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(Information)

COURT OF AUDITORS

SPECIAL REPORT No 7/2000

concerning the International Fund for Ireland and the Special Support Programme for Peace and Reconciliation in Northern Ireland and the border counties of Ireland (1995 to 1999), together with the Commission's replies*(pursuant to Article 248(4), second subparagraph, EC)**(2000/C 146/01)*

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SUMMARY

In 1986 the International Fund for Ireland (IFI) was created under the Anglo-Irish Agreement with the primary objective of promoting reconciliation between the divided communities in Northern Ireland. In 1995 the European Commission created a Community initiative conceived as a special support programme for Northern Ireland and the border counties of Ireland with the joint aim of reinforcing progress towards a stable society and promoting reconciliation through economic development and employment. This report examines the European Union's support of the activities of the IFI up to December 1997 and the implementation of the Special Peace and Reconciliation Programme (P & R) in the period 1995 to 1997. The audit focused on the legality and regularity of the Community funding and, by means of a broad sample of measures and projects, examined the efficiency and effectiveness of procedures employed under both actions for the disbursement of funds.

The circumstances in which both the IFI and P & R Community aid packages, designed to boost the peace process in Northern Ireland and the border counties of Ireland, were developed and implemented were particularly difficult, given the distrust between the different communities.

In respect of the IFI, the Court underlines that the Commission's payment of grant aid in advance of need did not ensure the most efficient use of EU funding (paragraph 12). The IFI's staffing arrangements and delegations of power were not formally established in writing (paragraph 14). The evaluation of project applications and the post-grant monitoring of projects did not ensure sound financial management in all cases (paragraphs 17 to 21). The Commission failed to carry out verification and spot checks as required under Article 3 of the funding agreement with the IFI (paragraph 28).

In respect of the P & R, in a region where little opportunity for cross-community cooperation existed, it set up important structures and incentives which encouraged cooperation. It provided opportunities for partnership and dialogue and brought decision-making and responsibility for community development closer to the people, thus contributing to the overall objective of improving social and economic conditions through the direct involvement of local communities (paragraphs 39 to 40).

However, the Court underlines that the programme structure was complicated by the wide diversity of the implementing bodies and by the differing needs of the two regions (paragraph 41). In particular, the decision to place much of the management and decision-making functions in the hands of non-governmental bodies led to difficulties in the selection of the implementing bodies (paragraphs 42 to 43). In some cases, inadequate consideration was given by the implementing bodies to developing an effective methodology for targeting community projects and social groups (paragraphs 52 and 53). The selection and appraisal procedures lacked common criteria and, as a result, some appraisals were not adequately documented or contained inconsistencies of treatment between projects (paragraphs 45 to 48).

The initial allocation of three years' funding to a five-year programme caused difficulty in the planning and management of the measures (paragraph 34) and delays in the programme's execution were noted (paragraphs 35 to 37). Up to December 1997, inadequacies in financial and management reporting systems (paragraph 49) and the lack of quantified targets in the programme document (paragraph 50) have affected the effectiveness of the programme's control mechanisms and the measurement of the impact.

Finally, although the P & R programme's objectives and delivery mechanisms were substantially different, there was significant overlap between the P & R, the activities of the IFI and Structural Funds support measures, resulting in inefficiencies and delays in the execution of other programmes (paragraphs 56 to 58).

INTRODUCTION

1. The International Fund for Ireland (IFI) is an international organisation which was created under an agreement of 18 September 1986 (hereafter called 'the Agreement') to contribute to the work envisaged in Article 10(a) of the Anglo-Irish Agreement of 15 November 1985 ⁽¹⁾, signed between the United Kingdom and Ireland. The objectives of the IFI were to 'provide financial support for measures designed to promote reconciliation between the divided communities in Northern Ireland, cross-border cooperation and promote economic and social advance'. The IFI is currently supported by contributions from the European Union (50 %, under Article B2-6 0 4 of the EU's general budget), the United States of America (47 %) and Australia (3 %). The IFI pursues its objectives through a set of programmes with annual budgets which apportion 75 % of aid to Northern Ireland and 25 % to Ireland.

2. In September 1994, following the declaration of cessation of violence in Northern Ireland, a Community initiative entitled 'The Special Support Programme for Peace and Reconciliation in Northern Ireland and the border counties of Ireland' (P & R) was agreed between the Commission and the Member States. Its aim was to 'reinforce progress towards a peaceful and stable society and to promote reconciliation by increasing economic development and employment, promoting urban and rural regeneration, developing cross-border cooperation and extending social inclusion' ⁽²⁾.

THE COURT'S AUDIT

3. The Court's audit covered an examination of the legality and regularity of both of the abovementioned measures and involved an examination of the IFI's activities up to December 1997, and those of the P & R from July 1995 to December 1997. The efficiency and effectiveness of both measures were also examined and, in particular, under the P & R, the measures financed from the European Regional Development Fund (ERDF). The review period for the IFI covers a substantial period from 1989 when political violence was at its height, well before the ceasefires and peace initiatives in 1994. In respect of the P & R programme, the audit period (July 1995 to December 1997) corresponds mainly to its initial phase, during which time new implementing arrangements were being established. The Court acknowledges the highly specific circumstances in which the IFI and the P & R programme have had to operate as well as the risks attaching to the execution of development actions in a politically volatile environment. The audit findings should be considered against this background.

4. In respect of the IFI, the Court's audit involved a detailed examination of a sample of 34 projects, of which 10 were visited on-the-spot. The sample was chosen to give a broad cross-

selection of the activities through which the IFI seeks to achieve its objectives for the promotion of dialogue and reconciliation and for economic and social advancement.

5. With regard to the P & R, a broad cross-section of the measures financed under the P & R programme, representing eight of the 70 implementing bodies, was selected for audit. From this, a sample of 58 projects was examined in detail, of which seven were visited on-the-spot.

THE INTERNATIONAL FUND FOR IRELAND

Summary of the main findings in respect of the IFI

6. The Court's audit findings, which are detailed below can be summarised as follows:

- (a) The IFI pioneered the joint management and delivery of programmes between Ireland and Northern Ireland and was innovative in giving priority to disadvantaged areas for funding (paragraph 22);
- (b) The IFI's role as the first funder of projects enabled grant recipients to gain access to other funding (paragraph 23);
- (c) The Commission's payment of grant aid to the IFI in advance of need did not ensure the most efficient use of EU funding (paragraph 12);
- (d) The IFI should consider setting out staffing arrangements and delegations of power in writing (paragraph 14);
- (e) The evaluation of project applications and the post-grant monitoring of projects should be improved to ensure sound financial management in all cases (paragraphs 19 to 21 and 27);
- (f) The Commission's failure to carry out verification and spot checks as required under Article 3 of the funding agreement with the IFI must be urgently addressed (paragraph 28).

Funding arrangements and regulatory framework

7. The European Community funding of the IFI was first approved in 1989 ⁽³⁾, at which time the IFI had already been in existence and operating for three years. However, the necessary legal framework for Community funding was only established by Council Regulation (EC) No 2687/94 of 31 October 1994 ⁽⁴⁾.

8. During the period 1989 to 1994, the Commission made an annual contribution of ECU 15 million to the IFI. In October 1994, the Council set Community financial contributions to the IFI at ECU 20 million per annum for the years 1995, 1996 and 1997. Further annual contributions of ECU 17 million were provided for the years 1998 and 1999 ⁽⁵⁾, with the requirement that a review of the performance of the IFI and its need for further support should be made before April 1999. That review has since taken place and, at the Berlin Summit of Heads of State or Government in March 1999, further annual contributions of ECU 15 million were approved for the years 2000 to 2002.

9. The 1994 funding regulation provided that the Commission administer the contribution and that it submit an annual report to the budgetary authority, including a detailed survey of the IFI's

activities, an assessment of the nature and impact of its interventions and the results of on-the-spot verifications carried out by the Commission.

10. Table 1 shows the budgetary execution in commitments and payments of the Community contribution to the IFI. In the period 1989 to 1997, a total of ECU 150 million of Community funding was committed to the IFI, of which ECU 146 million (97 %) was paid. The Community's annual contribution is paid in two instalments: a first advance of 80 % is made on the basis of a single claim from the IFI and the 20 % balance is paid following receipt of the annual accounts of the IFI by the Commission. These payment arrangements are in contrast to those applicable to the P & R, in that payments to the IFI are on the basis of a fixed annual contribution, unrelated to actual expenditure levels (see Table 2).

Table 1

Budgetary execution of Community contribution to the International Fund for Ireland

(million ECU)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	Total
Budget line	B-5 4 7	B-5 4 7	B2-6 0 4	B2-6 0 4	B2-6 0 4	B2-6 0 4	B2-6 0 4	B2-6 0 4	B2-6 0 4	
Type of appropriation	NDA	NDA	NDA	NDA	DA	DA	DA	DA	DA	
COMMITMENTS										
Initial appropriations	15,000	15,000	15,000	15,000	15,000	15,000	20,000	20,000	20,000	150,000
Carried over from previous exercises										0,000
<i>Available appropriations</i>										
Commitments made during the exercise	15,000	15,000	15,000	15,000	15,000	15,000	20,000	20,000	20,000	150,000
PAYMENTS										
Initial appropriations	15,000	15,000	15,000	15,000	14,501	15,000	20,000	20,000	20,000	
Carried over from previous exercises		3,000	3,240	3,000	3,000	2,501				
<i>Available appropriations</i>	15,000	18,000	18,240	18,000	17,501	17,501	20,000	20,000	20,000	
Payments on commitments of current exercises	12,000	11,760	12,000	12,000	12,000	12,000	16,000	16,000	16,000	119,760
Payments on commitments of previous exercises	n/a	3,000	3,240	3,000	3,000 NDA	3,000	3,000	4,000	4,000	26,240
Payments made during the exercise	12,000	14,760	15,240	15,000	15,000	15,000	19,000	20,000	20,000	146,000

DA = Differentiated appropriations.

NDA = Non-differentiated appropriations.

Source: Revenue and expenditure account and balance sheet.

Table 2

Commitments and payments of the EU to the International Fund for Ireland and to the Special Support Programme for Peace and Reconciliation in Northern Ireland and the border counties of Ireland

(million ECU)

	IFI		P & R ⁽¹⁾	
	Commitments made during the financial year	Payments made during the financial year	Commitments made during the financial year	Payments made during the financial year
1989	15,000	12,000		
1990	15,000	14,760		
1991	15,000	15,240		
1992	15,000	15,000		
1993	15,000	15,000		
1994	15,000	15,000		
1995	20,000	19,000	27,385	
1996	20,000	20,000	95,561	10,609
1997	20,000	20,000	53,311	61,800
Total	150,000	146,000	176,257	72,409

⁽¹⁾ The Special Support Programme commenced in 1995.

