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JOINT PAPER FROM  
UK AND IRISH GOVERNMENTS  
TO EUROPEAN COMMISSION

4 March 1986

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## SECTION I : BACKGROUND

### The Anglo-Irish Agreement

1.  On 15 November 1985, the <sup>British and Heads of</sup> Irish and ~~United Kingdom~~ Governments signed the Anglo-Irish Agreement at Hillsborough in Northern Ireland. The Agreement, <sup>d</sup> which has taken more than a year of intensive negotiations to complete, was subsequently approved by the two Parliaments at Dublin and Westminster and was registered with the United Nations in New York on 20 December 1985.
2. The Agreement represents the joint response of the two Governments to the problem of political violence which has wracked Northern Ireland for 17 years and which has threatened the stability of Ireland, North and South. Since 1969 almost 2,500 people have been killed as a result of political violence, while a further 27,000 people have been injured or maimed. This human tragedy has been deepened by the extensive damage to property through bombing and arson which has added to the already serious social and economic problems of Northern Ireland and border areas of the Republic. *Ireland.*
3. The Agreement has the aims of -
  - promoting peace and stability in Northern Ireland;
  - helping to reconcile the two major traditions in Ireland;
  - creating a new climate of friendship and co-operation between the people of the two countries; and
  - improving co-operation in combating terrorism.
4. The two Governments also agreed <sup>"</sup> to 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 to consider the possibility of securing international support for this work. <sup>"</sup>
5. The Anglo-Irish Agreement constitutes, therefore, a brave and imaginative

● attempt to tackle problems of considerable complexity and history.

### The International Response

6. The Irish and United Kingdom Governments have been greatly encouraged by the extent of the international support for the Agreement.
7. All the member States of the Community made statements welcoming the Agreement, as did the European Parliament, in a resolution adopted on 11 December 1985, and the President of the Commission.
8. In the United States, both President Reagan and the Congress have greeted the Agreement as a major breakthrough and welcoming statements have been made by other countries, including Canada, Australia and Sweden.
9. In welcoming the Agreement the President of the United States of America said on 15 November 1985:  
  
"I will be working closely with the Congress in a bipartisan effort to find tangible ways for the United States to lend practical support to this important Agreement".
10. On 15 December 1985, the US Congress passed a resolution declaring its willingness:  
  
"to work with the President in supporting the Anglo-Irish Agreement through appropriate United States assistance, including economic and financial support, 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 violence of recent years".
- Update* 11. The USA is presently pursuing the idea of an international fund through which such assistance and support might be channelled.
12. In his statement on behalf of the Commission on 15 November 1985, President Delors said:

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"In the past, the institutions of the Community - the Commission, the Council and the European Parliament - have given concrete expression to their concern about the problems of Northern Ireland. The Commission's communication to the European Parliament in November 1984 summarised the impact of present Community policies and actions. I pledge the continued wholehearted support of the Commission to the economic and social development of Northern Ireland and to effective cross-border co-operation. I thus support the objectives underlying the Agreement announced today".

13. At its debate on the Agreement by the European Parliament, a <sup>Resolution</sup> motion was passed, with a majority of 132, which stated that:

"The European Parliament ..... believes that the Agreement will have all the greater chance of success if it is underpinned by a programme of economic development which would reduce unemployment and poverty which are both a consequence of and a contributing factor to the violence;

therefore reaffirms its call to the competent Community bodies to assume a greater responsibility in the economic and social development of Northern Ireland and thereby give practical expression to the Parliament's resolution of March 29, 1984;

calls also upon Member States of the European Community to consider ways and means of supporting the British/Irish Agreement".

14. In a speech in Belfast on 10 February Commissioner ~~V~~ Varfis noted:

"Any additional, and indeed all existing expenditure in NI must be rigorously evaluated, credible, justifiable by economic and social criteria and, most importantly, fit into a coherent strategy for the economic and social development of the area. The Community response is and will be positive. It will obviously be based on the detailed proposals put forward by the two Governments. The Commission will be looking, in particular, at how its proposals can fit in with national measures and with other international interventions to ensure that a coherent overall economic strategy for recovery is pursued".

15. In his statement to the European Parliament on 19 February 1986, President Delors said that:

"At an opportune moment, the Commission will make a proposal to show its attachment to the development of peace and to social and economic development in Northern Ireland".

16. This paper outlines the social, economic and political problems which exist in Northern Ireland, describes the impact of 17 years of violence, summarises the help which the Community has already provided, and suggests how the Community might make a further significant contribution.

## 1 Northern Ireland political problem and the cost of violence

### A divided society

1. NI's serious economic and social problems, which are described later, are exacerbated by the twin phenomena of intercommunal disagreement and extremist violence which have characterised its recent history. Northern Ireland is a deeply divided society.
  
2. A major factor in the continuing instability in Northern Ireland is the existence of two traditions and two cultures in Ireland, with differing aspirations and separate cultural and religious identities. To this extent the divisions in the community are a question of identity : one group, the unionists, feel British and are intent on keeping the constitutional link which preserves them as part of the United Kingdom; the other, the nationalists, aspire to participate fully in a culture and society which finds political expression in an Irish state. ~~Reinforcing this question of identity is a difference in religion which itself subsumes many other aspects of social and cultural life. The unionists are mainly Protestant, while the nationalists are mainly Roman Catholic, and in fact the religious and ethnic terms are often interchanged.~~
  
3. In another respect traditional Irish nationalists regard the Northern unionists as intruders in Ireland, the descendants of British colonists who wrested the soil of Ulster from its rightful inhabitants. ~~They~~ <sup>Nationalists</sup> feel that for the past 60 years the unionists have retained a privileged position within Ireland, inhabiting a separate state established by Britain without the consent of the majority of the island's inhabitants, and depriving the nationalists in Northern Ireland of their democratic rights. Unionists in contrast feel a constant threat to their way of life, both externally from the neighbouring ~~Republic of Ireland~~ <sup>State</sup> which they see as laying claim to Northern Ireland, and internally ~~from~~ <sup>State</sup> the nationalist minority who wish to have a united all-Ireland ~~Republic~~ <sup>State</sup>. These basic differences enshrine themselves in the politics of Northern Ireland, and although subdivided within themselves to reflect party differences, the pro-British Protestant majority vote for Unionist parties in support of the Union with the UK, and the Catholic minority generally vote for pro-Nationalist parties advocating a united-Ireland independent of Britain.

