

## **Southern & Eastern Regional Operational Programme 2007-13**

### **Minutes of the 3<sup>rd</sup> Meeting of Monitoring Committee** **Assembly House, Waterford** **18<sup>th</sup> May 2009**

#### **Introduction**

The Chair opened by welcoming Members to the third meeting of the 2007 – 2013 programming period. The Chair also welcomed new members to the Monitoring Committee. He stated that the principal task of the Meeting was to look at the Progress of the Operational Programme for 2008 and to formally approve the Annual Implementation Report for that year which has to be submitted to the European Commission before the June deadline.

#### **1. Adoption of the Agenda**

The agenda was agreed.

#### **2. Adoption of the minutes of the Second Meeting of the Monitoring Committee held on the 29th April 2008.**

Mr. Noel Farrell, DG Regio, European Commission requested that an addition be made to the minutes in respect of a specific comment made by Mr Jack Enwengen at the previous meeting. Mr Enwengen stressed the importance of tight financial management and control regimes to be put in place and adhered to. He went on to say that the EU Commission is under pressure to ensure this happens, in particular from the European Court of Auditors as some difficulties have arisen in the past in this regard, for example in relation to the 2000-2006 period.

The Chair agreed to have the necessary amendments made to the Minutes. He stated that a question had been raised at the last meeting regarding planning exemptions for alternative energy sources; this has now been dealt with by way of Regulation.

#### **3. Progress Reports for each Priority.**

The Chair stated that the Progress Report is now formatted in line with Article 67 of the General Regulation, and therefore is the same as the Annual Implementation Report. 2008 was a year of unprecedented change in the Irish economy, and the operating environment in which the programme is being implemented has radically changed and will continue to do so. Section 2.4 chronicles the dramatic changes in the operating environment. As of December 2008, over €150 million investment has been made in the Region under the Operational Programme which represents 22% of the total Programme commitment.

Mr. Pat Casey, Department of Finance reiterated the points relating to the sharp decline in the economy and in particular highlighted the decrease in growth rate from 6% in 2007 to -2.3% in 2008 with a forecasted growth rate of -7.5% for 2009. He outlined the measures being undertaken by the Government to stabilise the economy by reducing the level of public expenditure and in agreement with the Commission to bring Ireland's borrowing back to 3% of GDP by 2013 in line with the Stability and Growth Pact. These adjustments may have a direct impact on the implementation of the OP as the various Government Departments may have difficulty in allocating the necessary match funding.

Mr. Stephen Langley, DG Regio, European Commission stated that the Commission had been monitoring the situation in Ireland very closely and from a Programme view point had been in contact on a regular basis to identify an actions necessary to safe guard the Programmes. He added that on a positive note there Programmes offer a seven year ERDF funding guarantee from the European taxpayer. In order to accelerate the implementation of the Programmes in the economic situation throughout Europe, the Commission have brought forward a number of measures including; the payment of an additional advance of 2.5% in 2009; the introduction of flexibility regarding match funding of financial instruments; administrative simplification regarding the certification and declaration of the expenditure concerning certain costs. There will be further legislative change allowing the EU 15 to undertake investment in housing and energy and finally modifications to the implementing provisions with further changes in Regulation 1083 by the end of 2009.

The Chair acknowledged the good working relationship with the geographic desk in the EU Commission and also the flexibility and understanding from the Commission during this difficult period.

## **PRIORITY 1 – INNOVATION AND THE KNOWLEDGE ECONOMY**

### **Theme 1 – Development of Region's RTDI capacity**

Dr. Jennifer Melia, Enterprise Ireland:

**Applied Research Enhancement Programme** – Some changes were made to the programme in 2008. A further €15 to €20 million investment over the seven year period has been committed to the programme for the early phase identification and development of Embryonic Research Centres and to sustain the highest performing centres.

Three research centres were approved in 2008 in the Region and it is hoped to fund 2 new ARE centres in 09 and 3 embryonic or pioneer centres.

**Commercialisation Fund** – Funds the formation of high technology start-up companies and in 2008 38 principal investigators across the two phases were funded. The second of three calls for funding for the year has just closed, with applications increasing and competition strengthening.