11. The budgetary and accounting rules adopted by the IFI allow for the carry-over from year to year, of funds committed to specific projects for which contractual letters of offer have been issued and of non project-specific funds committed to programmes. This practice of making commitments to be met from future donor contributions, resulted in the Fund balance sheet at September 1997 recording a deficit of ECU 16,46 million. The IFI informed the Court that the presentation adopted for the Fund's accounts reflects the Fund's unique status.

12. Notwithstanding this, in 1995, 1996 and 1997, an average of only 37 % of the total committed expenditure was spent, resulting in significant bank balances of ECU 64,85 million, ECU 88,91 million and ECU 78,75 million being held by the IFI. Although Article 6 of the annual declaration made by the IFI to the Commission provides for the reimbursement of unused funding, the Commission's payment procedures which grant automatic payments of advances to the IFI, while accelerating the use of Community budget appropriations, do not include an assessment by the Commission of the immediate financial needs of the IFI.

Administrative procedures

13. The board of the IFI is appointed jointly by the British and Irish Governments, with an observer at board meetings nominated by each of the donor countries and the EU. In terms of its

administrative structure, the IFI, which has a separate legal status, is independent and is prohibited from taking any instruction from either Government (see Annex 1).

14. Under Article 10 of the Anglo-Irish Agreement, the secretariat of the IFI, which consists of two joint directors-general and other officials from both Government administrations on secondment, is provided at no cost by both Governments. However, such secondment is not covered by separate employment contracts. While the Fund's Rules of Procedure refer to specific duties and responsibilities of the joint directors-general, the responsibilities and functions of other officials are not formalised in writing. Moreover, the delegation of contractual powers by the board in the signing of letters of offer and management contracts are not specifically covered by the Fund's Rules of Procedure, but are established through custom and practice.

IFI's programmes

15. The IFI pursues its objectives through a set of programmes, consisting of projects which are primarily sourced through open advertisement. Up to the end of 1997 the IFI had provided part-financing in respect of some 3 600 projects concerning 'Disadvantaged areas', 'Communities initiatives', 'Wider horizons', 'Business enterprise and technology', 'Tourism', 'Urban development' and 'Flagship projects' (see Table 3).

Table 3

International Fund for Ireland 1997 — Programmes and payments

	Thousand ECU	Thousand GBP
Disadvantaged areas initiative	16 642	11 137
Communities initiatives	7 279	4 871
Wider Horizons	9 264	6 200
Business enterprise and technology	1 315	880
Tourism	7 174	4 801
Urban development	6 800	4 551
Flagship projects	4 006	2 681
	52 480	35 121

Source: Annual report of IFI, 1997.

16. A preliminary assessment of each project is performed by the IFI secretariat and/or programme teams followed by a formal assessment by the managing government department or agency. The projects are then considered by the designated board members for submission to the full board of the Fund, which decides on the projects following receipt of advice from the advisory committee.

Project appraisal procedures

17. Under the terms and conditions of appointment of board members and the Rules of Procedure and operating rules of the board, the board may employ advisors and consultants to assist in the evaluation of proposals submitted to it and generally in the discharge of its functions. The Fund uses this facility and the management of projects is in general carried out by government services or public sector agencies. In contrast to the free provision of secretariat services by both Governments as provided for in the Agreement, the IFI paid these organisations amounts of ECU 3,14 million, ECU 3,59 million and ECU 2,89 million in 1996, 1997 and 1998 respectively for this service. This represented an average of 5 % of programme expenditure.

18. Under the Rules of Procedure and operating rules of the Board, specific project assessment criteria are laid down for the IFI which include the requirements that value for money be obtained and that projects be subject to *ex ante* evaluations, including risk assessments.

19. Although the majority of projects examined met the objectives of the IFI, the rigour of the risk assessment and appraisals carried out were found to be inadequate in eight out of 34 projects examined by the Court ⁽⁶⁾. Examples of weak procedures were:

- (a) the decision to grant aid to a project without carrying out a formal business appraisal, (e.g. an equestrian centre project ⁽⁷⁾); while the IFI has informed the Court that it carried out an internal assessment, a separate commercial business appraisal was deemed unnecessary);
- (b) a 'Disadvantaged areas initiative' project; while business plans were produced by the project in support of an application for funding, the first formal project appraisal was only carried out after the initial assistance of ECU 915,985 was approved by the IFI ⁽⁸⁾;
- (c) a project where the absence of a full commercial appraisal led to the replacement of the proposed project by another (e.g. a cultural and language centre project ⁽⁹⁾ was replaced by a cinema and office building, used as rented accommodation for the local council) and,
- (d) a project ⁽¹⁰⁾ where the grant letter of offer, which was not taken up by the applicant, was subsequently reissued, in advance of a second economic appraisal and despite the reservations of the co-funders as to the value-for-money of the scaled down project.

20. In three of the 34 project cases examined ⁽¹¹⁾, multiple funding of projects was provided to meet cost overruns and repay loans. For example, in the case of a multimedia exhibition centre project ⁽¹²⁾, the IFI contributed an initial ECU 1 494 268, with further grants of ECU 373 566 and ECU 522 993 in subsequent years. Despite this however, the project, which was not self-sustaining, was at 31 December 1997 in search of an on-going subsidy to enable it to continue. Without calling into question the overall merit of these projects, all three projects had not achieved economic viability at 31 December 1997, which was the basis on which the IFI funding decision was taken.

Monitoring and evaluation of projects

21. Weaknesses were observed in six of the 34 cases examined ⁽¹³⁾. These weaknesses in monitoring and evaluation were compounded by inadequate management on the part of the project owners. Examples of these were:

- (a) the non-compliance with grant conditions (e.g. in the case of a rural development project ⁽¹⁴⁾, which was awarded assistance totalling ECU 1 084 834. While the IFI commissioned three consultancy reports for 1995, 1996 and 1997 highlighting serious management problems with the project, the original grant was released without the required community contribution being in place and further grants were released without significant improvement in control systems);

(b) delays in taking direct action to safeguard the IFI's investment (e.g. the investment in an accommodation/activity centre project ⁽¹⁵⁾ which was awarded ECU 793 200, was unsuccessful due to on-going financial difficulties. An internal note on the project by the IFI stated that 'total expenditure on the property is ECU 1 541 175, which to anyone who has seen the property in either incomplete or complete condition, (is) almost impossible'. While the IFI informed the Court that a part of the project has now been sold and is operating, it remains that this community project failed due to poor project management and cost controls).

Impact of the IFI

22. The IFI's establishment in 1987 pre-dated the reform of the Structural Funds and initiated certain principles which would later become the main elements of the reform, such as the programmed approach to economic development and the importance of cross-community partnership. Similarly, it pioneered the joint management and delivery of programmes between Ireland and Northern Ireland and was innovative in giving priority to disadvantaged areas for funding.

23. The Commission's evaluation report on the IFI of March 1997 ⁽¹⁶⁾ assesses the IFI's role as the first funder of projects, enabling grant recipients to gain access to other funding. While this leverage ratio is quoted as 1,8: 1 for the period 1994 to 1996, no analysis is given as to what percentage of this figure relates to EU part-financing and what percentage is private investment. Furthermore, by solely attributing this leverage effect to the IFI's assistance, it ignores the volume of public (including EU) funding which would be available anyway, particularly within an Objective 1 area. Moreover, the lack of real analysis as to the attributable impact and synergy between the funders, often obscures the substantial role and impact of other project co-funders, both national and EU.

24. In a study commissioned by the IFI in 1994 on the impacts of its programmes, it was estimated that the employment created in IFI-assisted projects was 23 787 jobs as at 30 September 1994. This figure was reduced to 11 186 when displacement and dead-weight effects (i.e. an estimate of the likelihood of projects obtaining alternative funding or proceeding without assistance), were taken into account. This estimate was further reduced to 7 000 jobs in a subsequent study in 1996 covering the same period (carried out by consultants ⁽¹⁷⁾ who collaborated on the first study).

25. The Fund's project database records estimates of the ultimate employment in assisted projects at the time of the projects' approval. However, the commissioned impact study assessed the actual number of jobs on the ground to be 85 % of the jobs potential claimed by the IFI, which it stated compared favourably with that achieved by other agencies. In the case of two projects examined on audit, the estimated jobs far exceeded the actual employment on the ground (e.g. an aquaculture research centre ⁽¹⁸⁾ where an estimated increase of 2 000 jobs was recorded as jobs attributable to the project, where in fact the actual figure was four. Similarly under a 'Fishing villages initiative' project ⁽¹⁹⁾ only 10 jobs were actually created compared with an estimated 41 full-time jobs)

26. The impact study indicated the positive effect of the IFI ⁽²⁰⁾ and in particular its 'Wider horizons' programme, which has a cross-border/cross-community dimension. However, the study also identified the difficulty in finding a satisfactory *modus operandi* for cross-border projects, resulting in the predominance of government organisations and professional bodies as beneficiaries of cross-border projects.

27. Evaluation studies provide useful information regarding the impact of activities at a strategic planning level, i.e. the setting of objectives and the allocation of resources. However, the lack of up-to-date operational information or information on the achievement of indicators on the projects being funded by the IFI (as in the case of jobs created), constitutes a weakness in management control and presents the risk that the organisation may not be accomplishing its objectives efficiently and effectively.

Monitoring by the Commission

28. Although Article 3 of the governing regulation assigns to the Commission the role of monitoring the activities of the IFI, the Commission has not fulfilled its role in all respects. Notwithstanding the requirement from 1995 onwards, to prepare an annual report on the activities of the IFI, the first such report was only presented in 1997. Furthermore, no on-the-spot checks or verifications were carried out by the Commission during this period.

THE SPECIAL SUPPORT PROGRAMME FOR PEACE AND RECONCILIATION

Summary of the main findings in respect of the P & R

29. The results of the Court's audit findings can be summarised as follows:

- (a) The P & R was effective in providing opportunities for partnership and dialogue and gained acceptance by both communities by bringing decision-making and responsibility for community development closer to the people (paragraphs 39 and 40);
- (b) Programme implementation was complicated by the wide diversity of the implementing bodies and by the differing needs of the two regions (paragraph 41);
- (c) In some cases inadequate consideration was given by the implementing bodies to developing an effective methodology for targeting community projects and social groups (paragraphs 52 and 53);
- (d) The allocation of three years' funding to a five-year programme caused difficulty in the planning and management of the measures, resulting in delays in the programme's execution (paragraphs 34 and 35);
- (e) The decision to place much of the management and decision-making functions in the hands of non-governmental bodies led to difficulties in the selection of the implementing bodies (paragraphs 42 and 43);
- (f) The selection and appraisal procedures lacked common criteria and, as a result, appraisals were often limited in scope, not adequately documented or contained inconsistencies of treatment between projects (paragraphs 45 to 48);
- (g) Up to December 1997 the lack of appropriate control mechanisms, weaknesses in computerised databases and inadequacies in financial and management reporting systems led to inaccurate reporting of financial and management information (paragraph 49);
- (h) Measurement of the impact of the programme was adversely affected by the lack of quantified targets (paragraph 50);
- (i) Although the P & R programme's objectives and delivery mechanisms were substantially different, there was significant overlap between the P & R, the activities of the IFI and Structural Funds support measures, resulting in inefficiencies and delays in the execution of other programmes (paragraphs 56 to 58).

