening the accessibility of the wider regions to gateways/hubs and inter-gateway/hub accessibility.

It is recommended that interventions be designed in line with the NDP 2007-2013 and the European Agriculture Fund for Rural Development (EAFRD) and other appropriate policy initiatives that may be eligible for support from the EU budget over the course of the 2007 to 2013 funding round, in strengthening the quality of the Environment in the Regions especially measures designed to improve environmental management in the Regions.

Production of energy from renewable sources along with energy efficiency and conservation measures make a positive environmental contribution by protecting existing environmental assets and decreasing reliance on other harmful energy sources. Interventions should be designed to promote increased use of renewable sources of energy to help reduce Ireland's dependency on fossil fuels, reduce CO₂ emissions and promote a cleaner environment.

Horizontal Principles

In accordance with Articles 16 and 17 of the General Regulation No.1083/2006, the NSRF is required to demonstrate that the objectives of the Funds are pursued in the framework of sustainable development and also to prevent any discrimination on the basis of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation during the various stages of implementing the Funds and, in particular, access to them.

Sustainable Development

The EU's Sustainable Development Strategy requires the integration of sustainable development into all European policies, so that they contribute in an integrated way to meeting economic, environmental and social objectives.

The principle of sustainability has been recognised nationally. The European Council has adopted a renewed EU Sustainable Development Strategy (June 2006), following which Member States have been asked to review and update their national sustainable development strategies. This work has commenced in Ireland, and will build upon Sustainable Development – A Strategy for Ireland (1997) as updated by Making Ireland's Development Sustainable – Review Assessment and Future Action (2002). Ireland's updated National Sustainable Development Strategy will be completed in 2007. This will further inform the Managing Authorities in addressing this issue.

Ireland's Sustainable Development Strategy aims to:

- Upgrade the quality of monitoring systems and intensify waste prevention efforts and implement waste management plans, guided by the waste hierarchy of prevention, minimisation, reuse, recycle, recovery and safe disposal;
- Implement a comprehensive strategy to deal with emissions of critical air pollutants and implement the National Climate Change Strategy 2007-2012³⁷ and a communications programme to heighten awareness of the challenges faced; and
- Upgrade water treatment systems and meet the requirements of the Urban Waste Water Directive in relation to treatment of sewage and ensure that the water quality threats posed by phosphates and nitrates are tackled and implement the Water Framework Directive.

The majority of these objectives remain outside the scope of the NSRF but there may be scope for some limited interventions to support these objectives.

Ireland's approach to meeting its Kyoto commitment is set out in the National Climate Change Strategy 2007-2012.

Promoting sustainable development is an important horizontal principle for the NSRF and the Operational Programmes which must be taken account of in the development and implementation of the OPs.

Equality

As set out above Member States are required to prevent any discrimination on the basis of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation during the various stages of implementing the Funds and, in particular, access to them.

Gender Equality means that women and men should enjoy the same rights and opportunities and that the different behaviour, aspirations and needs of women and men are equally valued and favoured. Government policy in this area includes the provision of a legal framework which provides for equal treatment for women and men and legislative backing for positive action initiatives for women and men in areas where they are under represented.

37 National Climate Change Strategy 2007-2012 <http://www.environ.ie/en/PublicationsDocuments/FileDownload,1861,en.pdf>

The Community Strategic Guidelines call on Member States and regions to pursue the objective of equality between men and women at all stages of the preparation and implementation of programmes and projects. In addition, accessibility for disabled persons is one of the criteria to respect in defining operations cofinanced by the Funds and to take into account during the various stages of implementation.³⁸ This may be done through specific actions to promote equality or to combat discrimination, as well as by taking careful account of how other projects and the management of the funds may affect the different target groups.

The Managing Authorities for the Operational Programmes are requested to address the impact on the Equal Opportunities Horizontal Principle at implementation level to ensure compliance with the Regulation. In addition, the project selection criteria will ensure that the projects will be assessed on the basis of their compliance and their promotion of equal opportunity.

Supporting Equality will be an important horizontal principle for the NSRF and the Operational Programmes which must be taken account of in the development and implementation of the OPs.

Social Inclusion

Social Inclusion is an important horizontal theme in the Government's priorities. Ireland's NSRF and the Operational Programmes will as far as possible incorporate measures to ensure Social Inclusion and minimise the effects of Social Exclusion in the development and implementation of the Operational Programmes.