**Incubation Centre Development** – in the last year an extension call for the Institutes of Technologies to extend their incubators where there is an unmet enterprise need and strong commitment in the area. The Rubicon facility in Cork received approval from the Enterprise Ireland Board in April 09. In the S&R Region there are 114 companies employing 458 people. Enterprise Ireland proposes to update the indicators as some have already been exceeded at this early stage of the Programme.

Cllr. Peter Considine, S&E Regional Assembly asked if there are any expectations of an Applied Research Enhancement Programme in the Mid-West Region.

Ms. Jennifer Melia, Enterprise Ireland referred to the ABC Centre currently being run by Shannon Development between Limerick Institute of Technology and Tralee Institute of Technology. An application from Limerick Institute of Technology under the Embryonic Research Centre call for funding has been received, but the competition is strong for this funding, with priority being given to areas where ARE activity is currently very low. It was also highlighted that funding is only available to the Institutes of Technology and not open to Universities.

Mr. Noel Farrell, DG Regio, European Commission asked if there were any areas within the Region where action would be required over and above other areas.

In response Dr. Melia indicated that the Embryonic Research Centre was introduced as a result of the slowness of some Institutes to become involved, where their history was more focused on teaching rather than research. It was also reiterated that the priority on funding was to IOTs where there currently was no ARE activity.

Mr. Stephen Langley enquired where the facilities will be, and whether or not they were still likely in light of the current economic climate.

Dr. Melia indicated that applications were still very strong and a theoretical cap at €2.5 million has been put in place because of the strength of the interest and in response to a query from Cllr. Peter Considine explained that there was no overlap or conflict between Enterprise Ireland and Shannon Development and in some cases work in tandem.

### **Building Research Capacity & Capability within the HEI.**

Ms. Mary Kelleher, Department of Education and Science explained that under the PRTL to date 4 cycles of awards have been made with the most recent one, Cycle 4, awarding €260 million for the period 2007 to 2010. In 2008 €28 million has been paid to Institutions on the current side to provide funding for researchers and as at the end of December approximately 75% of the positions to be funded over the lifetime of the programme are now in place. On the capital side €100 million has been approved for spending in the S&E Region and this is spread over 12 Institutions. The space target is almost 19 thousand square meters and at the end of 2008, 70 new work spaces have been provided along with 40 new collaborative programmes on a national level along with a number at international and north-south. On the spending side at the end of 2008 almost €96 million has been paid out to the Institutions under the Capital and Current programmes of which €60 million was paid out in 2008.

Mr. Stewart Roche, Higher Education Authority added that in relation to Cycle 5 which is €300 million has been announced in funding by the Minister in January 09. This is split between €200 million capital and €100 million

recurrent and is to build in the investment that has already been made under the previous cycles. The calls for proposals have gone out and will be assessed by an international panel of experts. To date this has worked extremely well for the first four cycles. Currently we have circa €600 million of project applications.

### **Theme 2 – Entrepreneurship in Microenterprise.**

Mr. Michael Callaley Enterprise Ireland, who manages the CEB Co-ordination Unit explained that in 2008 there was expenditure of €14.8 million of which €5.9 was ERDF. The demand for Enterprise Board support has been very strong and is increasing swiftly. Enterprise Ireland have made a submission to the Department of Enterprise, Trade and Employment to change the financial supports which County/City Enterprise Board's can provide to their client companies and the Minister has now accepted these recommendations. The new financial instruments will be more flexible than the heretofore. One of these new instruments will provide a priming grant to start-up companies to cover a whole range of costs. CEB's will be able to award grant aid of up to €80,000 and in exceptional circumstances and with Departmental approval up to €150,000. A diagnostic tool is also being developed which will assist with carrying out a 'health check' on client companies.

Demand for support from CEB's has increased considerably however there is an issue of concern regarding the limitation on entering into capital commitments by the CEB's. This is currently under discussion with the Department of Enterprise, Trade and Employment and the Department of Finance.

Mr. Tomas Sheehan, Department of Enterprise, Trade and Employment added that the imminent announcement of new rates of subvention for the Enterprise Boards which, when formally approved by the Minister will be notified to the Monitoring Committee by means of an updated Implementation Plan. The Department will shortly have some realignment and reassignment of responsibilities within its administration.

