



House of Commons
Northern Ireland Affairs
Committee

**Government Response
to the Committee's
Seventh Report on
PEACE II**

**Seventh Special Report of Session
2002–2003**

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The Northern Ireland Affairs Committee

The Northern Ireland Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Northern Ireland Office (but excluding individual cases and advice given by the Crown Solicitor); and other matters within the responsibilities of the Secretary of State for Northern Ireland (but excluding the expenditure, administration and policy of the Office of the Director of Public Prosecutions, Northern Ireland and the drafting of legislation by the Office of the Legislative Counsel).

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Committee staff

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Seventh Special Report

The Committee published its Seventh Report of Session 2002-2003 on 26 June 2003. The response from Ian Pearson MP, Parliamentary Under-Secretary of State for Northern Ireland, was received in the form of a letter on 13 August 2003 and is published as the Appendix to this Report.

Appendix

Introduction

1. I would like to thank the Northern Ireland Affairs Committee for their comprehensive report on the implementation of the PEACE II Programme and for this opportunity to respond. The Committee's report begins by recognising the importance of the PEACE II Programme and I agree fully that this is the place to start. The PEACE II Programme, its successful implementation, and the achievement of its objectives are vitally important to everyone in Northern Ireland.

2. PEACE II is a unique and highly innovative Programme. It aims "to reinforce progress towards a peaceful and stable society and to promote reconciliation". Its objectives "to address the legacy of the conflict and to take the opportunities from peace" are unique. Moreover, it has new and innovative delivery structures, including the fact that two Member States have responsibility; its Managing Authority is a North South Body; and its Implementing Bodies include locally based partnerships, intermediary bodies with policy expertise in their area and Government departments. As I stated at the Committee, working towards such aims and objectives and with such structures is not straightforward. However, the Government and I restate our commitment to doing all that we can to ensure that progress continues, that any obstacles are removed and that PEACE II funds are used to the maximum possible effect.

3. I want also to say at the outset that I accept the findings that the Committee has made into the operation of the PEACE II Programme. The Programme has encountered difficulties in its implementation and I agree with the Committee that Ministerial leadership is required, that the Programme must be simplified where possible, and that urgent remedial action to prevent a loss of funding under the Commission N+2 rule must be taken.

4. I have already taken some action. Since taking office I have received regular progress reports on the Programme. I have taken the first steps to streamline the Programme including simplifying and shortening application forms and audit processes. I have also put an action plan in place to ensure that its spending targets are met and to prevent a possible decommitment of funds. I appreciate the fact that the Committee has acknowledged these points and I assure it now **that I will continue to provide the necessary leadership on behalf of Northern Ireland**. Responsibility for the Programme and the Special EU Programmes Body is of course a joint responsibility with Ireland and I will liaise with the Irish Minister of Finance as necessary to ensure effective implementation.

5. The remainder of this response follows the structure used in the Conclusions and Recommendations Section of the Committee's Report. I have added some headings.

Delays in Implementing the Programme and impact on the Voluntary and Community Sector (page 46, para 2)

6. Paragraph 2 of the report concludes that the delays in implementing PEACE II caused a crisis in the Voluntary and Community Sector. There is no doubt that PEACE II has been delayed. PEACE II was not agreed with the European Commission until March 2001 and little comfort can be gained from the fact that almost half of the Structural Funds Programmes throughout Europe were agreed after that date. The implementing structures did also take longer than anticipated to put in place. There was never a lack of urgency in this work, but it was complex and it was delayed. However, the SEUPB did meet the target date (of December 2001) set by the Executive for all 26 Local Strategy Partnerships to be in place.

7. As the Committee has stated the response of the Executive to the delays was to put Interim Funding Arrangements in place under which, in the end, some £9m during 2000–01 and £17m from April 2001 – December 2002 was paid to 629 projects. These arrangements were a substantial and genuine attempt to provide continuity between the PEACE I and PEACE II Programmes. Furthermore, following the closure of the GAP arrangements in December 2001 an additional £7m has been provided to ensure that some important services delivered by this Sector that did not obtain support from PEACE II could continue.

8. It is accepted now and was recognised at the time that the interim funding arrangements were not perfect and that they did not provide certainty of longer term funding. It is also accepted that this caused difficulties to those parts of the Voluntary and Community Sector delivering these projects. This Sector is an important partner in the delivery of European Programmes in Northern Ireland and the difficulties they experienced are regrettable. But to put it in context it must also be noted that NICVA have recently estimated that EU PEACE funding provides only 8% of the total funding to this Sector. It is equally the case that the philosophy when funding PEACE I and PEACE II projects is not to support or maintain any one Sector but to support projects that can help meet the aims and objectives of the Programmes and projects that aim to become sustainable in the longer term without continuing support.

Direction and Leadership (para 4 and 5, page 46 and 47)

9. I have already indicated in my introductory remarks that I fully accept the need for Ministerial direction and leadership for the PEACE II Programme. The legislation dictates that this must come on a North South basis through NSMC process, including those put in place to cover suspension. For my part, I have taken a close personal interest in the Programme since my appointment. I receive weekly updates on progress. I have taken action to shorten application forms, to simplify processes, and to ensure spending targets are met. The Committee's report acknowledges this.

