



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 12.10.2006
COM(2006) 564 final

2006/0194 (CNS)

Proposal for a

COUNCIL REGULATION

**concerning Community financial contributions to the International Fund for Ireland
(2007-2010)**

(presented by the Commission)

{SEC(2006) 1227}

EXPLANATORY MEMORANDUM

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

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

Following early contributions from the United States and other countries, the European Community, recognising that the objectives of the IFI were a reflection of those pursued by itself, wished to give practical support to the initiative. It began contributing to the IFI in 1989. EC funding now represents approximately 48 % of annual contributions to the Fund and 40 % of cumulative contributions to date. The Commission has been represented by an observer at all IFI Board meetings since the beginning of 1989.

The political background of the region has evolved over the years: in 1994, the main paramilitary groups announced cease-fires; in April 1998, the Belfast ("Good Friday") Agreement set a political settlement for a peace process, including the devolution of powers to a Northern Ireland Assembly and Executive Committee, which were set up at the end of 1999. However, there is still a significant level of security related incidents with sectarian motivation and psychological and physical division between the main communities is on the rise. The NI Assembly is currently suspended, which illustrates the threats and uncertainties surrounding the peace process in the region.

In this context, economic and social development in support of peace and reconciliation at grassroots level is a long term process. As an instrument towards this goal, the IFI complements the action carried out by the EU Programmes for Peace and Reconciliation in Northern Ireland and the Border Region of Ireland ("PEACE "I 1995-1999, "PEACE II" 2000-2006 and "PEACE III" 2007-2013).

Nevertheless, the International Fund knowing that the current level of international support cannot be maintained indefinitely, has performed, in 2005, a review of its structures and priorities in order to redefine its mission in light of the new realities and has adopted a strategic framework which will bring the life of the Fund to an end in 2010. This strategy is entitled "Sharing this Space" and launches the final phase of activities of the Fund (2006-2010). During this closing period the Fund will target the areas of greatest need and will seek to ensure that its work is made sustainable in the longer term.

In accordance with the current round of contributions**, the European Commission has also submitted an assessment of the IFI's activities to the Budgetary Authority***. This

* Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of Ireland concerning the International Fund for Ireland, 18 September 1986 (last amended 10 October 2000) ; UK Treaty Series No 58 (1987) Cm 266 / Republic of Ireland No 1 (1986) Cmnd 9908.

** Council Regulation (EC) No 177/2005 of 24 January 2005 (OJ L 30, 3.2.2005, p. 1).

*** COM(2006) 563, 12.10.2006.

acknowledges the IFI's very valuable and positive actions for peace and reconciliation in the region, and thereby the fulfilment of its objectives. The report concluded that *"the Commission believes that funding after 2006 should be provided on the basis of the observations made in this report, which could be reflected either in the future Council Regulation on the EC contribution to the IFI, or through other appropriate means of co-operation between the Commission and the IFI"*.

In light of the above assessment, it is proposed that EU contributions of €15 million per year to the IFI continue for a further period of 4 years. The proposed new period will therefore end in 2010, which would coincide with the end of the life of the IFI.

The new Council Regulation should also reflect the observations made in the Commission report, in particular those reinforcing synergy of objectives and co-ordination with Structural Funds interventions, in particular with the new PEACE Programme and the provisions on closure.

The package of proposals for adoption include:

- a proposal for a Council Regulation concerning Community financial contributions to the International Fund for Ireland (2007-2010);
- a Communication from the Commission on the Report on the International Fund for Ireland pursuant to Article 5 of Council Regulation (EC) No 177/2005.

Proposal for a

COUNCIL REGULATION

**concerning Community financial contributions to the International Fund for Ireland
(2007-2010)**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal from the Commission¹,

Having regard to the opinion of the European Parliament²,

Whereas:

- (1) The International Fund for Ireland (hereinafter “the Fund”) was established in 1986 by the Agreement of 18 September 1986 between the Government of Ireland and the Government of the United Kingdom of Great Britain and Northern Ireland concerning the International Fund for Ireland (hereinafter “the Agreement”) in order to promote economic and social advance, and to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland, in implementation of one of the objectives specified by the Anglo-Irish Agreement of 15 November 1985.
- (2) The Community has provided financial contributions to the Fund from 1989. For the period 2005 to 2006 EUR 15 million was committed from the Community budget for each of the years 2005 and 2006 in accordance with Council Regulation (EC) No 177/2005 of 24 January 2005 on Community financial contributions to the International Fund for Ireland³. That Regulation will expire on 31 December 2006.
- (3) The assessments carried out in accordance with Article 5 of Regulation (EC) No 177/2005 have confirmed the need for further support for activities of the Fund, while continuing reinforcing synergy of objectives and co-ordination with Structural Funds interventions, in particular with the Special Programme for Peace and Reconciliation in Northern Ireland and the Border Counties of Ireland (hereinafter “the PEACE

¹ OJ C p.