Mr. Stephen Langley enquired about the total amount of reserves held by the Enterprise Boards, and in the absence of a micro credit initiatives how these reserves will be used. He also queried if the Performance Indicators reported were for the 2007-2013 Programme only.

Mr. Tomas Sheehan responded by saying that the micro credit initiative is being rigorously pursued at the moment, and is bolstered and supported to a significant degree by the Government.

Mr. Michael Callaley explained that currently €5.6 million in refundable aid is held between the 35 CEB's and is being recycled constantly. Performance Indicator figures are correct and are being recorded on the PMS.

In response to a question from Mr. John McAleer, Director, South-East Regional Authority about developments in venture capital market for smaller companies Mr. Michael Callaley outlined that Enterprise Ireland along with the banks are providing venture capital funds and a new one is being developed currently. John McAleer added that venture capital markets tend to be targeted at the larger companies and stressed that something should be considered for the smaller ones.

Mr. Tom Byrne, Director, Mid-East Regional Authority expressed the concern that due the current restrictions on making capital allocations many of the CEB's are effectively curtailed in what they can deliver. In response Mr. Michael Callaley acknowledged this difficulty however explained that some of these restrictions have been lifted once the funding can be drawn down by the client in 2009. He referred back to an earlier point where he outlined that discussions are ongoing with the Department of Enterprise, Trade and Employment and Department of Finance on this matter. Mr. Pat Casey, Department of Finance added that these restrictions are in place until the supplementary budget.

## **PRIORITY 2 – ENVIRONMENT AND ACCESSIBILITY**

### **Theme 1 – Renewable Energy**

Mr. Matthew Kennedy, Sustainable Energy Ireland introduced the Renewable Energy theme by stating that it is the intention to include Ocean Energy as a dedicated sub-theme under this intervention subject to review by relevant bodies.

#### **Energy for Business Programme,**

This is an energy efficiency scheme aimed at carbon reduction within industry and SME's. This is dealing with large industry, 100 of the largest energy users in Ireland with an annual energy spend of €900 million and SME's, approximately 1,000 to-date (a steady increase between 2007 and 2008, from 505 to 540 respectively). Objective is to achieve savings of 8% in the first year, expected saving of 14% in the second year this equates to €100 million for large industry and €4m for SME's

**Sustainable Energy Zones.**

Due to reduced funding in 2008 this scheme has not met its targets however a small allocation has been made for mid 2009 to enable one Sustainable Energy Zone to be worked on.

**Renewable Energy Research, Development and Deployment.**

At the end of 2008 18 shared cost projects were completed and 26 demonstration projects were completed. The focus was also on the generation of public good research and 14 of these were commissioned.

**CHP Programme.**

To the end of 2008 28 CHP projects were completed that leveraged an investment of €4 million. 85 biomass boilers were completed with an investment of over €10 million.

**Ocean Energy Development Unit.**

Following substantial financial investment from exchequer funding has led to the establishment of a dedicated Ocean Energy Development Unit within SEI and it is expected to have the first ocean energy grid connected device producing power by the end of the NSRF. Currently the focus is on quarter scale devices, utilising the experience of SME's and various academic institutions within Ireland. It is proposed that this scheme be brought within the Renewable Energy Theme.

Mathew Kennedy committed to revert to Mr. John McAleer in response to a query on whether the bio-fuels obligation has been stipulated yet.

Mr. Matthew Kennedy also welcomed the proposed engagement with the Mr. Liam Conneally, Mid-West Regional Authority with regard to a proposed biomass revolving loan scheme. He also explained that shared cost scheme effectively means that the costs are shared between SEI and the promoter(s) with regard to the development of renewable energy.

