



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 25.03.1997
COM(97) 130 final

97/0116 (CNS)

**Proposal for a
COUNCIL REGULATION (EC)**

on Community financial contributions to the
International Fund for Ireland

THE INTERNATIONAL FUND FOR IRELAND

An evaluation report pursuant to the provisions contained in
Council Regulation (EC) No 2687/94

(presented by the Commission)

EXPLANATORY MEMORANDUM

The International Fund for Ireland was established in 1986 in order to contribute to the work envisaged in Article 10(a) of the Anglo-Irish Agreement of 15 November 1985 which provides that *"The two governments shall cooperate to promote the economic and social development of those areas of both parts of Ireland which have suffered most severely from the consequences of the instability of recent years, and shall consider the possibility of securing international support for this work"*.

The objectives of the Fund are to promote economic and social advance and to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland.

The EC, recognizing that the objectives of the Fund were a reflection of those pursued by itself, wished to give practical support to the initiative. From 1989 until 1995, this has taken the form of an annual contribution of ECU 15 million which was written into the budget and implemented by the Commission.

The Commission has been represented by an observer at Board meetings since the beginning of 1989 and has thus been able to monitor the progress of the Fund.

The Commission has always insisted that the Community's contribution be used as a priority for cross-community projects, thereby encouraging dialogue and reconciliation, and that it have a genuine additional impact in the areas concerned, i.e. that it should not be used as a substitute for other public or private expenditure.

The Fund is a particular example of successful Anglo-Irish cooperation in promoting reconciliation between the two communities and their economic and social progress.

Since its inception, the Fund has supported some 3 500 projects to the benefit of both communities.

The Joint Declaration by the Taoiseach Mr. Reynolds and Prime Minister Major of 14 December 1993 has given new impetus to the reconciliation process. It was welcomed by the Commission in a statement issued on 16 December 1993 indicating that the achievement of peace would bring many social and economic benefits to the region, the Member States concerned and the European Union as a whole, and expressing the wish to give practical support to the process.

The Joint Declaration was also welcomed in a statement issued by the General Affairs Council on 20 December 1993.

On 31 October 1994 the Council adopted Regulation (EC) No 2687/94 on Community Financial Contributions to the International Fund for Ireland relating to 1995, 1996 and 1997. For each of those years ECU 20 million has been provided as part of the annual budgetary procedure.

Pursuant to Article 3 of the above Regulation, an annual survey and list of projects which have received aid has been made, as well as an assessment of the nature and impact of the interventions, with particular regard to the objectives of the Fund and the criteria set out in the first and second paragraphs of Article 2 of the Regulation.

Pursuant to Article 5 of the Regulation, an evaluation has been drawn up by the Commission for the European Parliament and the Council assessing the need for continuing contributions beyond 1997.

On the basis of those evaluations and the Commission's ongoing monitoring of the Fund's activities, notwithstanding the major Community structural Fund commitment for the whole of the Island of Ireland, and the considerable effort made under the Special Programme for Peace and Reconciliation in Northern Ireland, continuation of financial contributions to the International Fund is recommended as an effective complement to other Community support for the peace process.

Since the present arrangement for Community contributions expires on 31 December 1997, it is proposed that the Council adopt the attached Regulation.

In view of the funding already provided, and in order to allow for the fact that the still volatile situation in the region must improve, it is suggested to limit the term of the support to two years. In the Commission's view the annual contribution for each of the years 1998, and 1999 should be ECU 17 million. A review of the performance of the Fund and the need for further support will be made by the Commission before 1 April 1999.

It is further proposed that the following conditions shall apply in respect of this contribution:

- priority shall be given to projects which have a strong reconciliation and cross-community element;
- it shall be ensured that it has a genuine additional impact in the areas concerned and not therefore be used as a substitute for other public or private expenditure.