10. I will continue and extend this work. I referred in my evidence to the Committee to a consultancy report I had commissioned on how the Programme could be further simplified. I have now received this report which recommends action in 9 areas as follows:

1. Create a 60 day Action Team of additional resources.
2. Simplification of Application Processes.
3. Streamlining of the Assessment Process.
4. Support for the Decision Making Process.
5. Standardisation of Letters of Offer.
6. An agreed approach to audit and verification.
7. Clarification of Monitoring arrangements
8. Development of the interface between SEUPB and Government Departments.
9. Improve communication and publicity.

11. I have accepted the findings of the report and will take urgent action in all of the areas indicated, liaising as necessary with the Minister of Finance in Ireland.

Application Forms (paras 6–10, page 47)

12. The application forms have caused difficulties for some potential applicants to the Programme and for the assessment processes. The Committee has acknowledged the work already done to simplify these and as indicated in the previous section these will be considered again.

13. The work to develop the application forms and processes took account of the need to meet regulatory requirements, the Executive's desire that responsibility and accountability for the delivery of the Programme should be devolved to as low a level as possible, the desire for a one-stop-shop whereby potential applicants could apply to any Measure of the Programme from a single access point, and the desire in the information age to offer electronic access to those who wished to do so. There was no intention at any point to over-complicate or to collect any information that was not needed.

14. The report refers to the Commission's comments that it would be happy with a 'two-page tick box' format and that they had no hand in the design of the forms. This view given in oral evidence was however later clarified in the subsequent Commission letter to the Committee dated 21 May where the key requirements of any application form are identified as required to be "in conformity with the minimal requirements contained in the Programme document which is jointly agreed by the European Commission and the Member States..." It is "within this framework that the Managing Authority enjoys the freedom to design and revise the application form". It is my view that these requirements, that themselves run to over 40 pages, could not be met in a two page "tick box" form.

15. The Executive's stated desire to devolve responsibility for delivery of PEACE II as far as possible was a direct attempt to ensure that the processes would not be centrally led in the manner described by the Committee, and to offer flexibility. Guidance was given to Implementing Bodies as to requirements. This reflected the inputs of various Departments and I would agree that final versions should have been subjected to greater challenge. Each Implementing Body was then given the ability to design their own forms in line with the guidance, but in the early stages few had the confidence of approach to produce forms that did not incorporate each and every aspect included in the guidance.

16. The desire for a one-stop-shop and electronic access led to the two-part form where the first part of all forms for all Measures had to be the same. Many welcome this development. At all times the alternative of applying on printed forms was available.

17. I agree that the collective outcome of these actions has been, as I have already acknowledged, a complicated application process and some confusion. The guidance has been simplified once in December last year. Some Implementing Bodies have also taken their own initiatives to simplify forms. I will now consider the matter again to see if more can usefully be done without adding to the confusion.

18. There is one conclusion in paragraph 9 of page 47 that I would disagree with in relation to the IFBs. IFBs were appointed by a competitive procurement process for which they tendered and where the selection criteria included their ability to deliver the relevant Measures, including offering advice. This is a formal contractual arrangement on which they are required to deliver. The process for appointing LSPs was different but the contractual agreements are similar.

Distinctiveness Criteria (para 8, page 47)

19. The Report concludes that the fact that a third of projects are rejected on the basis of the distinctiveness criteria is an indicator of a great deal of wasted time and effort. I understand why the Committee takes this view. However, the distinctiveness criteria are what ensures that the projects supported by PEACE II contribute to its objectives - peacebuilding and reconciliation. They are the direct result of lessons learnt from PEACE I (where some half of all projects considered were rejected) where the European Court of Auditors found that the Programme was not sufficiently targeted on its objectives. As SEUPB indicated, the fact that some projects fail to meet these criteria sufficiently show accurate targeting of the Programme in a competitive selection process on those projects that are most distinctive.

Time Taken To Process Application Forms (para 11, page 48)

20. I accept the need for the time taken to process application forms to be reduced and as already indicated, will take action here. I can reassure the Committee there is no complacency on this issue in the SEUPB. All Implementing Bodies have been pressed to improve their selection processes on numerous occasions over the last 18 months. While I acknowledge that there is a lot of information for Implementing Bodies to consider, I am convinced that processing times can be reduced.

LSP Allocations and Role (para 12 and 13, page 48)

21. The role of LSPs and issues relating to best practice in local partnerships and the delivery of local services are all matters that are currently under consideration by the Regional Partnership Board, which I chair. I am keen to ensure that, while LSPs may develop differently in their own areas, that they are as effective as they can be. The LSP Programme allocations, technical assistance allocations and the percentage this represents are shown in the table below. £300,000 is the minimum allocation and I still consider that these amounts should allow LSPs to function well. Very high levels of running costs would damage the effectiveness of the Programme.

