House of Commons

Northern Ireland Affairs Committee

Peace II

Seventh Report of Session 2002–03

Volume I

HC 653-I

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Volume 1

Report, together with formal minutes

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The Northern Ireland Affairs Committee

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References

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Summary

The PEACE II programme is a European programme for Northern Ireland and the Republic of Ireland jointly. Its purpose is "to reinforce progress towards a peaceful and stable society and to promote reconciliation". It is worth £274 million to Northern Ireland over the period 2000-2004.

Like the previous PEACE I programme (1994-1999), PEACE II directly supports community initiatives that promote its objectives. These are addressing the legacy of the conflict and taking the opportunities arising from peace. Unlike PEACE I, PEACE II also has a specific focus on economic development and sustainability.

The early implementation of PEACE II has proved problematic. Many voluntary and community groups have expressed concerns about the administration of the programme, particularly about the tortuous application process to apply for funding, and lengthy delays which have occurred in distributing the funds to communities in need. The origins of a number of the problems which have occurred in the early stages of PEACE II can be traced back to PEACE I—in the course of which some significant issues were identified, but not fully addressed—and to the gap between the two programmes, which precipitated a financial crisis in Northern Ireland's voluntary and community sector.

Spending has become a critical issue because of a European regulation known as the 'N+2' rule. Under this rule, the Northern Ireland authorities must spend a further £64.29 million allocated to the programme by 31 December 2003, or the money will cease to be available. The complex assessment and accounting procedures attached to the programme make the effective distribution of these resources within the time limit a significant challenge.

The report welcomes the fact that efforts are being made to tackle the administrative problems experienced by the programme but warns the Government that it will be held accountable for any loss of resources to Northern Ireland as a consequence of N+2. It calls upon the current Minister of Finance to provide clear and urgent leadership and direction to the programme pending the restoration of the devolved Assembly.

1 Introduction

1. The PEACE II programme is a European programme for Northern Ireland and the Republic of Ireland jointly. Its purpose is "to reinforce progress towards a peaceful and stable society and to promote reconciliation".[1] The programme is largely funded by the European Union. The money it provides is additional to, and ring fenced from, other public expenditure in Northern Ireland. It is worth £274 million[2] to Northern Ireland over the period 2000-2004.[3]

2. As its name implies PEACE II follows on from, although it is different to, the original Special Support Programme for Peace and Reconciliation which was set up by the European Union following the 1994 ceasefires. PEACE (or PEACE I) ran from 1994-1999. It sought to reach and support those communities most damaged and deprived as a consequence of the conflict by providing funding directly to voluntary and community groups working in those areas.

3. This 'bottom-up' approach represented an innovation in European funding. When the Berlin Council in 1999 agreed to build on the success of PEACE I by offering a follow-up programme for 2000-2004, it was welcomed by individuals and organisations across Northern Ireland.

4. **It is important to emphasise from the beginning of this report how important the PEACE programme has been, and continues to be, to the peace process in Northern Ireland. Its funding of community groups and initiatives in some of the most disadvantaged areas, and with those who have suffered deeply through the conflict, has ensured that reconciliation is not an abstract ideal for those who need it most. The allocation of money directly to those engaged in building up communities has provided an amazingly diverse range of opportunities for practical work which is directly relevant to local needs. These opportunities continue to be vital to the long and difficult work of establishing trust after decades of fear and suspicion.**

5. Our interest in this subject was sparked by a private meeting with community groups in December 2002. The groups stressed to us how vital PEACE II funding was for building a peaceful society in Northern Ireland, but also expressed considerable frustration at how difficult it was to gain access to the funding. We therefore decided to hold an inquiry into the programme and, in particular, into:

- its role in supporting initiatives tackling the legacy of the conflict, regeneration, renewal and social inclusion;
- the procedures for allocating funding in accordance with the programme's priorities and principles; and
- the administration of the scheme.

1 App 4

2 €425 million, at the standard SEUPB exchange rate of £1: €1.55. With Government matched funding the programme is worth £366 million

3 App 7

6. Our purpose in producing this report, while it will highlight problems with the process, is not to apportion blame. It is to try to make the process as good as it can be. In looking at the programme we have encountered deep frustration, but also immense goodwill. Northern Ireland's future rests in that goodwill.

7. We are very grateful to the many individuals and organisations who have supported us in carrying out this inquiry. We have taken evidence from a wide spectrum of those involved with the programme, including voluntary and community organisations, public sector bodies, the Special EU Programmes Body (SEUPB) and the European Commission. The SEUPB facilitated for us a visit to a number of groups in the Greater Belfast area, on both sides of the community divide, which carried out projects under the auspices of PEACE II. We are grateful to the SEUPB and to the groups concerned for their willingness to share their experiences with us. We also wish to record our thanks to the Public Finance Unit of Assembly Research and Library Services at the Northern Ireland Assembly, who worked very hard to elucidate for us the complexities of the programme and the funding system.

2 The structure and operation of PEACE II

An introduction to European structural funding

8. The overall framework of support for Europe's regions is provided by the European Union under Agenda 2000. Through this political agreement, reached at the Berlin Council in March 1999, the European heads of state and Government agreed to allocate €260 billion to structural interventions. The money was divided amongst a series of structural funds:

- The European Regional Development Fund (ERDF), which encourages development of less-developed regions;
- The European Social Fund (ESF), which aims to prevent and combat unemployment;
- The European Agricultural Guidance and Guarantee Fund (EAGGF), which supports rural development; and
- The Financial Instruments for Fisheries Guidance fund (FIFG), which aims to achieve a sustainable balance between fishery resources and their exploitation.

9. Within Member States, regions are categorised by the EU according to their need for development support. The categorisation governs the level and degree of access a region will have to the different structural funds, as follows:

- Those granted *Objective 1* status are considered to have the most need of support, as their development is lagging behind. All four structural funds listed above are available to Objective 1 areas, and about 70% of total funding is spent on them.
- Those accorded *Objective 2* status include areas in need of economic and social conversion. All funds except the EAGGF are available to them.

- Those holding *Objective 3* status are considered to need some adaptation and modernisation in the areas of education, training and employment. They can access only the European Social Fund.

10. During the 1990s Northern Ireland was categorised as an Objective 1 area. But, by the time of the Berlin Council in 1999, Northern Ireland had a GDP per capita of 82% of the EU average. This was 7% above the threshold for Objective 1 status, and therefore Northern Ireland was not eligible for the highest levels of structural funds support. Under the Agenda 2000 reforms regions that were eligible for Objective 1 funding during the 1994-1999 period, but had lost this entitlement for 2000-2006, were given transitional assistance. This system of phasing out support was designed to avoid a sudden ending of European funding and to consolidate the achievements of structural assistance in the previous round. Northern Ireland was given this new status, and classified as a Transitional Objective 1 region for the period 2000-2006.[4] This meant that Northern Ireland would continue to be eligible for support from the four Structural Funds, but on a gradually reducing basis over the period of the structural funds round.

11. Structural Funds assistance to Northern Ireland for the period 2000-2006 is laid down in the Northern Ireland Community Support Framework (CSF) 2000-2006. This contains the eligible actions and levels of financial support from the contributing Funds, as agreed between the Commission and the Northern Ireland authorities. A total of €1,315 million (£848 million)[5] was allocated to Northern Ireland. This is divided into two Operational Programmes:

- Northern Ireland Programme for Building Sustainable Prosperity (BSP). This is worth £574 million.[6]

- EU Programme for Peace and Reconciliation in Northern Ireland (PEACE II). This is worth £274[7] million).

While PEACE I was a joint Special Support Programme in the form of a Community Initiative, PEACE II has been integrated, along with BSP, as an Objective 1 in Transition programme within the Community Support Framework for Northern Ireland.

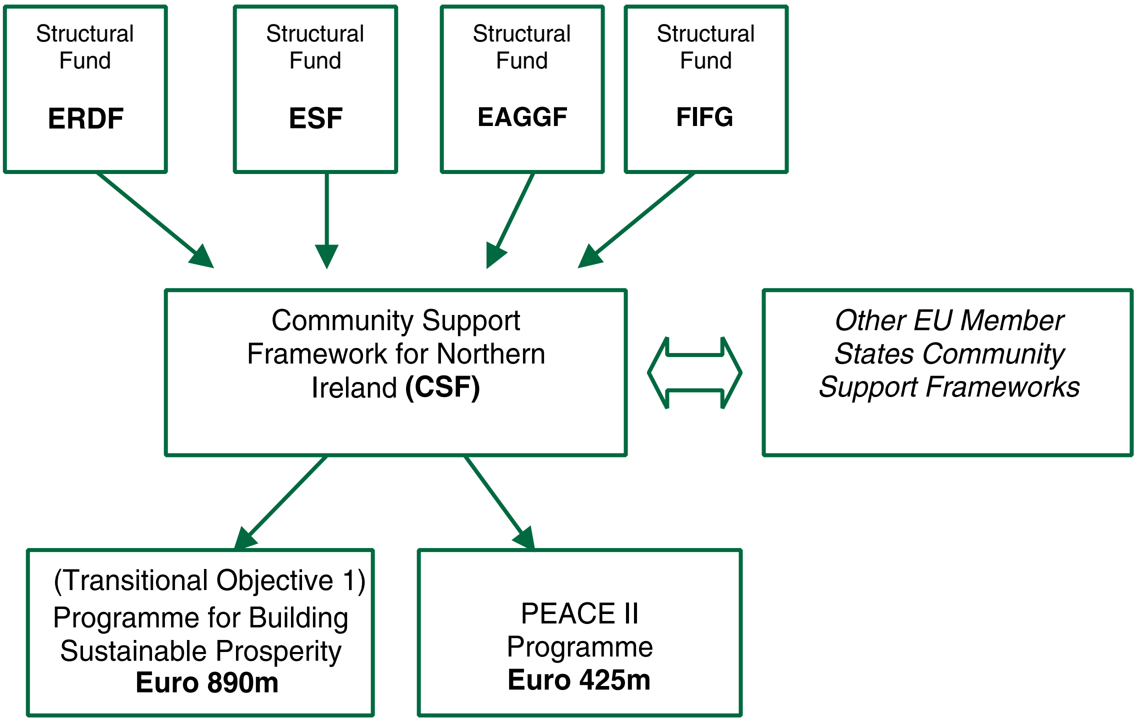
4 Areas eligible for Objective 1 transitional assistance for the period 2000-2006 include East Berlin (Germany), Hainault (Belgium), Cantabria (Spain), Corsica and the arrondissements of Valenciennes, Douai and Avesnes (France), Molise (Italy), Southern and Eastern Ireland, Flevoland (Netherlands), Lisbon and the Tagus Valley (Portugal), Northern Ireland and the Highlands and Islands (United Kingdom). *European Commission Structural Actions 2000-2006* (1999) Brussels: European Commission p11.

5 Using the standard SEUPB exchange rate of £1: €1.55

6 Using the standard SEUPB exchange rate of £1: €1.55

7 Using the standard SEUPB exchange rate of £1: €1.55

Figure 1. The relationship between PEACE II, the CSF and the EU Structural Funds



Source: EU Programme for Peace and Reconciliation in Northern Ireland and the Border Region of Ireland 2000–2004 Operational Programme and Programme Complement

Why and how is PEACE II different?

12. As part of the preparation for PEACE II, the EU commissioned an independent socio-economic review[8] of Northern Ireland. It found that over 30 years the conflict had created "serious barriers to reconciliation between the two communities". Mistrust had led to segregation and a loss of flexibility in the labour market. The economic consequences included loss of output, the undermining of business confidence and a negative image which made outside companies reluctant to invest in Northern Ireland. Increased Government expenditure on security and prison services had diverted funding from other parts of the infrastructure, leaving them weak. Urban areas had experienced environmental degradation as a consequence of violence. Many thousands of individuals had suffered death, injury, grief or trauma and many vulnerable groups, including the young and those with disabilities, had been disadvantaged or socially excluded. There was a need to break down community divisions and encourage cross-community contact, providing the basis for long-term improvement in Northern Ireland's economic and social conditions.[9]

13. PEACE II funding was therefore set up by the EU because it wished to continue its distinct and practical support for the peace process in Northern Ireland. As previously noted, the Programme's aim is:

8 Referred to formally by the EU as the 'ex-ante evaluation'
9 Operational Programme, chapter 2: rationale

> "To help Northern Ireland progress towards a peaceful and stable society and to promote reconciliation in Northern Ireland and the Border Region of Ireland."

This aim is explained more specifically in the Programme's two objectives, which are:

- Addressing the legacy of the conflict; and
- Taking the opportunities arising from peace.

All projects funded through the Programme must fulfil at least one of these objectives, which make the Programme distinctive.

Setting priorities

14. As we shall note in more detail later (see paragraphs 64-70 below), these objectives are difficult to quantify. They were converted into practical priorities for spending through widespread consultations, which included individuals, voluntary and community groups, trade unions, local authorities, businesses, the Northern Ireland Assembly and Government Departments, both in Northern Ireland and the Republic of Ireland. The Operational Programme was negotiated between the UK, the Republic of Ireland and the European Commission, and was endorsed by the Northern Ireland Executive. Within the overarching priority of promoting peace and reconciliation, the PEACE II priorities are:

- 1: Economic Renewal;
- 2: Social Integration, Inclusion and Reconciliation;
- 3: Locally Based Regeneration and Development;
- 4: Outward and Forward-Looking Region;
- 5: Cross-border Co-operation; and
- 6: Technical Assistance (to cover research, evaluation and publicity, including the dissemination of best practice, some audit and administration costs and to enable bodies to deliver other priorities more effectively).[10]

15. Within each of the priorities, a series of Measures were defined to enable selective targeting of areas and groups most in need of funding.[11] A specific sum of money from a specific Structural Fund was assigned to each Measure: so, for example, €20.95 million (£13.52 million) from the European Regional Development Fund was assigned to fund projects under Measure 1.2 (Economic Renewal: Sustainable Tourism).[12] A full list of Measures is included at Annex A.

16. There are also a number of priorities for the overall Community Support Frameworks in Northern Ireland and the Republic of Ireland, which connect to the priorities for

10 Operational Programme Chapter 10, page 157

11 36 Measures in total

12 Using the then SEUPB standard exchange rate of £1 to €1.55

PEACE II, and a number of "horizontal principles" which should be reflected throughout actions under the PEACE II and BSP programmes. The horizontal principles are:

- Accountability;
- Balanced Intervention/Equal Opportunities;
- New Targeting Social Need;
- Economic and Social Sustainability;
- Partnership;
- Locally-based decision making;
- Publicity/Transparency;
- Co-ordination; and
- Environmental/Sustainability.

A diagram showing the links between the CSF priorities and the PEACE II priorities can be found at Annex B.

How PEACE II is designed and delivered

17. There are a number of bodies involved in the design and delivery of PEACE II, as described below:

The European Commission

The European Commission approves programmes in Member States and provides the Structural Funds for their implementation.

The Member States

The United Kingdom and the Republic of Ireland are involved in negotiating at international level, and overseeing the programmes for which individuals and groups in Northern Ireland and the Border Region of the Republic of Ireland may apply. The Northern Ireland Department of Finance and Personnel acts as the channel for European funding to Northern Ireland, and co-ordinates all the Structural Funds Programmes in Northern Ireland.

The Managing Authority

Managing Authorities have overall responsibility for the running of Structural Funds Programmes. They also co-ordinate the work of the Government Departments, and other implementing bodies, who approve projects under particular measures and priorities of the programmes. The Managing Authority for the PEACE II Programme, established under the joint North-South Ministerial Council for Northern Ireland and the Republic of

Ireland following the Belfast Agreement, is the Special European Union Programmes Body (SEUPB).