The Community Strategic Guidelines also stress the importance of social cohesion and social inclusion in order to help promote socially inclusive societies and combat poverty.

The strategic framework for social inclusion in Ireland is now being significantly enhanced through:

- the new partnership agreement, Towards 2016;
- the recent National Report on Strategies for Social Protection and Social Inclusion (NSSPI), submitted to the EU in September 2006;
- the new National Action Plan for Social Inclusion (NAP inclusion) published in February, 2007;
- the Social Inclusion and Human Capital Chapters and other relevant elements of the NDP (2007 – 2013).

For the first time, the systems and structures that contributed to the overall strategy for promoting social inclusion will be brought together in an integrated framework that will ensure that economic and social development go hand in hand.

The framework for tackling the challenges outlined above has largely been agreed in the context of Towards 2016 and is further elaborated on in the new National Action Plan for Social Inclusion which provides for the preparation by the Office for Social Inclusion of an annual Social Inclusion Report which will detail progress across the key national social inclusion strategies.

38 Council Regulation 1083/06 Art.16

Annexes

ANNEX I **Indicative Financial Plan**

ANNEX II **Operational Programmes**

ANNEX III **Implementation Arrangements**



Annex I

Indicative Financial Plan

Financial Table for the National Strategic Reference Framework (NSRF) - Indicative annual allocation by Fund and Operational Programme

Article 27 (4) (e) and Article 28 (3) (b) of the Regulation (EC) No. 1083/2006

REGIONAL COMPETITIVENESS & EMPLOYMENT

Community Participation

Operational Programme		Total	2007	2008	2009	2010	2011	2012	2013
€m- Current Prices									
Southern & Eastern Regional	ERDF	146,603,534	19,719,928	20,114,327	20,516,613	20,926,946	21,345,484	21,772,394	22,207,842
Border, Midlands & Western Regional	ERDF	228,758,838	76,071,817	60,008,711	43,272,654	25,843,151	7,699,159	7,853,142	8,010,204
Total ERDF		375,362,372	95,791,745	80,123,038	63,789,267	46,770,097	29,044,643	29,625,536	30,218,046
Human Capital Investment	ESF	375,362,370	95,791,744	80,123,038	63,789,267	46,770,097	29,044,642	29,625,536	30,218,046
Total all Funds - NSRF 2007-2013		750,724,742	191,583,489	160,246,076	127,578,534	93,540,194	58,089,285	59,251,072	60,436,092
Total ERDF		375,362,372	95,791,745	80,123,038	63,789,267	46,770,097	29,044,643	29,625,536	30,218,046
Total ESF		375,362,370	95,791,744	80,123,038	63,789,267	46,770,097	29,044,642	29,625,536	30,218,046

Annex II

Operational Programmes

ESF

Human Capital Investment Operational Programme

ERDF

Border, Midland and Western Region Operational Programme

Southern and Eastern Regional Operational Programme

Annex III

Implementation Arrangements

Introduction

This Annex sets out the implementation arrangements for the 2007-2013 funding round. It is divided into three parts.

Part I is concerned with preparing for implementation and includes the preparation process of the NSRF, designation of authorities, programme architecture and co-ordination of funds.

Part II concerns the implementation of the NSRF; the role of the Managing Authorities and monitoring and management arrangements.

Part III sets out the financial management and control requirements and other implementation issues such as information and publicity and electronic transfer of data.

Part I – Preparing for Implementation

Preparation of the National Strategic Reference Framework

The Department of Finance had responsibility for co-ordinating the overall preparation of the NSRF.

The Departments of Finance and Enterprise, Trade and Employment have lead responsibility for macro economic policies and employment policies, respectively. The Department of Enterprise, Trade and Employment also took the lead responsibility for preparation of material on the European Social Fund. The Border, Midland and Western and Southern and Eastern Regional Assemblies, as Managing Authorities for the ERDF Operational Programmes were involved in the drafting of the NSRF from its inception. The involvement of the Operational Programme Managing Authorities allowed them to reflect the views of Regional consultations during the drafting of the NSRF.

Preparation of the NSRF began in April, 2005 when the Government agreed to proposals in relation to the approach on drafting the NSRF and in relation to the management and development of the Operational Programmes. The Department of Finance then initiated a request to other Government Departments for submissions in relation to the NSRF. A high level committee was formed to prepare the NSRF which comprised officials of the Departments of Finance, and Enterprise, Trade and Employment and representatives of the Regional Assemblies.