**Proposal for a
COUNCIL REGULATION (EC)**

on Community financial contributions to the
International Fund for Ireland

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Parliament²,

Whereas the programmes of the International Fund for Ireland (hereinafter "the Fund") encourage cross-border and cross-community cooperation and thereby promote dialogue and reconciliation between nationalists and unionists;

Whereas the Fund is an example of successful Anglo-Irish cooperation in promoting reconciliation between the two communities and their economic and social progress;

Whereas ECU 15 million a year has been provided from the Community budget from 1989 until 1995 to support projects of the Fund which have a genuine additional impact in the areas concerned;

Whereas pursuant to Council Regulation (EC) No 2687/94 of 31 October 1994 on Community financial contributions to the International Fund for Ireland³, for 1995, 1996 and 1997, the amount established as part of the budgetary procedure for each of these years has been ECU 20 million;

Whereas the assessments carried out in accordance with Articles 3 and 5 of Regulation (EC) No 2687/94 have confirmed that the Community's contribution has been used in accordance with the objectives of the Fund and the criteria laid down in the first and second paragraphs of Article 2 of the above Regulation;

Whereas Regulation (EC) No 2687/94 expires on 31 December 1997;

Whereas the peace process in Northern Ireland requires a continuation of Community support beyond that date;

Whereas the Commission adopted on 28 July 1995 a decision granting Structural Funds assistance to the Special Support Programme for Peace and Reconciliation in Northern Ireland and in the Border Counties of Ireland;

¹ OJ No C

² Opinion delivered on

³ OJ No L 286, 5.11.1994, p. 5.

Whereas the Community contribution should be used by the Fund in priority for projects that are consistent with the activities funded by the Special Support Programme for Peace and Reconciliation;

Whereas such support should take the form of financial contributions for a period of two more years;

Whereas an assessment reviewing the Fund's performance and the need for further support should be drawn up before 1 April 1999;

Whereas the amount deemed necessary for the Community contribution to the Fund is ECU 17 million for each of the years 1998 and 1999, expressed in current values;

Whereas this support will contribute to reinforcing the solidarity between the Member States and between their peoples;

Whereas the Treaty provides no powers other than those in Article 235 for the adoption of this Regulation,

HAS ADOPTED THIS REGULATION:

Article 1

An annual contribution shall be made to the International Fund for Ireland (hereinafter called "the Fund") for each of the years 1998 and 1999. The amount of this contribution shall be established as part of the annual budgetary procedure.

Article 2

The contribution shall be used by the Fund in priority for projects of a cross-border or cross-community nature, in particular those consistent with the objectives of the Special Support Programme for Peace and Reconciliation.

The contribution shall be used in such a way that it has a genuine additional impact on the areas concerned and should not therefore be used as a substitute for other public and private expenditure.

The Commission shall be represented by an observer at the Board meetings of the Fund.

Article 3

The Commission shall administer the contributions. The Commission shall submit, not later than 1 April 1999, a report to the budgetary authority covering *inter alia* the following matters:

- a survey of the Fund's activities;
- a list of projects which have received aid;

- an assessment of the nature and impact of the interventions, in respect, notably, of the objectives of the Fund and the criteria laid down in the first and second paragraphs of Article 2;
- an annex containing the results of the verifications and controls carried out by the Commission representative or its agents.

Article 4

The annual contribution shall be paid in two parts as follows:

- (a) an advance of 80% will be paid after the chairman of the Board of the Fund has signed the Commission's standard undertaking relating to grants and has undertaken to use the contribution in accordance with Article 2 and after the Commission has received and accepted the beneficiary's annual activity report and audited accounts in respect of the previous year;
- (b) the remaining 20% will be paid after the Commission has received and accepted the beneficiary's annual activity report and audited accounts relating to the year for which the Community contribution was made.

Article 5

Before 1 April 1999, the Commission shall present an evaluation report to the European Parliament and the Council assessing the need for continuing contributions beyond 1999.

Article 6

This Regulation shall enter into force on 1 January 1998.

It shall apply until 31 December 1999.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President

FINANCIAL STATEMENT

1. TITLE OF OPERATION:

COMMUNITY CONTRIBUTIONS TO THE INTERNATIONAL FUND FOR IRELAND.

2. BUDGET HEADING INVOLVED: B2-604

3. LEGAL BASIS: Draft Proposal for a Council Regulation under Article 235

4. DESCRIPTION OF OPERATION

4.1. General objective: to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland by promoting the economic and social advance of the two communities.

