

SPECIAL SUPPORT PROGRAMME FOR PEACE AND RECONCILIATION (SSPPR)

Further Guidance on Economic Appraisal Requirements

1. Government requires all public expenditures to be subjected to the principles of economic appraisal in order to promote good decision-making and accountability. The requirement to appraise proposals made under the SSPPR is stated in the programme manual and notes for guidance. General guidance on economic appraisal has been circulated to SSPPR sub-programme leaders. The purpose of this note is to expand further on economic appraisal requirements with specific reference to SSPPR projects.
2. As a general rule, the effort to be put into an appraisal should be in proportion to the scale of the proposed expenditure. The following guidance addresses this principle by providing a broad indication of the minimum appraisal information required for three different scales of expenditure under the SSPPR:

Under £20,000

Satisfactory completion of the official SSPPR Application Form will be considered adequate to meet appraisal requirements.

From £20,000 to £100,000

Limited assessments of Project Additionality, Project Viability, Economic Impact and Cost-Effectiveness will be required in addition to the basic details sought in the SSPPR Application Form.

Above £100,000

In addition to the analysis required for expenditures under £100,000, appraisals should include, under Economic Impact, consideration of alternative options, discounted cash flow calculations and risk analysis. In general, the level of detail of appraisals will be expected to increase with the amount by which the proposed expenditure exceeds £100,000.

NOTE: The above thresholds refer to the total SSPPR expenditure associated with an individual proposal, at current prices, undiscounted.

3. These principles are elaborated in the following pages, which should be read in conjunction with existing general guidance on economic appraisal.
4. The appropriate detailed application of appraisal can vary with project type and from case to case. Departmental economists can advise on this and on all other aspects of appraisal, including the design of suitable pro formas.

I. SSPPR EXPENDITURES UNDER £20,000

1.1 For these small expenditures, the minimum information requirement will be considered to be equivalent to satisfactory completion of the official SSPPR Application Form.

1.2 Thus the following basic details should be provided:

- i. The sub-programme and measure under which the application is made;
- ii. The applicant's name, address, legal status and contact point;
- iii. Project details, including project title, location, District Council area, and project description;
- iv. The need for project and its contribution to the strategic aims of the SSPPR and the relevant sub-programme;
- v. Relevance of the project to the specific objectives and selection criteria of the relevant SSPPR measure;
- vi. Estimated start date and end date for the project;
- vii. Estimated numbers of jobs created by the project, in terms of permanent and temporary full time equivalents;
- viii. Details of relevant functions and activities currently provided in the area that are similar to those provided by the project; and how the proposed project will complement them;
- ix. Where a service is to be provided, details of the expected level of use;
- x. Details of the groups (e.g. community, women, youth) which the project will target, and a description of how they will benefit;
- xi. Whether and if so how the project will affect the environment;
- xii. Whether the application is relevant to Northern Ireland only, is relevant to the Border Counties of Ireland only; or is a joint cross-border project. (If applicable, the identity of the lead parties on both sides of the border should be provided);
- xiii. Details of any funding of the project received, or applied for, or for which there is an intention to apply, from another sub-programme/measure under the SSPPR, from another European Programme, or from any other funding source (e.g. IFI);

- xiv. Financial details of the project, including:
 - (a) the estimated total cost of the project;
 - (b) how much Structural Funds grant the applicant is seeking under the SSPPR;
 - (c) details of all sources of funding;
 - (d) details of the anticipated phasing of the expenditure; and
 - (e) a breakdown of the total cost of the project (e.g. administrative costs, premises, salaries, consultancy fees, land costs etc).
- xv. Any other details considered relevant by the applicant.

1.3 Departments should reserve the right to seek extra information in individual cases where this is considered appropriate; and should ensure that proper arrangements are made for the monitoring and evaluation of expenditures in this category.

II. SSPPR EXPENDITURES FROM £20,000 TO £100,000

2.1 In these cases, *in addition to* the basic information sought for SSPPR expenditures up to £20,000, analysis should be provided as indicated below under the following headings:

- i. Project Additionality;
- ii. Project Viability;
- iii. Economic Impact; and
- iv. Cost-Effectiveness.