² OJ C p.

³ OJ L 30, 3.2.2005, p. 1.

programme”) set up in accordance with Council Regulation (EC) No 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds⁴.

- (4) The peace process in Northern Ireland requires a continuation of Community support to the Fund beyond 31 December 2006. In recognition of the special effort for the peace process, the PEACE programme has been allocated additional support from the Structural Funds for the period 2007 to 2013 pursuant to paragraph 22 of Annex II to Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999⁵.
- (5) At its meeting in Brussels on 15 and 16 December 2005, the European Council called on the Commission to take the necessary steps with a view to continued Community support for the Fund as it enters the crucial final phase of its work up to 2010.
- (6) The Community contribution to the Fund should take the form of financial contributions for the years 2007, 2008, 2009 and 2010, thus terminating at the same time as the life of the Fund.
- (7) In allocating the Community contribution, the Fund should give priority to projects of a cross-border or cross-community nature, in such a way as to complement the activities funded by the PEACE programme for the period 2007 to 2010.
- (8) In accordance with the Agreement, all financial contributors to the Fund participate as observers at the meetings of the Board of the International Fund for Ireland.
- (9) It is vital to ensure proper co-ordination between the activities of the Fund and those financed under the Community Structural Funds provided for by Article 159 of the Treaty, in particular the PEACE programme.
- (10) Assistance from the Fund should be regarded as effective only in so far as it brings about sustainable economic and social improvement and is not used as a substitute for other public or private expenditure.
- (11) An assessment reviewing the closure provisions of the Fund should be carried out before 1 July 2008.
- (12) A financial reference amount, within the meaning of Point 38 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management⁶ is inserted in this Regulation for the entire duration of the programme, without the powers of the budgetary authority as defined by the Treaty being affected thereby.
- (13) The amount of the Community contribution to the Fund should be EUR 15 million for each of the years 2007, 2008, 2009, and 2010, expressed in current values.

⁴ OJ L 161, 26.6.1999, p. 1. Regulation as last amended by Regulation (EC) No 173/2005 (OJ L 29, 2.2.2005, p. 3) and repealed and replaced by Regulation (EC) No 1083/2006 (OJ L 210, 31.7.2006, p. 210) as of 1 January 2007.

⁵ OJ L 210, 31.7.2006, p. 25.

⁶ OJ C 139, 14.6.2006, p. 1.

- (14) That support will contribute to reinforcing solidarity between the Member States and between their peoples.
- (15) The Treaty provides no powers other than those in Article 308 for the adoption of this Regulation,

HAS ADOPTED THIS REGULATION:

Article 1

The financial reference amount for the implementation of the International Fund for Ireland (hereinafter “the Fund”) for the period 2007-2010 shall be EUR 60 million.

Annual appropriations shall be authorised by the budgetary authority within the limit of the financial framework.

Article 2

The contribution shall be used by the Fund in accordance with the Agreement of 18 September 1986 between the Government of Ireland and the Government of the United Kingdom of Great Britain and Northern Ireland concerning the International Fund for Ireland (hereinafter “the Agreement”).

In allocating the contribution the Fund shall give priority to projects of a cross-border or cross-community nature, in such a way as to complement the activities financed by the Structural Funds, and especially those of the PEACE programme operating in Northern Ireland and the Border Counties of Ireland.

The contribution shall be used in such a way as to bring about sustainable economic and social improvement in the areas concerned. It shall not be used as a substitute for other public and private expenditure.

Article 3

The Commission shall represent the Community as an observer at the meetings of the Board of the Fund (hereinafter “the Board”).

The Fund shall be represented as an observer at the Monitoring Committee meetings of the PEACE programme, and of other Structural Funds interventions as appropriate.

Article 4

The Commission shall, in co-operation with the Fund’s Board, determine appropriate procedures to foster co-ordination at all levels between the Fund and the managing authorities and implementing bodies set up under the Structural Funds interventions concerned, in particular under the PEACE programme.

Article 5

The Commission shall, in co-operation with the Fund's Board, determine appropriate publicity and information procedures in order to publicise the Community's contribution to the projects financed by the Fund.