Regulatory framework and funding arrangements

30. In a further response to the developments in the peace process in Northern Ireland during 1994, the Commission, in wishing to identify ways to assist the peace process, approved on

28 July 1995, the Special Support Programme for Peace and Reconciliation. The creation of the P & R, which is a multi-funded Community initiative (CI) under the governing regulations of the various Structural Funds and the EIB, was achieved after extensive consultation with all interested parties both in Ireland and Northern Ireland. The P & R's strategic objectives are 'to reinforce progress towards a peaceful and stable society and to promote reconciliation by increasing economic development and employment, promoting urban and rural regeneration, developing cross-border cooperation and extending social inclusion'. Unlike other Structural Fund programmes, the P & R programme was designed not just to bridge the gap of an economically lagging-behind region, but was intended to focus on those areas and sections of the population most adversely affected by the violence and consequently suffering most acute deprivation.

31. The P & R consists of seven subprogrammes, divided into 30 measures, of which 20 apply jointly to both Northern Ireland and the border counties of Ireland (see *Annex 2a* and *Annex 2b*). The structure of the programme is outlined in *Annex 3*. A sum of ECU 300 million was set aside for an initial period from 1995 to 1997 and a further ECU 100 million was subsequently approved by the Commission for each of the years 1998 and 1999.

32. The opportunities arising from the cessation of violence were described in broad terms in the programme document, as in the example of the opportunity to bring about economic adjustments in the balance between public and private sectors, while mitigating against the adverse employment effects of a reduction in the security sector. However, the nature and specificity of such opportunities were not fully identified or defined, so as to be effectively addressed by the programme. Furthermore, although the P & R aimed to prioritise cross-community projects and to target marginalised social groups, it did not elaborate on the method of identifying such groups or of establishing priorities.

33. These characteristics together with the requirement for an immediate and visible impact on the ground, the short time-frame for the execution of the first phase and the desirability of including as many local community interests as possible in the decision-making and implementation procedures, required a considerable administrative effort on all involved in the P & R's implementation.

Financial and budgetary execution

34. The Commission's initial funding decision, which allocated only three years' funding to a five-year programme was badly devised, in that the uncertainty over future funding caused difficulty in the planning and management of the subprogrammes and measures. This uncertainty contributed to the delays experienced in the selection of actions for funding.

35. Delays in the programme's execution, reflected in *Table 4*, resulted in a lack of use of appropriations by the P & R. Significant amounts of commitment appropriations were cancelled at the end of 1996 and 1997, respectively ECU 14,9 million (13,5 % of appropriations) and ECU 106,6 million (66,7 % of appropriations). These cancellations represented more than 40 % of appro-

priations for the period 1995 to 1997. Similarly, at the level of payments, ECU 34,9 million, representing more than 20 % of appropriations, was cancelled during the same period. Notwithstanding the low absorption rate of the programme, further financing of ECU 100 million was made available for each of the years 1998 and 1999.

Table 4

Budgetary line B2-1 4 1 2 'Special programme for regions in both parts of Ireland' — Special Support Programme for Peace and Reconciliation

	(million ECU)			
	1995	1996	1997	Total
COMMITMENTS				
Initial appropriations	66,000	117,900	159,900	343,800
Transfer of appropriations	- 38,615	- 7,390	0,000	- 46,005
in % of initial appropriations	58,5	6,3	0,0	13,4
Available appropriations	27,385	110,510	159,900	297,795
Commitments made during the financial year	27,385	95,561	53,311	176,257
in % of available appropriations	100,0	86,5	33,3	59,2
in % of initial appropriations	41,5	81,1	33,3	51,3
Cancellations of appropriations	0,000	14,950	106,589	121,538
in % of available appropriations	0,0	13,5	66,7	40,8
PAYMENTS				
Initial appropriations	40,000	69,100	93,900	203,000
Transfer of appropriations	- 10,425	- 14,918	- 6,133	- 31,475
Available appropriations	29,576	54,182	87,767	171,525
Payments on commitments of current financial year	13,693	31,071	19,357	64,120
Payments on commitments of previous financial years	n/a	10,609	61,800	72,409
Payments made during the financial year	13,693	41,680	81,157	136,530
in % of available appropriations	46,3	76,9	92,5	79,6
in % of initial appropriations	34,2	60,3	86,4	67,3
Cancellations of appropriations	15,883	12,502	6,610	34,995
in % of available appropriations	53,7	23,1	7,5	20,4

Source: Revenue and expenditure account and balance sheet.

36. Although the Commission's accounts show a 100 % utilisation of the available budgetary credits for 1995, this was achieved through the transfer of ECU 38,6 million (58,5 % of the initial appropriations for this year) to other CIs. In fact, over the period 1995 to 1997, more than ECU 46 million, representing some 13 % of initial appropriations, was transferred to other CIs.

37. As at 31 December 1997, the Commission had advanced ECU 61,4 million of the ECU 148,3 million sourced from the European Regional Development Fund for the years 1995 to 1997 period, 41,4 % of the allocated amount. At the same date, the expenditure declared on projects amounted to only 20 % of the amount budgeted in the financial plan for 1995 to 1997 (see *Table 5*).

Table 5

Financial situation as per 31.12.1997 concerning ERDF for the Special Support Programme for Peace and Reconciliation

	(million ECU)					
	1995	1996	1997	1998	1999	Total
Commission decisions						
1. Envisaged initially ⁽¹⁾						
1.1. Public expenditure	20,02	79,85	99,16			199,02
1.2. ERDF	15,01	59,51	73,77			148,29
2. Modification ⁽²⁾						
2.1. Public expenditure	0,40	11,91	86,90	73,92	26,21	199,35
2.2. ERDF	0,28	8,98	65,15	54,58	19,54	148,53
Realised transactions						
Commitments						
3. Commitments, ERDF (ECU)	15,01	52,11	7,29			74,42
3.1. Commitments, ERDF (in % of point 1.2)	100,00	87,57	9,88			50,18
Payments						
4. Payments, ERDF (ECU)	7,51	19,96	33,92			61,39
4.1. Payments, ERDF (in % of point 1.2)	50,00	33,54	45,98			41,39
4.2. Payments, ERDF (in % of point 3.1)	50,00	38,29	465,45			82,49
Certified expenditure ⁽³⁾						
5. Certified expenditure (ECU)	0,35	12,98	26,64			39,96
5.1. Certified expenditure (in % of point 1.1)	1,7	16,3	26,9			20,1
5.2. Certified expenditure (in % of point 2.1)						20,0

⁽¹⁾ Decision C(95) 1789 of 28.7.1995; 1995 prices.

⁽²⁾ Decision C(97) 3224 of 5.12.1997; 1996 prices.

⁽³⁾ Certification of expenditure received by the Commission 12.12.1997.

38. The additional allocation of ECU 100 million for each of the years 1998 and 1999 was conditional on the presentation of a progress report by the Commission. This report was presented in November 1997 as a communication to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions ⁽²¹⁾. The report shows that at the end of 1997, ERDF commitments were expected to reach ECU 74,4 million with payments estimated to amount to ECU 61,4 million. As a result of this slow uptake of funds, a new Commission decision on 5 December 1997, spread expenditure over five years with a significant reduction for the period 1995 to 1997. At the Berlin Summit in March 1999 it was decided that the P & R programme would be renewed for a further five years with an allocation of ECU 500 million for the period.

The programme's administrative structure

39. The CI contained some novel features, in that, it applied to both Northern Ireland and the designated border counties of Ireland and provided a model for the widening of local participation through the promotion of cross-community and cross-border cooperation. Consequently, decentralised implementing bodies, such as non-governmental organisations and District Partnerships (in addition to the traditional channels of government

departments and agencies) had a key role in the implementation of the programme. This innovative 'bottom-up' approach was deemed politically necessary for the overall success of the programme despite the risk of management difficulties and delays in implementation. Thus, in contrast to the IFI's operating procedures, the P & R placed much of the management and decision-making functions outside of central government departments and agencies.

40. The success of this approach was most notably demonstrated in the case of the District Partnerships in Northern Ireland, which consist of cross-community representatives. Similarly, the setting up of a 'consultative forum' overseeing the implementation of the entire programme, ensured representation from a wide range of partners.

41. The implementation of the programme's strategy was, however, complicated by a number of factors. Firstly, compared with other EU programmes, the scope of the P & R programme was very wide and the number of implementing bodies very large. Furthermore, the implementation was affected by the attempt to address within one structure, the distinctive needs of the two regions, whose divergence was most pronounced in the area of cross-community reconciliation and social reconstruction.

42. With some 70 bodies with widely differing administrative practices involved in implementing the programme, difficulties arose in the selection of implementing bodies. For example, it was observed that no competitive selection procedure took place for the selection of IFBs for the management of the global grant element of the programme, which due to the urgency of its launch, commenced without the corresponding contracts being in place. Furthermore, one case was noted where the actual delivery mechanism was different to that foreseen in the programme document ⁽²²⁾.

43. It was also noted in the case of one measure examined ⁽²³⁾, that a public company appointed under the programme delegated its full powers to independent companies (second tier bodies), without the approval of the Monitoring Committee or the Commission. The responsibilities of these agents were defined in a letter of offer and an operating manual was provided by the delegating body. However, while a tendering procedure was carried out for the selection, two of the seven managing bodies ⁽²⁴⁾ were appointed outside of this procedure and in contravention of Council Directive 92/50/EEC relating to the award of public service contracts. Furthermore, the selection of one of these bodies led to an incompatibility of function, in that the public company ⁽²⁵⁾ was already a subscriber of that body.

44. In the period up to 31 December 1997 an inconsistency of treatment leading to inaccurate financial reporting took place in respect of the definition of final beneficiary of grant aid. In July 1997 the Monitoring Committee of the P & R proposed to the Commission that the situation be formalised with the recognition of implementing bodies as final beneficiaries of grant assistance solely for the purpose of speeding up drawdowns from the Commission. This treatment was not however universally adopted by all implementing bodies. Moreover, as the ERDF regulations require the reporting of actual expenditure incurred by final beneficiaries for final claim purposes, considerable work will be required in terms of detailed reconciliations at the time of the P & R's closure.

Project appraisal procedures

45. The selection and appraisal procedures applied by eight ⁽²⁶⁾ of the implementing bodies examined varied considerably, as demonstrated by the deficiencies uncovered, as detailed in the following paragraphs. Thus, despite the stated wishes of the delivery agencies, a common approach to assessing projects and issuing letters of approval was not achieved between Northern Ireland and the border counties of Ireland.