Project Additionality

2.2 A brief analysis of the extent to which the project will be undertaken on a larger scale, will take place at all, or earlier, or within a geographical area of policy concern, as a result of its being granted SSPPR assistance, should be provided.

Project Viability

2.3 Substantial evidence should be provided regarding the applicant's:

- i. financial standing;
- ii. ability to finance their proposals; and, where appropriate,
- iii. ability to manage any facility provided on implementation of their proposal.

2.4 Full details of the anticipated cash-flow of the project over its lifetime should be shown, including a tabulation of year-by-year expenditure and (where applicable) receipts. The tabulation should include a year-by-year breakdown of expenditure items e.g. administrative costs, premises, salaries, consultancy fees, land costs etc.

Economic Impact

2.5 Objectives: As far as possible, the objectives of the project should be stated in *measurable, quantified terms* in order to facilitate project monitoring and evaluation of success in achieving objectives.

2.6 Wider costs and benefits: Significant costs, benefits, risks and other factors beyond those captured in the cash-flow analysis should be listed, described and, where appropriate, quantified. These might include, *for example*, impacts upon customers, firms or other organisations; supply-side benefits in terms of training, technology transfer etc; environmental impacts; particular employment benefits; impacts upon special areas of need; and so on.

- 2.7 Displacement: A brief assessment of the extent to which the project is expected to displace the business or activity of other firms, or other organisations operating in the same markets or fields of service provision should be included.
- 2.8 Monitoring and Post Project Evaluation: Arrangements for monitoring and evaluating the project after implementation should be stated, including:
- the *factors* to be monitored and evaluated (which should relate to the indicators stated in the relevant Measure sheets);
 - the proposed *timing* of monitoring and evaluation, including intervals and dates; and
 - identification of *who* will be responsible for monitoring and evaluation.
- 2.9 Identification of alternative options, use of discounted cash flow (DCF) techniques and application of sensitivity analysis should be considered and employed where appropriate; but none of these things should be regarded as mandatory for projects costing under £100,000.

Cost-Effectiveness

- 2.10 Cost-effectiveness indicators should be provided including:
- the ratio of SSPPR grant to total project cost;
 - the SSPPR grant cost per job; and
 - other indicators considered appropriate to the case.

III. SSPPR EXPENDITURES ABOVE £100,000

3.1 More substantial appraisals are expected at this level of expenditure. In these cases, *in addition to* the information sought for SSPPR expenditures under £100,000, analysis in regard to Economic Impact will normally be required as indicated below:

i. **Consideration of alternative options.**

- (a) Every SSPPR proposal should represent the option which offers the best value for money. Alternatives may exist in terms of, for example, scale, content, timing or location. For all expenditure proposals above £100,000, submissions will be expected to include evidence to demonstrate that alternative options have been considered.
- (b) It is recognised that the range of realistic options may vary from case to case, depending upon the nature of the proposal. In some cases there may be a number of options worthy of full appraisal, in others there may be only one or two. Options should nevertheless be considered and, where some options are dismissed before full appraisal, the reasons for their dismissal should be stated in full.

ii. **Discounted cash flow (DCF) calculations.**

- (a) DCF techniques should generally be applied to calculate a Net Present Value (or Net Present Cost) for each option proceeding to full appraisal.
- (b) The discount rate should normally be 6% p.a. in real terms, but should be 8% p.a. in real terms for projects which are predominantly commercial in nature and will earn substantial revenues.
- (c) The time period for the calculation should reflect the economic life of the project but should normally be in the range 5 to 10 years.
- (d) In cases where the life of the proposal is less than 5 years, it may not be worthwhile to employ DCF techniques.

iii. **Risks and uncertainties.**

- (a) The main risks and uncertainties associated with the options and with the assumptions underpinning them should be listed and described.
- (b) The use of appropriate risk analysis, for example, sensitivity analysis, should be considered and applied.