The Paying Authorities

The Paying Authority for the PEACE II Programme depends on the Structural Fund supporting the Priority and Measure. A number of Northern Ireland Government Departments perform this function, as follows:

Funds supporting Measures and Priorities	Paying Authority
European Regional Development Fund	Department of Finance and Personnel
European Social Fund	Department of Employment and Learning
European Agricultural Guidance and Guarantee Fund	Department of Agriculture and Rural Development
Financial Instruments for Fisheries Guidance Fund	Department of Agriculture and Rural Development

Data Source: Committee's own

The Implementing Bodies

Responsibility for implementing the various parts of PEACE II is delegated by the Managing Authority (the SEUPB) to the implementing bodies. The implementing bodies are responsible for processing applications, selecting projects, and receiving claims for payment. As part of the PEACE II Programme, it was decided that the bottom-up approach to reconciliation would best be supported by the creation of a range of delivery mechanisms. There are therefore three types of implementing body in Northern Ireland: Departments of the Northern Ireland Executive, Local Strategy Partnerships and Intermediary Funding Bodies.

Departments of the Northern Ireland Executive

In addition to the Office of the First Minister and the Deputy First Minister (OFMDFM) the following Northern Ireland Government Departments act as Implementing Bodies:

Department of Agriculture and Rural Development (DARD)

Department of Culture, Arts and Leisure (DCAL)

Department of Education and Learning (DEL)

Department of Enterprise, Trade and Industry (DETI)

Department of Regional Development (DRD)

Department of Social Development (DSD)

Local Strategy Partnerships

Local Strategy Partnerships were designed to be a new model of partnership at local level, evolved from but different to the District Partnerships used in PEACE I, and with wider and greater autonomy in decision-making. Their role is to enable a bottom-up approach by developing a local area strategy plan, as a framework for the sustainable regeneration and development of their area during and beyond the lifetime of PEACE II. There are 26 LSPs, operating in the 26 Local Government Districts in Northern Ireland. Their membership is equally divided between representatives of local government and statutory agencies (50%), and representatives of the four 'Social Partners': business, trade unions, agriculture and the voluntary and community sector (50%).

Intermediary Funding Bodies (IFBs)

There are 11 intermediary funding bodies which, as in PEACE I, operate on a partnership/sector specialised basis in delivering the Programme. They were identified through an open tendering process, and are as follows:

NIPPA (early years organisation)

Community Foundation for Northern Ireland (formerly the Northern Ireland Voluntary Trust)

Southern Education and Library Board

Training for Women Network

PROTEUS

Playboard (NI) Ltd

SEUPB (for Priority 6 – Technical Assistance)

Education Guidance Service for Adults (EGSA)

Northern Ireland Rural Development Council/Northern Ireland Rural Community Network

Northern Ireland Community Relations Council

Co-operation Ireland [a cross-border IFB]

Combat Poverty Agency/Area Development Management [a cross-border IFB].

Programme Monitoring Committee

The role of the Programme Monitoring Committee is to ensure satisfactory progress is being made towards the stated and agreed objectives and targets of the Programme. The Committee also approves the selection of programmes and the Annual Report from the Managing Authority. The Membership of the Monitoring Committee includes equal representation from both Member States involved in the Programme, reflecting the main stakeholders: regional and local government, equality and environmental organisations, the social partners (business, voluntary and community sector, agriculture and trade unions) and the paying authorities. It has permanent advisors from the European Commission and from Government Departments of both jurisdictions. The International Fund for Ireland, the UK Department of Trade and Industry and the implementing bodies have observer status on the Committee.

The Regional Partnership Board

The role of the Regional Partnership Board is to:

- Promote the principles of partnership working at local level;
- Promote the sharing of best practice in the development and delivery of local area strategies;
- Assist different districts to work together on projects and actions which cross the boundaries of two or more districts; and to
- Promote effective working between districts and Intermediary Funding Bodies (IFBs)

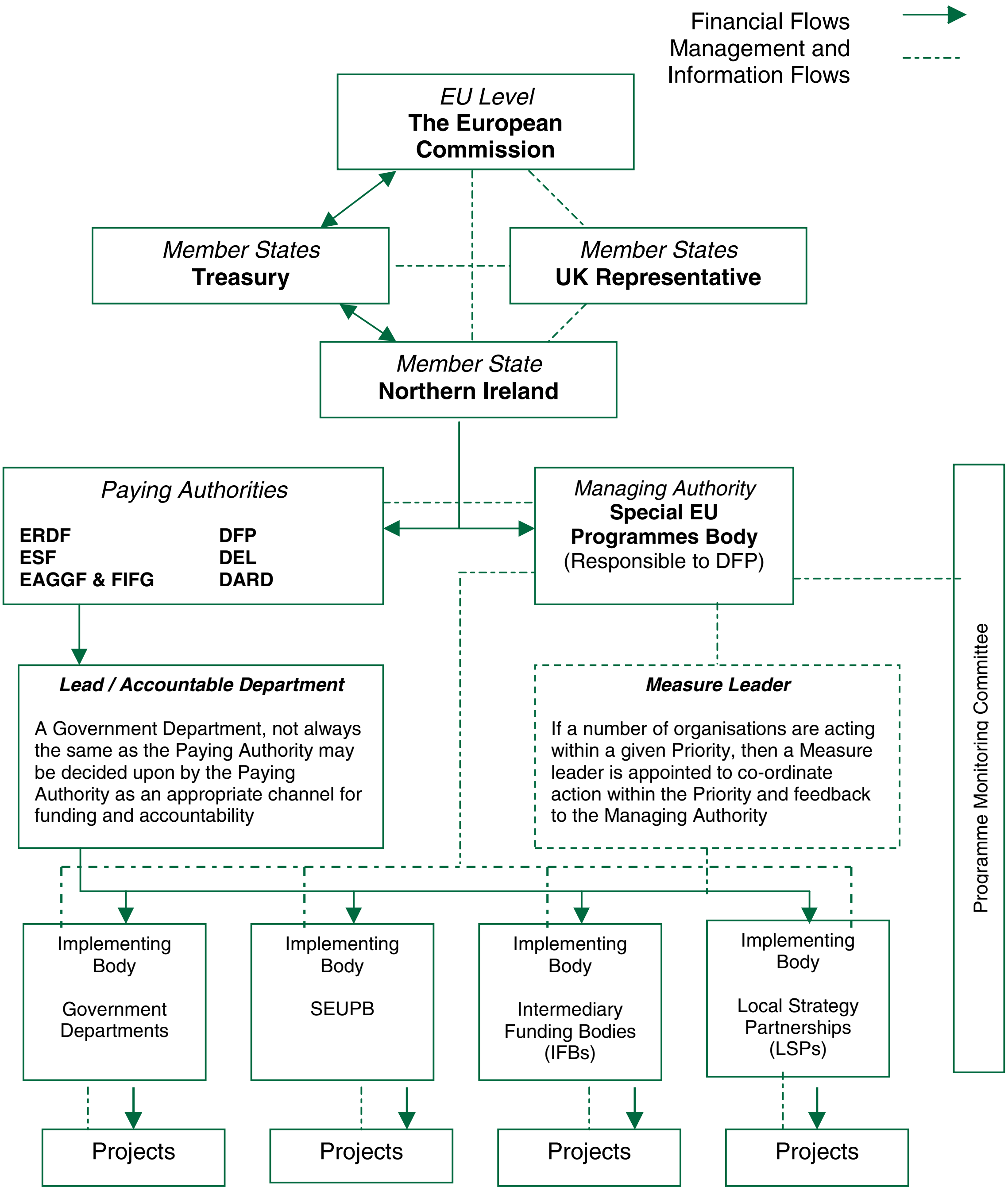
Like the Local Strategy Partnerships, the Board's membership is comprised of the Social Partners—business, trades unions, the community and voluntary sector and agriculture—local government and the statutory agencies. Prior to the suspension of devolution it was agreed that the Board would be chaired by the Junior Ministers of the Office of the First Minister and Deputy First Minister. During the suspension it is chaired by Ian Pearson MP, Parliamentary Under-Secretary of State. The Board's first meeting took place on 30 January 2003.[13]

13 Press Release, *Regional Partnership Board launched*, OFMDFM 30 January 2003

18. The involvement and interaction of these bodies is illustrated in the following diagram:

How PEACE II is managed

Funding and management information flows in PEACE II



Source: Compiled from Personal Communications (1) and (3) and EU Programme for Peace and Reconciliation in Northern Ireland and the Border Region of Ireland 2000-2004 Operational Programme and Programme Complement

19. The description above demonstrates the appalling complexity of the programme's structure, with its multiple funding streams and its varied delivery mechanisms. By comparison, the parallel organisation in the Republic of Ireland is less Byzantine. Compared to the 11 IFBs in Northern Ireland, there are two such bodies for 13 Measures in the Republic. Compared to the 26 LSPs in Northern Ireland, there are 6 County

Council-led task forces for the six Border Counties, and there are four rather than eight Government Departments involved in the programme in the Republic.

20. There are no doubt good reasons for some of these contrasts: among them, the desire to involve people at well below county level in Northern Ireland, and to draw on the legacy of the non-statutory sector left by PEACE I. The Programme also operates on a much smaller scale in the Republic of Ireland. But those applying for grants in the Republic will have had the advantage of dealing with a single Implementing Body for many Measures, and so with people who can give authoritative advice on the prospects of funding under alternative Measures, on closing dates and on entirely separate sources of funding. If and when the opportunity arises again, those responsible would do well to seek the lessons to be learned from the operation of PEACE II in the Republic.

21. In the following chapter we discuss the evolution of the PEACE II Programme from PEACE I in terms of its management processes, its priorities and the context in which it operates, and begin to examine the difficulties which have surrounded the development of PEACE II.

3 PEACE I to PEACE II: the transition

PEACE I

22. The original PEACE programme was agreed by the European Heads of State and Government in 1994 and formally established in July 1995. It ran until 1999. The programme was enthusiastically received in Northern Ireland and the Republic of Ireland: it has been described to us as wide-ranging,[14] creative,[15] and "instrumental in creating the conditions that can eventually lead to 'a settled people' in Northern Ireland".[16] The independent review prior to the establishment of the PEACE II programme concluded that the innovative approach adopted for the PEACE programme had been successful in reaching communities which would not normally access European funding, and in establishing a diversity of implementation mechanisms which was unique for a European programme.

23. The success of PEACE I was clearly a very significant factor in the agreement of the Berlin Council to introduce PEACE II. Yet, while the programme was good at delivering its objectives, formal evaluations by Programme Evaluators and the European Court of Auditors concluded that there was room for improvement in terms of its administration. Their reports identified a number of lessons to be learned in establishing PEACE II. Among them were:

- *Co-ordination.* It was found that the creation of a range of implementation mechanisms had led to confusion about areas of responsibility and lines of accountability. The lack of clear publicity, and some duplication between bodies, had also led in some cases to confusion amongst community groups about whom they should apply to for funding

14 App 1

15 App 5

16 App 31

and whether they would be eligible. A lack of co-ordination with other Structural Funds programmes had also created a risk of competition.

- *Inexperience and delays*. PEACE I was a new programme, and many of the bodies working under it were inexperienced in dealing with programmes of this nature. Just as the evaluators detected a tendency amongst these inexperienced bodies "to underestimate the complexities attached" to programme funding so, in our view, it is perhaps fair to state that the amount of support these bodies would need to tackle those complexities was also underestimated: the Commission's Operational Programme for PEACE II comments that "progress was much slower than was originally expected", but concedes that "the original expectations were perhaps overly optimistic given the new and experimental nature of the programme" and concludes that a strategic training programme "would have accelerated progress at a much earlier stage".[17]

- *Lack of capacity*. The problem of inexperience was faced again when funding was injected into the target groups and communities. It was discovered that many lacked capacity and/or infrastructure, and needed a considerable amount of time, and support from the implementing bodies, in order to develop their projects. It was suggested that the programme might have progressed further had training been provided to a number of development workers to support this need.

- *Selection and evaluation*. Some bodies involved in the programme lacked a clear understanding of the programme's aims, and of the European requirements in respect of monitoring and evaluation. Clear selection criteria had not been established. These things together meant that some bodies had difficulty in targeting, assessing and selecting projects for funding.

The lessons learned from PEACE I

24. A number—but, as we shall describe below, not all—of these conclusions were followed through in developing PEACE II. The Special EU Programmes Body (SEUPB), which was established under the Belfast Agreement, became the Managing Authority for PEACE II, as well as having responsibility for Community Programme INTERREG III and aspects of other Programmes (LEADER+, EQUAL, and URBAN II).[18] The District Partnerships were replaced by the Local Strategic Partnerships, with their more strategic focus. Some areas of responsibility were clarified, and selection criteria for projects were established. The unique nature of the programme, with its distinctive focus on peace and reconciliation as objectives, was reasserted.

A change in focus

25. There were other respects in which PEACE II was designed to be a successor programme rather than an exact replica. Northern Ireland was moving on: and when it came to determining the priorities and Measures which would be used in targeting funding, there was a change in emphasis. While the aim of creating a more peaceful and

17 Operational Programme Chapter 2, p16

18 Operational Programme Chapter 1, p10

stable society remained, the focus moved from community building of itself to addressing the economic problems—unemployment, weak business confidence—identified in the independent review as specific consequences of the conflict. The Department of Finance and Personnel (DFP) records:

> "…in response to strong representations from the UK and Irish Governments and the First Minister (Designate) and Deputy First Minister (Designate), PEACE II also has a greater economic focus than PEACE I, although the clear direction from the outset was that the Programme should continue to be delivered in a socially inclusive way…"

The DFP memorandum also notes further changes which affected the design of PEACE II: a greater focus on sustainability; and changes in the regulations governing Structural Funds which would particularly affect spending patterns. Both of these are discussed in later sections of this Report (see paragraphs 81-85 and 102-124)

The problems of change

26. The shift in emphasis of the PEACE II programme was unwelcome to a number of stakeholders. More than one witness from the voluntary and community sector has described it to us as a "narrowing" of the programme;[19] the emphasis on training, employment and economic development has been called an "over-emphasis" and disproportionate.[20]

27. There appear to be two main reasons why this change of emphasis prompted a negative response. Both, in some degree, have to do with the expectations of different stakeholders and their aspirations for the programme.

28. The first reason is that community organisations continue to see a need for more basic peacebuilding and reconciliation work. The economic focus for PEACE II was driven by Government at its various levels—prompted, one community sector representative suggested, by the international economic downturn.[21] As the independent review acknowledged, economic development will be important to the stability of Northern Ireland in the future and it is easy to understand why Government should wish to put its weight behind that aspiration. Yet to those on the ground, in many cases, the shift towards supporting projects with employability and job creation as goals was premature. The lack of community capacity and infrastructure identified in the review of PEACE I, and which had hampered the delivery of that programme, had not been fully solved. Mr McCune of Altnaveigh House and Cultural Enterprise Society told us that the South Down area had been unable to benefit fully from PEACE I because the community infrastructure there had only developed since 2001:

> "We have seen the growth of over 70 small rural community groups but they lack capacity; they lack the skills; they are at a very early stage in development … the emphasis on economic development is not addressing the problem … That is a long

19 App 1; App 3

20 App 3; App 28; Q13

21 Q9

> term solution to other problems but the problems facing the minority communities in Newry and across rural Ulster lie more in developing themselves to get back the capacity and the confidence to address issues of reconciliation and problems that arose from the conflict."[22]

Similarly, the West Tyrone Voice victims' group told us that PEACE II:

> "…has narrowed considerably the beneficiary base … because of the over-emphasis on training. Many of our members are not yet ready for training and need other mechanisms/services that will help them with confidence building".