46. With the aim of the P & R to ensure that its funding targeted the areas most affected by the conflict, the implementing agen-

cies in Northern Ireland generally used a deprivation index ⁽²⁷⁾ for the allocation of funding, in the absence of any formal government or Commission guidance. The border counties of Ireland did not systematically apply a deprivation index for the allocation of funds. This lack of a common definition did not give adequate assurance that investments were being made in the areas of most need.

47. Project selection and appraisal procedures were deficient in nine of the 58 projects examined. For one measure, no procedure existed to assess the comparative merits of the applications ⁽²⁸⁾, while for the majority of projects examined, there was no ranking of projects by scoring or weighting their merits ⁽²⁹⁾.

48. In the case of one implementing body ⁽³⁰⁾ which managed five of the selected projects ⁽³¹⁾, no project appraisal documentation was made available, while in one such case ⁽³²⁾, there was no division of costs in respect of the different phases of the project. Furthermore, the implementing body was not in possession of a formal project application at the date of the project's approval. Moreover, project applications received prior to the body's formal establishment in July 1996 were not formally appraised. As a result the transparency of the procedures was inadequate.

Subsequent monitoring of grant-aided projects

49. In the context of the decentralised nature of the P & R and the importance of key financial management and monitoring systems, suitable control mechanisms were not established at all levels in the initial period. For instance, it was a requirement of the P & R that a centralised database of approved projects be made available as essential information to the general public and as an anti-fraud system. However, as at 31 December 1997, due to the complexity of the implementation structure and the absence of a proper project design and development plan, the required database had not been established. Moreover, while it was the intention of the programme's Monitoring Committee that expenditure claims be subject to separate audit, no such control was in evidence up to 31 December 1997. Nevertheless, in the period since the end of 1997, the required central database has been created.

50. Notwithstanding the provisions of the regulations that quantified objectives must be identified, the P & R programme established no quantified physical and impact targets or target populations for its measures. Neither was the requirement for all implementing bodies to gather performance indicator data for their projects uniformly carried out, with only four of the eight implementing authorities audited having monitoring procedures in place.

Impact of the programme

51. The impact of the programme's global grant approach was curtailed by the way in which funding was allocated. For example, the attempt to channel funding through community-based non-governmental bodies in Northern Ireland was sometimes complicated by the fact that, while European Social Fund grants were primarily disbursed by community-based intermediaries, ERDF grants were predominantly managed by government departments, thus obliging a single beneficiary to apply to both, for access to such grants.

52. Deficiencies were noted in the procedures for targeting potential beneficiaries. For example, while the P & R had, as one of its objectives, the distribution of grants to first-time beneficiaries, this objective was not always achieved, as illustrated in one measure⁽³³⁾, where 92 % of the beneficiaries were estimated to be already in receipt of EU co-financed assistance from the relevant State agency. While this action aimed to provide seed capital to SMEs for new businesses, the deficiencies in definition and targeting resulted in short-term loans being provided to existing businesses.

53. Similar weaknesses in targeting were found in the Interest Relief Scheme (IRS), which was the largest single action funded under the P & R, modelled on the European Investment Bank's Global Grant Scheme. The broad eligibility criteria allowed large corporations to benefit from the subsidy. Furthermore, some investments receiving the subsidy⁽³⁴⁾ for the building of industrial units were wrongly regarded as productive investments under the eligibility criteria.

54. Due to the slow progress in implementing the programme up to the end of 1997 and in establishing adequate monitoring and evaluation systems, little accurate measurement of impact up to 31 December 1997 was possible. No mechanism existed for recording actual job creation figures and impact indicators in many cases consisted of estimates, the accuracy of which varied, thus heightening the risk of duplication of attributable impact between the P & R and other EU programmes. This was confirmed by the mid-term evaluator, who reported in July 1997 that at that time 'relatively little evidence of impact on the ground (existed) arising from specific output of assisted projects'.

Publicity and information

55. The P & R lacked a coherent plan of co-ordinated publicity activity. In fact, the introduction of the P & R created considerable public confusion as to the relationship between it and other EU programmes. Despite the establishment of a committee on information and publicity in 1996, no significant improvements were noted by 31 December 1997. This deficiency was all the more significant, given the obvious benefit of a high public profile

for the programme in the promotion of its peace and reconciliation objective.

MULTIFUNDED ACTIONS

56. Many of the actions contained within the subprogrammes of the P & R and the programmes of the IFI, the Interreg Community initiative and the Northern Ireland single programme (1994 to 1999) showed a high degree of similarity and a significant degree of duplication of activities in some cases. Furthermore, due to the limited resources available to county councils in the border region of Ireland, it was necessary to combine several funding sources such as LURD (Local Urban and Rural Development OP) and Interreg to finance projects⁽³⁵⁾. The co-funding of projects under different programmes also presented the risk of double counting in the attribution of projects' impact and publicity to individual programmes.

57. One IFI project (the development of an electronic information reservations system by the tourism boards), which was awarded ECU 1 494 266 in 1989, also received funding from EU sources⁽³⁶⁾. Despite total expenditure on the project in the period 1990 to 1995 of ECU 11,37 million (of which 52 % derived from EU and IFI sources), the original project was not a success, due to flawed systems architecture and deficiencies in management. In 1997 a majority share of 74 % of the project was sold for only approximately 3 % of the original proportionate cost.

58. In the case of the P & R, although the potential for overlap of actions was recognised, priority was given to the P & R financing for a different and distinctive reason, that is, 'embedding the peace process and promoting reconciliation'. This distinction however, failed in operational terms to prevent a duplication of activities, with the introduction of P & R funding leading to a slowdown in the execution of other programmes, in particular Interreg.

ADDITIONALITY OF FUNDING

59. It is a condition of the Commission's funding approval that the Community's contribution to the IFI be used as a priority for cross-community projects, thereby encouraging dialogue and reconciliation, and that it should have a genuine additional impact and not be used as a substitute for other public or private expenditure.

60. However, in a small number of cases (three out of 34 projects examined), displacement of government-funded activities took place, resulting in a reduced specific impact for the IFI, as in the case of the financing of two government departments in the creation of an econometrics model of the agrifood industry⁽³⁷⁾.

61. Similarly, with the P & R, two measures, 5.2 'New Industrial Development Services' and 5.3 'Trade Development', contained actions indistinguishable from mainstream Structural Fund programmes. In this respect, the mid-term evaluator commented in his report on one such project ⁽³⁸⁾, 'it is not clear why it has been transferred (to the P & R) as it was originally funded under the Economic Development subprogramme of the Northern Ireland single programme'.

62. In eight of the 58 projects ⁽³⁹⁾ examined under the P & R, funded activities were found to be mainstream economic development activities of a type already being funded and carried out by government departments and other EU programmes and which could equally have been absorbed into mainstream Structural Fund programmes.

63. In the case of some implementing agencies of the P & R ⁽⁴⁰⁾, projects originated from within the agencies themselves. For example, three projects ⁽⁴¹⁾ with total grants amounting to ECU 6,2 million had approval dates preceding the official commencement date of the P & R. This reduced the additional benefits and impact of peace funding, by the absence of direct community involvement. Similarly, one project ⁽⁴²⁾, which aimed to exploit the natural fishing resources of Northern Ireland, was originally proposed and rejected for national funding in 1989 on the basis that it did not demonstrate value for money. However, an identical project was subsequently proposed and accepted as a joint-funded project with the IFI and Interreg. This project only commenced on being awarded P & R funding, and without any separate detailed proposal or value-for-money appraisal for the scheme being made under the P & R's specific criteria.

64. A UK/Irish parliamentary committee report in 1996 on 'EU aid for peace and reconciliation' ⁽⁴³⁾, recommended that P & R funds should not be used for pre-existing projects nor substituted for funding which would ordinarily be provided by governments. However, the audit revealed instances of pre-planned projects being assisted, as well as projects which could have proceeded without assistance. In respect of one measure, a survey ⁽⁴⁴⁾ carried out under the mid-term review showed that a total of 53 % of beneficiaries would have proceeded without funding, albeit at a reduced rate or scale. In the same measure, loans approved by the intermediary banks a considerable time prior to their application for the interest subsidy were also approved for assistance under the programme.

65. With regard to the county council-led task forces which were specially established under the programme, funds were generally applied to projects which arose out of the county council's consultation procedure for its five-year development plan and not by direct applications from the public, with the result that little private funding materialised. For example, in one case ⁽⁴⁵⁾, nine of the 12 projects realised, concerning footpaths, sign-posting and

sewerage works, were thus sourced, with only two projects having the direct involvement of the local community. In another case ⁽⁴⁶⁾, concerning the replacement of street lighting in a council housing estate, for which the council had previously unsuccessfully sought government funding, the application was not submitted until after the works were approved and started and no formal appraisal of the project was carried out.

CONCLUSION AND RECOMMENDATIONS

66. The circumstances in which both the IFI and P & R community-aid packages, designed to boost the peace process in Northern Ireland and the border counties of Ireland, were developed and implemented were particularly difficult, given the distrust between the different communities.

67. In such circumstances a decision was made by the Commission and Member States 'to take risks for peace'. The fact that the stability of the regions had not yet been fully established meant that there was still a strong reluctance to make commitments to capital investments and this fact resulted in relatively few viable project proposals involving entirely risk-free investment opportunities. While acknowledging the constraints that this situation placed on the advancement of the programmes, greater effort should have been made to identify promising actions and reach new beneficiaries, in attempting to meet more fully the specific criteria of the actions (paragraphs 32, 52 and 53).

68. However, in a region where little opportunity for cross-community cooperation existed, the P & R provided important structures and incentives which encouraged cooperation. It provided opportunities for partnership and dialogue and brought decision-making and responsibility for community development closer to the people. In spite of the considerable difficulties encountered, the P & R gained acceptance by both communities through the work of community-based funding bodies, thus contributing to the overall objective of improving social and economic conditions through the direct involvement of local communities (paragraphs 32 and 41).

69. Nevertheless, these difficult circumstances, far from dispensing with the need for introducing appropriate measures for the management and control of the Community funds made available, reinforced the necessity to do so. The Court's audit revealed that the control procedures should be strengthened in order to improve the effectiveness of the funding (paragraphs 19, 20, 22, 47 and 48).

70. Specifically, in the case of the IFI, the Court recommends the following:

- (a) Before payments are made to the IFI, the Commission should carry out an assessment of the IFI's immediate financial needs. The Commission's payment procedures will need to be amended to reflect this new requirement (paragraph 12).

