

briefing for
Senior
Officials

cc: Mr Quinn
Mr Layberry

From: Miss L Wilson, European Division

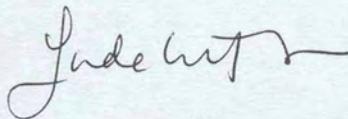
Date: 26 June 1997

PS/Secretary

**EU SPECIAL SUPPORT PROGRAMME FOR PEACE AND RECONCILIATION:
DINNER WITH MEPS**

The Secretary will be hosting a dinner on Sunday 29 June 1997 in Stormont House at 7.45 pm for 8.00 pm for the 3 Northern Ireland MEPs and their special advisers. Dr Paisley and Mr Hume are unable to attend. Mr Nicholson is unable to confirm his attendance but will make every effort to be there.

A guest list, short speaking note and background briefing on the Peace and Reconciliation Programme are attached for the Secretary's information.



L S WILSON (MISS)

LWil66

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APPENDIX 1

GUEST LIST FOR DINNER, SUNDAY 29 JUNE

Mr J Nicholson*

Mr R Ramsay

Mr H Logue

Mr H McNally

Mr J Semple

Mr S Quinn

Mr J Layberry

Mr D Watkins

Mr P Holmes**

Mr C MacCabe

Miss L Wilson

* other commitments permitting

** to facilitate discussion of Odyssey Millennium project.

SPEAKING NOTE FOR SECRETARY

- Welcome this opportunity to reflect on the first round of the EU Special Support Programme for Peace and Reconciliation and to consider the handling of the second tranche.
- Grateful for the European Commission's continuing commitment to the Peace Programme and to the MEPs' work in furthering our interests in the Parliament.
- Programme to date has certainly been an interesting experiment. Too early to decide whether or not it may be a role model for the future.
- Raises a number of fundamental issues regarding accountability and value for money. Involvement of such a wide range of delivery mechanisms does increase potential risk of fraud or of misappropriation of public funds.
- Interested to note that the Mid-term Evaluation which has recently been completed by Coopers & Lybrand was unable to draw any firm conclusions about value for money.
- Programme has achieved a good deal in terms of process and the evaluators recognise this as the main strength of the programme to date. However, need to ensure that the process is underpinned with proper accountability and value for money.
- Expenditure under the Programme has been slow but is now beginning to accelerate. Heavy demand for many of the Measures, most of which are heavily over-subscribed. Demand for funding under the Programme is evident.
- Partnerships Sub-programme, in particular, has attracted a great deal of public interest and the District Partnerships are keen to develop and extend their role.

- Consider that the Programme could be streamlined. Extensive range of delivery mechanisms involved results in a Programme which is complicated and cumbersome to administer. Considerable scope for duplication and overlap. Also expensive as running expenses have to be met from the Programme.
- May be merit in future in holding a reserve of funding for worthwhile projects which emerge as the Programme develops rather than allocating all monies to implementing bodies in the first instance.
- Concerned about the number and type of projects funded under the Programme. Funding bodies have chosen to assist many small one-off projects. Would encourage a more strategic focussed approach in second round. Also would seek to ensure that projects were more clearly linked to the objectives of the Programme and to the Structural Funds in the second round. Need to seek to promote more quality projects.
- Would also like to include one or two flagship projects. Enable Programme to make a more visible and high profile contribution (Peter Holmes is particularly interested in the possibility of including the Odyssey Millennium project in the continuation of the Programme).
- Would take the opportunity offered by the second tranche to consolidate and develop the work started under the Programme to date and to develop a sensible and sustainable exit strategy.