**Theme 3 – Information and Communication Technology Accessibility Broadband.**

Ms. Joanne McCormack, Department of Communications, Energy and Natural Resources provided a brief background on market information during 2008. Ireland was one of the fastest growing broadband markets in Europe in the last year. There are now 1.2 million broadband subscribers of which 300,000 are mobile subscribers. At the end of Q 3 2008 62.6% of households in Ireland had broadband. Under the Operational Programme, Departmental initiatives include completing phase two of the MANS scheme and to sign the contract with the management services entity to run those networks on behalf of the state, with contract negotiation process almost concluded with E-Net. The networks will be handed over within the next 15 months, hopefully 30 by the end of 2008. The second scheme, the National Broadband Scheme commenced with contract signing at quarter 4 2008. Rollout has commenced with two electoral districts in the south and east region, Kilkenny and Rathmore in Kerry already enabled. It is anticipated that 15% of all the total electoral districts across the country will be rolled out by the end of June 2009 with 50% coverage by the end of 2009. The Next Generation Broadband Policy Paper is expected to be published shortly, with the findings contributing to future investment decisions such as another phase of the MANS or other next generation decisions.

Mr. Tom Byrne, Director, Mid-East Regional Authority. Asked for a more specific date for the contract signing for the management entity as this was having a detrimental affect on MANs. He also asked if there were plans for further MANs and for further information on the back-haul strategy.

Ms. Cathy O'Connor, Department of Communications, Energy and Natural Resources in response to those points explained that the contract was with the Minister however Magnum Opus are acting as an interim management entity and are dealing with the management and promotion of the MANs. With regard to future MANs these are dependant on the recommendations of the Next Generation Broadband Policy Paper. Concerning the back haul the Department is watching the market closely especially in relation to Comreg's review of the wholesale lease line's market and is hoping that that issue could be addressed through regulation. Comreg have recently deregulated a lot of the trunk network so it is hopeful that that will at least open up the markets to competition in those areas.

Mr. Stephen Langley requested further information on the stimulation of demand for telecommunication services amongst the SMEs.

Ms. Cathy O'Connor, responded that an aggressive marketing campaign targeting both SME's and private users is being undertaken by White Label Marketing; and in accordance with their contract "3" must also carry out a promotional campaign.

### **Theme 2 – Risk Prevention and Water Protection.**

There were no representatives from the relevant Department on speak to this Theme. The Chair expressed his disappointment that no representative was present at the meeting however highlighted that the rollout of the schemes are pre-dedicated on an evaluation of some pilots and it is the understanding of the Managing Authority that the evaluation process has not been completed.

Ms. Marion Fassotte, DG Environ, European Commission noted that in the report the Environment Protection Agency has reported an improvement of drinking water quality however indicated her disappointment that the water protection scheme has not started yet. She recognised that some national pilot schemes have been identified in order to target some projects but again regretted that these had not yet started. Ms. Fassotte pointed out that Ireland has been several times condemned by the European Court of Justice for widespread water pollution – surface and ground water pollution and that this scheme would be a perfect opportunity to comply with the environmental European Court of Justice Rulings.

## **PRIORITY 3 – SUSTAINABLE URBAN DEVELOPMENT**

### **Theme 1 – The Gateway & Hub Challenge, Urban Regeneration & Public Transport.**

The Chair explained that due to the budgetary circumstances pertaining in Ireland in the recent past this theme has been considerably impacted. Intervention targeted at the Gateways and Hubs has not materialised to date, and therefore the Urban Regeneration sub-theme is not up and running. However as will be outlined later in the agenda the MA working closely with the Department of Environment, Heritage and Local Government are bring forward a scheme to initiative investment in the Gateways and Hubs.

There has been limited expenditure under the Public Transport sub-theme, through upgrading at Limerick Junction.

### **Arts Capital Fund, Sports Capital and Swimming Pool Programmes.**

Mr. Kevin Lanagan, Department of Arts, Sport and Tourism outlined that the only sub-theme that has been launched is the Sports Capital Programme with €60 million worth of grants having been allocated.

The Chair explained that it is clear that if the current circumstances continue there may be impending difficulties to the ability to fully drawn down the ERDF commitment in this priority. Therefore it is something that the Managing Authority are keeping under very close review and will form part of the consideration at the Mid Term stage of the programme as regards whether proposals to amend the financial tables for the Operational Programme will have to be considered.

Mr. Stephen Langley acknowledged that this is a difficult area for the Operational Programme and is open to discussions on re-profiling if necessary. He also pointed out that if swimming pools, arts and/or sports facilities are to be co-funded it must be part of an integrated urban development plan that ultimately leads to jobs and growth in the areas concerned.