Mr Doherty of North West Community Network told us that:

> "…the one thing that PEACE I did was to reach out to the most socially excluded … communities who had come through the worst of the violence … were able to benefit from the PEACE I money. However the over-emphasis on economic development under PEACE II has seen most of those same groups excluded."[23]

We were told that among those excluded by the emphasis on economic development were entire interest groups, including minority ethnic communities, victims groups, single identity groups, women's groups and integrated education schools.[24]

Expectations, and funding, of the voluntary and community sector

29. The second reason for objections to the change in focus for PEACE II is that many groups received core funding under PEACE I. Such funding is now not available under PEACE II. With an overall lack of money available to the voluntary and community sector, many organisations had become dependent upon the PEACE programme.

30. We encountered a fairly widespread perception among voluntary and community groups that the significant injection of funds provided by the PEACE programme had been used as an opportunity by (or at any rate had coincided with action by) Northern Ireland's government and other agencies to reduce their own support for community and voluntary activity. Witnesses from the sector commented that:

> "When PEACE I was coming on board other sources of funding that would have been available to groups in Northern Ireland started to dry up";[25]

and:

> "…one of the most noticeable aspects during PEACE I was the fact that statutory budgets were cut…"[26]

We were told that "government departments and statutory and public bodies are utilizing PEACE funds to pay for their existing obligations."[27]

22 Q11
23 Q13
24 See for example App 28
25 Q9
26 Q14

31. Perhaps because of the wide scope of the original PEACE programme, and the determination to foster a wide range of initiatives, an expectation appears to have developed that the programme could, and would, provide all the support that was needed for the work of peace and reconciliation. The community and voluntary sector seem to have had little choice but to rely on the programme; whether deliberately or through inattention the expectation appears also to have been fostered by others. The Northern Ireland Council for Voluntary Action told us:

> "We recognise that PEACE II is not a programme established to fund the voluntary and community sector. This can be all too easily missed, not just within our own sector but also by others—too often have groups been told by statutory bodies or elected representatives to apply to PEACE II when it is clearly inappropriate".[28]

32. If the PEACE programme had come to be viewed as a panacea, some individuals and groups were bound to be disappointed. Like the economic context in which the programme operates, this is neither its fault nor something it can control. Yet highly aspirational claims have also been made on the programme's behalf, which may have contributed to the gap between perception and reality. The European Commission wrote to us that:

> "…a great deal of effort has been devoted to devising an original and effective delivery mechanism for change … In this sense, the major contribution of the PEACE II programme at this stage is in relation to its contribution to the development of new forms of governance adapted to the unique circumstances of the region … the new mechanisms … should have an enduring impact … having helped to establish relations of trust, new ways of working and a system of policy administration that responds to the needs of the different communities".

33. Both PEACE I and PEACE II are short-term programmes with very long-term goals. This is not in itself a bad thing: many policy initiatives combine short-term actions with a long term design. The problem here is one of context, and a situation which is perhaps as unique as the programme itself. There is no overwhelming reason why the focus of PEACE II should not have been changed from the focus for PEACE I and, if alternative sources of funding had been available to continue work initiated under PEACE I, it is unlikely that this change would have prompted disagreement. But the alternatives were extremely limited and this created a problem for the authorities in managing the change.

34. The change from PEACE I to PEACE II, however, was not troubled only by a shift in philosophy. Although PEACE II was a successor programme to PEACE I it was separate and it did not begin immediately the first programme ended. The 'gap' between the programmes was intended to be "short lived",[29] but in fact lasted for over a year. The reasons, and the consequences, are discussed below.

27 App 27
28 App 9
29 App 7

The gap

The extent of, and reasons for, the delay

35. PEACE I formally ran from 1994-1999. By 1999 the process of development for PEACE II was under way, following agreement to the principle of the programme in the Berlin Council. Implementation took some time. As the Department of Finance and Personnel told us:

> "Before the Programme could become operational it was necessary, under Commission Regulations, to negotiate first a Northern Ireland Community Support Framework … and then a detailed package of objectives and delivery mechanisms. The fact that the PEACE II Programme is a joint North/South programme meant that the two Member States were involved in the latter negotiations with the European Commission. In addition, the Good Friday Agreement set up the Special EU Programmes Body which, under the North/South Co-operation (Implementation Bodies) (Northern Ireland) Order 1999, was tasked, inter alia, under the direct authority of the North South Ministerial Council, with advising the Member States on the negotiation of the Programme with the European Commission. During this period under devolution, the Northern Ireland Executive took a significant interest in the development of the detailed package of allocations for PEACE II and in particular the balance of social and economic targeting of resources and the associated management and implementation structure which have a wider remit than the life of the Programme. These negotiations were therefore complex and lengthy, given both the special nature of the Programme and the range and extent of involvement by key stakeholders, not least the Northern Ireland Executive."[30]

36. Mr John McKinney, the Chief Executive of the SEUPB, told us that:

> "…in March 1999 the profile is agreed, it was March 2001 before the programme was agreed. After that as a management authority we had to carry out a lot of different actions. For example, we appointed the intermediary funding bodies through a tender process…. We also had to put in place new partnerships at local council level, again it took time to put these in place, it was December 2001 before these were in place… we were at the end of 2002 before we got up and going".[31]

37. This situation is not unique to PEACE II. We were assured that delays in implementing European programmes, which are caused by the need to negotiate the detail of the programmes between Member States and the European Commission, are "quite common".[32] Nor, initially, was the delay problematic for the projects funded by PEACE I. Although the programme officially ended in 1999, we were told that funding did not finally run out until March 2001.[33]

30 App 7

31 Q171; see also the Second Report from the Welsh Affairs Committee, 2001-2002, *Objective 1 European Funding for Wales*, HC520

32 Q171

33 App 5

38. After that date, however, many small groups rapidly found themselves struggling, both with immediate and practical financial difficulties, and with uncertainty about when those difficulties would end.

Funding problems

39. We have noted previously that many organisations were heavily dependent upon PEACE funding, either for projects set up specifically for the programme or for pre-existing work for which they had secured PEACE support. When the money from PEACE I stopped, and PEACE II did not materialise, groups suddenly found themselves scrambling for alternative sources of funding. Many had to scale back their work, cut down on the number of workers employed, or defer paying employees' salaries. Resources were, of necessity, diverted from community work into the search for funds. Some organisations simply 'went under'.[34]

40. During this transitional period 'gap' funding was provided to projects by the Northern Ireland Executive. While this was an important and welcome contribution to supporting the voluntary and community sector it did not represent a full solution. The funding was limited, so groups had to compete for it and not all were successful.[35] It was only available for administration costs—such as salaries—rather than to finance actual programme and community work.[36] As the delays in implementing PEACE II continued beyond the period originally envisaged, the gap funding had to be extended several times.[37] Groups had to apply for support repeatedly, increasing stress and insecurity. With gap funding only ending formally on 31 December 2002,[38] the period of uncertainty lasted, for some, for nearly two years.

The effects of uncertainty

41. In effect, the gap between PEACE I and PEACE II created a recession in Northern Ireland's voluntary and community sector. Many of the problems reported by the sector — such as job insecurity, increased competition, a switch from long-term to short-term planning cycles, loss of confidence and innovation, bankruptcy—can be recognised as typical consequences of an economic decline.

42. Unlike many recessions, though, the decline appears to have been precipitate because funding ran out for most bodies at roughly the same time. The organisations affected, too, had far less ability to weather financial difficulties than many commercial organisations. Anne McVicker of the Women's Support Network told us:

> "There is an assumption that community organisations have lots of reserves. It is not the case. Whenever that happens it means that what you have to do is juggle between different bank accounts or may be arrange for bank overdrafts which the European funding does not allow for. It is not eligible expenditure … It can take may be a

34 Q16
35 App 5; App 7
36 App 5
37 App 7
38 App 7

> month for a community group to go under. If you do not have money you go under. Because a lot of them are may be registered companies limited by guarantee it would be wrong for them to continue trading since they do not have money in the bank."[39]

43. These effects were not only felt at the very bottom of the distribution chain. The umbrella group NICVA (the Northern Ireland Council for Voluntary Action) itself a charitable organisation in receipt of PEACE funding, told us that it too had to cut staff during the gap, reducing its ability to support the voluntary and community groups who were most affected by the difficulties of the transitional period.[40]

44. While this recession can be looked at, from one point of view, as "reality therapy",[41] there is no doubt in our minds that the decline during the gap period was immensely damaging to the voluntary and community sector and, by extension, to the success of the PEACE programme as a whole. The feelings of the sector were articulately summarised for us by Elaine Rowan, former co-ordinator of the Community Relations Training and Learning Consortium:

> "A sense of frustration had started to develop among funded groups when it appeared that gap/interim funding was going to extend for longer than had originally been expected, and as the delays continued, the frustration grew.

Groups felt they were being treated unfairly by their funders. They felt that there was a perception on the part of funders that they should continue in good faith to maintain and develop their roles to their full potential. This was thought to be unreasonable in a climate where groups felt that simply surviving was a significant feat … The apparent inability of funders to really hear and understand what the reality of the situation is for the workers who find themselves in positions of extreme insecurity ("… am I losing my job today/tomorrow/next week?") has created a new gap fuelled by cynicism, between funder and group that previously did not exist.

> …There is a natural tendency within the community sector to mirror the conflict they are set up to address and so a certain amount of inherent competition and territoriality already exists. This has been significantly exacerbated by the GAP process as each group has perceived the 'slices of pie' become ever more limited and the need to compete for these slices has increased … Small organisations have struggled even further through the reduction in support that they might ordinarily have received from larger networking and membership organisations … programmes that were just beginning to gather momentum during the PEACE I period have been severely disadvantaged as staff have found it difficult, if not impossible, to deliver outcomes. In real terms, they have started to lose ground already won during PEACE I. Furthermore, the loss of staff without replacement is increasing and represents a disastrous loss of hard earned knowledge and skills to the sector".[42]

39 Q30

40 Q21

41 App 8

42 App 8

45. The scaling back or termination of projects, the loss of skills to the sector and, particularly, a breakdown in trust between 'the funded' and 'funders' are potentially very damaging to the future effectiveness of the programme. Certainly, this interim period created setbacks from which parts of the sector have found it difficult to recover and which may, in turn, have contributed to the problems currently being faced by the programme in terms of its spending (see paragraphs 102-124 below). It is sad, if not a little ironic, that having done so much to build capacity and confidence through the voluntary and community sector, the transition from PEACE I to PEACE II should have created in that same sector many of the problems the programme seeks to address in wider society.

Lessons to be learned

46. **In spite of the experience of problems faced during the introduction of PEACE I, and the experience at the European level of delays in implementing new programmes concurrently with PEACE II, the length of time required to introduce PEACE II was severely underestimated. As a consequence, action to deal with the practical implications of a break in funding for the organisations implementing the programme was delayed. The result was a crisis in the voluntary and community sector:**

- **The interim support provided by the Northern Ireland Executive was valuable, but was neither sufficient nor timely enough to prevent the sudden and painful decline in the voluntary and community sector. Funding was tightly restricted in quantity and duration, increasing competition, forcing organisations into a short-term, rather than long-term, cycle of planning, and inhibiting mutual support in the voluntary and community sector;**

- **The 'hand to mouth' existence of many community organisations made them particularly vulnerable to short-term lapses in financial support; and**

- **The lack of alternative sources of funding made the delays more critical in terms of the survival of many groups and organisations.**

47. Since the nature of these organisations was known, it ought to have been possible to anticipate that such problems might arise, and that damage to the infrastructure of the voluntary and community sector would have consequences for the implementation of PEACE II. Yet, until the Northern Ireland Executive produced its gap funding, it would appear that nobody took responsibility for any part of the process of transition.

48. Like the change in focus between PEACE I and PEACE II, the gap need not of itself have proved problematic. In order for the gap to run smoothly the following were needed:

- someone to take on a management role, ensuring that there was a clear and sensible timetable for the practical implementation of PEACE II which was communicated throughout the implementation chain;

- a programme of financial support to assist groups in negotiating the transition from PEACE I to PEACE II;

- a programme of information and other support to assist groups in identifying potential sources funding other than PEACE II;

- clearly communicated guidance and support for groups on gaining access to these support services; and
- proper contingency plans to deal with any setbacks.

Yet it would appear that little attention was paid to the importance to the overall success of the PEACE programme of managing the gap as PEACE I and PEACE II themselves were, and are, managed.

Responsibility

49. Throughout our inquiry we have repeatedly found ourselves asking "Who is (or was) responsible?" The response we have all too often received has been "not me". Ultimately we have learned that responsibility is frequently shared: between Member State and Commission, between implementing body and the Managing Authority. Given the specific, inclusive and 'bottom up' approach of the programme it is perhaps inevitable that this should be so.

50. However the inclusive nature of the programme—giving rise to the involvement of 8 Executive Departments, a Partnership Board, a Monitoring Committee, the Special EU Programmes Body, 56 implementing bodies and hundreds of voluntary and community sector organisations in Northern Ireland alone—is also the strongest possible argument for clarity about where responsibility lies. This was identified by the auditors of PEACE I as a vital element in improving the programme's management.

51. The issue seems to be most pressing at the top end of the implementation chain in Northern Ireland. **The problems of the gap, the long delays in getting the different parts of the implementation chain into place and functioning, and the opportunities to equip the implementation bodies for their role in the process which were consequently lost, all point to a lack of clear direction and leadership, a lack of urgency, at critical points in the process. In spite of the inclusive nature of the programme, we believe that it falls to the relevant Minister to provide that leadership and direction and to take ultimate responsibility for the delivery of the programme in Northern Ireland.**

52. **We recognise fully that the repeated suspensions of devolution in Northern Ireland have contributed to the uneven progress of the programme. They have made effective leadership more difficult than it might have been. Nonetheless we believe that such leadership is crucial to the programme's successful implementation. The programme needs a champion who will work with all the stakeholders, including the European Commission and Council, to realise the programme's goals, and ensure that a sense of urgency about achieving those goals is maintained.**

53. When we met the current Minister of Finance we were impressed both by his command of the subject after a comparatively short time in office, and by his commitment to it. **We call on the Minister of Finance to take urgent personal managerial charge of the programme and to ensure that everyone plays their part in delivering it effectively, until it is handed back to the restored Assembly. The Minister would be assisted in this task if he were to meet representatives of the voluntary and community sector in person on a regular basis.**

54. Sadly, the awkward handling of the gap period was not the culmination of the difficulties the PEACE programme has faced in Northern Ireland. The Department of Finance and Personnel told us that "over half of the original "Gap" funded projects have been unsuccessful under PEACE II".[43] In part, this was attributed to the shift in emphasis of the programme which has been discussed above; we consider other contributing factors below.

4 The implementation of PEACE II

"These marathon forms"[44]

55. The first, and most difficult, hurdle faced by many groups applying for funding under PEACE II was the application form. While the forms varied depending on the Programme Measure under which funding was sought, there was a common core of problems running throughout the programme.