4.2. Period covered and arrangements for renewal or extension:
1998, 1999.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1. Non-compulsory expenditure

5.2. Differentiated appropriations

6. TYPE OF EXPENDITURE

- Subsidy for joint financing with other sources in the public and/or private sector.

7. FINANCIAL IMPACT

7.1. Indicative schedule of appropriations

7.1.1. Schedule for proposed new operation

	ECU million (in current prices)		
	1998	1999	TOTAL
Commitment appropriations	17	17	34
Payment appropriations	17	17	34

8. FRAUD PREVENTION MEASURES: the Commission is represented on the Board of the Fund and the final annual contribution is only paid over after receipt and acceptance of the Fund's annual report and audited accounts.

9. SPECIFIC OBJECTIVE

9.1. Through economic and social development to promote reconciliation between the two communities in both parts of Ireland which have suffered most severely from the consequences of the instability of recent years.

9.2. Grounds for the operation

The Community, recognizing that the objectives of the Fund are a reflection of those pursued by itself, has given practical backing (ECU 15 million p.a. since 1989; ECU 20 million for each of the years 1995, 1996, 1997). Continuation of this contribution for another two years would provide a clear indication of Community support for the peace process in Northern Ireland, which is at a highly critical juncture.

9.3. Monitoring and evaluation of the operation

The Commission will monitor the Fund's activities through its continuing presence on the Board as an observer. It is informed of all the Fund's proposed decisions before they are put to the Board. All Fund-supported projects are moreover monitored by staff responsible for Structural Fund policy implementation to avoid overlap.

THE INTERNATIONAL FUND FOR IRELAND

**An evaluation report pursuant to the provisions contained in
Council Regulation (EC) No 2687/94**

Introduction	11
1. Background	12
2. Assessment of the Work of the International Fund for Ireland	15
2.1 Leverage of Other Funds	15
2.2 The Fund's activities in relation to contact, dialogue and reconciliation	15
2.2.1 Number of Groups and Board Members	15
2.2.2 Beneficiaries of Programmes	16
2.3 Independent Evaluations of the Impact of the IFI	17
2.3.1 The KPMG Report	17
2.3.2 The British-Irish Inter-Parliamentary Body	19
2.4 Distribution of the Fund's Resources	20
2.5 The Fund's Employment Impact to September 1995	21
3. The Commission's Conclusions	21

Annexes: Fund annual reports for 1995 and 1996

N.B. All amounts are quoted in Pounds Sterling rather than ECU. This has been done to facilitate comparison with figures given in the Fund's annual reports.

INTRODUCTION

The International Fund for Ireland is a body established by treaty between the Governments of the United Kingdom and of Ireland

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

The International Fund for Ireland (IFI) was established in 1987. It is supported by contributions from the European Union, the United States of America, Canada, New Zealand and Australia. EU contributions commenced in 1989 and are now the largest single annual contribution to the development budget of the International Fund.

In the years 1989-1994 the Community contribution amounted to ECU 15 million per annum. Council Regulation No 2687/94 on Community Financial Contributions to the International Fund for Ireland established a continuing framework for EU contributions to the work of the IFI. The annual contribution for 1995, 1996 and 1997 was raised to ECU 20 million.

The Regulation provided that the Community contribution should be used *“in priority for projects of a cross border or cross- community nature”* and *“in a way which has a genuine additional impact on the areas concerned and... not ... as a substitute for other public and private expenditure”*⁴. The Regulation also provided that the Commission should make an annual report on the International Fund's activities⁵ and, in addition, should draw up an evaluation report for the European Parliament and the Council assessing the need for continuing contributions beyond 1997⁶.

For technical reasons it is deemed more practical to merge the two exercises, particularly since the annual reports published by the Fund (and which are examined in detail by the Commission before publication) contain exhaustive information on projects and finance - which it would be inappropriate to duplicate. The Fund's annual report for 1995 has been published. The 1996 report will be available shortly.

The present report provides the Commission's evaluation of the activities of the IFI and its assessment of the need for continuing contributions.

Section 1 gives a general background and appreciation of how the Fund operates and a broad assessment of the degree to which its modus operandi is in line with its objectives.