## **PRIORITY 4 – TECHNICAL ASSISTANCE**

The Chair Explained that this Priority is solely for the management and monitoring of the Operational Programme including amongst other items, the costs of administering and hosting the annual Monitoring Committee Meeting.

Mr. Stephen Langley Queried the completeness of the project list on the Assembly's website – [www.seregassembly.ie](http://www.seregassembly.ie) to which The Chair outlined that this will be done annually, most likely by June 30<sup>th</sup> each year in accordance with the Regulations.

#### **4. Reports on Horizontal Principles**

##### **Sustainable Development.**

Ms. Marion Fassotte made the point that Sustainable Development is also about Environmental management systems and how this should apply. This should of course include indicators but also how the indicators apply and how projects, etc are selected. Mr. Matthew Kennedy, Sustainable Energy Ireland stated that with regard to the relationship between sustainable development and economic stimulus SEI has done some evaluation on its business programmes and have estimated that approximately 5,500 jobs will be created or sustained as a result of SEI's programmes. Furthermore it has been found that for every €1.00 €5.50 has been generated regarding energy and carbon saving within the economy.

##### **Social Inclusion, Gender Equality and Wider Equality.**

Mr. Patrick O'Leary, Department of Justice Equality and Law Reform requested that Intermediate Bodies worked with the various educational institutions to encourage greater female participation in such disciplines such as electronics and engineering. It was also questioned how many start up business/enterprises are being captured within the indicators as they are showing a slow pace of increase in female promoters under the micro enterprise sub-theme.

Mr. Stewart Roche, Higher Education Authority – responded on behalf of the PRTL sub-theme stating that the research proposals are purely based on scientific and technical merit, albeit the male to female ratio of researchers is reported upon.

Mr. Michael Callaly, Enterprise Ireland – responded that only the companies that Enterprise Ireland directly deal with can be reported on through their performance indicators, and as a result, there would be a number of start up companies not being captured within the indicators.

Ms. Jennifer Melia, Enterprise Ireland responded that although tracking and performance indicator data is constantly monitored and correct, it is at second level education stage that fundamental changes need to be made to encourage a stronger female presence in certain fields of academia.

The Chair added that it will be interesting to monitor these figures change over the lifetime of the programme, but as some of these issues are societal, they are outside the remit of the Monitoring Committee as our purpose is to look at the impacts based on the modest investment being made.

Mr. Vincent Edwards, Equality Authority commented on the lack of individual reports to the Wider Equality Principle, and stated that the Equality Authority is disappointed with this lack of reporting.

#### **5. Draft Implementation Report 2008**

Approval for this report was given, with the caveat that the Managing Authority may make any necessary adjustments if required prior to submission to the Commission by the deadline.

#### **6. Amendments to Implementation Plans**

The draft Implementation Plan for the Gateway Grant's Scheme was introduced by the Chair. He explained that due to the current economic climate little activity has taken place in the Urban Development Priority and this scheme is designed to initiate activity in the Gateways and Hubs. Mr Blair further outlined that as part of the economic recovery stimulus introduced by the EU Commission a further 2.5% advance was given to the Programme in 2009. It is proposed to utilise this along with the previous 2 advances, which amounts to almost €12m in the S&E OP, to fund this scheme. The scheme will focus initially on the Gateways who will submit proposals to the Managing Authority for projects that fit with the Operational Programme and Priority objectives. These will then be assessed by a steering committee. The ERDF grant will be directly matched by the Local Authorities own funds.

The scheme received broad approval.

#### **7. Gateway Development Index**

The Chair gave a detailed presentation on the Gateway Development Index outlining the background and the process involved in developing the Index. Copies of the report were circulated along with hard copies of the presentation.

In response to points raised by Liam Connelly the Chair explained that he hoped in the first instance that the report will find its way to all sections of Government and will become a useful document in terms of prioritisation process for scarce resources in the immediate years ahead. He went on to say that clearly what it does demonstrate is that there are particular deficiencies at Gateway level, that unless they are addressed will

have a strong drag on the performance of the Gateways which ultimately will reflect on poor levels of productivity, lower levels of competitiveness relative to other parts of the country which is not good for the overall national economy and therefore ultimately has a negative impact on national resources. In terms of whether the Gateways are up to the challenge the Chair stressed that the report points out that the challenges for some Gateways is enormous and that the modest investment under the S&E OP will only be the tip of the iceberg for what is ultimately required.