- (b) Delegations of authority by the board of the IFI should be formalised and job descriptions should be compiled for all staff in order to clarify responsibilities (paragraphs 13 and 14).
- (c) The Commission should ensure through its representation at board meetings of the IFI that the criteria for the evaluation of project applications are appropriate, consistently applied and adhered to (paragraphs 18 to 20).
- (d) The Commission should routinely monitor the appropriateness of Community expenditure incurred on IFI projects, with a view to evaluating the merits of funded projects and presenting the findings to the IFI Board, for appropriate consideration (paragraph 21).
71. Specific recommendations relating to the P & R programme are as follows:
- (a) In the context of the partnership principle, the Monitoring Committee for the P & R should give further assistance to implementing bodies, so as to ensure the consistency of selection criteria in the selection of community projects and social groups. Guidance and resources should also be given to ensure that community projects and social groups maximise their contribution to the programme's decision-making and implementation (paragraphs 32 and 33).
- (b) The Commission should ensure that the financial needs of the P & R are accurately assessed and that the projected activity levels on which financial needs are based are realistically achievable (paragraph 37).
- (c) As much of the management and decision-making associated with the programme is performed by non-governmental bodies, it is essential that the Monitoring Committee reviews the work carried out by these bodies to ensure that their involvement is as fully envisaged under the programme (paragraphs 42 and 43).
- (d) Project appraisals across the P & R should be carried out according to specific, written criteria to ensure consistency of treatment between different projects. The results of project appraisals should be clearly documented (paragraphs 45 to 48).
- (e) Given the complexity of the P & R and the large number of implementing bodies, the Monitoring Committee of the P & R should ensure that appropriate control mechanisms are in place for safeguarding Community funds. For instance, declarations of expenditure from implementing bodies should be subject to a separate audit review (paragraph 44).
- (f) In the context of multifunded actions and in conformity with Council Regulation (EC) No 2614/97 on IFI funding, the Commission services responsible for the management of Community support measures in Northern Ireland (including the activities of the IFI) should regularly assess proposed activities in order to ensure synergy and coordination and where necessary determine which entity is best placed to administer the activity in order to avoid unanticipated overspending and bureaucracy (paragraphs 56 to 58 and 62 to 65).
- (g) The Commission should ensure that sufficient publicity is given to measures implemented under the P & R programme in order to maximise their impact. The recently formed sub-monitoring committee on publicity should result in increased public awareness of activities undertaken under the P & R programme; the effectiveness of any initiatives introduced by this group should be monitored (paragraph 55).

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 23 and 24 February 2000.

For the Court of Auditors

Jan O. KARLSSON

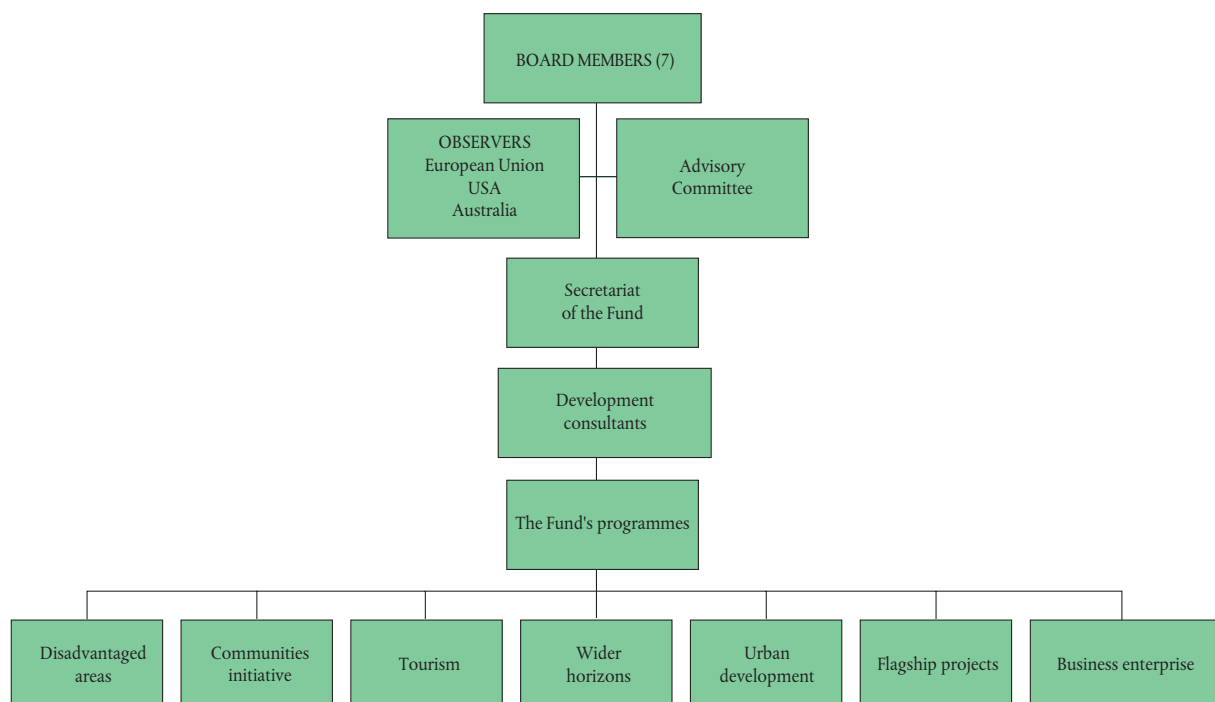
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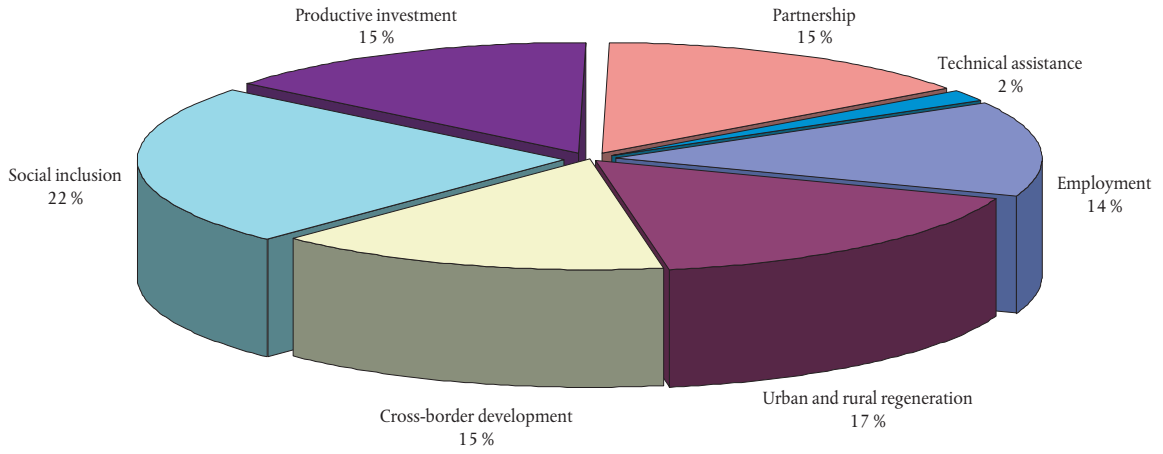
- (¹) Irish Treaty Series No 62 (1985). 'The two Governments shall cooperate to promote the economic and social development of those affected areas of both parts of Ireland which have suffered most severely from the consequences of the instability of recent years'.
- (²) Special Support Programme for Peace and Reconciliation in Northern Ireland and the border counties of Ireland (1995 to 1999) (paragraph 3.16).
- (³) Letter of 21 February 1989, SG(89) D/2399 from the European Commission President.
- (⁴) Case-C-106/96 UK v Commission.
- (⁵) Council Regulation (EC) No 2614/97 of 15 December 1997.
- (⁶) See *Annex 4*, projects Nos: 2 — Lough Foyle; 4 — Carolls Warehouse; 5 — Jones Brothers; 8 — Lifford Castle; 14 — Seeconnell; 15 — Turf Lodge; 17 — CMAR; 31 — Navan at Armagh.
- (⁷) See *Annex 4*, point 5 — Jones Brothers.
- (⁸) See *Annex 4*, point 14 — Seeconnell.
- (⁹) See *Annex 4*, point 8 — Lifford Castle.
- (¹⁰) See *Annex 4*, point 15 — Turf Lodge.
- (¹¹) See *Annex 4*, project Nos: 11 — Rathlin Island; 14 — Seeconnell; 31 — Navan.
- (¹²) See *Annex 4*, point 31 — Navan.
- (¹³) See *Annex 4*, projects Nos: 8 — Lifford Castle; 9 — Gulliver; 11 — Rathlin; 14 — Seeconnell; 24 — Mount Errigal; 31 — Navan.
- (¹⁴) See *Annex 4*, point 14 — Seeconnell.
- (¹⁵) See *Annex 4*, point 11 — Rathlin.
- (¹⁶) 'The International Fund for Ireland, an evaluation report', COM(97) 130 of 25 March 1997.
- (¹⁷) NIERC (Northern Ireland Industrial Economic Research Centre).
- (¹⁸) See *Annex 4*, point 17 — CMAR.
- (¹⁹) See *Annex 4* point 16 — Portavogie.
- (²⁰) 'The International Fund has operated as a major and distinctive force in supporting contact, dialogue and reconciliation between the communities in Northern Ireland and between Northern Ireland and the South and in the creation of employment in Fund supported projects'.
- (²¹) COM(97) 642 final, of 26 November 1997.
- (²²) The Industrial Development Board (IDB).
- (²³) Subprogramme 5, measure 1, Seed capital (Revolving loan scheme).
- (²⁴) Local Enterprise Agencies (LEAs).
- (²⁵) LEDU (Local Economic Development Unit), Northern Ireland.
- (²⁶) Department of Environment, Northern Ireland; Department of Agriculture, Northern Ireland; ADM/Combat Poverty Agency; Task Force 1 Monaghan; Task Force 2 Navan; DED Northern Ireland (managing agents); Emerging Business Trust; Cooperation North, Northern Ireland/Ireland.
- (²⁷) Robson deprivation index, based on a Manchester University study.
- (²⁸) Measure 2(B)2: Economic and rural development — Farm and countryside enhancement scheme (FACES).
- (²⁹) Emerging Business Trust (Measure 2(B)2: Economic and rural development).
- (³⁰) Monaghan County Council-led task force.
- (³¹) See *Annex 5*, project Nos: 10 — Mullaghmatt; 11 — Killyroan.
- (³²) Clones Diamond — Phase II, Monaghan, also Killyroan housing estate.
- (³³) Seed Capital Fund.
- (³⁴) See *Annex 5*, point 18 — Combra Ltd, 19 Kelly Bros.
- (³⁵) See *Annex 5*, point 13 — Clones Diamond.
- (³⁶) STAR, Impact, Telematique and Interreg.
- (³⁷) See *Annex 4*, point 32.
- (³⁸) Mid-term Evaluation Report, July 1997, page B 114 'Competitive Analysis Model'.
- (³⁹) See *Annex 5*, project Nos: 8 — Belturbet pedestrian links; 9 — Ballinagh sewerage; 10 — Mullaghmatt; 11 — Killyroan; 12 — O'Neill's pack; 34 — Advance factory; 35 — Advance factory; 53 — Salmon enhancement.
- (⁴⁰) Rivers Agency and the Department of Agriculture, Northern Ireland.
- (⁴¹) See *Annex 5*, points 56 — Forest service, 57 — Equiova breeding, 58 — Food business units.
- (⁴²) See *Annex 5*, point 53.
- (⁴³) EU Aid for Peace and Reconciliation, July 1996, Committee of the British/Irish Parliamentary Body.
- (⁴⁴) Mid-term Evaluation Report.
- (⁴⁵) Cavan County Council-led task force.
- (⁴⁶) See *Annex 5*, point 10 — Mullaghmatt.