Section 2 sets out a variety of indicators of the activities undertaken by the IFI and reports the findings of independent evaluations of the work of the Fund.

Section 3 sets out the Commission's conclusions on the work of the fund and on the issue of continuing support by the European Union.

In preparing this Report, the Commission had access to a number of case studies illustrating aspects of the work of the IFI and reports of interviews with a number of community workers, commentators and public officials in relation to the impact of the IFI and the challenges which it faces in the future. The case studies and the interviews were undertaken independently on

⁴ Council Regulation (EC) No 2687/94, Article 2.

⁵ Council Regulation (EC) No 2687/94, Article 3.

⁶ Council Regulation (EC) No 2687/94, Article 5.

behalf of the Commission to assist in the preparation of this Report. They were influential in the conclusions which the Commission has reached on the work of the IFI.

1. BACKGROUND

The Fund's twin objectives concern economic and social advance and the promotion of dialogue and reconciliation between the communities in Northern Ireland and between Northern Ireland and the South.

It pursues these aims through a clearly defined set of sub-programmes, each of which has its own allocation within the IFI budget.

The table below indicates the actual commitments arising from offers of assistance approved by the IFI in relation to approximately 630 projects during the period October 1994 to December 1996.

The information in the table reflects the emphasis which the Fund places on supporting community-led initiatives across its various Programmes, particularly in disadvantaged areas and also marks the introduction of new initiatives and schemes, such as the Communities Initiative. Programmes 1-5 are wholly community led in their nature, while Programmes 6 and 7 have significant elements of community led provision. These programmes accounted for 84% of the Fund's commitments over the period.

Programme or Initiative		Funds committed UKL million
1.	Community Economic Regeneration & Special Projects	10 416
2.	Communities Initiative	4 874
3.	Rural Development	5 401
4.	Wider Horizons	8 720
5.	Flagship Projects	7 260
6.	Business Enterprise	11 299
7.	Urban Development	9 107
8.	Tourism	8 321
9.	Science & Technology	2 734
TOTAL		68 132

In addition, there is a Communities in Action Initiative which addresses the problem of social exclusion in the most disadvantaged communities, as well as a number of investment companies which have been set up in Northern Ireland and in the Border Counties of the South.

Although the list includes only one programme explicitly identified as "Communities Initiative", this does not, in the Commission's view, give a true picture of the scope of the Fund's activities and impact in terms of reconciliation; all the Fund's programmes clearly seek to pursue the same aim of promoting reconciliation through economic and social advance in such a way as to involve representatives from divided communities and enable them to help themselves.

The fundamental principle underlying the Fund's approach can be roughly summarized as follows: increased contact between members of opposing communities is essential for the removal of prejudice but it is not enough in itself to reconcile or integrate those communities. This requires the joint striving towards common goals and shared interests. The cooperation this involves leads to confidence-building and the emergence of an equal-status-mentality between the representatives of the groups.

Cross-Border Aspects

The Commission is satisfied that the Fund does effectively apply the principle whereby economic development activities, especially those at local level, are carried through by organizations representing both communities.

The effect is being felt in particular at the level of public agencies and departments North and South of the Border. In most cases there had been little previous cooperation on a continuing basis between the two public administrations on the island. The Commission's assessment - based on regular on-the-spot monitoring - is that the Fund has made a major contribution to changing this situation by contributing to the development of networks of working relationships between officials of public agencies and administrations in both parts of the island participating in the management and delivery of Fund-supported projects. The significance of this development for the future of the island of Ireland, and for the relations between the two Member States, is hard to overestimate.

Specific examples of innovative cross-border programmes include the following:

- the joint marketing of Irish products abroad;
- joint training programmes within the context of the Enterprise and Wider Horizons programmes;
- joint marketing of the island of Ireland as a tourist destination;
- joint research and development projects involving universities from North and South.

It must be said, however, that a large proportion of the cross-border projects which the IFI has supported have been projects to support cooperation between government agencies or professional organizations. The number of community-based cross-border projects that has been funded is smaller in relative terms. The problem in finding a satisfactory operational approach for cross-border projects - particularly on a longer term basis - has been encountered by the Structural Funds also in other parts of Europe.