At various stages during the drafting of the NSRF, direct consultations with relevant Departments, Agencies, Regional Assemblies and interest groups including the Combat Poverty Agency and the European Anti-Poverty Network took place. The NSRF was circulated and discussed at the NDP/CSF Monitoring Committee, whose membership is representative of the partners outlined in Article 11 of Council Regulation 1083/2006, and regular reports on progress were given to that Committee and to the Operational Programme Monitoring Committees during the preparation process. Representatives of the NDP/CSF Monitoring Committee include the relevant Managing Authorities for the Operational Programmes, implementing Departments, the Regional Assemblies, and statutory bodies representing the interests of equal opportunities, the environment, poverty and rural development.

In parallel to this preparation and consultation process, extensive consultations and negotiations surrounding the national partnership agreement Towards 2016 were also taking place. Those participating in this process included all major socio-economic interest groups and a very broad range of Non-Governmental Organisations (NGOs).

The results from this process informed the priorities for the NSRF. In addition an extensive consultation process in relation to the preparation of the National Development Plan, 2007-2013 including two Regional Seminars attended by members of the high level committee took place. The priorities identified in this NSRF reflect the outcomes from that process.

There was ongoing dialogue with the European Commission during the preparation of the NSRF, including significant bilateral meetings in January, October and November 2006 and again in January and February, 2007. Senior officials from the key departments, the two Regional Assemblies and from the relevant services of the Commission attended these meetings.

Programme architecture for the Regional Competitiveness and Employment Objective

The Regional Competitiveness and Employment Objective will be addressed by Ireland through:

- Two regional Operational Programmes for the Border Midland and Western Region and for the Southern and Eastern Region. These Programmes will be part-funded by the European Regional Development Fund. The Border, Midland and Western Regional Assembly will prepare and manage the Operational Programme for that Region and the Southern and Eastern Regional Assembly will prepare and manage the Operational Programme in their Region.
- A national Operational Programme focusing on the labour market and part-funded by the European Social Fund will be prepared and managed by the Department of Enterprise, Trade and Employment.

Designation of authorities

Under the Regulations each Member State is required to designate the organisations responsible for the management, certifying and audit authorities for the Operational Programme. For the Operational Programmes under the NSRF in Ireland, this will be done as follows:

Operational Programme	Managing Authority	Certifying Authority	Audit Authority
BMW OP	BMW Regional Assembly	Department of Finance	ERDF Financial Control Unit – Department of Finance
S&E OP	S&E Regional Assembly	Department of Finance	ERDF Financial Control Unit – Department of Finance
ESF HCI OP	Department of Enterprise Trade and Employment	Department of Enterprise Trade and Employment	ESF Financial Control Unit – Department of Enterprise, Trade and Employment

Territorial Cooperation Objective

Under the Territorial Cooperation Objective, not covered in this NSRF, Ireland will participate in ERDF-funded cross-border, transnational, and interregional Interreg programmes as follows:

- Northern Ireland:
 - the PEACE III Programme; and
 - the Ireland - Northern-Ireland and Scotland Programme.
 both managed by the Special EU Programmes Body.
- Wales:
 - Ireland-Wales Programme managed by the South and Eastern Regional Assembly.
- EU trans-national cooperation:
 - Atlantic Area;
 - North-West Europe; and
 - Northern Periphery Programme.
 To be managed by authorities in other Member States.

Regions for Economic Change

Regions for Economic Change (RfEC) is a Commission initiative designed to discover best practice in economic modernisation and disseminate this to all regions in order to help stimulate regional growth. RfEC will use existing instruments - the Interregional Cooperation programme (INTERREG IV-C) and the Urban Development network programme to disperse the information and will also be consistent with the economic development themes in the Community Strategic Guidelines. There will be a total initiative budget for all the member states of €375 million in 2007-2013 for the two instruments.

Volunteer networks of participating Member States, regions and cities will select development themes which interest them and pursue them through joint networks co-financed through the European Regional Development Fund.

The Commission, under this initiative, will offer the networks a number of themes focused on economic modernisation and the renewed Lisbon Agenda.

The Managing Authorities of the Operational Programmes are free to consider mainstreaming the results of innovative actions under their Operational Programmes with the Regions for Economic Change initiative.

