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**COMMUNICATION FROM THE COMMISSION**

**Report on the International Fund for Ireland pursuant to Article 5  
of Council Regulation (EC) No 177/2005**

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## 1. INTRODUCTION

This report on the activities of the International Fund for Ireland (IFI) is required under Council Regulation (EC) No 177/2005 (Annex I – “The IFI Regulation”)<sup>1</sup>, which provided for the continuation of the funding of the IFI for the period 2005-2006. The primary purpose of the report is to review the activities of the IFI during that period. This review comprises a description of the IFI and its activities, its sources of finance, past assessments of its activities, publicity and complementarity with other EC programmes. In addition, this report also looks forward to the new five year strategy of the IFI to its anticipated winding-up in 2010, the twenty-fifth anniversary of its creation, and outlines a proposal for EU involvement during this final phase of the IFI's work.

Since the 1960's, political divisions and inter-community violence have dominated Northern Ireland, impacting also on the Republic of Ireland.

In 1985, 13 years before the Belfast/Good Friday Agreement (April 1998), the Anglo-Irish Treaty provided for the two Governments to *"co-operate to promote the economic and social development of those areas of both parts of Ireland which have suffered most severely from the consequences of the instability of recent years"* and *"to consider the possibility of securing international support for this work"*.

This gave birth in 1986 to the International Fund for Ireland, an independent international organisation with its own governing body.

The European Community has been contributing to the IFI since 1989. At the end of 2006, European Union support will represent about 57% of the annual contribution to the Fund and 39% of cumulative contributions to that date.

The IFI Regulation provides the current legal basis for the Community contributions for 2005 and 2006. Article 5 of that Regulation provides that the Commission shall submit a report to the EC Budgetary Authority (European Parliament and Council of the European Union), assessing the need for support beyond 2006.

This report and its annexes build on the 2004 Report on the International Fund for Ireland<sup>2</sup>, and fulfil the requirements for the assessment mentioned above. Devolution has been suspended in Northern Ireland throughout the period since the last report and given the ongoing fragility of the peace process, this report includes an assessment of the need for continuing contributions beyond 2006.

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<sup>1</sup> OJ L 30 of 3.2.2005, p. 1

<sup>2</sup> Communication from the Commission: Report on the International Fund for Ireland pursuant to Article 5 of Council Regulation (EC) No 214/2000 - COM(2001) 548 and SEC(2001) 1579, 1.10.2001.

## 2. SURVEY OF THE IFI'S ACTIVITIES

### 2.1. Overall Description of the IFI

#### 2.1.1. Objectives and Priorities

The IFI was established by an agreement between the governments of the United Kingdom and Ireland in 1986 (ANNEX II) and came into existence in December of that year. The agreement sets out the IFI's **principal objectives** namely:

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

Approximately 75 % of the IFI's resources shall be distributed in Northern Ireland.

#### 2.1.2. Organisation and functioning

The UK and Irish governments jointly appoint a **Chairman** and a **Board** of six members, which oversee the direction, and operation of the IFI. The Board is representative of the communities in both parts of Ireland and meets on average four times per year. Representatives of the EU and donor countries<sup>3</sup> participate in Board meetings as Observer. Annexes III – V contain further details of the organisation of the IFI.

Since the last report on the IFI, it has committed a further €103 million to 580 projects in total. A list of these projects which have received aid since the previous 2004 report is presented in Annex VI. The IFI has committed over €830 million to nearly 6 000 projects across the various programmes of support.

The Board of the IFI regularly reviews its activities and introduces new initiatives to meet identified needs, as and when appropriate. Currently, the IFI's activities are carried out through various **programmes and schemes** which can be grouped under three headings: the regeneration of deprived areas, community capacity building and economic development.

The IFI has, over the years, continually adapted itself to a changing environment. While in its early years it supported expressly major capital investments, the IFI is now concentrating an increasing proportion of its resources (approximately 30%) on people-centred projects. As such, education-related interventions have become an increasingly common feature and the IFI hopes that an initiative involving the integrated schools sector between the two major traditions of the region will be brought to the Board for decision.

#### 2.1.3. Budget

The IFI's legal status is similar to that of a trust or a foundation.

Since its inception, the IFI has received approximately €743 million (current prices). Over the lifetime of the IFI, the United States has been the largest contributor (59.9 %), while the

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<sup>3</sup> United States, Canada, New Zealand and Australia.

EU contribution is about 39 % of the total committed resources, the remainder coming from Canada, Australia and New Zealand (Annex VII).

For the year 2006, the United States' contribution amounts to 42 % (US \$ 13,8 million), the EU contribution 57 % (€15 million), and the Canadian contribution 0,6 % (CAN \$ 0.5 million). There is no certainty of annual contributions from New Zealand and Australia for 2006.

General administration expenses, organisational costs, and provisions for the Secretariat are met by the UK and Irish Governments.

#### *2.1.4. Activities*

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

## **2.2. EU Involvement in the IFI**

The IFI differs from conventional EC Structural Funds' forms of assistance (such as the PEACE programme) in that it is an independent international organisation. The European Commission (through the Director-General for Regional Policy) has observer status at the Board of the IFI, along with other donor countries.