ANNEX 1

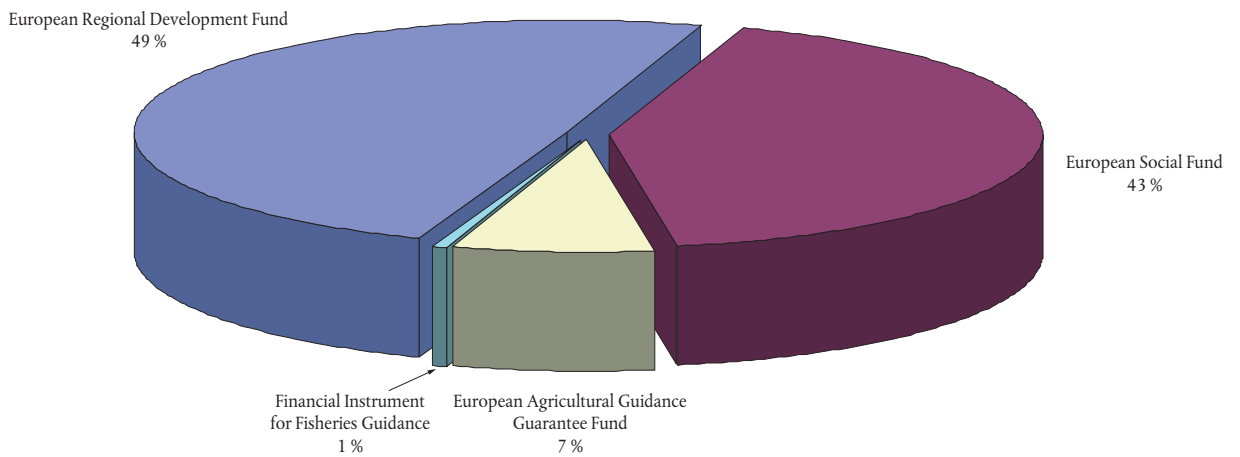
MANAGEMENT STRUCTURE AND PROGRAMMES OF THE INTERNATIONAL FUND FOR IRELAND



ANNEX 2A
SPECIAL SUPPORT PROGRAMME FOR PEACE AND RECONCILIATION
Allocation of funding between subprogrammes

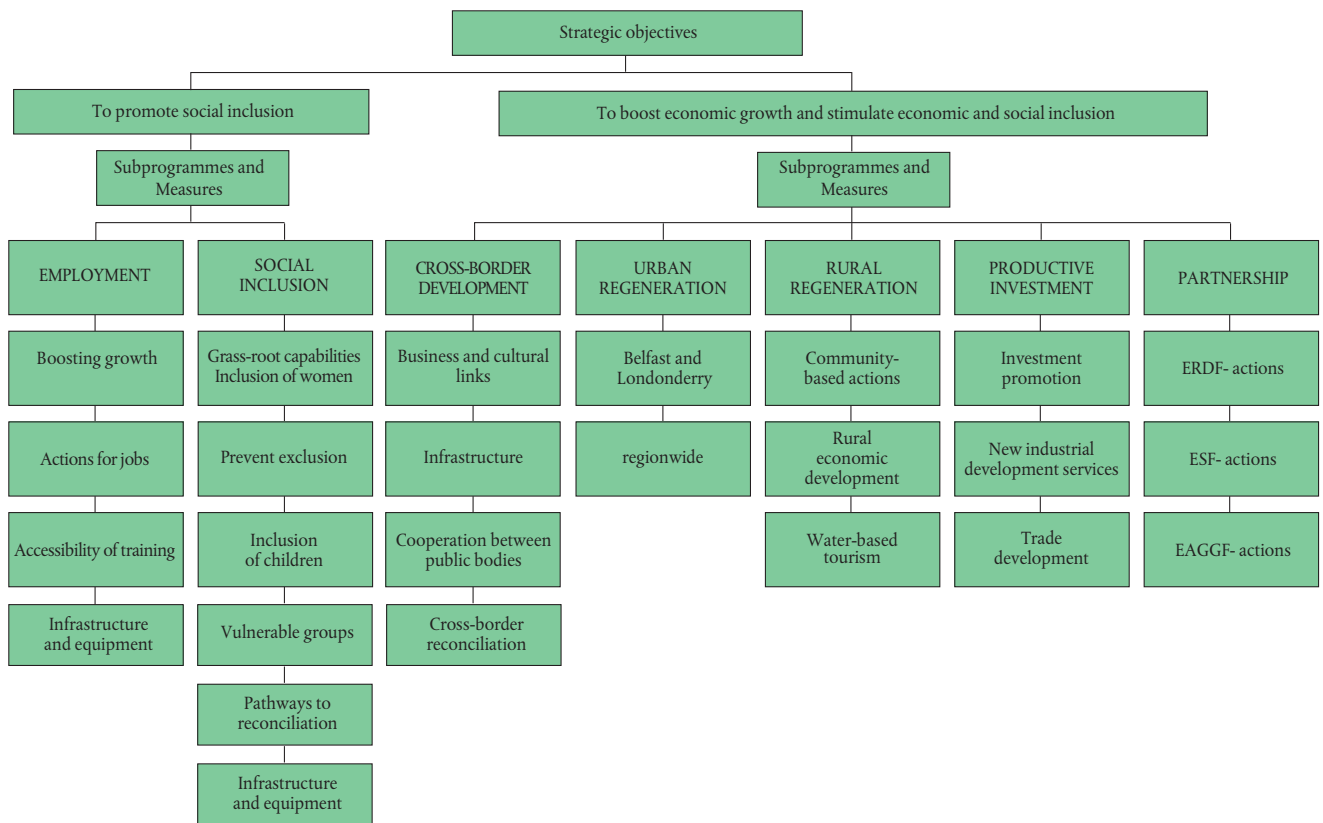


ANNEX 2B
SPECIAL SUPPORT PROGRAMME FOR PEACE AND RECONCILIATION
Allocation of funding between Structural Funds



ANNEX 3

STRUCTURE OF THE PEACE AND RECONCILIATION PROGRAMME (ERDF RELATED ONLY)



AUDIT SAMPLE OF PROJECTS OF THE INTERNATIONAL FUND FOR IRELAND

	Project Name	Programme	Project description	IFI Financing ECU
1	Inishowen Rural Regeneration Partnership	Rural development	An initiative to support community economic development in disadvantaged rural areas in Northern Ireland and the southern border counties	1 063 101
2	Lough Foyle Camp Park	Camp Park, Quigley's Point	Provision of an activity centre	292 221
3	Carlingford Lough Aquaculture Association	Science and Technology	Shellfish environment and resource survey	154 705
4	Carroll's warehouse, Dundalk	Urban Development programme	Conversion of Carroll's warehouse into cultural centre and museum	462 793
5	Jones Brothers Irish Equestrian Centre	Tourism programme	Development of centre for the non-thoroughbred horse industry	145 449
6	Multimedia Interactive systems (Information Technology Centre)	Technology-based economic development in the border regions	Development of multimedia interactive systems	132 227
7	Communities in Action	Communities in Action	A programme to fight social exclusion of young people and to develop the social and personal role of women.	255 197
8	Lifford Castle (McGrehagh and Barrett)	Special projects	Conversion of industrial buildings into Language School and leisure amenity	416 514
9	Gulliver Reservations	Tourism programme	Reservations system	2 115 624
10	Multi Wire Gamma Camera Project	Science and technology	Research programme in anticipation of commercial development	298 121
11	Rathlin Island Trust	Tourism	Visitor amenities	277 978
12	Jobspace (NI) Ltd, Saul Road	Business enterprise	Support scheme for business organisations which administer revolving funds providing loans for small businesses	149 427
13	Department of Informatics	Technology-based economic development in the border regions	Establishment of an interactive systems centre to assist commercial exploitation of technology in Derry/north west area	1 631 514
14	Seeconnell Initiative Ltd	Rural development	Rural regeneration project	915 985
15	Turf Lodge Enterprises Ltd	Special projects	Provision of workspace units to provide employment opportunities for the long-term unemployed	522 993
16	Portavogie District Community Development Association	Fishing Villages initiative	An initiative to support the economic development on the fishing industry	1 067 205
17	CMAR (Irish Aquaculture Centre of Excellence)	Technological cooperation	Establishment of an Irish Mariculture Centre of Excellence at Portaferry	1 000 172
18	Marine Institute Dublin	Technology innovation centres	Feasibility study on marine technology and engineering	37 357
19	Knockloughrim Windmill	Tourism	Restoration of windmill and development of a visitor amenity	134 484
20	Community Information Technology Unit Belfast	Special projects	Development of an area-based consultancy for IT services	112 070
21	Human Resource Development	Product development	Joint training for tourist information staff	268 968
22	Frankfurt bookfair	Marketing	Exhibition costs	149 427
23	Mentor Counselling scheme	Business enterprise		324 256
24	Mount Errigal Hotel	Tourism programme	Conference and leisure	269 117
25	Ulster Farmers Union	Agricultural programme		298 853
26	Tyrone Guthrie Centre	Tourism programme	Visiting artists' centre	186 783
27	Acumen	Business enterprise	Cavan Enterprise Board	1 246 726
28	Cooperation North	Community relations	Schools links programme	518 510
29	Farset Enterprise Park	Business enterprise	Business development officer	74 713
30	Springvale University Campus	Flagship		7 471 329
31	Navan at Armagh	Flagship	Visitors centre	1 068 400
32	Agrifood Model	Technological cooperation	Economic model	448 278
33	Irish Genealogical Centre	Tourism programme	Genealogical project	2 248 689
34	Season Extension Pilot Programme	Tourism programme	Tourism promotion	—
	Total			25 759 186