Cross-Community Aspects

Although numbers do not reflect the essence of reconciliation and bridge-building work, one indicator is the number of cross-community groups set up as a direct result of the existence of the IFI (see table under 2.2.1 below). The Commission is satisfied that the Fund pays particular attention to a balanced representation of the communities involved in these groups and that it does not provide funding if it feels that this criterion has not been met.

According to a study carried out by independent consultants, well over 7 600 individuals had been involved either directly or indirectly in these activities by the end of 1996.

While Protestant communities were initially reluctant to apply to the Fund, which was perceived as pursuing an explicitly political agenda, this situation had clearly changed by 1995. It has indeed been replaced in some areas by a desire on the part of community leaders to "catch up" with communities that had gained from Fund programmes. Often this involves cooperation with communities perceived as essentially nationalist - an outcome which, in the Commission's opinion, clearly demonstrates the extent to which the IFI is succeeding in getting the legitimacy of cross-community cooperation accepted in quarters where this would have been unthinkable only a few years ago. This must rate as one of the IFI's most significant contributions to the reconciliation process: it has succeeded in encouraging the creation of bottom-up cross-community structures where official agencies were no longer able to do so.

Disadvantaged areas

The Fund operates through Programme Teams which, under the direction of the Board, draw upon the expertise and administrative structures necessary for the effective deployment of its programmes. Regionally-based development consultants act as an interface between the Fund and local groups. They play a particularly significant part in assisting local communities in articulating their case for funding and developing and implementing their plans, and have thus become an important enhancement of the local development capacity of the most disadvantaged communities.

The "Disadvantaged Areas Initiative" is the largest single sub-programme of the Fund. However, it would be accurate to say that all IFI programmes are to varying degrees designed to benefit disadvantaged areas.

Additionality

It is notoriously difficult to give definitive proof of additionality, or the lack of it. There have been cases where the Commission observer on the Board has expressed reservations about spending proposals, where the project in question was deemed to be a matter for the national governments rather than the Fund.

By and large, however, it is clear that the IFI has an important pump-primer or leverage function which enables recipients of its support to gain access to other funding (see table under 2.1. below).

2. ASSESSMENT OF THE WORK OF THE INTERNATIONAL FUND FOR IRELAND

2.1 Leverage of Other Funds

The ability of the IFI to lever other funds in support of its activities varies between Programmes, reflecting the ability of the recipients of IFI support to gain access to other funding. Leverage ratios are lower in community based programmes in which there is limited or no incentive for the attraction of private finance.

Programme or Initiative	IFI Commitments UKL million	Other Funds UKL million	Leverage Ratio (1:x)
Community Economic Regeneration & Special Projects	10 416	8 866	0.851
Communities Initiative	4 874	3 318	0.681
Rural Development	5 401	8 629	1.598
Wider Horizons	8 720	8 721	1.000
Flagship Projects	7 260	23 889	3.290
Business Enterprise	11 299	15 895	1.407
Urban Development	9 107	25 309	2.779
Tourism	8 321	28 289	3.400
Science & Technology	2 734	2 876	1.052
TOTAL	68 132	125 792	1.846

The table indicates that the average leverage ratio obtained by the Fund for its major Programmes and initiatives in the period October 1994 to December 1996 was approximately 1.8. The Fund's commitment of UKL 68 132 million has produced a total potential investment, much concentrated in the designated disadvantaged areas, of UKL 193 920 million.

2.2. The Fund's activities in relation to contact, dialogue and reconciliation

This Section provides a quantified analysis of the Fund's contribution to contact, dialogue and reconciliation in the period between October 1994 and December 1996, and cumulatively.

2.2.1 Number of Groups

One indicator of activity is the number of cross-community or cross-border groups which have been stimulated. The table below sets out the number of cross-community groups formed as a result of the Fund's interventions according to the main Programme or Initiative headings. In the case of each group the Fund pays particular attention to a balanced representation of the communities involved and will not provide funding if it does not believe that this criterion has been met.