Since the EU decided to contribute to the IFI, its financial contributions have been €15 million annually from 1989 to 1994, €17 million annually from 1995 to 1999 and €15 million annually from 2000 onwards. Each payment is preceded by an analysis of the annual report and accounts and a financial needs analysis. Further verifications of the IFI's financial position are carried out in the preparation by the Commission's observer of each Board meeting.

## **3. AUDITS OF IFI ACTIVITIES**

The services of the European Community (ECA and DG REGIO) have carried out audits and on-the-spot checks of the IFI, as reported in the 1999, 2001 and the 2002 reports to the EC Budget Authority.

The most recent audit in November 2003 noted action by the IFI to address issues raised in the course of previous audits, such as the IFI's assessment of procedures at secretariat and agent level, and the forthcoming implementation of a new computerised information system to replace manual ledgers.

However, other matters continued to require the attention of the Board:

- The lack of uniform guidelines for management of IFI programmes and an instructions manual for the Fund.
- To avoid double funding the IFI and the bodies that manage Structural Funds should undertake a systematic exchange of information.

- Decolmitment exercises should be more frequent, and particularly thorough before the closure of annual accounts. Decolmitment procedures should be strengthened.

The IFI response stated that it would not be practicable and cost-effective to produce uniform guidelines for all programmes and considered there to be no weaknesses in the decolmitment procedures currently in force. However the IFI accepted the need to examine possible improved cooperation between the IFI and other funders.

Since the last report to the Budgetary Authority, the Commission has continued to monitor these issues, in particular potential situations of unused funds requiring de-colmitment. The IFI now regularly produces reports for its Board meetings concerning possible decolmitments and encourages projects to indicate whether or not they will be claiming the whole amount offered by the IFI.

In addition, the IFI is audited by its own accountants (Price Waterhouse Coopers) and by the two governments. The results are presented in the annual report, which is approved by the Board.

#### **4. IFI ACTIVITIES AND EC STRUCTURAL FUNDS**

##### **4.1. Matching Objectives**

The IFI and EC Programme PEACE have complementary priorities and objectives<sup>4</sup>. The strategic aim of PEACE - namely *to reinforce progress towards a peaceful and stable society and to promote reconciliation* - is one of IFI's principle objectives, while both initiatives share a number of complementary areas on which they focus:

The IFI Regulation requires that in the allocation of the EC contribution priority shall be given to cross-border or cross-community projects, complementing activities or funding from PEACE II. However whilst all projects seeking assistance from PEACE need to demonstrate how they intend to develop cross-community reconciliation and mutual understanding, the cross-community dimension is only explicitly required for some IFI programmes.

The IFI has always placed a particular emphasis on assisting the most deprived areas in Northern Ireland and the Southern Border Counties of Ireland. It does this through a number of programmes, which come under the title of "Regeneration of Deprived Areas" prioritising projects within the Fund's key programmes of support and also special initiatives. Since 2003 over 85% of the Fund's commitments have been to projects in these areas. The PEACE Programme, in contrast, applies impact indicators based on "disadvantaged areas"<sup>5</sup> in Northern Ireland and the "Combating Poverty" index in the Border Region.

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

<sup>5</sup> Defined as a mix of interface areas, areas affected by violence and areas of deprivation.

As regards beneficiaries, the IFI assists basically the same categories of people as the PEACE II Programme<sup>6</sup>. Where projects can be funded by both IFI and EC programmes, the IFI policy is to be the “first money on the table” although it may offer a lower financial contribution<sup>7</sup>. Compared to the EC programmes, the IFI processes applications quickly using streamlined selection procedures, and is more flexible in responding to emerging needs and opportunities as its budget is decided annually.

#### **4.2. Organising Coordination between IFI and EC Programmes**

The IFI Regulation provides that the EC contribution should be used in such a way as “to complement the activities financed by the Structural Funds, and especially those of the Special Programme for Peace and Reconciliation in Northern Ireland and the Border Counties of Ireland”. Coordination between the two initiatives is important in order to share best practice and to avoid exceeding the 75% maximum threshold of EC assistance for any project funded both by the IFI and an EU Programme<sup>8</sup>.

The current coordination arrangements include participation of the European Commission at all IFI Board meetings and receipt of papers of the IFI Advisory Committee meetings<sup>9</sup>, and the attendance of representatives of the IFI as observers at the Monitoring Committees for the Community Support Framework for Northern Ireland; PEACE II Programme; Building Sustainable Development Operational Programme; and INTERREG III-A for Northern Ireland and Ireland Community Initiative.

The SEUPB<sup>10</sup> has been invited to nominate staff to participate in the IFI’s Programme Teams to ensure greater harmonisation in project selection and information sharing.

At operational level, in many cases, the IFI and the SEUPB use the same agents. Where applicable, economic appraisals are shared between the two bodies. The 75% rule is applied to projects which are co-funded.

In addition, the IFI and the SEUPB have been engaged in reconciliation-mapping projects in an effort to establish the gaps in provision in the reconciliation sector in Northern Ireland and the six Border Counties.