Article 6

By 30 June 2008 at the latest, the Fund shall submit to the Commission its strategy for the closure of the activities of the Fund, including:

- (a) an action plan with projected payments and a foreseen winding up date;
- (b) a de-commitment procedure;
- (c) the treatment of any residual amounts and interest received at the closure of the Fund.

Subsequent payments to the Fund are conditional on the Commission's approval of the closure strategy. If the strategy for closure is not submitted by 30 June 2008, payments to the Fund shall be interrupted until the strategy is received.

Article 7

1. The Commission shall administer the contributions.

Subject to paragraph 2 the annual contribution shall be paid in instalments as follows:

- (a) a first advance payment of 40% shall be made after the Commission has received an undertaking, signed by the Chairman of the Fund's Board, to the effect that the Fund shall comply with the conditions for the grant of the contribution set out in this Regulation;
- (b) a second advance payment of 40% shall be made six months later;
- (c) a final payment of 20% shall be made after the Commission has received and accepted the Fund's annual activity report and audited accounts for the year in question.

2. Before paying out an instalment the Commission shall carry out an assessment of the Fund's financial needs on the basis of the Fund's cash balance at the time scheduled for each payment. If following that assessment, the Fund's financial needs do not justify payment of one of those instalments, the payment concerned shall be suspended. The Commission shall review that decision on the basis of new information provided by the Fund and shall continue payments as soon as they are considered justified.

Article 8

A contribution from the Fund may be allocated to an operation which receives or is due to receive financial assistance under a Structural Funds intervention, only if the sum of that

financial assistance plus 40% of the contribution from the Fund does not exceed 75% of the operation's total eligible costs.

Article 9

A final report should be submitted to the Commission six months before the winding up date foreseen in the strategy for closure referred in point (a) of the first paragraph of Article 6 or six months after the last Community payment, whichever happens first, and should include all the necessary information that would enable the Commission to evaluate the implementation of the assistance and the attainment of the objectives.

Article 10

The final year contribution shall be paid following the financial needs analysis referred to in Article 7(2) and provided the Fund's performance respects the closure strategy provided for in Article 6.

Article 11

The final date of eligibility of expenditure is 31 December 2013.

Article 12

This Regulation shall enter into force on 1 January 2007.

It shall expire on 31 December 2010.

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

Done at Brussels,

*For the Council
The President*

LEGISLATIVE FINANCIAL STATEMENT

Policy area: REGIO
Activity: Other regional actions

TITLE OF ACTION: COMMUNITY FINANCIAL CONTRIBUTIONS TO THE INTERNATIONAL FUND FOR IRELAND (2007-2010)

1. BUDGET LINE(S) + HEADING(S)

13.03.12

2. OVERALL FIGURES

2.1. Total allocation for action (Part B): €60 million for commitment

2.2. Period of application: 2007-2010

2.3. Overall multiannual estimate of expenditure:

(a) Schedule of commitment appropriations/payment appropriations (financial intervention) (*see point 6.1.1*)

€million (*to three decimal places*)

	Year [n] 2007	[n+1] 2008	[n+2] 2009	[n+3] 2010	[n+4]	[n+5 and subs. Year]	Total
Commitments	15	15	15	15			60
Payments		15	15	15	12	3	60

(b) Technical and administrative assistance and support expenditure (*see point 6.1.2*)

Commitments							
Payments							

Subtotal a+b							
Commitments	15	15	15	15			60
Payments		15	15	15	12	3	60

- (c) Overall financial impact of human resources and other administrative expenditure
(see points 7.2 and 7.3)

Commitments/ payments	0,042	0,042	0,042	0,042			
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TOTAL a+b+c							
Commitments	15,042	15,042	15,042	15,042			60,168
Payments	0,042	15,042	15,042	15,042	12	3	60,168

2.4. Compatibility with financial programming and financial perspective

Proposal is compatible with existing financial programming.

2.5. Financial impact on revenue:

Proposal has no financial implications (involves technical aspects regarding implementation of a measure)

3. BUDGET CHARACTERISTICS

Type of expenditure		New	EFTA contribution	Contributions form applicant countries	Heading in financial perspective
Non-comp	Diff	NO	NO	NO	1A

4. LEGAL BASIS

Article 308 (EC)

5. DESCRIPTION AND GROUNDS

5.1. Need for Community intervention

5.1.1. Objectives pursued

To encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland and to promote the economic and social advance of the two communities.

5.1.2. Grounds for the operation

The European Community, recognising that the objectives of the Fund are a reflection of those pursued by itself, has given practical backing (€15 million p.a. since 1989; €20 million for each of the years 1995, 1996, 1997; €7 million for the

years 1998 and 1999; €15 million for the years 2000, 2001, 2002 2003, 2004, 2005 and 2006).