**Number of Cross-Community or Cross-Border Groups
October 1994 - December 1996 and Cumulatively**

Programme or Initiative	New Groups in Period	Total Number of Groups
Community Economic Regeneration & Special Projects	39	171
Wider Horizons	79	301
Local Enterprise Agencies	15	52
Other community based development organizations	58	92
Cross-border Science and Technology groups or projects	7	23
Total	198	639

In excess of 7 600 persons are directly and regularly involved in the Boards or Steering Committees of these groups, providing experience of practical working together across traditional community divides in Northern Ireland and across the border. Of this total some 1600 were directly involved in groups which obtained IFI support for the first time between October 1994 and December 1996.

2.2.2 Beneficiaries of Programmes

As well as those directly involved in the management and direction of these cross-community or cross-border activities, a wider group can be identified as the direct beneficiaries of the activities stimulated. The table below provides some illustrative estimates of the numbers involved according to the main types of groups.

**Number of Beneficiaries of Initiatives:
October 1994 - December 1996 and Cumulatively**

Type of Group	Beneficiaries in New Initiatives first supported in the period	Total Number of Beneficiaries
- Local Enterprise Agencies (tenants of agencies, etc.)	456	2 956
- Wider Horizons Programme (programme participants)	2 165	7 555
- Community Economic Regeneration Scheme (participants in local actions)	1 164	2 893
- Science & Technology (researchers, etc.)	53	533
- Businesses participating in cross-border development and marketing schemes (e.g. Acumen, Plato, CBI/IBEC etc.)	489	1 515
Total	4 327	15 452

The data shows that the Fund continues to focus on disadvantaged areas and communities in difficulty and fostering cross-community and cross-border contact and dialogue.

2.3 Independent Evaluations of the Impact of the IFI

The Board and observers have been concerned to have independent advice and evaluation of the IFI's impact. A number of evaluations of particular schemes and programmes have been commissioned. The major overall assessment of the impact of the Fund was undertaken by the international accounting and consultancy firm KPMG in 1994 and 1995.

2.3.1 The KPMG Report

The KPMG Report⁷ examined the work of the IFI from its inception to September 1994. It undertook a qualitative assessment of the Fund's contribution to contact, dialogue and reconciliation and a quantitative assessment of the Fund's contribution to employment creation, taking employment creation as a proxy for economic and social advance.

⁷ The International Fund for Ireland, Contribution to Contact, Dialogue and Reconciliation and to the Creation of Employment, KPMG Belfast, May 1995.

The report found a strong synergy between the Fund's twin aims - economic and social advance and contact, dialogue and reconciliation - especially as the Fund has chosen to pursue the latter aim primarily through economic regeneration undertaken on a cross-community or cross-border basis. Hence, while the balance of the funding provided by the IFI has been provided to what would broadly be described as "*economic*" projects, reconciliation is at the heart of the Fund's activities.

The report identified the following "*simple indicators*" of the scale of the Fund's interventions in the period to September 1994:

- 16 645 jobs in IFI supported projects in September 1994, together with a further 7 142 jobs indirect and construction jobs arising from IFI supported projects, giving a total jobs impact of the Fund of 23 787 at September 1994;
- formation of 37 Local Enterprise Agencies operating from 46 locations in Northern Ireland, each under the direction of a cross-community board;
- 441 organizations had been assisted to promote social and economic development, these involved over 5 700 community leaders in their day-to-day direction and management;
- sponsorship of business linkages between the two parts of Ireland which had involved over 1 000 businesses;
- participation of over 5 000 people in Wider Horizons Programmes which have a particular emphasis on young unemployed people from the most disadvantaged Protestant and Catholic Communities in Northern Ireland and from disadvantaged communities in the South;
- allocation of over UKL 263 million of funds since 1987;
- leverage of over UKL 450 million of other funds, leading to a total investment of over UKL 700 million, much targeted on the specially disadvantaged areas of the region.

It was found, in addition, that the IFI had developed a synergistic relationship with the Structural Funds, enabling the most disadvantaged communities to participate in the benefits of the Structural Funds by contributing to the matching funding required and had been instrumental in building day to day networks of cooperation between the administrations in Belfast and Dublin. (The Commission for its part saw to it that combined IFI/Structural Fund input did not exceed EU funding thresholds).