The Commission believes that both organisations need to share project selection procedures and information more comprehensively. This is essential when the same project sponsors apply for funding from both from the IFI and an EC Programme. Exchange of data applications (e.g. sharing business plans or cost benefit analysis) would accelerate the selection procedure and develop a coordinated response so applicants would not face overlapping selection criteria and requirements.

Current EC programmes have developed comprehensive physical and financial monitoring and reporting systems and the IFI could benefit from regular access to this monitoring data for

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<sup>6</sup> The PEACE II Programme explicitly targets those belonging to areas, sectors, groups or communities that have been ‘most affected by the conflict’, and which do not necessarily correspond to those most deprived in economic and social terms.

<sup>7</sup> See maximum rates of intervention in Annex VIII.

<sup>8</sup> Article 29 of Regulation (EC) No 1260/1999.

<sup>9</sup> Exchange of letters IFI/Commission : Letter to C. Trojan, 28 June 1994.

<sup>10</sup> Special EU Programmes Body – the managing authority for the PEACE II programme.

projects funded. This would address the risk of double counting programme impact, which undermines any attempt to carry out thorough and accurate evaluation studies.

#### **4.3. “Sharing the Space” - the strategy for the last five years of the IFI**

In 2003, the IFI launched a thorough strategic review of its programmes, with a clear aim to “reposition” itself on more “community-based” activities. Following this review, a five year strategy entitled “Sharing the Space” was launched in early 2006 which will promote reconciliation in Ireland in a final phase of the IFI’s activity. The IFI’s existing community programmes have been extended, with a view to building a sustainable infrastructure for reconciliation operating beyond the IFI’s lifetime. Consequently, much of the IFI’s traditional economic-based activities have ceased, in favour of grassroots community development.

The objectives of the IFI over the final five years will include:

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

The programmes supported by the IFI will in the future be clustered around four themes: building foundations, building bridges, integrating and leaving a legacy. These programme themes will support the objectives set out above.

Given that the IFI will be wound up in 2010 or soon afterwards, any future Regulation covering an EC contribution would have to ensure that appropriate arrangements were made for closure of the IFI, with regard to the principles of sound and effective financial management. Any Regulation would best cover the four years 2007 to 2010, in order to ensure certainty of funding for the IFI.

#### **5. PUBLICITY AND INFORMATION**

The IFI acknowledges support of all its donors (regardless of their level of contribution or the regularity of their payments) by means of standard references in press releases, published literature (Annual Report, information brochures, and published reports) and on its website. Reference to donors is also made in speeches made by the Chairman or Board members and in briefings given to visitors to IFI projects. The Commission representation offices in Belfast and Dublin maintain regular contacts with the IFI and are invited to all IFI project launches.

Nevertheless as the origins of the IFI were in the US in the mid 1980s, there remains a sense in the community both North and South that the Fund is a US-supported organisation, despite the generous funding from the EU since 1989 and the continuing insistence of the Fund that all projects recognise and publicise the Community's contribution. The Commission will increase the profile of the EU presence in the IFI's activities more significantly, above all in cases where co-financing by the EC and IFI occurs.



## 6. CONCLUSION AND PROPOSALS

The European Union has had a long standing support for the peace process in Northern Ireland which has been best exemplified by its commitment to the IFI since 1989 and the PEACE Programme since 1995. In doing so, it recognised the long-term nature of the peace process' objectives, which have been widely supported over the years by the European Parliament, Council and Commission.

The political and social situation of the region remains fragile and the continuing level of violence and division calls on the EU to sustain its efforts to promote peace and reconciliation in this part of the European Union. The European Council, in its meeting on 15/16 December 2005, adopted the following Presidency's conclusion in reference to the International Fund for Ireland<sup>11</sup>:

*The European Council noted the important work carried out by the International Fund for Ireland in promoting peace and reconciliation. It asked the Commission to take the necessary steps with a view to continued EU support for the Fund as it enters the crucial final phase of its work up to 2010.*

In addition, the Financial Perspectives<sup>12</sup> ensured the continuation of the PEACE programme in Northern Ireland and the Border Counties of Ireland:

*In recognition of the special effort for the peace process in Northern Ireland, a total of € 200 million will be allocated for the PEACE Programme for the period 2007-2013. This programme will be implemented in full respect of additionality of Structural Fund interventions.*

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

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

The Commission welcomes the strategy Sharing the Space. It is a realistic strategy which will ensure that progress is made towards a shared future, promoting integration and understanding and ensuring that the work of the IFI is continuing and lasting beyond the end of its life.

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<sup>11</sup> Document 15914/05.

<sup>12</sup> Document 15915/05.

Given that reinforcing the solidarity between Member States and between their peoples is a core EU objective, it is therefore important for the EU to remain committed to these objectives, alongside other international donors, and to renew its contribution to the IFI.

In this context, the Commission believes that funding after 2006 should be still provided on the basis of the observations made in this report, which could be reflected either in the future Council Regulation on the EC contribution to the IFI, or through other appropriate means of co-operation between the Commission and the IFI.