At its meeting in Brussels on 15 and 16 December 2005, the European Council called on the Commission to take the necessary steps with a view to continued EU support for the Fund as it enters the crucial final phase of its work up to 2010.

Continuation of this contribution for another four years until the end of the life of the IFI illustrates the clear EU support for the peace process in Northern Ireland.

5.2. Action envisaged and budget intervention arrangements

- Objectives: to promote economic and social advance, and to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland.
- The Fund operates mainly in Northern Ireland and in the Border Region of Ireland; it targets designated disadvantaged areas.
- For a detailed analysis of Fund activities : see Commission Report and Annex COM(2006) 563 / SEC(2006) 1226 of 12.10.2006.

5.3. Methods of implementation

Subject to an assessment of the Fund's financial needs, the annual contribution shall normally be paid in instalments as follows: a first advance payment of 40% shall be made after the Commission has received an undertaking, signed by the Chairman of the Fund's Board complying with the Council Regulation; a second advance payment of 40% shall be made six months later and a final payment of 20% shall be made after the Commission has received and accepted the Fund's annual activity report and audited accounts for the year in question.

6. FINANCIAL IMPACT

6.1. Total financial impact on Part B - (over the entire programming period)

6.1.1. Financial intervention

Commitments (in €million to three decimal places)

Breakdown	[Year n] 2007	[n+1] 2008	[n+2] 2009	[n+3] 2010	[n+4]	[n+5 and subs. Years]	Total
Action 1	15	15	15	15			60
Action 2							
etc.							
TOTAL	15	15	15	15			60

6.1.2. *Technical and administrative assistance, support expenditure and IT expenditure (commitment appropriations)*

Not applicable.

6.2. Calculation of costs by measure envisaged in Part B (over the entire programming period)

Not applicable.

7. IMPACT ON STAFF AND ADMINISTRATIVE EXPENDITURE

7.1. Impact on human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources		Total	Description of tasks deriving from the action
		Number of permanent posts	Number of temporary posts		
Officials or temporary staff	A	0,2		0,2	<i>If necessary, a fuller description of the tasks may be annexed.</i>
	B	0,1		0,1	
	C				
Other human resources					
Total		0,3		0,3	

7.2. Overall financial impact of human resources

Type of human resources	Amount (€)	Method of calculation *
Officials	32400	0,3 * €108000
Temporary staff		
Other human resources (specify budget line)		
Total	32400	

The amounts are total expenditure for twelve months.

7.3. Other administrative expenditure deriving from the action

Budget line (number and heading)	Amount €	Method of calculation
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Overall allocation (Title A7)		
A0701 – Missions	8000	€800 * 10 p.a. (5 missions of 2 days each on average)
A07030 – Meetings		
A07031 – Compulsory committees		
A07032 – Non-compulsory committees		
A07040 – Conferences		
A0705 – Studies and consultations	1600	€800 * 2 p.a.
Other expenditure (specify) Audit		
Information systems (A-5001/A-4300)		
Other expenditure - Part A (specify)		
Total	9600	

The amounts are total expenditure for twelve months.

I.	Annual total (7.2 + 7.3)	42000€
II.	Duration of action	4 years
III.	Total cost of action (I x II)	168000€

8. FOLLOW-UP AND EVALUATION

8.1. Follow-up arrangements

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. The Fund operations are moreover controlled by DG REGIO audit and control services. The result indicators will be the number and value of projects approved by the IFI.

8.2. Arrangements and schedule for the planned evaluation

Every year the IFI presents to the Commission its annual accounts and activity report which must satisfy the Commission in order for the payments to the Fund to continue. Moreover, the payments to the Fund are also subject to an assessment of the Fund's financial needs to be carried out by the Commission on the basis of the Fund's cash balance at the time scheduled for each payment.

Given that the Fund will come to an end in 2010 it must submit to the Commission by June 2008 at the latest, its strategy for the closure of the Fund's activities and subsequent payments to the Fund are conditional on the Commission's approval of the closure strategy.

A Final Report should be submitted to the Commission six months before the winding up date foreseen in the strategy for closure in Article 6(a) of this Regulation or six months after the last Community payment, whichever happens first and should include all the necessary information that would enable the Commission to evaluate the implementation of the assistance and the attainment of the objectives.

9. ANTI-FRAUD 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. The Fund operations are moreover controlled by DG REGIO audit and control services.