ANNEX 5

AUDIT SAMPLE OF PROJECTS OF THE PEACE AND RECONCILIATION PROGRAMME

		(ECU)	
	Programme	Project	P & R financing
1	Urban and rural regeneration, 2C:2 — Community-led development	Community centre	92 558
2	Urban and rural regeneration, 2C:2 — Community-led development	Development society	10 882
3	Urban and rural regeneration, 2C:2 — Community-led development	Community development company	66 113
4	Urban and rural regeneration, 2C:2 — Community-led development	Community training and audit	11 207
5	Urban and rural regeneration, 2C:2 — Community-led development	Genealogy centre	76 691
6	Urban and rural regeneration, 2C:2 — Community-led development	Community centre	19 834
7	Urban and village renewal and tourism, 2C1:A	Conversion of a gate lodge	37 685
8	Urban and village renewal and tourism, 2C1:A	Pedestrian links	54 543
9	Urban and village renewal and tourism, 2C1:A	Sewerage scheme improvements	54 543
10	Urban and village renewal and tourism, 2C1:A	Public lighting improvements	49 585
11	Urban and village renewal and tourism, 2C1:A	Public playground	49 585
12	Urban and village renewal and tourism, 2C1:A	Public playground	52 891
13	Urban and village renewal and tourism, 2C1:A	Paving of town centre	105 782
14	Urban and village renewal and tourism, 2C1:A	Graveyard restoration	14 875
15	Productive investment, 5.1 — Interest relief scheme	Foods company	74 713
16	Productive investment, 5.1 — Interest relief scheme	Electronics company	177 818
17	Productive investment, 5.1 — Interest relief scheme	Youth hostel	40 345
18	Productive investment, 5.1 — Interest relief scheme	Property rental operators	242 070
19	Productive investment, 5.1 — Interest relief scheme	Building construction company	388 507
20	Productive investment, 5.1 — Interest relief scheme	Hotel	10 460
21	Productive investment, 5.1 — Interest relief scheme	Fish processor	17 931
22	Productive investment, 5.1 — Interest relief scheme	Self-catering operators	5 977
23	Productive investment, 5.1 — Interest relief scheme	Food company	64 253
24	Productive investment, 5.1 — Interest relief scheme	Plastics manufacturer	288 393
25	Productive investment, 5.1 — Interest relief scheme	Textiles manufacturer	448 280
26	Productive investment, 5.1 — Interest relief scheme	Computer components manufacturer	400 463
27	Productive investment, 5.1 — Interest relief scheme	Food company	58 276
28	Productive investment, 5.1 — Interest relief scheme	Hotel	50 805
29	Productive investment, 5.1 — Seed capital	Publishing company	8 966
30	Productive investment, 5.1 — Seed capital	Food company	22 414
31	Productive investment, 5.1 — Seed capital	Food company	14 943
32	Productive investment, 5.1 — Seed capital	Giftware manufacturer	29 885
33	Productive investment, 5.1 — Seed capital	Transport company	29 885
34	New industrial development services, 5.2	Advance factory	896 559
35	New industrial development services, 5.2	Advance factory	896 559
36	Cross-border development, 3.1 — Business and cultural linkages	Farming support	198 146
37	Cross-border development, 3.1 — Business and cultural linkages	Angling marketing	114 816
38	Cross-border development, 3.1 — Business and cultural linkages	Farming support	1 494 266
39	Cross-border development, 3.1 — Business and cultural linkages	Tourism company	11 207
40	Cross-border development, 3.1 — Business and cultural linkages	Meat—processing company	308 570
41	Cross-border development, 3.1 — Business and cultural linkages	Arts feasibility study	6 280
42	Cross-border development, 3.1 — Business and cultural linkages	Tourism feasibility study	6 038
43	Cross-border development, 3.1 — Business and cultural linkages	Marketing company	11 879
44	Cross-border development, 3.1 — Business and cultural linkages	Historic buildings survey	73 010
45	Cross-border development, 3.1 — Business and cultural linkages	Electronics company	138 593
46	Cross-border development, 3.1 — Business and cultural linkages	Business forum	220 752
47	Cross-border development, 3.1 — Business and cultural linkages	Tourism feasibility study	5 230
48	Cross-border development, 3.1 — Business and cultural linkages	Peace organisation	89 656
49	Rural regeneration, 2b:2	Waterways feasibility study	44 828
50	Rural regeneration, 2b:2	Lifeboat	59 771
51	Rural regeneration, 2b:2	Waterways feasibility study	280 175
52	Rural regeneration, 2b:2	Waterways feasibility study	50 431
53	Rural regeneration, 2b:2	Angling development initiative	3 959 804
54	Rural regeneration, 2b:2	Waterways feasibility study	36 423
55	Urban regeneration, 2A.2 - Regionwide	Community regeneration	—
56	Rural regeneration, 2b:2	Forestry	1 570 000
57	Rural regeneration, 2b:2	Fish breeding	1 510 000
58	Rural regeneration, 2b:2	Food company development	3 140 000
	Total		18 194 151

THE COMMISSION'S REPLIES

SUMMARY

In respect of the IFI, the Commission refers to its detailed response to these remarks made under points 14, 19 and 20.

As regards the findings on the P & R programme (1995 to 1999), which are drawn from an audit the Court carried out as early as 1997, the Commission notes that, in many cases, action has been taken in the meantime by the Monitoring Committee and by the implementing bodies to rectify such early difficulties.

With the privilege of hindsight, the Commission now believes that this very ambitious and innovative Community initiative — both in terms of objectives (peace and reconciliation) as well as delivery mechanisms (a truly 'bottom-up' approach) — has proved to be successfully implemented.

The political and financial support of the European Union through IFI and the P & R programme has thus helped to underpin the peace and reconciliation process in the region, thereby contributing to the progress at political level.

THE COURT'S AUDIT

3. Concerning the P & R programme, the actual implementation of projects mainly began in 1996 and thus a longer period would be necessary for drawing definite conclusions on the overall efficiency and effectiveness of the programme. As the reply of the Commission shows, most of the areas for improvement identified in the report were addressed in the course of the following years.

THE INTERNATIONAL FUND FOR IRELAND

Summary of the main findings in respect of the IFI

6. The Commission wishes to emphasise the unique role and status of the Fund and its operational arrangements. The Fund is an independent legal entity and operates according to funding rules that are different from any EU initiative such as the P & R programme, which is administered by the Commission and the two Governments. The Commission is concerned that the examination of both vehicles in the same report should be treated with care in order to avoid misunderstandings. The Commission notes

the Court's remarks and refers to its detailed response under the relevant points in the report.

Funding arrangements and regulatory framework

11 and 12. The Commission does not consider that the bank balances held by the Fund represents 'unused monies' as the monies are already committed to programmes. The IFI's accounts in fact show that for 1995, 1996 and 1997 contractual commitments to projects exceeded balances held. This arises because the Fund phases the release of its assistance to projects as they progress, and in sequence with the provision of matching funding. Consequently, the Fund has to be sure of donor contributions well in advance of final disbursement to projects. However, the Commission will examine the matter and explore the scope for making payments to the Fund in more than the current two annual instalments.

Administrative procedures

13 and 14. The Commission accepts the Court's comments on the need to review the IFI's present arrangements concerning staffing and delegation of powers and has raised the matter with the board of the Fund.

Project appraisal procedures

19 and 20. The Commission has asked the Fund to re-examine its procedures for appraising projects in the light of the comments made by the Court. The Commission understands that with regard to the cases cited by the Court, assistance was provided by the Fund on the basis of preliminary assessments of the projects and in accordance with the Fund's principle of 'first money on the table', so as to help attract other funding sources to projects.

Monitoring and evaluation of projects

21. Similar findings on weaknesses in monitoring and evaluation were described in the audit report of DG-Audit following the check of October 1998; subsequently the IFI proposed to take a number of measures to rectify this situation.

Impact of the IFI

23. This point should be considered against the background that the IFI is a first funder in many areas precisely because the political and social circumstances are such as to make access to other public funding very difficult without the sort of pump-priming possibilities offered by the Fund.

24. The estimate of 7 000 jobs created can indeed be taken as a measure of performance in strictly economic terms. It does not, however, reflect the total number of jobs arising from projects supported by the IFI for which it claims a leverage function. The study carried out by KPMG in 1995 would seem to support this approach.

26. The reference to the predominance of government organisations and professional bodies as beneficiaries of cross-border projects should be seen in the context of the sociopolitical situation, particularly in the earlier part of the reference period of this report.

27. The Commission has received assurance from the Fund that this matter is receiving its particular attention.

Monitoring by the Commission

28. A detailed financial audit on the management and control system of the IFI and implementation by project managers was carried out by its services in October 1998 in conjunction with an on-the-spot exercise to monitor projects. The audit report confirmed that the maximum grant rates had been complied with in cases where projects had been co-funded by Structural Funds. A similar on-the-spot audit is under consideration for 2000.

THE SPECIAL SUPPORT PROGRAMME FOR PEACE AND RECONCILIATION**Summary of the main findings in respect of the P & R**

29. As regards the Court's findings drawn from the inquiry it carried out as early as 1997, the Commission notes that, in many cases, action has been taken in the meantime by the Monitoring Committee and by the implementing bodies to rectify such deficiencies.

With the privilege of hindsight, the Commission believes that this unique Community initiative — both in terms of objectives (peace and reconciliation) as well as delivery mechanisms (a truly 'bottom-up' approach) — has proved to be an overall success.

(For specific comments, see relevant paragraphs)

Regulatory framework and funding arrangements

32. Given the 'bottom-up' approach followed by the P & R programme, the nature and specificity of opportunities arising from the cessation of violence was left to the evaluation of the implementing bodies themselves and not a priori defined in detail by the programme itself. Implementing bodies thus were required to use appropriate methods of targeting social groups and projects in line with the broad objectives set out by the Programme document. One obvious example is the case of District partnerships, which received allocations from the Department of Environment on the basis of a ranking determined by the Robson index of deprivation combined with regional statistics (population, violence, etc) ⁽¹⁾.

33. The efforts by all implementing bodies involved in the P & R programme have proved to be quite efficient, as the analysis of community uptake in Northern Ireland made by T. Haase ⁽²⁾ shows: the programme has achieved an impressive coverage throughout Northern Ireland with over 80 % of electoral districts generating applications; the distribution of both project applications and funding followed the distribution of the population, being particularly concentrated in urban areas. In the border counties, the final evaluation of the programme is expected to confirm that they have also successfully done so.

Financial and budgetary execution

34. The financial plan foreseen by the Member States and proposed by the Commission in 1995 reflected the decision of the European Council to allocate ECU 100 million per year for the period 1995 to 1997. The Commission agrees that the allocation of funding for a shorter period of time than the foreseen programme duration may have caused difficulty in the planning in some projects. However, it was not entirely negative, as it helped to create a sense of urgency and a momentum in all who participated in the implementation of the programme. Furthermore, given the potentially unstable political context in the region as well as the special nature and scope of the P & R programme, the Commission's proposal ⁽³⁾ for a review of progress after three years as a condition for further financing was fully justified.

⁽¹⁾ See also the reply to paragraph 46.

⁽²⁾ T. Haase and J. Pratschke: 'EU Special Support Programme for Peace and Reconciliation: Analysis of Community Uptake', NISRA, 1999.