EU SPECIAL SUPPORT PROGRAMME FOR PEACE AND RECONCILIATION

BACKGROUND NOTE

1. The strategic aim of the Peace Programme is to reinforce progress towards a peaceful and stable society and to promote reconciliation. There are 5 priority areas for action - employment, urban and rural regeneration, cross-border development, social inclusion and industrial development. These, together with Partnerships and Technical Assistance, form the 7 Sub-programmes in the Programme.
2. EC funding (to a maximum of 75% of project costs) was provided initially for a 3-year period (1995-1997) with the prospect of further funding for another 2 years (up to 1999) currently under negotiation. Of the total EC funding of 300 mecu for 1995-1997, Northern Ireland has been allocated 240 mecu.
3. When the Programme was first negotiated, the prevailing exchange rate was £1:1.2 ecu, which gave Northern Ireland some £200 million with 25% matching Government funding raising the total to £266 million. However, in recent months, the value of sterling has continually strengthened against the ecu, with the current exchange rate rising above £1:1.4 ecu causing a loss, including matching funding, of £40 million to the Programme in Northern Ireland.
4. It has been agreed with HM Treasury that all funding for the Programme (including matching funding) will be fully additional. It is essential that this guarantee is extended to the second tranche of funding.
5. The Programme is delivered through 4 mechanisms - Central Government or statutory body, second-tier bodies under Central Government, Intermediary Funding Bodies (IFB) (ie bodies independent of Government) and Partnerships in the District Council areas. This innovative approach means that local communities and groups have a role to play in the delivery of

the Programme. Contracts have been signed with the 6 IFBs by the Commission and NICS Departments. The second-level bodies who will deliver other parts of the Programme have contracts with NICS Departments only. An executive Partnership Board has been established to oversee the Partnership arrangements and 26 district-based Partnerships have also been formed.

6. A Monitoring Committee oversees the implementation of the Programme. The Committee includes Northern Ireland, ROI and Commission officials as well as outside members drawn from local authorities, business, trade unions, community and voluntary groups and farmers. In addition, the Monitoring Committee is advised by a standing Consultative Forum, which is intended to reflect the wishes of local interests and grass-roots opinion throughout the eligible areas. This Forum consists of representatives drawn from the voluntary and community sector, local government, employers and employees organisations, women's groups, the agricultural and fishing sectors, the education sector, statutory bodies and other interests.
7. The Programme has been very enthusiastically received within Northern Ireland with 4,338 projects approved up to 31 March 1997. Initial expenditure has been slower than forecast in the Programme Document. This is largely because of the time it took to establish the innovative delivery mechanisms which are an integral part of the Programme. In addition, given the fact that the intention of this Programme is to engage groups which have not previously been involved in European funding, it is important that time is allowed for local and perhaps inexperienced organisations on the ground to prepare and submit their applications.
8. The funding allocated to the Programme in 1995 covered only the years 1995-97. The European Commission recently included a further 100 mecu in its 1998 draft Budget. However, this will require the establishment of a negative reserve which can only

be drawn upon if other funds earmarked in the Budget are unspent. The Budget now has to be approved by the European Parliament and the Council of Ministers. In practical terms, this is unlikely to be approved until the end of the year. A delay of this nature would obviously cause a number of operational problems on the ground.

9. A note on expenditure to date is attached at Appendix A.

PP-JL-11158

EU SPECIAL SUPPORT PROGRAMME FOR PEACE AND RECONCILIATION

Progress on Implementation 30 September 1996-31 March 1997

In the 6-month period between the end of the third quarter of 1996 and the first quarter of 1997, the Programme's implementation has accelerated significantly. Progress can be summarised as follows:-

- (i) the number of project applications has tripled;
- (ii) the number of grants approved to projects quadrupled;
- (iii) commitments (viz the value of grants approved to projects) more than doubled; and
- (iv) actual payments to projects have quadrupled.

POSITION AT	PROJECT APPLICATIONS RECEIVED	NO OF GRANTS APPROVED	COMMITMENTS	PAYMENTS TO PROJECTS
1. 30.09.96	4,031	1,058	£47.0m	£7.5m
2. 31.03.97	12,346	4,338	£121.0m	£30.5m
% Increase Between 1 & 2	206%	310%	158%	306%

Conclusion

If similar progress can be maintained, the Programme should be fully committed in 1997.

