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Accompanying document to the

Proposal for a

COUNCIL REGULATION

**concerning Community financial contributions to the International Fund for Ireland
(2007-2010)**

IMPACT ASSESSMENT

{COM(2006) 564 final}

INTRODUCTION

1. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

1.1. Organisation and timing

The Community has provided financial contributions to the International Fund for Ireland (IFI) from 1989. For the period 2005 to 2006 EUR 15 million was committed from the Community budget for each of the years 2005 and 2006 in accordance with Council Regulation (EC) No 177/2005 of 24 January 2005 on Community financial contributions to the International Fund for Ireland¹. That Regulation will expire on 31 December 2006.

The assessments carried out in accordance with Article 5 of Regulation (EC) No 177/2005 have confirmed the need for further support for Fund activities beyond 31 December 2006, while continuing reinforcing synergy of objectives and co-ordination with Structural Funds interventions, in particular with the Special Programme for Peace and Reconciliation in Northern Ireland and the Border Counties of Ireland.

At its meeting in Brussels on 15 and 16 December 2005, the European Council called on the Commission to take the necessary steps with a view to continued EU support for the Fund as it enters the crucial final phase of its work up to 2010².

In line with the European Council decision, this proposal concerns the Community contribution to the Fund in the form of financial contributions for the years 2007, 2008, 2009 and 2010, the year in which the Fund will come to the end of its life. It is envisaged that the Commission will adopt the Regulation on 25 September 2006.

1.2. Consultation and expertise

In accordance with current Council Regulation (EC) No 177/2005 the proposed Council Regulation has been prepared on the basis of the Report to the Budgetary Authority which accompanies the proposed Regulation. The Report assesses the activities of the Fund utilising Commission expertise in the analysis of information and data collected:

- from the continuous monitoring of the Fund by the Commission,
- from projects visits and inspections four times a year by the Commission,
- by the management of the Fund and projects,
- reports and studies produced by the Fund.

¹ OJ L 30, 3.2.2005, p. 1.

² Presidency Conclusion – Brussels European Council 15-16 December 2005; Council of the EU No 15914/1/05 (CONCL 3) of 16.12.2005.

2. PROBLEM DEFINITION

Following of 30 years of conflict in the region there is a need to address the legacy of that conflict and to enable the people in Ireland to take advantage of the opportunities arising from the return of peace.

The political background of the region has evolved over the years: in 1994, the main paramilitary groups announced ceasefires; in April 1998, the Belfast (“Good Friday”) Agreement set a political settlement for a peace process, including the devolution of powers to a Northern Ireland (NI) Assembly and Executive Committee, which were set up at the end of 1999.

Today there is still a significant level of violence relating to the conflict and division between the main communities remains high. Even though there has been considerable progress in the last decade, the devolved institutions remain suspended from October 2002. The fact that all subsequent attempts to restore devolution have failed illustrates the threats and uncertainties surrounding the peace process in the region. Moreover, there is still a significant level of security related incidents with sectarian motivation and psychological and physical division between the main communities is on the rise. In this context, economic and social development in support of peace and reconciliation at grassroots level is a long term process.

These elements point out to the continuing need for an international support to the reconciliation process in Northern Ireland, to which the IFI has proved to bring an important contribution.

Set up in 1986 following an agreement between the governments of the United Kingdom and Ireland the IFI’s is an independent international organisation with a legal status similar to a foundation or a trust fund. Its **principal objectives** are:

- to promote economic and social advance, and
- to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland.

Since its inception, the IFI has received approximately €743 million (current prices). Overall, it has committed over €830 million to nearly 6 000 projects across the various programmes of support.

While the IFI began as an initiative relying mainly on US funding, the EU contribution has progressively gained importance. Since the EU decided to contribute to the IFI, its financial contributions have been €15 million annually from 1989 to 1994, €17 million annually from 1995 to 1999 and €15 million annually from 2000 onwards. The EU is now the largest contributor to the Fund, to which it provides 57% of the annual budget for 2006³.

³ Over the lifetime of the IFI, the United States has been the largest contributor (59.9 %), while the EU contribution is about 39 % of the total committed resources the remainder coming from Canada, Australia and New Zealand. For the year 2006, the United States’ contribution amounts to 42 % (US \$ 13,8 million), the EU contribution 57 % (€15 million), and the Canadian contribution 0,6 % (CAN \$ 0.5 million). There is no certainty of annual contributions from New Zealand and Australia for 2006. General administration expenses, organisational costs, and provisions for the Secretariat are met by the UK and Irish Governments.