Earmarking

In accordance with Articles 9(3) and 27(4)(d) of Council Regulation 1083/2006, the assistance co-financed by the funds shall target the EU priorities of promoting competitiveness and creating jobs, including meeting the objectives of the Integrated Guidelines for Growth and Jobs.

Ireland will ensure that the target of 75% of expenditure under the Regional Competitiveness and Employment Objective, as an average over the entire programming period, will be applied to the aforementioned objectives and linked to Ireland's National Reform Programme. Ireland may decide to pursue the option to complement in an appropriate manner the list of categories of expenditure in annex IV as provided for in Article 9 (3).

Indicative Earmarking Table by Priority Theme (on ERDF and ESF element of Funding)

Priority Theme	Community Allocation (€m)
Research and technological development (R&TD), innovation and entrepreneurship	151.6
Information Society	36.0
Transport	12.8
Energy	38.0
Environment protection and risk prevention	10.0
Increasing the adaptability of workers and firms, enterprises and entrepreneurs	28.5
Improving access to employment and sustainability	23.8
Improving the social inclusion of less-favoured persons	107.5
Improving human capital	212.6
Total (83% of allocated funds on earmarking priorities)	€620.8m

Part II – Implementation

Design of the Operational Programmes

The Managing Authorities are required to develop interventions under the Operational Programmes in accordance with the NSRF and the relevant Council Regulations, and Government policy in the area.

The interventions under the Operational Programmes will need to be focused and targeted on making an additional contribution in the area chosen for intervention, achieving value for money and comply with the applicable public procurement Directives and Regulations and procedures. This consideration will inform the investment choices to be taken at Operational Programme level by the Managing Authorities.

In accordance with Articles 9 and 37(f) of the General Regulation No. 1083/2006, the Operational Programmes should contain information on complementarity with other EU financed Programmes. This Regulation places an obligation on the Managing Authority to ensure that arrangements are put in place with other Programme Managers to ensure that assistance from the Funds is consistent with the activities, policies and priorities of the Community and complementary with other financial instruments of the Community. The objective is to ensure that no duplication exists which might reduce the impact of the Programme.

In the design of the Operational Programmes, due consideration is to be given by the Managing Authorities of the ERDF and ESF Operational Programmes to avoid duplication of effort between these and other EU co-funded programmes. The Programmes also need to be designed to ensure complementarity and that appropriate synergies are developed between them.

It shall be a requirement during the implementation of interventions, for potential beneficiaries to provide details of other financial supports received or sought as part of application procedures.

Role of the Managing Authority

In general the implementation of EU Regional Policy investment at programme and project level will be the responsibility of the relevant Operational Programme Managing Authority. They will also be responsible for the efficiency and correctness of the management and implementation of the programme. The Managing Authority will report to a Monitoring Committee which will monitor progress of the Programme in terms of both its financial performance and achievement of physical progress.

Role of the Monitoring Committees

Article 63 of Council Regulation (EC) No. 1083/2006 requires Member States to set up a Monitoring Committee for each Operational Programme within three months from the date of notification of approval of the OP by the European Commission.

The role of the Monitoring Committee will be to satisfy itself as to the effectiveness and quality of the Programme in accordance with the criteria laid down by Article 65 (including selection criteria for operations to be financed), to review outcomes, progress made towards achieving specific targets including the horizontal theme and principles, and examine the results of implementation and approve the annual and final reports on implementation.

Membership will include the Managing Authority, the Department of Finance and the Government Departments responsible for implementation. There will be representatives on the Committees from the two Regional Assemblies, the NUTS III regional authorities, the four Social Partnership Partners Pillars and an appropriate Department to represent each of the horizontal interests (equal opportunities, social inclusion and sustainable development). Gender balance will be promoted on the Monitoring Committee. The European Commission services will be represented in an advisory capacity.

National Monitoring Arrangements

A NSRF Monitoring Committee will be established by the NSRF Managing Authority within three months of the adoption of the Operational Programmes. The role of the NSRF Monitoring Committee will be to oversee the implementation of the Operational Programmes under the Regional Competitiveness and Employment Objective and to ensure co-ordination across the Funds.

The Department of Finance will have oversight responsibility for the ERDF and ESF Operational Programmes. The Department will act as overall National Managing Authority of the NSRF.