Length and complexity

56. For a start, the forms were very long: between forty[45] and a hundred pages.[46] We were also told that they were very complex,[47] demanded a considerable range of statistical and other information,[48] lacked clarity[49] and were repetitive.[50] To many small organisations the forms were extremely daunting because of the questions asked and the time taken to fill them out: the process was exactly the same for a small grant as for a large one.[51] As the review of PEACE I had noted, many of these small groups lacked the capacity to handle the intricacies of European funding programmes without assistance; to some it seemed "as if the forms had been designed to put them off applying and only those groups who had significant staff resources or could afford to buy in the help of consultants could fill [them] in".[52] The North West Community Network and East Belfast Community Development Association told us that between a quarter and a half of the organisations which attended their courses introducing the application process ultimately decided not to apply ("…if the application forms were like this what was the administration going to be like if they did get the money?").[53]

57. The Lenadoon Community Forum found that groups were spending an average of three weeks filling in the application forms.[54] For all groups, but particularly those with the least resources, the time spent filling in the form was time lost to the development of

43 App 7
44 App 11
45 Q56
46 Q8
47 Q40
48 Q21
49 App 9
50 QQ6, 21; App 1
51 App 11; App 29
52 App 5
53 QQ21, 27
54 App 5

strategy, or actual project work in the community. In considering the significance of this loss, it is necessary to take into account the fact that a number of groups, lacking confidence in the system and in their ability to succeed within it, sought where possible to maximise their chances of funding by submitting applications under a number of different Measures. In such cases, the three weeks average figure has to be multiplied two, three or more times.

58. In other cases, the problems caused by the time-consuming application process were the reverse. Some Measures opened and closed for funding applications within as little as six weeks.[55] Since the forms for each Measure were different, it was impossible to have a 'stock' application pre-prepared.[56] Where application periods for different Measures ran concurrently, groups which lacked the resources to produce more than one application at a time were forced to take a gamble, often on little information, as to which Measure represented their best chance of success. This led to frustration for the groups concerned.[57]

59. In view of the reported problems, we asked the European Commission whether it was really necessary for the forms to be so complicated. **Mr Beschel, the Head of Unit for the UK and Ireland in DG Regio, the co-ordinating Directorate-General of the Commission, asserted repeatedly that the Commission had no hand in the design of the forms**. He recognised the points which had been made by our other witnesses, **and rather unexpectedly confirmed that the Commission would be entirely happy if the application form were reduced to a two-page 'tick box' format**.[58]

60. When we drew Mr Beschel's comments to the attention of Minister of Finance Ian Pearson MP, we were told that **although Mr Beschel had claimed the Commission were not involved in any way with the design of the forms, its presence was felt strongly behind the scenes through a series of rules and regulations on the information required to be gathered through the application form for monitoring purposes.** The data required for measuring performance against the distinctiveness criteria (see paragraphs 64-70 below) ran to six pages alone. The Commission sit as observers on the Peace II Monitoring Committee and participate in the Monitoring Committee Working Group on the Distinctiveness Criteria. Therefore **the Northern Ireland authorities maintained that while in principle the Commission might accept a very simple two-page form, in practice its own audit requirements made this impossible for them to achieve**.[59]

Application online

61. Unlike PEACE I, applicants for PEACE II funding were requested to complete an application form online. While this was not compulsory, it was suggested to us by one group that organisations believed applying online would enhance their chances of

55 App 29

56 App 27

57 App 29

58 Q102

59 QQ225, 230

success.[60] The SEUPB confirmed that groups were "encouraged" to apply online and explained:

> "The online application process facilitates the detailed monitoring of the programme. Applications record their address, their community background and the communities targeted by their activities … the resulting database will offer the opportunity of monitoring the performance of the programme against a broad range of indicators."[61]

62. The practical difficulties of applying online prompted a volley of criticism. For some **it was simply unrealistic to expect individuals and small organisations from disadvantaged areas to have ready access to IT facilities or the skills to manipulate the online form**. Those who were not accustomed to working with computers found the process created a great deal of anxiety, both in terms of understanding what to do and in less concrete areas such as confidence in the security of their online application.[62] As the Workers' Educational Association pointed out, "Electronic communication is not the forte of the socially excluded".[63]

63. Even for those with a reasonable degree of technical skill the online form proved problematic. A survey by the Women's Support Network found that more than half of respondents had encountered difficulties which included problems accessing the website, attempts to download forms or information resulting in system crashes, and problems in saving data.[64] They also reported that text boxes at key points on the form could not be enlarged, restricting the amount of detail which organisations could provide in support of their application.

Distinctiveness

64. Given the widespread complaints about the length of the forms, it might seem paradoxical also to receive complaints about restrictions on answers to specific questions. Nonetheless, certain questions on the forms were more important, and more challenging, to the applicants and have prompted considerable debate.

65. All projects funded under the PEACE II programme are required to fulfil one or both of the programme's primary objectives, which are:

- Addressing the legacy of the conflict; and
- Taking the opportunities arising from peace.

These objectives have become known as the 'distinctiveness criteria'.

66. There was broad agreement in principle with this assertion of the programme's priorities, which it was believed safeguarded the programme's particular identity and

60 App 5

61 App 13

62 QQ23, 56

63 QQ23,25, App 5; App 31

64 App 30

focus.[65] But the issue became a practical problem when groups applying for funding found that they had to explain on the application forms *how* their projects would address the legacy of the conflict or take the opportunities arising from peace, and how they would measure and prove their success. Mr McAleavey of NICVA told us that it was difficult to define reconciliation, although "people will recognise it when they see it".[66] Ards LSP Ltd said that:

> "The main difficulty … would be in defining what the legacy of the conflict was for each borough area and then measuring progress towards reconciliation … It is not enough simply to make simple statistical measurements … since attitudinal change is much more important, more resistant to change and more difficult to measure, and it is attitudinal change (and consequent behaviour) we are seeking to address".[67]

67. A number of local strategy partnerships felt quite ambivalent about this aspect of the application forms because, it appeared, areas on community interfaces or on the border would find it easier than others to meet the distinctiveness criteria. While the needs of these areas were not disputed there was concern that their claims would take precedence over areas which were equally disadvantaged but in less visible—or less measurable—ways. The distinctiveness criteria were in this respect seen as restrictive and inflexible. Helen Honeyman of the Local Strategy Partnerships Working Group commented that:

> "… whereas in the interfaces it is quite easy … it is less easy if they are not living in particular areas, but there are still legacies of conflict. Everybody is suffering in some way, and there are opportunities, but they are different according to where you are."

For example, we were told of victims of violence who had moved away from areas in conflict and who needed support, but were reluctant to identify themselves openly as victims.[68]

68. While the European Commission accepted that it was not possible to develop specific quantified targets in connection with issues such as reconciliation between communities, the Commission's witness, Mr Beschel, was surprised that the distinctiveness criteria were seen as a limitation by the LSPs.[69] The answer seems to lie in the fact that the criteria, which were initially intended to be used only to determine whether projects were *eligible* for funding under the programme, were afterwards required by the Commission to be used for the *selection* of projects for funding.[70] It was at this point, where implementing bodies began to make judgements and to have to justify the choice of one project over another, that demonstrable success became so important.

69. Although guidance was provided to the implementing bodies on the evaluation of applications we were told that it was, of necessity, so general that it was not terribly helpful in areas other than those most visibly affected. What the local strategy partnerships sought instead was area specific guidance which enabled those with detailed knowledge of

65 Q1; Q94
66 Q2
67 App 19
68 Q72
69 Q94
70 App 7

individual communities to operate more flexibly in selecting the best projects to address local needs.[71]

70. **The SEUPB defended the use of the distinctiveness criteria in targeting funding by arguing that "the fact that one third of … rejected applications fall under distinctiveness criteria [was] … a positive sign" that targeting was working effectively.**[72] **But it is also an indicator of a great deal of wasted time and effort.** Possibly the approach advocated by the LSPs would have achieved equal effectiveness in targeting funding while avoiding these associated drawbacks.

Communication and co-ordination

71. A continuing thread through witnesses' descriptions of the application process is a sense of inconsistency and lack of clarity. Beyond the confusion engendered by the actual forms, we have heard repeated comments about the poor quality of information available for, and lack of support to, applicant groups. An issue of particular concern to some witnesses was the lack of clear and timely information about application deadlines. Each Measure within the programme opened as a separate competition for funding. As we have noted above, some of the deadlines for submission of applications were very short. We were told that in some cases groups were not fully advised about deadlines,[73] while in others groups missed some competitions altogether, having only heard of them through word-of-mouth after the closing date.[74]

72. Although some intermediary funding bodies (IFBs) and local strategy partnerships (LSPs) appear to have done a very good job in supporting groups, the picture of support is very patchy. We were told that during a meeting with Mark Durkan, then Minister for Finance, voluntary organisations were assured that if they had concerns about the online application form, "they would be given some help in terms of filling in draft paper copies and that the IFBs would then assist in terms of transferring that information". Yet, of a group of organisations tracked for 3 months during the application process, none received any help from the IFBs in filling out their applications.[75] Another witness reported that "visits or contact from Project Officers or other staff from IFBs has been inconsistent and in some cases very poor".[76]

73. It was, however, suggested to us that the difficulty in gaining support from the IFBs and LSPs was a product of general chaos in the system:

> "… information was not consistent, clear or always accurate. IFBs were unsure about the implementation of PEACE II themselves and this confusion transmitted itself to applicant groups."[77]

71 App 21; QQ65-67
72 Q187
73 App 27
74 App 5
75 QQ25, 27
76 App 27
77 App 5

In some respects, the IFBs and LSPs were struggling with exactly the same problems as the applicant groups. For example, Tom Rowley of Ards Local Strategy Partnership confessed:

> "I have had to organise something like ten training sessions because the application process seemed to be such a nightmare …how to get the money, the forms, which were online, how to do that, the thing crashes. What happens then? If the thing crashes do not ask me …"[78]

74. When we spoke to the Intermediary Funding Bodies they acknowledged that the application process had led to frustration in the voluntary and community sector. Dr Duncan Morrow of the Community Relations Council told us that the complexity of the application process, which was "three or four or may be even ten" times as complicated as a normal application round had created a "serious difficulty". The primary concern for the IFBs, which had perhaps affected the way they approached the process, had been to deal with the financial legacy of the gap:

> "…the core issue for the group was getting the money out on the ground and so we did not have the time to engage with each of the applicants in detail".[79]

The recurrent problem of capacity

75. In considering the reported difficulties with the application process, it is possible to point to a problem which was identified during PEACE I but not addressed. As we have described in paragraph 24 above, the evaluators of PEACE I highlighted the lack of capacity in the voluntary and community sector and stressed the need for adequate, and properly trained, support. It was in a sense a consequence of the success of the programme that capacity should continue to be a problem, as new groups continued to come forward for funding.

76. The SEUPB confirmed that a third of applications were rejected for funding, the majority on grounds of failing to meet the distinctiveness criteria.[80] A further 25% of applications failed for being generally of "poor quality".[81] NICVA, the Northern Ireland Council for Voluntary Action, made the reasonable point that if a quarter of applications were of "poor quality" it was necessary to look at what made them poor, and why.[82] **The opportunity to prepare the Local Strategy Partnerships and Intermediary Funding Bodies for their roles in the process was largely lost because they joined the programme at a fairly late stage in the 'gap'. As a consequence, the LSPs and IFBs had neither the resources nor the training to provide the full level and extent of support required by the voluntary and community sector, and had to cope as best they could.**

78 Q56
79 Q145
80 Q187
81 App 13
82 App 9

Addressing the problem

77. In the last few months progress has been made in tackling these problems. A valuable point which was made to us by a number of witnesses is that the newly emerging groups often came from the most disadvantaged communities, who were most in need of the support the programme can provide. Yet without support provided centrally, the complexity of the process meant that it was those groups with the resources either to submit a competent application themselves, or to hire a consultant to produce one on their behalf, who were most likely to succeed. Seamus McAleavey of NICVA told us:

> "…programmes like this are often hostage to good or bad applications. The best applications do not necessarily come from places where most work needs to be done … if the PEACE programme is not funding youth activity during the summer time at the interfaces there is something badly wrong".[83]

The Rural Development Council similarly related that:

> "We struggled with the intricacies of the application form, and it became a never-ending topic at the Monitoring Committee. Bureaucracy seemed to go wild, as more and more paperwork was required. It was reasonable to think, "Should we be more worried about the administration of the programme, or the effectiveness of the programme?" The answer is, of course, that we should be worried about both, but for many the former was overwhelming the latter."[84]

78. **All this leads us to conclude that the creation and dissemination of these forms was a shambles. As far as we have been able to ascertain, no one person or department took responsibility for the overall requirements being put upon the bodies seeking grants: but many organisations seem to have had a hand in adding to and complicating the application forms. Had one individual or organisation been given the responsibility for the quality and complexity of the operation it would inevitably have been simpler and clearer. We have already made clear our belief that this responsibility should rest ultimately with the Northern Ireland Minister of Finance. There has been considerable and welcome progress in sorting out these difficulties,[85] but much remains to be done. Although European requirements must be met, they must be met in a way which is not ultimately wasteful of the Programme's and community's resources.**

79. There remain significant problems. **In May 2003 the Special EU Programmes Body told us that the average time taken to process an application form was 79 working days (nearly four months). Given the complexity of the forms and "the need to ensure value-for-money", we were told that this was "not an inordinately long period of time".** We were assured that the pressure to increase efficiency was felt and being acted upon.[86] **However, once unsuccessful applications were excluded from the statistics, the overall average processing time rose to 93 days and on individual Measures frequently**

83 Q8
84 App 6
85 App 7
86 QQ190-193

exceeded 100 working days.[87] One Measure recorded an average processing time of 268 working days.[88] **In view of the current problems experienced by the PEACE II programme the SEUPB's stance on processing times seems extraordinarily complacent. More must be done across the board to reduce the processing times for applications, which are wholly unacceptable for many Measures. We expect to see that there has been a rapid improvement in the average processing times for all Measures when the Government responds formally to this Report, or a good reason for the continuing delays.**

80. We also heard some encouraging examples of best practice from the LSPs and IFBs. Many developed initiatives such as training sessions, roadshows, seminars and guidance notes in order to spread their support as widely as possible.[89] One body, EGSA (Educational Guidance Service for Adults), devised an 'expression of interest' form which groups could complete in about an hour. Project officers were able to use the data on this form to advise groups as to whether a formal application to a Measure was likely to be a worthwhile investment of time, and if not, to suggest other Measures or funding opportunities open to them.[90] Such examples indicate the wealth of energy and creativity available to the programme if it can only be allowed to operate to its full potential.

The role of the Local Strategy Partnerships

81. The Local Strategy Partnerships set up under PEACE II were created, in part, to tackle the issue of sustainability: to provide "a blueprint for the future" and develop integrated local strategies for developing communities.[91] Their ability to fulfil this function has been hampered, to date, by their other responsibilities to support and process applications for funding. Like other implementing bodies they are under considerable pressure to spend. Spending has consequently become the all-consuming priority. Speed of spend has become as, if not more, important in judging applications for funding than the effectiveness of the project in delivering the programme's objectives.[92] It was feared that communities would lose confidence in the partnerships' ability to deliver if funding was not allocated in an effective and strategic way.[93]

82. While some LSPs are attached to local councils, others are independent. The independent LSPs told us that they found it difficult to be taken seriously by other statutory bodies as their resources are very limited and they have no formal powers to ensure implementation of the strategy they developed. Without such powers, it was suggested that they are "seen as the second rate body" to district councils, which is not helpful.[94] The independent LSPs are also heavily dependent upon PEACE II technical assistance funding to cover their administrative costs.