More than 20 in-depth visits and interviews were undertaken to explore the contact, dialogue and reconciliation impacts of a range of Fund assisted projects. Several groups pointed to the importance of IFI funds having been "*the first money on the table*" enabling them to approach other funding sources with greater confidence.

The report found that the IFI's approach to contact, dialogue and reconciliation emphasised working together at local levels to achieve a common end or goal, and that it tends to see such working together both as a pre-condition to support and, in itself, as an important outcome of the project assisted, developing contact, trust and understanding between the communities and acting as a springboard for further cooperative cross-community ventures. This model in fact corresponds to best practice in establishing trust and development between communities in general which, at best, are suspicious of each other. The IFI approach is basically an example of what has been called "*Track Two Diplomacy*" - under which economic development provides both an incentive and a higher goal to building relationships between two communities which have been estranged.

The Fund's own estimates of its employment creation impacts have also been reviewed. The actual number of jobs found "*on the ground*" in September 1994 in Fund-assisted projects was 16 645. Taking account of multiplier effects and the average direct employment in IFI-funded construction projects adds considerably to the total number employed directly in Fund assisted projects. When these effects are taken into account the total employment associated with the Fund rises to 23 787.

The cost per job associated with the total jobs created by the IFI was calculated at UKL 8 700. Adjusted to a cost per job year basis on various assumptions about the average duration of IFI-assisted jobs produced estimates of cost per job year for the IFI ranging from UKL 1 200 to UKL 2 900. When deadweight and local displacement effects are taken into account the average cost per IFI-assisted job year was estimated as ranging from UKL 2 700 to UKL 6 200 depending on the assumed average job duration.

The IFI has been a distinctive force in supporting contact, dialogue and reconciliation between the communities in Northern Ireland and between Northern Ireland and the South and in the creation of employment. It has had a distinctive status and role which has enabled it to support a wide variety of projects, most having a mixture of community relations and economic objectives.

The overall assessment of the Fund was, therefore, highly positive. Significant and distinctive contributions were found to have been made to contact, dialogue and reconciliation, new models of working together had been developed and significant numbers of additional jobs had been created at reasonable costs. The achievements of the Fund in a period of active inter-community tension and cross-border terrorism were regarded as being highly creditable.

2.3.2 The British-Irish Inter-Parliamentary Body

A Committee of the British-Irish Inter-Parliamentary Body produced a report on the IFI in April 1996⁸. The Committee took written and oral evidence from a wide range of individuals and visited a number of IFI-supported projects. The Committee's Report was in part concerned with a number of political issues

⁸ British-Irish Inter-Parliamentary Body; Report from Committee C on Economic and Social Affairs on the International Fund for Ireland; No 42, April 1996.

reflecting alternative distributions of the IFI resources but the Committee reached a number of substantive conclusions in relation to the impact of the Fund.

The following are some of the main points highlighted by the Committee's Report:

- the Fund reaches out to and is increasingly availed of by both the Unionist and the Nationalist traditions in Northern Ireland and there is a large degree of cross-community involvement in, and benefit from the various programmes;
- North-South business promotion activities sponsored by the IFI have demonstrated their practical benefits to the business communities and the Committee suggested that there remained further potential for larger scale cross-border projects of this type;
- while the Fund's resources are not very significant in macro-economic terms (compared, for example, with the expenditures of the two Governments or the EU), it is a significant part of development expenditure and, being mainly targeted at disadvantaged areas, its impact in such areas is of major significance;
- based on the evidence presented to it, the Committee considered the IFI performance in the area of job creation to have been very satisfactory and to have provided a higher level of value for money than might have been expected;
- the Fund's capacity to lever other funding, to pump prime and to provide seed funding for initiatives is a major advantage of the IFI, reflecting its flexibility and facilitative approach of projects. The Committee called for a even greater emphasis on such projects in the future.

The Committee's general conclusion and recommendation was as follows:

*"The Committee was impressed by the operation and performance of the IFI and the unique and distinctive role it has developed for itself in promoting reconciliation and regeneration in the region. The Committee would encourage the two Governments and the donors to continue their support for the Fund"*⁹

2.4 Distribution of the Fund's Resources

The IFI has clearly been concerned to ensure that priority is given to projects located in the most disadvantaged areas. This aim is reflected in the operation of the Fund's standard programmes and through a series of special initiatives targeted solely on the most disadvantaged areas. Assessments show that, to date, some 70% of the Fund's commitments go to these areas.