⁽³⁾ Communication from the Commission to the Council and the European Parliament of 7 December 1994, COM(1994) 607.

35 to 37. The process of selecting and contracting intermediary funding bodies and of establishing district partnerships and the Northern Ireland Partnership Board necessarily took time and further time was required by these implementing bodies to become fully operational. Furthermore, the P & R programme attracted a high number of applications — over 22 000 in the period up to 31 December 1997 — to be examined by the implementing bodies. Under such circumstances, the amounts of commitments and payments, as well as expenditure on projects at the end of 1997 were significantly lower than expected when the programme was adopted in mid-1995.

The transfers and cancellations of appropriations that took place in 1996 and 1997 were budgetary exercises with the view to real-locating to other Community initiatives the amounts that had not been spent on the P & R programme line. This is normal practice in EU budget management.

38. In its 1997 progress report, the Commission considered that further funding was required to meet existing and future demand and recommended that the budgetary authority approve additional EU funding of ECU 100 million for 1998 and later a similar amount for 1999. The validity of this choice is confirmed by the fact that the programme's resources were fully committed at the end of 1999, benefiting some 12 600 projects.

Taking into account the slow uptake of funds for the reasons presented in point 35, the Commission decision on 5 December 1997 was a necessary correction, which aligned financial planning and the execution of the programme.

The Commission welcomes the decision of the conclusion of the Berlin European Council, in March 1999, which set the amount to be allocated to the PEACE II programme for the entirety of the new period (2000 to 2004).

The programme's administrative structure

41. Although the scope of the programme is indeed wide and the number of implementing bodies is high, one must bear in mind that the P & R programme is as much about *content* as about *process*: from the outset, the programme's administrative structure was therefore designed in order to establish as close contact as possible with grass roots needs within a truly 'bottom-up' approach.

42. Although administrative practices may have varied greatly due to the decentralised nature of the delivery mechanisms, the Monitoring Committee confirmed the validity of the objectives, priorities, and implementing mechanisms. It also provided common guidelines to all implementing bodies.

With regard to the selection of intermediary funding bodies (IFBs), while no competitive selection procedure took place, the Commission engaged consultants to evaluate potential candidates. In addition, much discussion with the national authorities and with others, such as the community and voluntary sector, preceded the final selection of IFBs and also the establishment of the Northern Ireland Partnership Board and the district partnerships.

While the IDB was foreseen to be delivery mechanism in the Programme Document (subprogramme 5, measure 2 'New industrial development services'), the measure was in the end administered by its parent department, the Department of Economic Development.

43. With a view to ensuring widespread take-up of the Seed Capital Fund under subprogramme 5, measure 7, LEDU engaged a number of agents located in various parts of Northern Ireland. An audit by the Department of Economic Development's Internal Audit Service concluded that LEDU's monitoring arrangements were adequate to fulfil their responsibility for the management of the Fund and that the agents' arrangements for delivery of the funding were satisfactory. Information on the names and the activities of the delivery agents was provided in progress reports to the Monitoring Committee.

44. Advance payments are claimed by Member States on the basis of expenditure reported by final beneficiaries. To remove any doubt, the final beneficiaries were definitively identified ⁽¹⁾ in the Commission's decision of 10 July 1998 which followed the mid-term review of the programme ⁽²⁾. All implementing bodies are now reporting expenditures on the same basis.

Project appraisal procedures

45. In such a wide-ranging programme, a variety of approaches to project selection is to be expected. An attempt to achieve complete standardisation would have lengthened significantly the period required to launch the programme. This does not excuse the absence of adequate appraisal procedures in certain cases and the Court's comments on this point are noted.

⁽¹⁾ In accordance with Commission Decision 97/324/EC of 23 April 1997 modifying the decisions approving the Community support frameworks, the single programming documents and the Community initiative programmes in respect of Ireland: datasheet No 1.

⁽²⁾ Commission Decision of 10 July 1998, C(1998) 1632.

46. With regard to targeting in Northern Ireland, the designation of eligible areas by government departments used the Robson deprivation index, sometimes complemented by other indicators if the assistance had a special focus (health, environment, employment, etc.). In the border counties, some IFBs applied a deprivation index in the allocation of assistance. An updated version of the Gamma studies deprivation index was generally used as criteria for assessing the merits of individual projects.

47 and 48. The Commission notes the findings. It will ensure that specific and written criteria for project selection and appraisal procedures by the implementing bodies, particularly as regards methods for assessing the comparative merits of applications and the ranking of projects by scoring or weighting their merits, will be provided in the future P & R programme (2000 to 2004).

Subsequent monitoring of grant-aided projects

49. Until the end of 1997, pending the establishment of a central database, IFBs created their own database to control the applications submitted to them.

In the period since the end of 1997, central databases required by the programme have been created, which contain data on project applications and approvals as well as the information provided by project promoters in accordance with the optimum monitoring questionnaire (OMQ). These data have been used in the preparation of progress reports for the Monitoring Committee and have also been used in analyses made by the external evaluator.

50. No quantified physical and impact targets were set in the programme document to reflect the non-prescriptive nature of the programme at that stage. In the course of its execution, a comprehensive set of monitoring indicators has been developed and is now in use to report progress to the Monitoring Committee, drawing on the data provided by the use of the OMQ. With a view to the *ex post* evaluation of the programme, a strategic evaluation model has been drawn up by the external evaluator and other work is in progress to prepare the final evaluation.

Impact of the programme

51. Separate measures administered by separate implementing bodies is a common feature of Structural Funds programmes. In some cases, this may indeed imply that potential beneficiaries must apply to different bodies in order to finance a multifold project. However, subprogramme leaders (government departments) have played a role in ensuring the implementation of measures was carried out in a complementary manner.

52 and 53. On the issue of targeting as regards the overall objectives of the P & R programme, see the reply to paragraph 46.

The Commission notes the findings and will examine this further.

54. From 1998 onwards, an adequate monitoring and evaluation system was set up in the form of a comprehensive database, with regular input through the OMQs, recording job creation figures and impact indicators (see also the replies to paragraphs 49 and 50).

Publicity and information

55. In the early years of the P & R programme, little information and publicity activity at programme level occurred as the main requirement was to inform potential applicants about the subprogrammes and measures. Information dissemination was however undertaken by implementing bodies for this purpose, with a certain success since the Programme generated a very high level of applications (some 29 000 applications), which is a measure of people's awareness of it and of its relevance to their needs.

Increased attention is now given to information and publicity at programme level, with the assistance of experienced consultants specialised in media communication, regularly reporting to the monitoring committee ⁽¹⁾.

MULTIFUNDED ACTIONS

56. Compared with other EU programmes, the P & R programme's objectives were substantially different both in terms of overall aims and in the targeting of assistance. As compared to the IFI programmes, the P & R programme was also different with its 'bottom-up' approach to delivery of the programme and the management of a major part of the funds by non-governmental implementing bodies.

The risk of double-counting in the attribution of projects' impact and publicity to individual programmes is also a matter of concern for the Commission.

⁽¹⁾ Some 400 press articles and over 50 appearances on television and radio for the period of the programme were reported to the Monitoring Committee on 2 December 1999.

57. The Commission has taken note of the Court's observations on this project which states that 52 % of the expenditure on the Gulliver project was derived from EU and IFI sources. It would point out however that only half the IFI funding has an EU origin. The Gulliver project was highly innovative and thus inevitably contained a risk factor.

58. See the reply to paragraphs 61 and 62.

ADDITIONALITY OF FUNDING

60. The Commission agrees that displacement of government-funded activities as a result of IFI funding is exceptional: only one such case is identified in the report, which is also a case which was clearly signalled to the IFI board by the Commission observer at the time and recorded as such in the board minutes.

61 and 62. Overlaps for certain actions were foreseen and willingly accepted from the outset: it is normal that some projects may be both eligible under government or EU programmes as well as fulfilling the requirement for a more stable and peaceful society under the P & R programme. It is expected that such projects financed under the P & R programme have a stake in peace and reconciliation, and are thus better targeted.

63. In the Commission's view, projects which comply with P & R programme criteria should not be excluded because they emanated from government departments or agencies but it is agreed that they should be evaluated on the same basis as other projects.

64. The Commission shares the Court's view that programme funding should not be substituted for normal government or local authority expenditure.

As to whether projects that could proceed without support should be assisted ('dead-weight effect'), the Commission recalls that, with a view to consolidating progress towards a peaceful and stable society, an accelerated rate of growth or a wider scale of development might be particularly desirable. Furthermore, one of the positive effects of the P & R programme being its delivery mechanisms, such projects may also generate benefits from the processes involved in preparing and implementing them.

65. The Commission notes the findings and will be attentive to this matter when the new PEACE II programme is drawn up.

CONCLUSION AND RECOMMENDATIONS

66 to 69. The Commission appreciates the Court's recognition of the difficult circumstances in which the P & R programme was initiated and of its value in providing important and innovative structures and incentives, which encouraged cooperation and the involvement of local communities.

70.(a) The Commission will examine the matter and explore the scope for making payments to the Fund in more than the current two instalments.

70.(d) As regards the Court's recommendation, the Commission fully agrees. It would point out that a detailed monitoring exercise of projects was carried out by its services in 1998 and 1999. The report on this exercise also covers arrangements in place designed to prevent any overlap between IFI funding and Structural Funds operations. A similar on-the-spot evaluation will be carried out in the second half of 2000.

71. The Commission welcomes the specific recommendations concerning the P & R programme. It notes that action has already been taken by the P & R Monitoring Committee and implementing bodies on several matters to which the Court refers. However, the Commission intends and will ensure that all the Court's recommendations will receive careful attention in the preparation and approval of the successor programme PEACE II for the period 2000 to 2004. In particular:

- (a) An examination of experience in the implementation of the programme (including matters such as project selection and targeting) will be made by the external evaluator and his report (early 2000) will feed into the design of PEACE II.
- (b) The Commission agrees with this recommendation. Given the experience of the P & R programme, it expects the spending pace of PEACE II will be more in line with other Structural Funds operational programmes.
- (c) The Commission agrees with this recommendation which is applicable to all implementing bodies.
- (d) The Commission agrees with the fact that project appraisals across the programme should be carried out on the basis of specific written criteria and be clearly documented.

(e) The Commission agrees with the recommendation of the first sentence and recalls the setting up of the programme's central databases after 1997.

(f) The Commission will take action in order to reinforce the coordination between its departments on the Community's involvement in the International Fund for Ireland and the PEACE II programme. Synergy between their respective programmes will also be sought in their definition.

(g) The Commission agrees with this recommendation. It will pay close attention to the publicity provisions introduced in the forthcoming PEACE II programme.

Despite early difficulties in setting up this very ambitious and innovative Community initiative, the Commission believes that the P & R programme (1995 to 1999) has been successfully implemented. The political and financial support of the European Union has helped to underpin the peace and reconciliation process in the region, thereby contributing to the progress at political level.