87 For a list of Measures refer to Annex A. The statistics also exclude processing times for applications and projects in the Republic of Ireland. See Annex D and App 36

88 See Annex D

89 See for example Q149

90 QQ148, 151

91 Q48

92 App 26

93 Q64

94 Q62

83. Administration costs are strictly controlled within the budget for each LSP. The general guidelines are that for LSPs with a budget of £1 million or less, administration costs are capped at £300,000. For all LSPs with a budget in excess of £1 million, administration costs are capped at 15% of the total budget. The breakdown of LSPs in these categories is illustrated below:

Size of Budget	***£0 - £1 m***	***£1 - £2m***	***£2 - £3m***	***£3.3m +***
Number of LSPs	3	13	5	5

Data Source: Committee's own

This capping of administration costs is presenting difficulties for all LSPs in carrying out the range of their duties. The regulations present particular difficulties for the 13 LSPs with a budget between approximately £1 million and £2 million, as those LSPs with budgets greater than £2 million can benefit from economies of scale. Tony McMullan, of Ards Local Strategy Partnership told us of some of the difficulties the restraint caused for an independent LSP in this position:

> "…some LSPs which are assisted by district councils are actually run in district council offices, therefore getting rent-free accommodation, whereas we as an independent body do not. We have to pay our own rent … rates, our electricity and everything else … it is also a fact that a lot of government organisations can have economies of scale, given the huge operations they are doing. We as a small LSP have three staff and we are just about able to continue operating … any additional percentage over and above the 15% .. would considerably ease the pressures we are under".[95]

84. **The Minister assured us that the difficulties for Local Strategy Partnerships of functioning on a very low budget had been recognised. The £300,000 cap on administration for the partnerships with budgets of less than £1 million is a *de minimis* threshold which guarantees those LSPs £300,000 for running costs. This has the effect of raising the cap for the smallest organisations to 25%, which is "quite a significant allowance", and higher than is normal for programmes of this kind. He therefore believed that these small LSPs should be able to operate efficiently within the allowance provided.**[96] **This does not, however, resolve the problems raised by the partnerships with budgets of £1-2 million who under the standard 15% cap have an administrative costs limit significantly lower than their smallest fellow organisations, but are yet unable to benefit from economies of scale.**

95 Q77

96 QQ251-253

85. **The other issues raised by the LSPs—their lack of formal powers, and the conflict they have experienced between the pressure to spend and their role in developing integrated local strategies—could impact significantly on their effectiveness, and will also need to be addressed.**

Audit and accountability

86. Another aspect of the funding process which has caused both funders and recipients real difficulty is the requirement for organisations to account for their efficiency and expenditure. In raising this issue we should stress that the importance of accountability was universally understood and accepted. That being said, the audit requirements of PEACE II appear to us, and to the vast majority of those with whom we have discussed the subject, to be over-rigorous to the point where they have become detrimental to the programme's success.

Quality audits

87. Audits are not solely concerned with financial data but with the quality and effectiveness of the projects funded. It was reported to us that bodies have been required to answer detailed questions about the effectiveness of their activity. While this is in principle reasonable, we were told that the questions often seemed to miss the point of the project or to be more concerned with administrative exactitude than with the project's, and programme's, objectives. For example, we were told of one project which:

> "…was required to fill in an audit for what was done, which was working with children coming home from school. Nowhere on the form was it asking "Has those children's educational performance improved? Has their behaviour improved?" The only documentation to fill in every three months was, "As a result of these children being in the project how many extra hours' work are their parents able to do?" … There were no questions whatever about the children".[97]

Dr Duncan Morrow similarly commented that:

> "…the level of invoicing and audit that is required … is of an extremely precise nature… We have been audited on the meetings we held, the number of sandwiches we ordered and if it was legitimate in terms of the number of people that turned up and were eating…".[98]

Frequency

88. Frequency of audit is another pressing issue, and one which is complicated by the requirements of statutory and non-statutory funders. For the purpose of the PEACE programme, bodies are required to submit accounts separately to their Intermediary Funding Body (IFB) and may also be audited at different stages for the Structural Fund

97 Q19
98 Q145

from which the grant originated, by the SEUPB, by the European Commission and by the European Court of Auditors.[99]

89. We were given an example by the Community Relations Council, who said that in addition to reporting quarterly on expenditure and half-yearly on other aspects of progress to the Special EU Programmes Body, they had to complete separate reporting requirements for the Office of the First Minister and Deputy First Minister (OFMDFM) in their role as an IFB, and had to submit separate accounts to each body for European and UK financial year ends. The complications of managing both sets of requirements introduced a risk of producing misleading information.[100]

90. The European Commission required audit reports from funded bodies twice a year. These reports had to be examined and certified by an independent auditor. This, on top of the 100% verification provided by IFBs, was generally seen as "overkill".[101] It involved the bodies concerned in significant expenditure—in some cases, the cost of the independent audit was greater than the value of the grant being accounted for.[102]

91. **We have learned that instructions issued by the SEUPB to Implementing Bodies on 16 April 2003 have changed the audit procedures. Projects with an annual expenditure of less than £100,000 will no longer be required to produce 6-monthly audit certificates provided the Implementing Body is carrying out 100% verification (see below). An annual audit certificate/end of project certificate (final claim) will be required for all projects. The costs for completing audits will count as eligible expenditure. This is welcome news.**

Financial audit

92. All involved in the programme clearly appreciate the importance of transparency and accountability. But it is difficult to see how transparency can be increased by a multiplicity of accounting requirements which sometimes conflict with and sometimes duplicate each other.[103] For organisations which receive funding under more than one Measure or have additional, entirely separate, income streams a further difficulty is added with the need to apportion expenditure to different activities and keep a separate set of accounts, invoices and receipts for each one.

93. The Minister went so far as to describe the prospect of groups being audited by up to eight different bodies as "horrendous". [104] The matter is made more difficult in practical terms for the bodies on the ground by the absolute and rigid standards of accountability which are required of even the smallest and least experienced organisations.

99 QQ237-239
100 Q134
101 Q136
102 Q160
103 QQ136-137; Q162
104 Q237

100% verification

94. This difficulty was spelled out more fully by the intermediary funding bodies who told us that they are required to verify 100% of project expenditure submitted to them. Dr Duncan Morrow of the Community Relations Council told us that:

> "We only receive what we fund and then audit for. If we pay out on a bill which is not receipted, as an organisation we have to take the cost of that because we can only claim back from SEUPB that which we can receipt … We do not have much choice in this regard… On any given invoice we may refuse to pay cheques ranging in value from £5 for a travel claim which we cannot support to £500 or £1,000, technically it is inexhaustible."[105]

95. **While we understand and appreciate the emphasis on good governance, the rigidity of 100% verification undoubtedly causes difficulties. Most of the bodies governed by the Commission Regulations, which apply to all structural funding programmes, will be large and complex organisations, such as government departments, with well-developed accounting systems. Only a small minority of the bodies involved in PEACE II meet this pattern**: the Community Relations Council told us that none of the groups funded under their scheme had received grants greater than £25,000 over three years.[106] **For bodies operating on small grants, in particular, the stringent demands of 100% verification mean that a disproportionate amount of time and money has to be spent on accounting and is consequently lost to the projects for which they are funded.**[107]

96. **We agree that an effective strategy for the long term would be to build bookkeeping capacity within the small organisations. This would help groups meet the requirements for accountability and provide them with skills which would help them to secure sustainable funding once the PEACE programme ended. Additional financial support will be needed to put such a strategy into practice. This might be provided through an extension of Technical Assistance.**[108]

Regulation 438/2001

97. One of the regulations involved is European Commission regulation 438/2001, which sets out how funded bodies will provide the Commission with proof of their actions. We were told that it includes "pre-inspection requirements, pre-payment requirements, post-payment requirements and … management systems inspections".[109]

98. The Special EU Programmes Body, while emphasising the importance of good governance, were frank in describing this regulation as "onerous" and imposing "a very difficult discipline" on all involved.[110] The Department of Finance and Personnel told us that the regulation arose from the Commission's own need to account for its actions to the

105 QQ142, 157
106 Q159
107 Q163
108 Q165
109 Q209
110 Q206

European Parliament: following criticism of the management of PEACE I by the Court of Auditors, it was suggested, a spirit of caution and self-protection prevailed.[111] This was confirmed by the Commission's representative, Mr Manfred Beschel, although he attributed responsibility for the tightness of the controls to the SEUPB, rather than the Commission:

> "[the] Court of Auditors on PEACE I … were very critical on the administrative and management elements of it … It is conceivable that the responsible management authority knows about these reports ... and they were perhaps overly concerned to tighten the rules in such a way that every little angle would be covered so that they would not be exposed to criticism of spending European money loosely."[112]

99. In an effort to untangle the complexities of the audit requirements we wrote to the European Commission again. In his written reply, Mr Beschel told us that in keeping with the principle of subsidiarity the audit requirements for PEACE II had been modelled upon the audit requirements already in use in the UK for other forms of public expenditure.[113]

100. We put this claim to the Minister, who rejected it. As other participants in the process had told us, the repeated audits required under the programme are in excess of those which the UK Government would normally require, and the Government is sufficiently concerned about the burden on the participants to have lobbied the Commission for them to be reduced.

101. The primary difficulty perceived by the Government was the Commission's reluctance to accept for its own purpose audits carried out for other bodies, even when those audits were fully in accordance with national law and met the standards required by Member States' governments. **The Minister appeared sceptical that the problem of multiple audits could be solved, unless the Commission could find a means to greater flexibility in its requirements.[114] He and the officials of the Northern Ireland Department of Finance and Personnel, with the backing of Government at Westminster, must continue to press this point at the highest level.**

N+2

102. The most significant practical problem for the PEACE II programme to date arises from another recent Council Regulation, 1260/1999, which is generally known as the 'N+2' rule. Once a Structural Funds programme has been agreed, money is committed in stages: so, for example, a four year programme might see 25% of the funding issued in each year. The N+2 rule requires that money committed to a Structural Funds programme must be spent within the two years following commitment. If it is not, the money is 'decommitted': that is, an equivalent sum is deducted from the overall programme entitlement and is therefore lost. The first portion of PEACE II money was committed to the programme in 2001 and the first deadline, therefore, is 31 December 2003.

111 Q225
112 Q129
113 App 35
114 QQ237-238

103. By 31 December 2003, therefore, the PEACE II programme in Northern Ireland has to have achieved expenditure of €180 million (£128.57 million).[115] Because of the delays in starting the programme, this has proved to be a significant challenge. When we spoke to the Minister on 21 May 2003, he confirmed that 50% of this sum remained to be spent in the last seven months. €90 million (£64.29 million)[116] was at risk of being lost to the programme if the deadline was not met.[117]

104. All involved in the programme were quite clear that saving this money for the programme was their over-riding concern. To lose it would be "a real tragedy" in terms of the needs which groups are working to address.[118] But while participants were working very hard to achieve the target, the technicalities were formidable.

How spending works

105. The N+2 rule is made more challenging by the way in which 'spending' works under the rules for Structural Funding. This is set out in the diagram at Annex C.

106. If a project is successful in having its application for funding accepted by an implementing body—a government department, an IFB or LSP—it receives a letter of offer. On acceptance of a letter of offer, the project receives an advance in the form of a percentage of its first year's budget. From then on the project starts to spend. But for the project's expenditure to be considered as expenditure formally under the N+2 rule by the European Commission, "appropriate evidence" that the expenditure has taken place and is in keeping with the programme has to be provided.[119]

107. The "appropriate evidence" is provided through a chain of audit. The project, as previously described, has to provide evidence of 100% of its expenditure to the implementing body with its claims. The government department, IFB or LSP has to verify the claims for the Managing Authority, the SEUPB. The SEUPB will then check the verified claims, and forward correctly completed verified claims to the Central Payment Unit, which then issues payment against these claims to the project. This verified spend forms the basis for the preparation of a certified expenditure claim for submission to the Commission. Certified expenditure claims are made in arrears and may be submitted up to three times per year.

108. The SEUPB is responsible for preparing certified expenditure claims on behalf of the Paying Authorities (the Department of Finance and Personnel and the Department for Employment and Learning). Certifying expenditure is largely a paper based process involving the collection of written assurances that verified expenditure has been spent correctly. As part of this process, the Implementing Bodies provide these assurances to the SEUPB, and the SEUPB provides these assurances to the Commission. Only certified expenditure is formally 'spent' for the purpose of N+2 and at present the certification

115 At the current SEUPB exchange rate of £1: €1.4. The rate has recently been changed from the earlier standard rate of £1: €55 because of the increased strength of the euro against the pound

116 At the current SEUPB exchange rate of £1: €1.4

117 Q241

118 Q28

119 Q108

process is taking between four and six weeks to complete. Advances are normally offset against the final payment claim at the end of the project (for exceptions, see paragraph 115 below).

109. As can be imagined, this labyrinthine process of 'spending' is lengthy. We have noted previously (see paragraph 79 above) that applications for funding may take up to four months to be processed. Once the letter of offer is issued, projects normally submit claims for expenditure to the IFB every three months. The length of time an IFB will take to verify the claim will depend in great part upon its accuracy and the sufficiency of the evidence provided for expenditure.[120] If there are errors or deficiencies the claim may be delayed by several months before it can be transmitted to the SEUPB where it is checked for accuracy and forwarded to the Central Payments Unit for payment to the project.

110. In addition to the time taken to reach this stage in the spending process, the formal certification process takes approximately 4-6 weeks. In total, six months or more may pass between a project actually spending the money, and the SEUPB being in a position to certify the expenditure to the Commission and claim it as 'spent' for the purposes of N+2.

111. We were told that the SEUPB were aware of the potential problem with N+2 as early as April 2002. The Body then began to work on an Action Plan to ensure the target was met. This plan was in place by September 2002 and we have been assured that progress is continually monitored through both the Community Support Framework and PEACE II Monitoring Committees.

How much has been spent?

112. The Minister told us that the rate of verified expenditure for Northern Ireland and the Republic of Ireland has now reached €2 million per week. Figures we received subsequently from the Department of Finance and Personnel confirmed that the rate of verified expenditure for Northern Ireland alone is approximately €1.6 million per week.

PEACE II – EXPENDITURE FIGURES AT 5 JUNE 2003

(all figures in millions – totals may not add due to rounding)

	NI (Sterling) m	NI (Euro at 1:1.4)	Ireland (Euro)	Total (Euro)
Verified Expenditure	25.4	35.6	18.4	53.9
Unverified Expenditure	8.9	12.5	0.2	12.7
Advances	12.2	17.1	4.3	21.4
TOTAL	46.5	65.1	22.9	88.0

Data Source: DFP, 11 June 2003

113. Verified expenditure is money spent and claimed in arrears by projects and then paid out by the Central Payments Unit (CPU). This is eligible expenditure for claiming from Brussels to meet N+2.

120 Q157

114. There is an additional €12.5 million of unverified expenditure in Northern Ireland. Unverified expenditure is money spent and claimed in arrears by projects, but still in the process of being verified by the Implementing Bodies or being processed by the Central Payments Unit. The CPU's target turnaround time for claims is 10 days. Its current average is about 3 days. Thus the current high level of unverified expenditure would appear to suggest that expenditure rates are increasing; however, this could just be representative of a particularly high number of claims in the current period, and cannot be taken as the future average.

115. Advances in Northern Ireland currently stand at €17.5 million. Advances are paid out before the project has spent the money. A recent Commission Decision should permit the bulk of advances to be claimed and therefore to count towards N+2. The Commission decision states that advance payments can be treated as eligible expenditure where the binding decision on grant aid to individual recipients was taken by 19 February 2003 or where the call for proposals had closed by 19 February. The SEUPB will be taking this new policy forward as quickly as possible and submitting details to the Paying Authorities who in turn will submit payment applications to Brussels.

How much will be spent by 31 December 2003?