Membership

It is proposed that the Monitoring Committee for the NSRF would comprise the following:

- the Department of Finance;
- ESF Managing Authority;
- the ERDF Managing Authorities;
- the Special EU Programmes Body;
- Government Departments involved in the implementation of the OPs;
- Implementing Bodies;
- Regional Authorities;
- Each of the four Social Partners Pillars; and
- appropriate Department to represent each of the horizontal interests (equal opportunities, social inclusion and sustainable development).

The Commission's representation will serve on the Monitoring Committee in an advisory capacity.

The Central Expenditure Evaluation Unit of the Department of Finance may be invited to participate in an observer capacity at national level only.

In general, membership will be confined to representatives for each of the above interests. Where feasible and appropriate it is proposed that membership of the Monitoring Committee will include representatives of implementing agencies and sectoral interests. Gender balance will be promoted on the Monitoring Committee. The National Managing Authority will provide the chairperson for the Monitoring Committee.

Committee on Coordination of EU funds

In accordance with Article 27(5)(b) of the Council Regulation 1083/2006 Member States in their NSRFs may indicate the mechanisms for ensuring coordination between ERDF, ESF, EAFRD and EFF and other financial instruments. Ireland is to put in place appropriate mechanisms that will ensure appropriate demarcation and that there is no duplication of interventions among the different funds.

At the National level a Committee on Coordination of EU Funds is to be established to address cooperation and demarcation issues between ERDF/ESF, EFF and EAFRD. The role of the Committee would be to put in place, where necessary, appropriate systems to address these issues in the Operational Programmes, and address any implementation issues that may warrant demarcation in the operational programmes and any plans for new programmes to ensure that the Funds are not overlapping.

It is proposed that the Committee on the Coordination of EU Funds would comprise the following:

- Department of Finance;
- Department of Agriculture and Food;
- Department of Enterprise, Trade and Employment;
- Department of Community Rural and Gaeltacht Affairs;

- Department of Communications, Marine and Natural Resources;
- The Border, Midland and Western Managing Authority;
- The Southern and Eastern Regional Managing Authority;
- The Special EU Programmes Body.

At the Programme level the Operational Programmes are to be designed to ensure that there is no overlap or duplication of interventions. In addition the Managing Authorities should seek to ensure synergy with other Funds to maximise the visibility and return from the available Funding. Where a possible demarcation issues arises at the Operational Programme level and it is not possible to resolve the matter, it will be referred to the Funds Monitoring Committee for appropriate action.

Part III – Financial Management and Control

Functions of the Certifying Authority

The functions of the Certifying Authority are defined in Article 61 of Council Regulation (EC) No 1083/2006. These include:

- Drawing up and submitting to the Commission certified statements of expenditure and applications for spending;
- Certifying the accuracy of and reliability of statements of expenditure; and
- Ensuring the adequacy of information received from the Managing Authority.

The Certifying Authority for the two Regional ERDF Programmes will be the Department of Finance. The Certifying Authority for the ESF Programme will be the Department of Enterprise, Trade and Employment.

It is important to ensure that effective systems of financial management and control are in place at all levels within the operational programme as required under the Regulations. Such controls should ensure that resources are used in a manner consistent with programme objectives, achieve their intended results, are protected from waste, fraud and mismanagement and that all relevant local and EU regulations are adhered to.

Audit

The functions of the Audit Authority for the ERDF are defined in Article 62 of Council Regulation (EC) No1083/2006. These include:

- Ensuring the performance of audits to verify the effectiveness of the management and control systems of the Programme; and
- Production of annual control reports for submission to the Commission.

The Audit Authority for the two Regional ERDF Operational Programmes will be the ERDF Financial Control Unit. The Unit will be located in the Department of Finance.

The Audit Authority for the ESF will be the ESF Financial Control Unit which will be located in the Department of Enterprise, Trade and Employment.

The ESF and ERDF Operational Programmes will also be subject to audit by the Internal Audit Units of the relevant Government Departments and by the Office of the Comptroller and Auditor General.

As the level of public expenditure which is to be co-financed and the co-financing rate proposed are within the terms of Article 74 of the General Regulation regarding proportionate control arrangements, Ireland has opted to exercise its entitlement to proportionality in the control of the operational programmes, particularly the derogations referred to in Article 26 of Commission Regulation (EC) No. 1828/2006 (the Implementation Regulation) setting out the rules for the implementation of the OP.