PP-JL-11158

TOPIC: EU SPECIAL SUPPORT PROGRAMME FOR PEACE AND RECONCILIATION - SECOND TRANCHE OF FUNDING

Line to Take

- Welcome the European Commission's continuing support for Northern Ireland through the Structural Funds.
- Particularly welcome their support for the peace process through the Peace Programme. We also attach a high priority to this Programme and would very much hope that the European funding will be continued for a further 2 years. Welcome the inclusion of additional funding for 1998 in the recently published draft Budget and hope that the European Parliament will support this.
- Encouraged to note that expenditure on the Programme is beginning to improve - it has been slower than anticipated because of the time taken to establish the novel delivery mechanisms involved and also for groups to bring forward projects. Important, however, that good value-for-money projects are funded.
- Would emphasise the difficulties which the uncertainty regarding the future funding of the Programme is causing to groups on the ground. Essential to press for agreement on the second tranche of funding as quickly as possible. We do not wish to lose the momentum which has now been built up on the Programme.
- However, too early to view the Programme as a role model for the future. While it is certainly an interesting experiment, it is too soon to judge how successful the projects or processes assisted under the Programme will be in the longer term.

SECOND TRANCHE - BACKGROUND NOTE

1. Programme formally agreed on 28 July 1995 and scheduled to run for 5 years from 1995-99. European funding of 300 mecu (approximately £215m) agreed for the first 3 years with further funding for 1998 and 1999 subject to a review in 1997. Up to 80% of the funds (ie 240 mecu or £170m) allocated to Northern Ireland with not less than 20% to the Border Counties. At least 15% of the total to be spent on cross-border activities.
2. The Commission has proposed in its 1998 provisional draft budget a further 100 mecu for 1998, offset by a negative reserve. The reserve will be funded eventually from underspends in the Structural Funds across Europe. There is an understanding that a similar amount will be proposed for 1999.
3. This is an unusual device, sometimes employed by the Parliament when money cannot be found for something to which it attaches priority. It was used in 1996 to fund 100 mecu of the original Peace Programme money and was opposed then by the European Parliament. It is likely to meet opposition again, first in the Council but particularly in the Parliament, whose members expect new money to be found for the remaining years of the Programme.
4. Other key issues include accountability and value for money. The Programme contains many novel and experimental structures and these have yet to be proven. There is considerable enthusiasm in the European Commission and on the ground for the structures and the process, but a number of issues concerning accountability, value for money and the longer-term sustainability of many of the projects supported have yet to be resolved. Against this background, the Mid-term Evaluation of the Programme, which is soon to be completed, will have a key role to play in shaping the Programme during its remaining 2 years of funding.

APPENDIX 1

EU SPECIAL SUPPORT PROGRAMME FOR PEACE AND RECONCILIATION

POINTS TO MAKE

Continuation of Funding for Programme

- Welcome the continuing interest of the MEPs in the Peace Programme and the role they have played in obtaining this funding from the European Commission.
- Particularly welcome their support for the Programme to which we attach a high priority. We would very much hope that European funding will be continued at a significant level for a further 2 years. I know that the Irish Government attaches a similar priority to the continuation of funding to this joint Programme.
- Welcome the inclusion of 100 mecu additional funding for 1998 in the recently published draft Budget and the indication that there will be a similar amount proposed for 1999. Would seek the support of the MEPs and their contacts in the Budget Committee and the Parliament in securing this funding as quickly as possible. Fully appreciate the Parliament's difficulties and the need for budgetary rigour but would regard it as essential that a significant tranche of new funding is found for the Programme.
- Important that this is new money; we would resist strongly any suggestion that the Peace Programme should be part-funded from within our existing Structural Funds allocation. This money was allocated to other Programmes and is needed to assist activities under those Programmes.
- Finally, would emphasise the difficulties which the uncertainty regarding the future funding of the programme is causing to groups on the ground. Essential to press for agreement on the second tranche of funding as quickly as possible. We do not wish to lose the momentum which has now been built up on the Programme.