⁹ Paragraph 7.14.

2.5 The Fund's Employment Impact to September 1995

Using the same assumptions in relation to the ratio of actual to potential employment generated by previous research (figures up to September 1996 will be available in the course of 1997) direct employment generated by the 405 IFI assisted projects for the year ending September 1995 is estimated at 1 331 jobs. Including indirect employment (based on previous multipliers calculated), the total estimated direct and indirect employment generated in 1994/95 by IFI assisted projects is 1 826 jobs.

The total cumulative direct employment generated by the Fund from its inception to September 1995 is estimated to be 17 976 over a nine-year period. Including indirect effects, this increases to 25 584 jobs.

In total therefore, projects assisted by the IFI since the Fund's inception in 1986/87 to 1994/95 are estimated to have created 25 584 jobs.

The Commission will be obtaining a further update of the Fund's employment impact in relation to the 1995/96 financial year in due course. The Fund has continued to have a high level of activity in this period, for example it provided assistance of UKL 33 3 million to 327 projects with a total value of over UKL 90 3 million in the period October 1995 to December 1996. It can, therefore, be expected that the further update on the Fund's employment impact will show significant further employment benefits as a result of the additional projects supported in the period.

3. THE COMMISSION'S CONCLUSIONS

The Commission's conclusions in relation to the impact of the IFI and the need for continuing assistance to the Fund from EU sources are based on:

- the activity indicators provided by the IFI, which show that the Fund has a substantial impact on projects of a cross-border and cross-community nature and on economic regeneration in Northern Ireland and in the Border Counties of Ireland;
- the independent evaluations undertaken of the Fund's activities;
- the synergistic relationship established between the activities supported by the IFI, and the operation of the Structural Funds in Northern Ireland and in the Border Counties of Ireland by which the development capacity established by the IFI can target particularly disadvantaged or otherwise excluded communities and prepare and resource them for participation in Structural Fund supported projects.

The IFI has a distinctive role to play in cross-community and cross-border development in Northern Ireland and in the Border Counties. The Fund has shown an ability to target disadvantage and to generate self-sustaining economic activity in the most socially excluded parts of Northern Ireland and the Border Counties. The Fund also achieves a substantial leverage of public and private money with its funding. If the IFI was not able to contribute to projects in these disadvantaged areas, it is likely that they would not be able to draw in private and public contributions. The administration of the Fund has required continuing close cooperation between the administrations in Belfast and in Dublin. This has created a standing

network of contacts at a variety of levels which has been of value, for example, in the development of the Interreg II Programme for Northern Ireland and Ireland and in the Special Support Programme for Peace and Reconciliation in Northern Ireland and in the Border Counties of Ireland. The Fund has been effective in piloting innovative ideas which are then suitable in many cases for support from mainstream public sources. The Fund has been concerned to give priority to the most needy areas and assessments have shown that to date some 70% of Fund resources have been committed to the most disadvantaged areas.

The Commission concludes that the International Fund for Ireland has achieved a considerable measure of success in attaining the objectives set out in its own charter and in Council Regulation (EC) No 2687/94.

The model which it has pioneered of improving community relations through specifically targeted economic development projects has proved successful in most areas and has inspired procedures now being followed by some of the Structural Fund initiatives in the region.

It occupies a distinctive position in the range of support for the regeneration of an area of the Union which has been beset by very particular problems. Last but not least, the work of the IFI has played a major role in underpinning the peace process in Northern Ireland. Consequently, the Commission recommends continuation of support to the work of the IFI for another two years (1998 and 1999). A report similar to this one should then be produced by April 1999, evaluating further impact of the IFI and assessing the need for future funding.

ISSN 0254-1475

COM(97) 130 final

DOCUMENTS

EN

11 01

Catalogue number : CB-CO-97-130-EN-C

ISBN 92-78-17813-6

Office for Official Publications of the European Communities

L-2985 Luxembourg