116. The total of verified expenditure, unverified expenditure and advances is €65 million at 5 June 2003. While it cannot be guaranteed, it is reasonable to assume that the whole of this sum will have been claimed and will count towards the N+2 target of €180 million expenditure in Northern Ireland by 31 December 2003.

117. When this sum is subtracted from the target of €180 million, the sum currently left to be spent is €115 million. If verified expenditure continues at the current rate of €1.6 million per week from 5 June 2003, and allowing for the 4-6 weeks processing time currently needed for verified expenditure to be claimed for the purposes of N+2, the further expenditure likely to be achieved in Northern Ireland by the N+2 deadline is €36.8 million.

118. **In spite of improvements in the rate of verified expenditure, there is no room for complacency. Unless the rate of verified expenditure increases swiftly, the N+2 target for Northern Ireland may be missed by as much as €78.2 million (£55.8 million[121]). This would be disastrous, particularly for those the money was designed to help: those in the most disadvantaged areas, and those who have suffered most from the conflict. It would be a betrayal of the ideals which led to the creation of the programme.**

Increasing spend

119. The first priority for effecting an increase in spend must be to continue to tighten up the administrative procedures. The changes to the application forms will play a part in this, and the IFBs we spoke to suggested that the process of audit and verification would become more efficient as groups acclimatised to the "invoicing culture" of the PEACE II programme.[122] We have commented previously on the need to improve the processing

121 The conversion to pounds sterling is calculated at the current SEUPB exchange rate of £1:€1.4
122 Q158

times for applications (see paragraph 79 above). The Minister told us that the North/South Ministerial Council in March had approved an increase in resources for SEUPB, which is very welcome if it will help increase the efficiency of the administration there.[123] Yet the voluntary and community sector, and other parts of the delivery chain, voiced concerns that the pressure to spend compromised their ability to deliver the programme's objectives in the way required:

> "The critical thing …is a question of whether the 30% target of vouched expenditure can be met by December. That raises issues of due diligence and probity in terms of ensuring that the money is spent, is spent correctly and properly accounted for, whilst on the other hand facing the dilemma if the money is not vouched, of losing that money".[124]

120. **We have heard repeated concerns that money will be apportioned to projects which can guarantee fast expenditure, rather than to projects which may be more effective in addressing need, but will take longer to establish. We have also heard frustration voiced that projects have been turned away by some Measures because they were over-subscribed, while other Measures—particularly certain Measures run by the Departments of Agriculture and Rural Development (DARD), Culture, Arts and Leisure (DCAL) and Enterprise, Trade and Investment (DETI)—have yet to spend at all**.[125]

121. The Minister, who is also the Minister for Agriculture, explained to us that the reason for the serious delays in opening measures at DARD was a consequence of the foot-and-mouth disease outbreak in Northern Ireland in 2001. He said that a number of staff, including those working on the PEACE II Measures, had been diverted to the management of the outbreak, and it had also been difficult to implement a national rural tourism initiative at that time. He reported that the delayed Measure at DETI would be spending "very soon indeed".[126] **The SEUPB assured us that it was reallocating funds between Measures where this was possible, and that pressure was being put on Executive departments to increase their rate of activity.**[127] **This pressure must be maintained, and the individual departments made accountable for their progress**.

122. Given the way spending works for the purposes of N+2, it seems inevitable that more radical options for achieving expenditure will also have to be found in the next few months. The Minister, and officials from the Department of Finance and Personnel, explained that they were preparing to argue that a significant proportion of the funds 'at risk' should not be subject to the current deadline, because for technical reasons that sum was unavailable for expenditure at that time.[128]

123. The Commission's representative, Mr Beschel, while insisting that the N+2 rule must be complied with, was sympathetic. He told us that Commission officials were in

123 Q260
124 Q42
125 QQ201-202. A full list of Measures is provided at Annex A
126 Q256
127 Q203
128 Q264

"continuous contact" with the Northern Ireland authorities and were endeavouring to suggest ways in which spending could be achieved within the deadline:

> "… if they use certain mechanisms in the delivery, they will have a positive impact on their performance … The normal way … is to have individual projects come in, pay for them and each of the projects is eligible expenditure. This can be very cumbersome … What might be a better way is to create a fund which would support [the priority] via various financial engineering techniques and under the Commission rules the money which is put into that fund would qualify as eligible expenditure and would count under N+2."[129]

The Minister must discuss with Mr Beschel his suggestions for ways to meet the N+2 target as a matter of urgency.

124. **As Mr Beschel said, "It is early enough in the year to be hopeful" that the SEUPB Action Plan will be fulfilled and the N+2 expenditure target will be met.**[130] **But there is very little margin for error and the stakes are very high. If the target is to be achieved constant vigilance, constant improvement and a certain degree of ingenuity will be required. We shall watch what happens**.

Europe and subsidiarity

125. We believe that it is important to look specifically at Europe's role within the situation. Without the European Union, and the Commission's support, the PEACE programme would not have happened and Northern Ireland would not have made the progress at community level that it has done. We have seen for ourselves the good will manifested in the programme through the projects we visited, and through talking to non-governmental organisations and officials.

126. Yet it has to be said that **there are different aspects to the European operation which have caused complications for the programme. Generosity and accountability are currently pulling in different directions. This was illustrated for us graphically through the arguments over the length of the application form, the change in use of the distinctiveness criteria (described in paragraph 68 above), and the insistence on particular audit procedures. All of these issues can be justified in terms of accountability to parliament and to the public. But none of them make any sense in terms of realising the vision which the European Union, in agreeing the programme in 1994, and again in 1999, originally expressed.**

127. To some extent we believe that these difficulties can be eased by an increase in communication at the European level. One of the issues which puzzled us in our inquiry was the fact that both the SEUPB and the Commission claimed to have been "alerting" the other to the N+2 problem during 2002.[131] We were subsequently told that staff support within the Commission, in total less than two posts (whole time equivalent), was divided

129 Q117

130 Q115

131 QQ113, 115, 178; Appendix 4

between "various regional desks" of three directorates-general.[132] This makes the idea that individual conversations took place without central co-ordination rather plausible, particularly given that these officials, like the SEUPB, would be under considerable pressure of work.

128. The other aspect is the tightness of the controls which are imposed through European regulation. The extent of this problem was obscured for us by the Commission's repeated assertions that it had nothing to do with the operation and administration of the programme, in respect of which it was simply an observer. This was the way it should be, Mr Beschel argued, because of subsidiarity.[133]

129. **Subsidiarity,** however, **is hampered by the inflexibility of the European audit and monitoring requirements. These leave the Northern Ireland authorities with very little freedom of choice in making management decisions which impact fundamentally on the way the programme is rolled out to disadvantaged communities**.

130. While the Commission may have nothing to do with it, tight control is still exerted at the European level. The reality of the situation was finally explained in a response from Mr Beschel on N+2. He told us that the regulation was created by the European Council and the Commission had to implement it; only the Council had the power to seek changes through the European Parliament. The Commission's hands were tied.[134]

131. **Greater flexibility is needed to allow the programme's objectives to be met. Many of the day-to-day problems which have dogged PEACE II have arisen as a consequence of the difficulty in creating a programme which provides a radical, customised, 'bottom-up' solution to Northern Ireland's specific problems and which is simultaneously a 'top-down' structural funds programme like any other for the purposes of European monitoring and administration. One aspect has been grafted on to the other and it is not a perfect fit. We pay tribute to the determination evinced by Government, the Special EU Programmes Body and the Implementing Bodies to make the system work in spite of its complexity. It would, however, be helpful if the European Council would recognise the special difficulties attached to the implementation of this radical scheme through its unique and diffuse partnership structure. We welcome the steps taken by the Council and all the partners in the programme in recent months to improve its procedures, but we urge the Council to continue to review its requirements and to consider whether the current procedures, which are still very burdensome, can be further simplified and made more effective.**

Transparency

132. As a separate point, **we note that the Programme Monitoring Committee—which is responsible for overseeing the work of the SEUPB and approving its Annual Report—is chaired by the SEUPB's Chief Executive. While we have not heard any comments, either positive or negative, about this arrangement it seems to us that it**

132 App 35
133 Q79
134 QQ108-109

could be perceived as lacking transparency. The Government should reflect on this point, and explore whether a different arrangement might be made.

5 Beyond PEACE II

Sustainability

133. PEACE II will end in 2005-06. Beyond that date the future for the projects funded under the programme is unclear. We can make no assumptions about the possibility of further aid from Europe. But if European funding ends and alternative income streams are not available, many projects will cease to exist.

134. In some cases, these projects will have reached a natural conclusion. Others may still have considerable value for the long and slow process of building community capacity, confidence and trust.

135. We have referred earlier to the comments made by the voluntary and community sector on the disappearance of other statutory and non-statutory funding streams during PEACE I. We have also traced the effects upon the sector of the break in funding caused by the gap between PEACE I and PEACE II. **As the end of PEACE II approaches, the dependence of projects upon PEACE money will become an increasingly pressing issue for the voluntary and community sector**.

136. Many in the sector have expressed their concerns to us about long-term sustainability. They have argued that the reconciliation work begun through the PEACE programme is not yet so firmly established that people will not "retreat to their individual homes" without it.[135] We have been warned that it is naïve to think that projects working with the most disadvantaged in society will ever be wholly self-supporting. Without some form of reliable mainstream support the infrastructure of the community sector is vulnerable to further collapse;[136] and without that infrastructure in place there will be little chance of new projects being initiated to continue this important work.

137. There are further arguments, too, to suggest that mainstream funding in certain cases would add value to projects rather than merely helping them survive. Voluntary and community organisations which depend upon short-term income streams can find themselves locked into a cycle of short-term planning and constant reinvention, in order to access grants provided solely for innovation. Stability for successful projects means the opportunity to unlock more resources to extend proven initiatives. This in turn could be crucial to the process of stabilising communities and taking the opportunities arising from peace.

138. **We understand the reasons why the Minister felt unable to give any firm commitment about financial support for the PEACE projects in the longer term. Indeed, we share his hope that Ministers of a future devolved government will play a**

135 App 31

136 Q34

large part in making the crucial decisions.[137] **But planning for the end of PEACE II must start now.**

139. **As our witnesses have reminded us, peace is a process, rather than a product which can be delivered to a formula. There will still be a need for community building, and community-level reconciliation and healing, in five and ten years' time. They will only be achieved through a period of stability. Work must therefore begin on the identification and evaluation of the different options for supporting projects beyond PEACE II, where their work is not complete. A strategy for managing the transition out of PEACE II is vital, if the previous problems experienced during the PEACE I/PEACE II gap are to be avoided. The earlier this work starts, the easier it will be to make the necessary decisions at the appropriate time**.

140. **PEACE I and PEACE II constitute a daring and creative response by the European Union to the peace process in Northern Ireland. The practical support provided by the programme, and its success in delivering support to the most disadvantaged in the region, are wholeheartedly to be welcomed. We believe that it is not overstating the case to say that the PEACE programme, in total, represents the best opportunity for building trust and community-level reconciliation that Northern Ireland has yet seen. We are grateful for it.**

137 Q274

Conclusions and recommendations

1. It is important to emphasise from the beginning of this report how important the PEACE programme has been, and continues to be, to the peace process in Northern Ireland. Its funding of community groups and initiatives in some of the most disadvantaged areas, and with those who have suffered deeply through the conflict, has ensured that reconciliation is not an abstract ideal for those who need it most. The allocation of money directly to those engaged in building up communities has provided an amazingly diverse range of opportunities for practical work which is directly relevant to local needs. These opportunities continue to be vital to the long and difficult work of establishing trust after decades of fear and suspicion. (Paragraph 4)

2. In spite of the experience of problems faced during the introduction of PEACE I, and the experience at the European level of delays in implementing new programmes concurrently with PEACE II, the length of time required to introduce PEACE II was severely underestimated. As a consequence, action to deal with the practical implications of a break in funding for the organisations implementing the programme was delayed. The result was a crisis in the voluntary and community sector:

- The interim support provided by the Northern Ireland Executive was valuable, but was neither sufficient nor timely enough to prevent the sudden and painful decline in the voluntary and community sector. Funding was tightly restricted in quantity and duration, increasing competition, forcing organisations into a short-term, rather than long-term cycle of planning, and inhibiting mutual support in the voluntary and community sector;

- The 'hand to mouth' existence of many community organisations made them particularly vulnerable to short-term lapses in financial support; and

- The lack of alternative sources of funding made the delays more critical in terms of the survival of many groups and organisations. (Paragraph 46)

3. The problems of the gap, the long delays in getting the different parts of the implementation chain into place and functioning, and the opportunities to equip the implementation bodies for their role in the process which were consequently lost, all point to a lack of clear direction and leadership, a lack of urgency, at critical points in the process. In spite of the inclusive nature of the programme, we believe that it falls to the relevant Minister to provide that leadership and direction and to take ultimate responsibility for the delivery of the programme in Northern Ireland. (Paragraph 51)

4. We recognise fully that the repeated suspensions of devolution in Northern Ireland have contributed to the uneven progress of the programme. They have made effective leadership more difficult than it might have been. Nonetheless we believe that such leadership is crucial to the programme's successful implementation. The programme needs a champion who will work with all the stakeholders, including the

European Commission and Council, to realise the programme's goals, and ensure that a sense of urgency about achieving those goals is maintained. (Paragraph 52)

5. We call on the Minister of Finance to take urgent personal managerial charge of the programme and to ensure that everyone plays their part in delivering it effectively, until it is handed back to the restored Assembly. The Minister would be assisted in this task if he were to meet representatives of the voluntary and community sector in person on a regular basis. (Paragraph 53)

6. Mr Beschel, the Head of Unit for the UK and Ireland in DG Regio, the co-ordinating Directorate-General of the Commission, asserted repeatedly that the Commission had no hand in the design of the forms … and rather unexpectedly confirmed that the Commission would be entirely happy if the application form were reduced to a two-page 'tick box' format. Although Mr Beschel had claimed the Commission were not involved in any way with the design of the forms, its presence was felt strongly behind the scenes through a series of rules and regulations on the information required to be gathered through the application form for monitoring purposes …the Northern Ireland authorities maintained that while in principle the Commission might accept a very simple two-page form, in practice its own audit requirements made this impossible for them to achieve (Paragraphs 59 and 60)

7. It was simply unrealistic to expect individuals and small organisations from disadvantaged areas to have ready access to IT facilities or the skills to manipulate the online form (Paragraph 62)

8. The SEUPB defended the use of the distinctiveness criteria in targeting funding by arguing that "the fact that one third of ... rejected applications fall under distinctiveness criteria [was] … a positive sign" that targeting was working effectively. But it is also an indicator of a great deal of wasted time and effort. (Paragraph 70)

9. The opportunity to prepare the Local Strategy Partnerships and Intermediary Funding Bodies for their roles in the process was largely lost because they joined the programme at a fairly late stage in the 'gap'. As a consequence, the LSPs and IFBs had neither the resources nor the training to provide the full level and extent of support required by the voluntary and community sector, and had to cope as best they could. (Paragraph 76)

10. All this leads us to conclude that the creation and dissemination of these forms was a shambles. As far as we have been able to ascertain, no one person or department took responsibility for the overall requirements being put upon the bodies seeking grants: but many organisations seem to have had a hand in adding to and complicating the application forms. Had one individual or organisation been given the responsibility for the quality and complexity of the operation it would inevitably have been simpler and clearer. We have already made clear our belief that this responsibility should rest ultimately with the Northern Ireland Minister of Finance. There has been considerable and welcome progress in sorting out these difficulties, but much remains to be done. Although European requirements must be met, they must be met in a way which is not ultimately wasteful of the Programme's and community's resources. (Paragraph 78)