FUNDING PRIORITIES FOR SECOND TRANCHE OF PROGRAMME

POINTS TO MAKE

- Would support the continuation of the broad priorities currently funded under the Programme (ie Employment, Urban and Rural Regeneration, Cross-border Development, Social Inclusion and Productive Investment), but would like to see the Programme developed to deliver more higher quality, value for money projects.
- A large number of very small and stand alone projects have been funded under the first round. Funders in the second tranche might take a more strategic and focused view of what the Programme is trying to achieve.
- A particular feature of the Programme to date has been the lack of capital funding. This has caused problems for a number of implementing agencies (who have been unable to provide the infrastructure to support the Social Fund expenditure).
- In particular, it has not been possible to assist larger '**flagship**' projects under the Programme. We would press for the inclusion of 1 or 2 such projects next time round. If these are not included, there is a real danger that a large sum of money will have been spent on small capacity building type projects which could leave little lasting impression of the Programme in years to come.
- Revised programme should place a greater emphasis on issues of **sustainability and the development of appropriate exit strategies**. Important that we do not create a demand which cannot be met in 1999 when the Programme will come to an end. This would be unfair to the participants and those who might rely on the Programme.

Important also to align the Programme priorities more closely to the Structural Funds. Some elements of the Programme stretch the interpretation of the Structural Funds Regulations too far (eg Social Fund projects involving the elderly or projects with a strong social welfare element). The Court of Auditors have expressed concern informally about this point.

KEY ISSUES

POINTS TO MAKE

Accountability and Value for Money

- Sensible to take account of the recent **mid-term evaluation report** from Coopers and Lybrand which concluded that while the process aspects of the programme were successful, it is too early to assess the impact of the value for money of the Programme.
- Accountability and value for money must remain key considerations in the handling of the second tranche.
- Programme contains many novel and experimental structures which have yet to be proven. Although there is considerable enthusiasm in the European Commission and on the ground for the structures and the process, we should look carefully at accountability, value for money and the longer-term sustainability of many of the projects supported in considering how to shape the second tranche.

PROGRAMME DELIVERY

POINTS TO MAKE

- Recognise the contribution made by implementing agencies to the Programme. We would congratulate them for their hard work and commitment to a very difficult task.

- Worth considering, however, **whether we should take the opportunity offered to us by the second tranche to review and reduce the number of existing implementation mechanisms; in addition to simplifying the application process this would also reduce the administrative costs of running the Programme.**

- There are a number of activities which are **most appropriately funded by Departments** (eg environment and agriculture and some productive investment). There has been very high demand and interest in some Government schemes, in particular the Interest Relief Subsidy, and these have been among the notable success stories of the Programme.

- Programme applicants would also benefit from a **streamlining** of the delivery process. Good deal of overlap and duplication between the work of the partnerships and that of the 6 IFBs.

- Would make special mention of the **Partnerships Sub-programme** which has achieved much in terms of process. However, the quality of some projects under Stage 1 and Stage 2 has been disappointing (eg there has been a tendency to focus on small one-off grants rather than to adopt a more strategic approach) and, in many cases, the projects could also have been eligible under the IFB funded parts of the Programme.

- Overall, the **partnership arrangements under the Programme have been a notable success in bringing a range of political and other interests into a constructive and co-operative process.**

- The District Partnerships are keen to build on the work which has been done to develop their contribution to the fostering of peace and reconciliation at local level; they would be keen to develop a more strategic and focussed approach in the second round of funding.

LINES TO TAKE (Defensive)

Additionality (if raised)

- All funding under the EU Special Support Programme for Peace and Reconciliation, including matching funding, is entirely additional to Government spending in the Province.

- The previous PM made this absolutely clear when he spoke in Belfast in October 1994; this commitment has been honoured.

1996 PES Cuts (if raised)

- These were, of course, implemented by the last Government.

- However, I have been assured that they did not prejudice the additionality of the Programme.