John McAleer pointed out that this process could be easily transferred to the Hubs and stressed that he felt the Hubs required more impetus than the Gateways.

## **8. Financial Management and Control Arrangements**

Mr. Pat Casey, Department of Finance explained that the Financial Management and Control Circular and the National Eligibility Rules were issued by the Department last autumn. It is up to the Implementing Bodies to ensure that the elements are complied with in relation to the projects and the roll-out of the particular elements.

Mr. David Kelly, Regional Assembly outlined that the Financial Systems Description was submitted on time and deemed admissible, it wasn't fully approved at that time. A number of queries from the Commission had to be responded to that it will be re-submitted within the next couple of weeks.

Mr. Kelly went on to explain that the IT System went live for ESF Fund is live in 2008 and following final testing from an ERDF view point that this system will be fully live and declarations will be submitted to the Commission by the end of the summer this year.

The Chair stated that all Administrative Agreements are duly signed and in place.

Ms. Derville Brennan, Regional Assembly stated that in relation to Press & Publicity the detailed publication of the beneficiary list will take place by June each year. She further explained that this information will be captured through the I.T. System and hence it will make the process easier to update on an annual basis and publish on our website. All printed communication from the Southern and Eastern Regional Assembly acknowledges the ERDF contribution. Last year's Publicity Event was entitled "Broadband – Strengthening your Business", with this year's already at the planning stage.

Mr. Pat Casey, Department of Finance gave a further update on the NSRF website and the Attitudinal Survey that have suffered due to lack of resources but are still being considered by the Department.

## **9. Any Other Business**

Mr. Stewart Roche Higher Education Authority gave an update on a commendable initiative on training that his section are undertaking with all Higher Educational Institutions – Procedure Manuals, Procurement, Publicity and Retention of Documents.

Ms. Marion Fassotte DG Environ - raised 4 points 1) There is a request to the Managing Authority from DG Regio and DG Environ to nominate someone to the European Environmental Networks which is designed to help integrate environment and sustainable development into cohesion policies of the Operational Programmes throughout the EU Member States. 2) to remind the Department of Environment, Heritage and Local Government of the publication of a white paper on adaptation to climate change which was issued in April 2009. 3) Biodiversity Protection Beyond 2010 conference in Athens recently concluded that although many European national funds can be channelled into biodiversity protection the actual level of financial resources is still very small and 4) that emphasis should be placed on eco-system protection rather than on species protection.

The Chair thanked all members of the Monitoring Committee for their attendance and closed the meeting.

<b>From</b>	<b>Name</b>
Director, Mid-East Regional Authority	Mr Tom Byrne
Department of Finance	Mr. Pat Casey
Mid-West Regional Authority	Cllr. Liam Conneally
Southern & Eastern Regional Assembly	Cllr. Peter Considine
Department of Education & Science	Ms. Mary Kelleher
DG Regio, European Commission	Mr. Noel Farrell
Department of Arts, Sport & Tourism	Mr. Kevin Lanagan
Cathaoirleach, Mid-West Regional Authority	Cllr. Bernard Hanrahan
Equality Authority	Mr. Vincent Edwards
Sustainable Energy Ireland	Mr. Matthew Kennedy
Department of Enterprise, Trade and Employment	Mr. Tom Sheehan?
DG Regio, European Commission	Mr. Stephen Langley
Director, South-East Regional Authority	Mr. John McAleer
Enterprise Ireland	Ms Jennifer Melia
Department of Justice, Equality and Law Reform	Mr. Patrick O'Leary
Department of Communications, Energy and Natural Resources	Ms. Cathy O'Connor
Department of Enterprise, Trade and Employment	Mr. Tom Sheehan?
DG Environ, European Commission	Ms. MH Fassotte
Department of Communications, Energy and Natural Resources	Ms. Joanne McCormack
Enterprise Ireland	Mr. Michael Callaley
Enterprise Ireland	Ms. Eilis Duffy
Higher Education Authority	Mr. Stewart Roche