The IFI has, over the years, continually adapted itself to a changing environment. While in its early years it supported expressly major capital investments, the IFI is now concentrating an increasing proportion of its resources (approximately 30%) on people-centred projects in accordance with a the five year strategy entitled “Sharing the Space” launched in early 2006. This Strategy will promote reconciliation in Ireland in the final phase of the IFI’s activity. The IFI’s existing community programmes have been extended, with a view to building a sustainable infrastructure for reconciliation operating beyond the IFI’s lifetime. Consequently, much of the IFI’s traditional economic based activities have ceased, in favour of grassroots community development.

Since 2004, the IFI has committed €103 million to 580 projects across various **programmes and schemes** which can be grouped under three headings: the regeneration of deprived areas, community capacity building and economic development. Of these projects, 424 were located in Northern Ireland with an expenditure of €70.8 million whilst 156 were in Ireland or were joint projects with a contribution of €32.9 million.

The IFI and EU Programme PEACE have complementary priorities and objectives⁴. Subsequent reports on the functioning of the IFI have shown that the coordination with the EU Peace programme works in a satisfactory manner.

The current coordination arrangements include participation of the European Commission at all IFI Board meetings and their receipt of papers of the IFI Advisory Committee meetings⁵, and the attendance of representatives of the IFI as observers at the Monitoring Committees for the Community Support Framework for Northern Ireland; PEACE II Programme; Building Sustainable Development Operational Programme; and INTERREG III-A for Northern Ireland and Ireland Community Initiative.

Given that the IFI will be wound up in 2010 or soon afterwards, any future prosecution of the EU contribution would have to ensure that appropriate arrangements are made for closure of the IFI, with regard to the principles of sound and effective financial management. Likewise, the renewed EU participation to the Fund would best cover the four years 2007 to 2010, in order to ensure certainty of funding for the IFI.

Against this background, the presidency Conclusions of the Brussels European Council of December 2005 noted the importance of the Fund in promoting peace and reconciliation and "asked the Commission to take the necessary steps with a view to continued EU support for the Fund as it enters the crucial final phase of its work up to 2010".

3. OBJECTIVES

The Community's key objective is to reinforce progress towards a peaceful and stable society in Northern Ireland by promoting reconciliation through addressing the legacy of the conflict, enabling people to take advantage of the opportunities arising from peace and paving the way

⁴ The PEACE II Programme is classified as an Objective 1 Operational Programme in the period between 2000 and 2006, for a total amount of €609 million. For the programming period 2007-2013, there will be a new PEACE programme with a contribution from the European Regional Development Fund of €200 million. This programme will be under the territorial co-operation objective of the new regulatory framework.

⁵ Exchange of letters IFI/Commission : Letter to C. Trojan, 28 June 1994.

towards reconciliation through a wide range of activities (economic, social, urban, rural and cross-border development) and by targeting those identified as most affected by the conflict.

The key objective of the IFI is to support peace and reconciliation at grassroots level, complementing the action carried out by the EU Programmes for Peace and Reconciliation in Northern Ireland and the Border Region of Ireland ("PEACE "I 1995-1999, "PEACE II" 2000-2006 and "PEACE III" 2007-2013). This is pursued by promoting economic and social advance, and encouraging contact, dialogue and reconciliation between nationalists and unionists throughout Ireland under three priorities:

- the regeneration of deprived areas,
- community capacity building and
- economic development.

The IFI and EU Programme PEACE have complementary priorities and objectives and share a number of complementary areas on which they focus:

- All projects seeking assistance from PEACE need to demonstrate how they intend to develop cross-community reconciliation and mutual understanding but the cross-community dimension is only explicitly required for some IFI programmes.
- The IFI places a particular emphasis on assisting the most deprived areas in Northern Ireland and the Southern Border Counties of Ireland under the title of "Regeneration of Deprived Areas" and since 2003 over 85% of the Fund's commitments have been to projects in these areas. The PEACE Programme, in contrast, applies impact indicators based on "disadvantaged areas" in Northern Ireland and the "Combating Poverty" index in the Border Region.
- The IFI assists basically the same categories of people as the PEACE II Programme. Where projects can be funded by both IFI and EU programmes, the IFI policy is to be the "first money on the table" although it may offer a lower financial contribution. Compared to the EU programmes, the IFI processes applications quickly using streamlined selection procedures, and is more flexible in responding to emerging needs and opportunities as its budget is decided annually.