FROM: PETER HOLMES
Deputy Secretary

DATE: 13 June 1997

cc: Jack Layberry

Mr S Quinn
DFP

MILLENNIUM PROJECT: EU CONTRIBUTION

1. In response to your E-mail of 4 June, I want to record the steps being taken to canvass support for EU funding out of the second tranche of PRP resources.
2. Jack Layberry and I have looked at ways of refocusing existing distribution (for example through urban regeneration and social inclusion) or by creating a new sub-programme. Of the existing routes, the urban regeneration is likely to be more fruitful, in that the expectation is for fairly large sums being spent for this purpose. The social inclusion element, while entirely justified, is much more difficult to achieve, since NIVT has a commitment to small, cheap, locally based projects, and (on Jack's assessment) is unlikely to want (in their terms) to blow their resources on one big project.
3. Thus, the arguments tend towards the urban regeneration and, possibly, a new sub-programme, as the route(s) for funding.
4. In terms of seeking to influence both decision makers from the EU and locally, the timing is now opportune. While the Odyssey Project has worked hard to enthuse the statutory bodies (Arts, Sports and Youth Councils and some local authorities) they have maintained a low profile in advance of a Millennium Commission decision on funding. Now that that hurdle has been passed, they will be making efforts to win more hearts and minds. They will, for example, be launching the Project with a high profile announcement around the end of the month.
5. Helpfully, this coincides with the visit of Messrs Logue, Ramsay and McNally, who are visiting NI from 29 June to 3 July. This will include a dinner with the Secretary of State and meetings with the MEPs; both occasions which are suitable for lobbying on behalf of Odyssey. It may also be possible to arrange (through Jack) for a special meeting with them to discuss funding possibilities.



6. The monitoring committee then meets on 8 July to evaluate and consider refocusing of future resources. This will be a further opportunity to press the case and to seek arrangements which will more easily allow for the funding of a major project.

PSH

P S HOLMES



VISIT PROGRAMME - MONDAY MORNING 30 JUNE 1997

8.30-9.00	Stormont Castle	Meeting with DFP
9.00-9.45	Stormont Castle	Meeting with officials from implementing Departments
9.55	Stormont Castle	Photocall
10.00-11.00	Stormont Castle	Meeting with Secretary of State
11.00		Leave Stormont Castle



EUROPEAN COMMISSION
 DIRECTORATE GENERAL XIV
 FISHERIES
 Structures and areas dependent on fisheries

Brussels,
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DRAFT VISIT PROGRAMME 30.6.1997 - 4.7.1997

<u>Date/time</u>	<u>Place</u>	<u>Person/organisation</u>
<u>29.6.1997</u> Evening	Stormont	Dinner ?
<u>30.6.1997</u> 9.30 - 12.00	Stormont	Officials S.O.S. Press/TV/3 MEP's
13.00 - 13.45	European Commission Office	Editors/Press/TV Radio for discussion EC Officials
14.00	Belfast City Hall	Coopers/Lybrand ?
14.30	Committee Room 3	Development Committee
16.00		ICTU ✓
16.30		Fishing Industry ✓
17.00		IFB's and Sectoral Partners ✓
17.45		Greater Belfast Partnerships ✓
18.30		Churches / R. Magee / NICVA ?
19.00	Lord Mayors Welcome / Reception	✓
20.00	Dinner City Hall	Guests ? IFB's District Partners Bankers EC IDB/LEDU Groups receiving Funds CBI UFU Etc..

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<u>Tuesday 1.7.1997</u>	9.30	Ballymoney District Council Offices Discussion with invited audience Visit project with Dr. Paisley MEP
	12.30	Departure for Enniskillen
	15.00	Town Hall ✓
	15.00	Consultative Forum ✓
	15.45	Rural Development Council ✓ Rural Community Network ✓
	16.30	District partnerships ✓ Visit project Dinner
<u>Wednesday 2.7.1997</u>	9.30	Omagh District Council Offices Discussion Chief Executives "SOLACE" ✓
	12.00	Leave for Derry
	13.00	Guildhall Development Committee Visit project with J. Hume MEP International fund for Ireland District partnerships Managers of Funds
	17.30	Reception
	20.00	Dinner Ballybofey MEP's / County Managers/Etc.