LSP Grant and Technical Assistance allocations

(Estimated Sterling figures at €1.55 = £1)

LSP	Admin Budget	Total Budget	Admin Percentage
Antrim	£300,000.00	£1,450,364.00	20.68%
Ards	£306,750.00	£2,084,901.00	14.71%
Armagh	£300,000.00	£1,985,982.00	15.11%
Ballymena	£300,000.00	£1,839,036.00	16.31%
Ballymoney	£300,000.00	£1,095,000.00	27.40%
Banbridge	£300,000.00	£1,210,000.00	24.79%
Belfast	£2,766,430.00	£20,716,623.00	13.35%
Carrickfergus	£300,000.00	£1,236,464.00	24.26%
Castlereagh	£300,000.00	£1,659,047.00	18.08%
Coleraine	£300,000.00	£1,834,687.00	16.35%
Cookstown	£300,000.00	£1,430,365.00	20.97%
Craigavon	£461,400.00	£3,136,017.00	14.71%
Derry	£1,253,167.00	£9,046,598.00	13.85%
Down	£338,250.00	£2,299,868.00	14.71%
Dungannon	£300,000.00	£1,760,780.00	17.04%
Fermanagh	£300,000.00	£1,833,000.00	16.37%
Larne	£300,000.00	£1,064,301.00	28.19%
Limavady	£300,000.00	£1,345,000.00	22.30%
Lisburn	£644,400.00	£4,379,821.00	14.71%
Magherafelt	£300,000.00	£1,306,894.00	22.96%
Moyle	£300,000.00	£979,957.00	30.61%
Newry & Mourne	£574,800.00	£3,906,800.00	14.71%
Newtownabbey	£356,250.00	£2,421,340.00	14.71%
North Down	£319,050.00	£2,168,501.00	14.71%
Omagh	£300,000.00	£2,029,000.00	14.79%
Strabane	£338,400.00	£2,300,018.00	14.71%
Total	£12,158,897.00	£76,520,364.00	15.89%

Data Source: SEUPB

Audit and Verification (para 15, 16, 17 pages 48, 49)

22. The 2000–2006 General Audit Regulations are more complex than those in the previous round. The financial audit and control requirements Regulation EC No 438/2001, are also much more stringent. All Implementing Bodies are responsible for ensuring compliance with the EU verification and audit requirements for projects selected under the PEACE II Programme. It is also the responsibility of Implementing Bodies (using the Technical Assistance they receive) to ensure that projects they support understand the reporting requirements. These regulations require 100% verification and we must comply with this or we will not be able to claim the money from the Commission. Northern Ireland will continue to press for simplification.

N+2 Spending Targets (para 18–22 pages 49, 50)

23. As the Committee are aware, the possible loss of resources to Northern Ireland is a matter of considerable concern to me, and I have made it clear in my evidence and on numerous other occasions that I want to see all possible action taken, alongside the SEUPB and the European Commission, to avoid a loss of funding. I take a close personal interest in this issue and receive weekly reports on progress.

24. The action plan I have agreed to ensure that these spending targets are met has 3 key components. The first is to maximise spend by all Implementing Bodies. The second involves working closely with the SEUPB and European Commission to explore a range of regulatory issues that might help reduce the targets. The third is to increase spend through the inclusion of departmental projects which were not originally intended to be funded through the PEACE II Programme, but which nonetheless meet the distinctiveness and other requirements of the Programme. This will mean that some existing Departmental spend would be scored against the Programme in the remainder of this year. However, since this will release the same quantum of resources from Departmental expenditure, I intend to use these resources to rebalance the Programme early in 2004 and thereby ensure that activities originally intended can go ahead as planned. The PEACE II Monitoring Committee has endorsed this approach to the N+2 issue on 24 June 2003.

25. The N+2 spending targets will remain a significant challenge for the rest of this year, but they can be met and everything possible will be done to ensure this.

Chair of Monitoring Committee (Para 26, page 50)

26. EC Council Regulation 1260/99 which governs the implementation of Structural Funds, and the British–Irish Agreement Act 1999 which set up the North South Implementation Bodies both require the PEACE II Monitoring Committee to be chaired by the Managing Authority, ie: SEUPB. The Committee may also wish to note that I, as Minister of Finance and Personnel, chair the Community Support Framework Monitoring Committee, which oversees the delivery and implementation of all EU Structural Fund Programmes in Northern Ireland, including PEACE II. This gives me an overseeing role and provides transparency.

Sustainability (Para 28, 29)

27. A UK-wide consultation process on reform of the Structural Funds was completed on 4 July 2003. The consultation document ‘A Modern Regional Policy for the United Kingdom’ makes proposals as to what the UK position on the future of structural funds should be. The Northern Ireland responses to the consultation indicate strong support for the continuation of EU Funding for peace and reconciliation activities in NI. We will therefore be discussing with Whitehall the possibility of a third PEACE Programme in the very near future.

Conclusion

28. The PEACE II Programme has not been easy to implement and most of the issues reported to the Committee in the evidence it received have presented me, as Minister, DFP

and SEUPB and all Implementing Bodies with many challenges. As I said at the start of my response addressing issues such as the legacy of the conflict and taking the opportunity from PEACE is not straightforward. I can however, reassure the Committee that everything possible will be done to successfully deliver this important Programme.