3.2 This guidance must be applied with flexibility and due regard to the principle of proportionate effort. In general, the greater the amount by which £100,000 is exceeded, the greater should be the detail of the appraisal. In the simpler cases, for

example where SSPPR funds are used to support recurrent spending of £50,000 p.a. for three years, it may not be appropriate to undertake much analysis of options, DCF calculations or risk analysis. In the larger cases, for instance where total SSPPR expenditure is £500,000 or more, these aspects may deserve very thorough consideration.

EU Special Support Programme for Peace and Reconciliation: List of implementing agencies and sponsor departments

Implementing Agency

Sponsor Department

Mr Mark Adair, Community Relations Council, 6 Murray Street, Belfast BT1 6DN (Tel: 01232 439953/Fax: 01232 235208)	Mr D Ritchie, Department of Finance and Personnel, CCRU, 20-24 Donegall Street, Belfast BT1 2GP (Tel: 01232 544511)
Mrs Catherine Taggart, Rural Development Council, Loughry College, Cookstown, Co Tyrone BT80 9AA (Tel: 016487 69203/Fax: 016487 69303)	Mr E Gallagher, Department of Agriculture, Dundonald House, Upper Newtownards Road, Belfast BT4 3SB (Tel: 01232 524331)
Ms Avila Kilmurray, Northern Ireland Voluntary Trust, 22 Mount Charles, Belfast BT7 1NZ (Tel: 01232 245927/Fax:)	Mr D Harley, Department of Health and Social Service, Castle Buildings, Stormont, Belfast BT4 3RA (Tel: 01232 522595)
Mr T Kennedy, Co-operation Ireland, 7 Botanic Avenue, Belfast BT7 1JG (Tel: 01232 321462)	Mr M Maxwell, Department of Economic Development, Netherleigh, Massey Avenue, Belfast BT4 2 JP (Tel: 01232 529280)
Mr P Donnelly, PROTEUS, Unit 8 Edgewater Office Park, Edgewater Road, Belfast BT3 9JQ (Tel: 01232 371023)	Mr G Rogan, Training & Employment Agency, 39-49 Adelaide Street, Belfast BT2 8FD (Tel: 01232 257650)
Mr D Palmer, YOUTHNET, The Warehouse, 7 James Street South, Belfast BT2 8DN (Tel: 01232 331880)	Mr D McClarin, Department of Education, Rathgael House, Balloo Road, Bangor BT19 7PR (Tel: 01247 279607)
Mr M Thompson*, NI Partnership Board, Brookmount Buildings, 42 Fountain Street, Belfast BT1 5EE (Tel: 01232 547805)	*Mr Thompson also represents the Department of the Environment who are the sponsor Department for the NIPB
Ms Eileen Kelly, Educational Guidance Service for Adults, 2nd Floor, Glendinning House, 6 Murray Street, Belfast BT1 6DN (Tel: 01232 330155)	Mr D McClarin, Department of Education, Rathgael House, Balloo Road, Bangor BT19 7PR (Tel: 01247 279678)
Ms A McKeown, Playboard, 59-65 York Street, Belfast BT15 1AA (Tel: 01232 560010)	Mr D Harley, Department of Health and Social Services, Castle Buildings, Stormont, Belfast BT4 3RA (Tel: 01232 522595)
Ms C Keery, LEDU, Upper Galwally, Belfast BT8 4TB (Tel: 01232 491031)	Mr M Maxwell, Department of Economic Development, Netherleigh, Massey Avenue, Belfast BT4 2JP (Tel: 01232 529280)
Mrs M Lestas, Training for Women Network, Glendinning House, 6 Murrar Street, Belfast BT1 6DN (Tel: 01232 239222)	Mr D Harley, Department of Health and Social Services, Castle Buildings, Stormont, Belfast BT4 3RA (Tel: 01232 522595)
Mrs S Fitzpatrick, Childhood Fund, Enterprise House, Boucher Crescent, Belfast BT12 6HU (Tel: 01232 662825)	Mr D Harley, Department of Health and Social Services, Castle Buildings, Stormont, Belfast BT4 3RA (Tel: 01232 522595)