11. In May 2003 the Special EU Programmes Body told us that the average time taken to process an application form was 79 working days (nearly four months). Given the complexity of the forms and "the need to ensure value-for-money", we were told that this was "not an inordinately long period of time". However, once unsuccessful applications were excluded from the statistics, the overall average processing time rose to 93 days and on individual Measures frequently exceeded 100 working days. In view of the current problems experienced by the PEACE II programme the SEUPB's stance on processing times seems extraordinarily complacent. More must be done across the board to reduce the processing times for applications, which are wholly unacceptable for many Measures. We expect to see that there has been a rapid improvement in the average processing times for all Measures when the Government responds formally to this Report, or a good reason for the continuing delays. (Paragraph 79)

12. The Minister assured us that the difficulties for Local Strategy Partnerships of functioning on a very low budget had been recognised. The £300,000 cap on administration for the partnerships with budgets of less than £1 million is a de minimis threshold which guarantees those LSPs £300,000 for running costs. This has the effect of raising the cap for the smallest organisations to 25%, which is "quite a significant allowance", and higher than is normal for programmes of this kind. He therefore believed that these small LSPs should be able to operate efficiently within the allowance provided. This does not, however, resolve the problems raised by the partnerships with budgets of £1-2 million who under the standard 15% cap have an administrative costs limit significantly lower than their smallest fellow organisations, but are yet unable to benefit from economies of scale. (Paragraph 84)

13. The other issues raised by the LSPs—their lack of formal powers, and the conflict they have experienced between the pressure to spend and their role in developing integrated local strategies—could impact significantly on their effectiveness, and will also need to be addressed. (Paragraph 85)

14. We have learned that instructions issued by the SEUPB to Implementing Bodies on 16 April 2003 have changed the audit procedures. Projects with an annual expenditure of less than £100,000 will no longer be required to produce 6-monthly audit certificates provided the Implementing Body is carrying out 100% verification. An annual audit certificate/end of project certificate (final claim) will be required for all projects. The costs for completing audits will count as eligible expenditure. This is welcome news. (Paragraph 91)

15. While we understand and appreciate the emphasis on good governance, the rigidity of 100% verification undoubtedly causes difficulties. Most of the bodies governed by the Commission Regulations, which apply to all structural funding programmes, will be large and complex organisations, such as government departments, with well-developed accounting systems. Only a small minority of the bodies involved in PEACE II meet this pattern … for bodies operating on small grants, in particular, the stringent demands of 100% verification mean that a disproportionate amount of time and money has to be spent on accounting and is consequently lost to the projects for which they are funded. (Paragraph 95)

16. We agree that an effective strategy for the long term would be to build bookkeeping capacity within the small organisations. This would help groups meet the requirements for accountability and provide them with skills which would help them to secure sustainable funding once the PEACE programme ended. Additional financial support will be needed to put such a strategy into practice. This might be provided through an extension of Technical Assistance. (Paragraph 96)

17. The Minister appeared sceptical that the problem of multiple audits could be solved, unless the Commission could find a means to greater flexibility in its requirements. He and the officials of the Northern Ireland Department of Finance and Personnel, with the backing of Government at Westminster, must continue to press this point at the highest level. (Paragraph 101)

18. In spite of improvements in the rate of verified expenditure, there is no room for complacency. Unless the rate of verified expenditure increases swiftly, the N+2 target for Northern Ireland may be missed by as much as €78.2 million (£55.8 million). This would be disastrous, particularly for those the money was designed to help: those in the most disadvantaged areas, and those who have suffered most from the conflict. It would be a betrayal of the ideals which led to the creation of the programme. (Paragraph 118)

19. We have heard repeated concerns that money will be apportioned to projects which can guarantee fast expenditure, rather than to projects which may be more effective in addressing need, but will take longer to establish. We have also heard frustration voiced that projects have been turned away by some Measures because they were over-subscribed, while other Measures—particularly certain Measures run by the Departments of Agriculture and Rural Development (DARD), Culture, Arts and Leisure (DCAL) and Enterprise, Trade and Investment (DETI)—have yet to spend at all (Paragraph 120)

20. The SEUPB assured us that it was reallocating funds between Measures where this was possible, and that pressure was being put on Executive departments to increase their rate of activity. This pressure must be maintained, and the individual departments made accountable for their progress (Paragraph 121)

21. The Minister must discuss with Mr Beschel his suggestions for ways to meet the N+2 target as a matter of urgency (Paragraph 123)

22. As Mr Beschel said, "It is early enough in the year to be hopeful" that the SEUPB Action Plan will be fulfilled and the N+2 expenditure target will be met. But there is very little margin for error and the stakes are very high. If the target is to be achieved constant vigilance, constant improvement and a certain degree of ingenuity will be required. We shall watch what happens (Paragraph 124)

23. There are different aspects to the European operation which have caused complications for the programme. Generosity and accountability are currently pulling in different directions. This was illustrated for us graphically through the

arguments over the length of the application form, the change in use of the distinctiveness criteria, and the insistence on particular audit procedures. All of these issues can be justified in terms of accountability to parliament and to the public. But none of them make any sense in terms of realising the vision which the European Union, in agreeing the programme in 1994, and again in 1999, originally expressed. (Paragraph 126)

24. Subsidiarity is hampered by the inflexibility of the European audit and monitoring requirements. These leave the Northern Ireland authorities with very little freedom of choice in making management decisions which impact fundamentally on the way the programme is rolled out to disadvantaged communities. (Paragraph 129)

25. Greater flexibility is needed to allow the programme's objectives to be met. Many of the day-to-day problems which have dogged PEACE II have arisen as a consequence of the difficulty in creating a programme which provides a radical, customised, 'bottom-up' solution to Northern Ireland's specific problems and which is simultaneously a 'top-down' structural funds programme like any other for the purposes of European monitoring and administration. One aspect has been grafted on to the other and it is not a perfect fit. We pay tribute to the determination evinced by Government, the Special EU Programmes Body and the Implementing Bodies to make the system work in spite of its complexity. It would, however, be helpful if the European Council would recognise the special difficulties attached to the implementation of this radical scheme through its unique and diffuse partnership structure. We welcome the steps taken by the Council and all the partners in the programme in recent months to improve its procedures, but we urge the Council to continue to review its requirements and to consider whether the current procedures, which are still very burdensome, can be further simplified and made more effective. (Paragraph 131)

26. We note that the Programme Monitoring Committee—which is responsible for overseeing the work of the SEUPB and approving its Annual Report—is chaired by the SEUPB's Chief Executive. While we have not heard any comments, either positive or negative, about this arrangement it seems to us that it could be perceived as lacking transparency. The Government should reflect on this point, and explore whether a different arrangement might be made. (Paragraph 132)

27. As the end of PEACE II approaches, the dependence of projects upon PEACE money will become an increasingly pressing issue for the voluntary and community sector. (Paragraph 135)

28. We understand the reasons why the Minister felt unable to give any firm commitment about financial support for the PEACE projects in the longer term. Indeed, we share his hope that Ministers of a future devolved government will play a large part in making the crucial decisions. But planning for the end of PEACE II must start now. (Paragraph 138)

29. As our witnesses have reminded us, peace is a process, rather than a product which can be delivered to a formula. There will still be a need for community building, and community-level reconciliation and healing, in five and ten years' time. They will only be achieved through a period of stability. Work must therefore begin on the identification and evaluation of the different options for supporting projects beyond PEACE II, where their work is not complete. A strategy for managing the transition out of PEACE II is vital, if the previous problems experienced during the PEACE I/PEACE II gap are to be avoided. The earlier this work starts, the easier it will be to make the necessary decisions at the appropriate time (Paragraph 139)

30. PEACE I and PEACE II constitute a daring and creative response by the European Union to the peace process in Northern Ireland. The practical support provided by the programme, and its success in delivering support to the most disadvantaged in the region, are wholeheartedly to be welcomed. We believe that it is not overstating the case to say that the PEACE programme, in total, represents the best opportunity for building trust and community-level reconciliation that Northern Ireland has yet seen. We are grateful for it. (Paragraph 140)

Annexes

Annex A: List of Measures

Structural Fund	Priority 1 Economic Renewal Measure and Sub-Measure		Implementing Body
ERDF	1(a)	Business Competitiveness and Development – Economic Revitalisation	**DETI**
ERDF	1(b)	Business Competitiveness and Development – Trade Development	**LEDU/Invest N.I.**
ERDF	1(c)	Business Competitiveness and Development – Financial Engineering	**DRD**
ERDF	1(d)	Business Competitiveness and Development	**DRD**
ERDF	1(e)	Business Competitiveness and Development (Border Region)	**RoI Body**
ERDF	2(a)	Sustainable Tourism Development based on Cultural Resources	**DCAL**
ERDF	2(b)	Sustainable Tourism Development based on Natural Resources	**DARD**
ESF	3	New Skills and Opportunities	**PROTEUS/ EGSA**
ESF	4	Promoting Entrepreneurship	**LEDU**
ESF	5	Positive Action for Women	**TWN/ Playboard**
EAGGF	6	Training for Farmers	**DARD**
EAGGF	7(a)	Diversification of Agriculture and Activities close to Agriculture to provide Multiple Activities or Alternative Incomes: Obtaining Alternative Employment	**DARD**
EAGGF	7(b)	Diversification of Agriculture and Activities close to Agriculture to provide Multiple Activities or Alternative Incomes: Part-time Employment	**RDC**
ERDF	8(a)	Technology Support for the Knowledge-based Economy– Innovative Technology Networking	**IRTU**
ERDF	8(b)	Technology Support for the Knowledge Based Economy– Information Age	**DETI**
EAGGF	9	Investment in Agriculture Holdings	**DARD**
EAGGF	10(a)	Basic Services in the Rural Economy and Population	**RDC**
EAGGF	10(b)	Basic Services in the Rural Economy and Population	**RDC**

Structural Fund	Priority 2 – Social Inclusion and Reconciliation Measure and Sub-Measure		Implementing Body
ERDF	1	Reconciliation for Sustainable Peace	**OFM/DFM**
ESF	2	Developing Children and Young People	**SELB**
ESF	3	Skilling and Building the Social Economy	**Un-named IFB**
ESF	4(a)	Pathways to Inclusion, Integration and Reconciliation of Victims – Inclusion of Victims	**NIVT**
ESF	4(b)	Pathways to Inclusion, Integration and Reconciliation of Victims – Reconciliation of Victims	**NIVT**
ESF	4(c)	Pathways to Inclusion, Integration and Reconciliation of Victims – Groups in the Border Region	**ADM/CPA**
ESF	5	Investing in Childcare	**NIPPA**
ERDF	6	Promoting Active Citizenship	**NIVT**
ERDF	7	Developing Weak Community Infrastructure	**NIVT**
ERDF	8	Accompanying Infrastructure and Equipment Support	**DSD**
EAGGF	9(a)	Renovation and Development of Villages and Protection and Conservation of the Rural Heritage	**RDC/RCN**
	9(b)	Renovation and Development of Villages and Protection and Conservation of the Rural Heritage – Village Pride	**RDC**
EAGGF	10	Encouragement for Tourist and Craft Activities	**RDC**
ERDF	11	Area Based Regeneration	**DSD**

Structural Fund	Priority 3 – Locally-Based Regeneration and Development Strategies Measure and Sub-Measure		Implementing Body
ERDF	1	Local Economic Initiatives for Developing the Social Economy	**LSPs**
ESF	2	Locally based Human Resource, Training and Development Strategies	**LSPs**
ESF	3	Building Better Communities – Border Region	**RoI Task Force**
EAGGF	4	Improving Our Rural Communities – Border Region	**RoI Task Force**

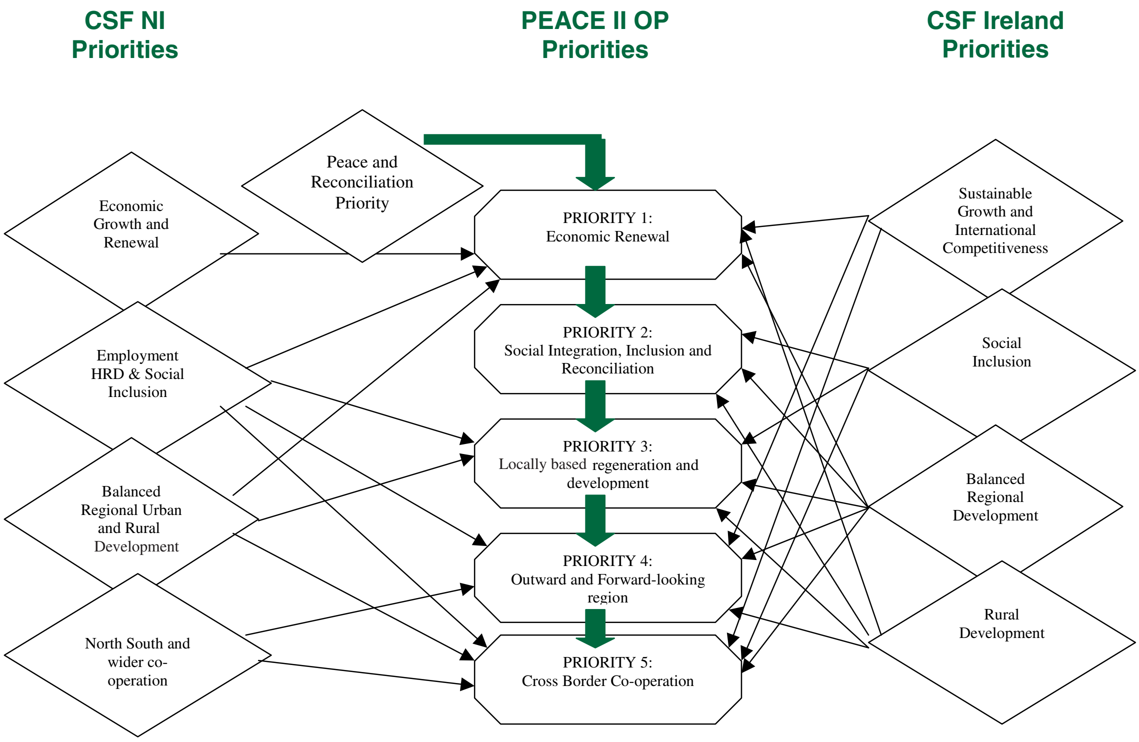
Structural Fund	Priority 4 – Outward and Forward Looking Region Measure and Sub-Measure		Implementing Body
ERDF	1	Outward and Forward Looking Region – Networking in Europe and Beyond	**OFM/DFM**
ERDF	2(a)	Outward and Forward Looking Region – Marketing the Region as a Tourism Destination	**NITB**
ERDF	2(b)	Outward and Forward Looking Region – Enhancing the Region	**NITB**

Structural Fund	Priority 5 – Cross-Border Co-operation Measure and Sub-Measure		Implementing Body
ERDF	1	Increasing Cross-border Economic Development Opportunities	**Co-op Ire**
ERDF	2	Improving Cross-border Public Sector Co-operation	**SEUPB**
ERDF	3	Developing Cross-border Reconciliation and Cultural Understanding	**CPA/NIVT/ Co-op. Ire**
ESF	4	Developing Cross-border Reconciliation and Cultural Understanding	**ADM/NIVT/ Co-op. Ire**
ESF	5	Education Cross-border School and Youth Co-operation	**DE**
EAGGF	6(a)	Agricultural and Rural Development Co-operation – Cross-Border Community Development	**RCN/Irish Rural Link**
EAGGF	6(b)	Agricultural and Rural Development Co-operation – Cross-Border Diversification	**DARD**
FIFG	7	Cross-border Fishing and Aquaculture Cooperation	**NIS**