Reporting and Monitoring of Irregularities

The Department of Finance has responsibility for monitoring and reporting of irregularities to the Commission and to recover amounts unduly paid in accordance with Article 58 of Council Regulation (EC) No 1083/2006.

The Department of Finance and the Managing Authorities for the Operational Programmes will comply with Council Regulations 2988/95 and 2185/96 concerning the protection of the European Communities financial interests.

Reporting Arrangements

Article 67 of Council Regulation 1083/2006 requires that for the first time in 2008 and by 30 June each year, the Managing Authority shall send the Commission an annual report and by 31 March 2017 a final report on the implementation of the Operational Programme only.

Information and Publicity

The Operational Programmes will operate in full compliance with the various provisions relating to information and publicity and in particular the requirements as set out in Section 2 of Chapter II of the Commission Implementation Regulation 1828/2006.

Information and publicity measures will focus on the following objectives:

- Promoting public awareness and understanding of the objectives and achievements of EU Regional Policy in Ireland and, as appropriate, individual funds;
- Providing information on the availability of funds for potential beneficiaries and beneficiaries; and
- Ensuring recognition of the role and support provided by EU Regional Policy and, as appropriate, individual funds.

Information tools will be developed to promote a greater understanding of Regional Policy and the implementation and monitoring system in Ireland. They will highlight the role of the different funds, as appropriate, and target specific groups and, the general public.

Electronic transfer of data

The Certifying and Managing Authorities for the Operational Programmes shall ensure that data on operations shall be communicated electronically to the Commission in accordance with Articles 39 to 42 (Electronic Exchange of Data – Section 7) of Commission Regulation (EC) No. 1828/2006.

Evaluation

The Operational Programmes will be subject to evaluation over the programming period. As provided for by Article 47(1) of Council Regulation (EC) No 1083/2006, an Ex-ante evaluation of each Operational Programme will be separately carried out to provide assurances, as appropriate, on the quality of the Programme and the extent to which resources have been optimally allocated.

In accordance with the principles of proportionality and subsidiarity Ireland has decided that the responsibility for evaluation, in accordance with Article 47 of Council Regulation 1083/2006, will be the responsibility of the Operational Programme Managing Authorities.

Compliance with State Aids

Each Managing Authority will ensure that operations financed by the Funds, or receiving assistance from the European Investment Bank (EIB) or from another financial instrument, will be in conformity with the provisions of the Treaty, with instruments adopted under it and with Community policies and actions in the field of competition.

Seventh Research Framework Programme

The 7th Framework Programme will be carried out to contribute towards the creation of a knowledge-based society, building on a European Research Area. It aims to strengthen excellence in scientific and technological research through the following four programmes: cooperation, ideas, people and capacities.

The Framework seeks to place greater emphasis on research that is relevant to the needs of European Industry, to help it compete internationally, and develop its role as a world leader in certain sectors.

The Operational Programmes which have a strong focus on the Lisbon agenda and may wish to ensure complementarity with the 7th Research Framework programme.

Strategic Environmental Assessment (SEA)

Directive 2001/41/EC provides for the undertaking of a Strategic Environmental Assessment (SEA) in certain circumstances.

A SEA is not required for the NSRF in accordance with Council Regulation 1083/2006. However, the Regional Operational Programmes will be subject to Strategic Environmental Assessments and the Managing Authority will be responsible for ensuring that the Operational Programme is in compliance with the SEA Directive.

Annex IV

National Social Partners

Irish Congress of Trade Unions (ICTU)

Irish Business and Employers' Confederation (IBEC)

Construction Industry Federation (CIF)

Small Firms' Association (SFA)

Irish Exporters' Association (IEA)

Irish Tourist Industry Confederation (ITIC)

Chambers Ireland

Irish Farmers' Association (IFA)

Irish Creamery Milk Suppliers' Association (ICMSA)

Irish Co-Operative Organisation Society Ltd. (ICOS)

Macra na Feirme

Irish National Organisation of the Unemployed (INOUE)

Congress Centres Network

CORI Justice Commission

National Youth Council of Ireland (NYCI)

National Association of Building Co-Operatives (NABCO)

Irish Council for Social Housing (ICSH)

Society of Saint Vincent de Paul

Age Action Ireland

The Carers Association

The Wheel

The Disability Federation of Ireland

Irish Rural Link

The Irish Senior Citizens' Parliament

The Children's Rights Alliance

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