4. POLICY OPTIONS

4.1. No EU action – Discontinuation of funding

This option translates to the discontinuation of the EU support for the IFI. This would be contrary to the long standing support for the peace and reconciliation process in Northern Ireland and the Border Regions of Ireland which has been best exemplified by its commitment to the IFI since 1989 and the PEACE Programme since 1995. This support is based on the recognition of the long-term nature of the peace process and has been widely supported over the years by the European Parliament, Council and Commission. The political and social situation of the region remains fragile and the continuing level of violence and division calls

on the EU to sustain its efforts to promote peace and reconciliation in this part of the European Union.

Moreover, it would be contrary to the political will of the EU member states as expressed in the presidency Conclusions of the Brussels European Council of December 2005.

4.2. Transfer funds from IFI to the PEACE Programme

Again this option translates to the discontinuation of EU support for the IFI and has all the implications of the No EU action policy option and it would also be contrary to the political will of the EU member states as expressed in the presidency Conclusions of the Brussels European Council of December 2005.

In addition the funds for IFI and PEACE C1 come from different budget lines.

Moreover, it will eliminate the complementary actions between PEACE and IFI which have been so successful in promoting peace and reconciliation by pursuing the same objectives albeit through different channels and by allowing more flexibility.

4.3. Continue EU support to IFI

This is in line with the Union's long standing support for the peace and reconciliation in Ireland and will help to deal with the existing fragile political environment and continuing division. It is in line with the presidency conclusions calling the Commission to examine ways in order to continue the EU's support towards the peace and reconciliation and will allow the complementary actions of PEACE and IFI to continue.

The European Commission reports have unanimously recognised the very positive contribution of the IFI's activities to peace and reconciliation in Northern Ireland and the Border Region of Ireland thereby fulfilling its objectives, namely to promote economic and social advance, and to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland.

The current round of EU Structural Funds Programmes (in particular the PEACE II Programme), which are the major instruments to promote economic and social progress in the region, present new opportunities for the IFI. The priorities set by both IFI and EU Programmes complement each other and this high potential for synergies needs to be further harnessed. The continuation of the PEACE programme and the new strategy for the IFI – Sharing the Space will enable these synergies to be further realised.

5. ANALYSIS OF IMPACTS

In a general context the impact of EU contribution to the IFI is the support of peace and reconciliation in a challenging period which is characterised by fragile political environment and increased levels of separation between Protestant and Catholic communities. Moreover, it reaffirms the Union's long standing support for the peace process. The experience that accumulated from both the PEACE and IFI can form the basis of best practices to be used in other areas in need of peace and reconciliation.

In more specific terms, the impact relates to the objectives of the IFI over the final five years of its life which include:

- Building and realising the vision of a shared future for Northern Ireland and both parts of the island;
- Promoting understanding between the different communities in Ireland;
- Facilitating integration between the communities;
- Building alliances with other agencies, ensuring the long term work of the IFI beyond 2010 and sharing the expertise with peace builders in other regions.

The impact will be most felt at grass root level with actions such as capacity building for communities to enable them to build bridges and integrate in order to take advantage from the benefits of peace and stability. The effort will be to enable the communities to prosper and to continue in the path of peace and reconciliation beyond IFI support.

6. MONITORING AND EVALUATION

The Commission is an observer at the meetings of the Board of the International Fund for Ireland. The Managing Authority of the PEACE Programme is also invited to Board meetings and the Fund shall be represented as an observer at the Monitoring Committee meetings of the PEACE programme in order to ensure a more efficient and effective complementary actions.

Every year the IFI presents to the Commission its annual accounts and activity report which must satisfy the Commission in order for the payments to the Fund to continue. Moreover, the payments to the Fund are also subject to an assessment of the Fund's financial needs to be carried out by the Commission on the basis of the Fund's cash balance at the time scheduled for each payment.

Given that the Fund will come to an end in 2010 it must submit to the Commission by June 2008 at the latest, its strategy for the closure of the Fund's activities and subsequent payments to the Fund are conditional on the Commission's approval of the closure strategy.

A Final Report should be submitted to the Commission six months before the winding up date foreseen in the strategy for closure in Article 6(a) of this Regulation or six months after the last Community payment, whichever happens first and should include all the necessary information that would enable the Commission to evaluate the implementation of the assistance and the attainment of the objectives.