Structural Fund		Priority 6 – Technical Assistance Measure and Sub-Measure	Implementing Body
ERDF	1	Programme Information and Publicity	**SEUPB**
ERDF	2(a)	Management, Monitoring and Evaluation of the Programme and Co-ordination with Other Programmes	**SEUPB**
ERDF	2(b)	Internal Co-ordination and Co-ordination with other Programmes	**SEUPB**

Source: Compiled from www.eugrants.org, Personal Communication (3) & EU Programme for Peace and Reconciliation in Northern Ireland and the Border Region of Ireland, 2000-2004 Operational Programme

Annex B: Relationship between PEACE II and Community Support Framework priorities

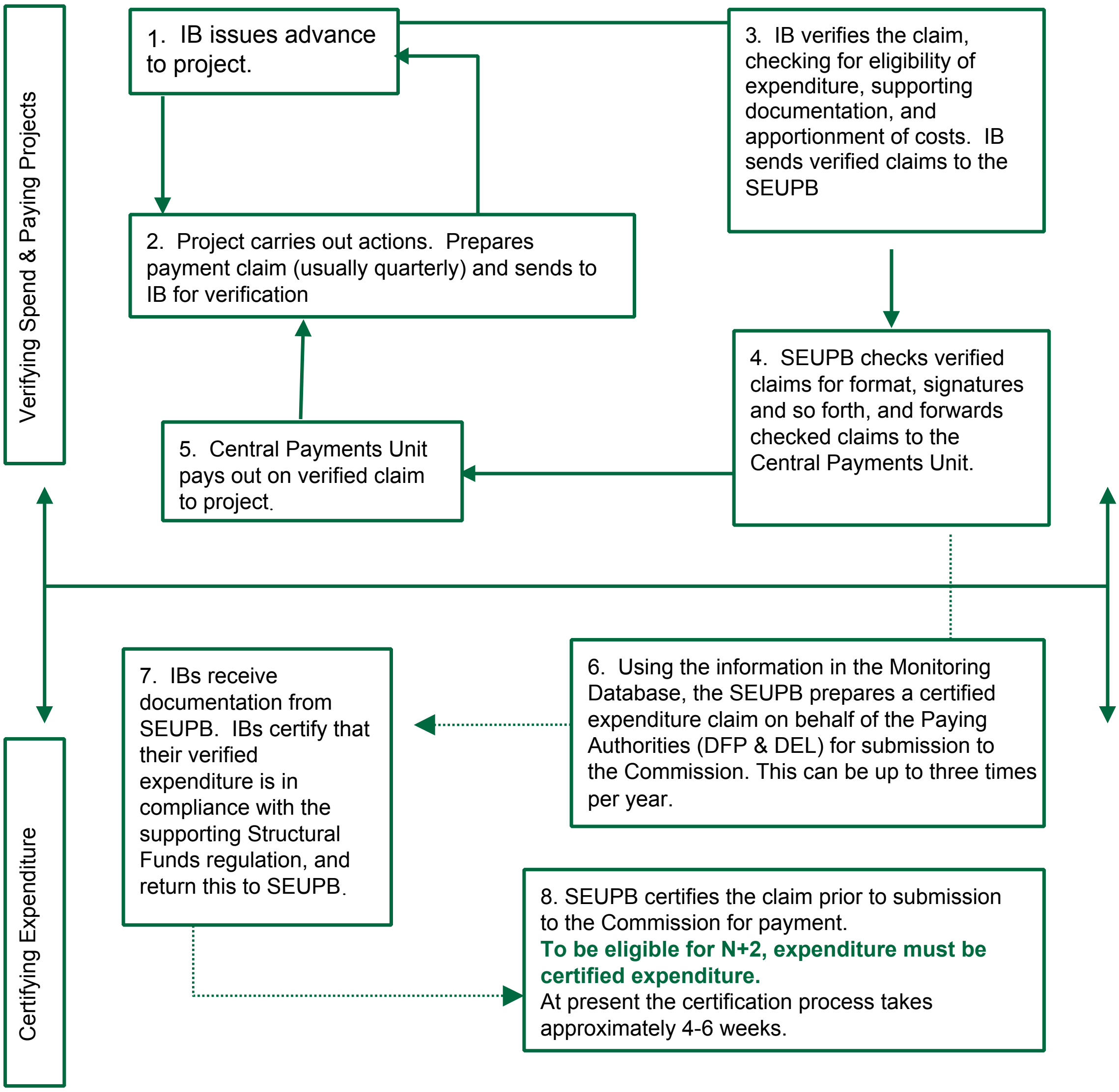


Data Source: Operational Programme p29

Annex C: How spending works

Commitment	Following acceptance of the Letter of Offer, money is said to be committed.
Spend	Spend is made up of two elements: advances and verified expenditure
Advances	A percentage of the first year's budget for the project is advanced at the start of a project. This advance is offset against the final payment claim at the end of the project.
Expenditure or Verified Spend	Projects submit claims for payment to their Implementing Body (IB). The IB then verifies these claims by ensuring that • Claims are approved for eligible expenditure only. Eligible expenditure refers to activities supported under the supporting EU Structural Fund and covered by the Letter of Offer • Claims are supported by checked and stamped invoices; and Costs are properly apportioned where applicable.
Certified Expenditure	This is total verified expenditure that has been certified by both the relevant IB and the SEUPB. Certification is the largely paper based process of gathering assurances that the claimed expenditure has been used in accordance with the supporting Structural Funds regulations. The SEUPB prepares the certified expenditure claim on behalf of the paying authority (DFP and DEL) for submission to the Commission. Certified expenditure claims can be made up to three times per annum. **In order to be eligible for N+2, expenditure must be certified expenditure**.

Data Source: Research and Library Services, the Northern Ireland Assembly



Data Source: Research and Library Services, The Northern Ireland Assembly

Annex D: Application processing times (NI only)

Table 1: Average processing time by measure and amount of funding NI only

Implementing Body	Measure	Total funding	Approved Applications	Average processing time for approved applicants (working days)
DETI	1.1A Business Competitiveness and Development - Economic Revitalisation	£51,000 to £100,000	3	70
		£100,001 to £250,000	6	111
		Over £250,000	9	117
		Total	**18**	**107**
DRD	1.1D Business Competitiveness and Development - Business Competitiveness	Over £250,000	5	10
		Total	**5**	**10**
PROTEUS/EGSA	1.3 New Skills and New Opportunities	£25,000 to £50,000	3	148
		£51,000 to £100,000	12	121
		£100,001 to £250,000	23	112
		Over £250,000	1	102
		Total	**39**	**117**
LEDU	1.4 Promoting Entrepreneurship	Over £250,000	1	76
		Total	**1**	**76**
TWN/Playboard	1.5 Positive Action for Women	Under £25,000	5	101
		£25,000 to £50,000	37	60
		£51,000 to £100,000	9	127
		£100,001 to £250,000	19	136
		Total	**70**	**92**
DARD	1.6 Training for Farmers (NI)	£100,001 to £250,000	4	124
		Over £250,000	5	124
		Total	**9**	**124**
DARD	1.7A Diversification of Agricultural Activities and Activities close to Agriculture to provide Multiple Activities or Alternative Incomes (NI) - Obtaining Alternative employment	Over £250,000	6	128
		Total	**6**	**128**

Implementing Body	Measure	Total funding	Approved Applications	Average processing time for approved applicants (working days)
IETU	1.8A Technology Support for the Knowledge-based Economy (NI) - Innovative Technology and Networking	Over £250,000	17	164
		Total	**17**	**164**
DETI	1.8B Technology Support for the Knowledge-based Economy (NI) - Information Age	£25,000 to £50,000	1	259
		£51,000 to £100,000	3	323
		£100,001 to £250,000	6	221
		Over £250,000	7	286
		Total	**17**	**268**
RDC	1.10B Basic Services for the Rural Economy and Population (NI) - ICT	Under £25,000	4	136
		£25,000 to £50,000	6	136
		£100,001 to £250,000	1	106
		Total	**11**	**133**
OFMDFM	2.1 Reconciliation for Sustainable Peace	Under £25,000	1	199
		£25,000 to £50,000	3	117
		£51,000 to £100,000	7	158
		£100,001 to £250,000	33	149
		Total	**44**	**150**
SELB	2.2 Developing Children and Young People	Under £25,000	1	119
		£25,000 to £50,000	1	119
		£51,000 to £100,000	47	128
		£100,001 to £250,000	8	98
		Total	**57**	**123**
Un-named IFB	2.3 Skilling and Building the Social Economy (NI)	£51,000 to £100,000	7	60
		£100,001 to £250,000	12	74
		Total	**19**	**68**
NIVT	2.4A Pathways to Inclusion, Integration and Reconciliation of Victims - Pathways to Inclusion	£25,000 to £50,000	1	128
		£51,000 to £100,000	41	97
		£100,001 to £250,000	9	49
		Total	**51**	**89**
NIVT	2.4B Pathways to Inclusion, Integration and Reconciliation of Victims - Integration and Reconciliation of Victims	Under £25,000	2	36
		£25,000 to £50,000	1	29
		£51,000 to £100,000	22	93
		£100,001 to £250,000	14	88
		Over £250,000	2	130
		Total	**41**	**89**

Implementing Body	Measure	Total funding	Approved Applications	Average processing time for approved applicants (working days)
NIPPA	2.5 Investing in Childcare	Under £25,000	118	57
		£25,000 to £50,000	85	53
		£51,000 to £100,000	29	75
		£100,001 to £250,000	1	22
		Total	**233**	**57**
NIVT	2.6 Promoting Active Citzenship	Under £25,000	4	161
		£25,000 to £50,000	10	161
		£51,000 to £100,000	26	151
		Total	**40**	**154**
NIVT	2.7 Developing Weak Community Infrastructure	Under £25,000	3	86
		£51,000 to £100,000	4	93
		£100,001 to £250,000	24	89
		Total	**31**	**89**
DSD	2.8 Accompanying Infrastructure and Equipment Support	Under £25,000	19	57
		Total	**19**	**57**
RDC/RDN	2.9A Renovation and Development of Villages and Protection and Conservation of the Rural Heritage (NI) - Single Identity	Under £25,000	43	45
		£25,000 to £50,000	1	112
		£100,001 to £250,000	1	10
		Total	**45**	**45**
RDC	2.9B Renovation and Development of Villages and Protection and Conservation of the Rural Heritage (NI) - Village Pride	Under £25,000	5	133
		£25,000 to £50,000	6	163
		£100,001 to £250,000	1	106
		Total	**12**	**146**
RDC	2.10 Encouragement for Tourist and Craft Activities (NI) - Local Identity Culture and Heritage	Under £25,000	5	141
		£25,000 to £50,000	11	167
		£100,001 to £250,000	1	106
		Total	**17**	**155**
DSD	2.11 Area-based Regeneration - Belfast, Londonderry and Regional Towns (NI)	£25,000 to £50,000	2	150
		£51,000 to £100,000	4	132
		£100,001 to £250,000	8	146
		Over £250,000	2	135
		Total	**16**	**142**

Implementing Body	Measure	Total funding	Approved Applications	Average processing time for approved applicants (working days)
LSPs	3.1 Local Economic Initiatives for Developing the Social Economy (NI)	Under £25,000	28	79
		£25,000 to £50,000	20	99
		£51,000 to £100,000	20	87
		£100,001 to £250,000	23	79
		Total	**91**	**85**
LSPs	3.2 Locally-based Human Resource, Training and Development Strategies (NI)	Under £25,000	39	64
		£25,000 to £50,000	37	104
		£51,000 to £100,000	23	95
		£100,001 to £250,000	26	74
		Total	**125**	**84**
OFMDFM	4.1 Outward and Forward Looking Region	£100,001 to £250,000	4	100
		Over £250,000	4	128
		Total	**8**	**114**
NITB	4.2A Outward and Forward Looking Tourism - Marketing the Region as a Tourism Destination	Under £25,000	1	192
		£25,000 to £50,000	2	67
		£51,000 to £100,000	2	116
		£100,001 to £250,000	6	59
		Over £250,000	2	54
		Total	**13**	**78**
NITB	4.2B Outward and Forward Looking Tourism - Enhancing the Region as a Tourism Destination	Under £25,000	3	93
		£25,000 to £50,000	2	101
		Total	**5**	**96**
Co-op Ire	5.1 Increasing Cross-border Development Opportunities	Under £25,000	7	79
		£25,000 to £50,000	2	95
		£51,000 to £100,000	13	101
		£100,001 to £250,000	16	105
		Over £250,000	2	100
		Total	**40**	**99**
SEUPB	5.2 Improving Cross-border Public Sector Co-operation	£25,000 to £50,000	1	53
		£100,001 to £250,000	5	48
		Over £250,000	2	68
		Total	**8**	**54**
SEUPB	6.2A Management, Monitoring and Evaluation of the Programme and Co-ordination with Other Programmes	Over £250,000	35	63
		Total	**35**	**63**

Implementing Body	Measure	Total funding	Approved Applications	Average processing time for approved applicants (working days)
	All Measures	Under £25,000	288	66
		£25,000 to £50,000	232	87
		£51,000 to £100,000	272	109
		£100,001 to £250,000	251	103
		Over £250,000	100	112
		Total	**1143**	**93**

Source: CSF Central Database
Please note: the Central Database is live and dynamic and depends on various funding bodies to provide and update the information.

Formal minutes

Wednesday 18 June 2003

Members present:

Mr Michael Mates, in the Chair

Mr Adrian Bailey
Mr Roy Beggs
Mr Eddie McGrady
Mr Stephen Pound
Rev Martyn Smith
Mr Hugo Swire
Mr Bill Tynan

The Committee deliberated.

Draft Report (Peace II), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 140 read and agreed to.

Annexes agreed to.

Resolved, That the Report be the Seventh Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (reports)) be applied to the Report.—(*The Chairman.*)

Several papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.—(*The Chairman.*)

[Adjourned till Wednesday 2 July at 1.00pm

Witnesses

List of written evidence

Reports from the Northern Ireland Affairs Committee since 2001

The following reports have been produced by the Committee since the start of the 2001 Parliament.

Session 2002–03

First Report	The Impact in Northern Ireland of Cross–Border Road Fuel Price Differentials: Three years on	HC 105–I
Second Report	Annual Report 2002	HC 271
Third Report	The Police (Northern Ireland) Bill	HC 233
Fourth Report	The Control of Firearms in Northern Ireland and the draft Firearms (Northern Ireland) Order 2002	HC 67–I
Fifth Report	Forensic Science Northern Ireland	HC 204
Sixth Report	The Illegal Drugs Trade and Drug Culture in Northern Ireland: Interim Report on Cannabis	HC 353–I
Seventh Report	Peace II	HC 653–I
First Special Report	Government Response to the Committee's First Report: The Impact in Northern Ireland of Cross–Border Road Fuel Price Differentials: Three Years On	HC 412
Second Special Report	Government Response to the Committee's Third Report: The Police (Northern Ireland) Bill	HC 555
Third Special Report	Government Response to the Committee's Second Report: Annual Report 2002	HC 583
Fourth Special Report	Government Response to the Committee's Fourth Report on the Control of Firearms in Northern Ireland and the Proposed Draft Firearms (Northern Ireland) Order 2002, HC 67–I, Session 2002–03	HC 677
Fifth Special Report	Government Response to the Committee's Fifth Report on Forensic Science Northern Ireland	HC 722

Session 2001–02

First Report	Introduction of the Aggregates Levy in Northern Ireland	HC 333
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