*From Short paper.*

4. The political cleavage along community lines, arising from differing perceptions of national identity, tends to overshadow all other matters in many people's minds, and means that most issues are interpreted firstly in political terms. The general lack of agreement on what are regarded as fundamental matters of constitutional arrangements leads to difficulties in trying to harness the energies of all Northern Ireland's people in a sustained assault on its social and economic problems.

5. The existence of terrorist groups on both sides of the community divide has only sharpened communal suspicion and antagonism, and their vicious attacks on the social and economic fabric of society have been a terrible extra burden on an already hard-pressed region.

✓ The cost of violence in human terms

*of an area with a population of 1 1/2 million,*

6. Since 1969, almost 2,500 people have been killed in Northern Ireland and a further 27,000 have been maimed or injured. There have been over <sup>15</sup>44,000 recorded separate incidents of shooting, bombing and arson. Over the period up to 10,000 people have been imprisoned, including many young people. Tens of thousands of people have suffered or are suffering psychological stress because of the fear and tension generated by murder, bombing, terrorist intimidation and the impact of security measures. Communal conflict, intimidation and terrorist violence in the 1970s resulted in one of the largest single displacements of civilian population in Western Europe in peacetime. In Belfast alone, over 60,000 people moved residence for these reasons.

8. Nearly every family in Northern Ireland has had a member or a close friend who has been directly affected in some way by the disturbances of the past 17 years.

9. One of the many worrying consequences has been a significant increase in outward migration. Between 2,000 and 3,000 young people who leave Northern Ireland each year for further education never return, a great loss to the region's economy.

10. While Ireland has not suffered on the same scale, the serious spill-over of violence - bombings, kidnappings, shootings and other crimes involving the use of arms, initially by terrorists and later by criminals generally - has also led to loss of life and injury. Since 1972, 45 people have been killed in terrorist

explosions and 11 members of the security forces have lost their lives to terrorist violence. ~~The numbers in prison, convicted of terrorist offences, has typically been in the range 200-250.~~ *averaged at out 200.*

*Britain*

Economic and Financial Costs

- 11. The additional costs to the exchequers of the United Kingdom and Ireland as a result of the violence include expenditure on the major expansion of the security forces and on prisons, costs of security equipment, and compensation for deaths, injuries and the very considerable damage to commercial and private property caused by terrorist bombings. It is estimated that, since 1969, these direct additional financial costs, which can be <sup>segregated and</sup> quantified, have been of the order of at least 15,000m ECU. ~~\* not including indirect costs to the public sector which cannot be segregated or quantified~~
- 12. Moreover, this major diversion of public sector resources from economically and socially productive purposes to combatting violence and paying for its consequences has imposed major opportunity costs on the economies of two regions, which are among the most disadvantaged and least prosperous in the Community.
- 13. Greater difficulty attaches to the quantification of this type of loss and of indirect economic costs generally. However, in Northern Ireland it is clear that the violence has destroyed opportunities for productive employment and severely depressed investment that could have led to new jobs and more rapid economic growth. ~~While in both Northern Ireland and Ireland, considerable losses arise from the inability fully to realise the potential of tourism.~~ *As a result, there has been a significant fall in economic performance, leading to a significant fall in employment.*
- 14. One widely quoted estimate puts the gross loss of jobs in Northern Ireland over the period 1970-80 at almost 40,000. Another estimate suggested that the measure of this loss in 1982 alone might be approximately £6857M ECU. ~~Levels of industrial investment, especially inward investment, have been at a very low level in Northern Ireland in recent years. Surveys of potential investors have confirmed that the violence and its adverse impact on Northern Ireland's image are the principal causes of the decline in investment as compared with earlier periods.~~
- 15. The world-wide adverse publicity arising from the continuing violence and loss

*1975 prices  
exchange rate*

Over the past 12 years, the number of jobs in manufacturing has fallen by 100,000 (10%)

of life in Northern Ireland since 1969 has proved extremely damaging to the tourist industry in both Northern Ireland and Ireland. Efforts to produce a more balanced image and to reassure potential holiday-makers about the geographical limits of the violence have had some success, but despite these and the substantial decline from peak levels of violence, the residual effect of intensive media coverage of specific incidents or atrocities deters many foreigners from travelling to holiday in either Northern Ireland or Ireland.

16. While attempts to quantify losses to tourism as a consequence of violence can only be approximate, estimates made in 1983 put the cost at about ~~£4,100m~~ <sup>had traditionally been</sup> ECU, more or less equally divided between Northern Ireland and Ireland. Within the latter, the border areas, which ~~were~~ <sup>had been, earlier</sup> particularly popular with visitors from Northern Ireland and Scotland, suffered, because of their close proximity to Northern Ireland, more severely than other areas of Ireland.

X  
X

17. In addition to the total direct cost of the violence to the exchequers, it is estimated that the cost to the two economies, principally in lost output, was [IR ~~£1,75m~~ in Ireland and IR ~~£4,835m~~ in Northern Ireland]. Combining the estimates for direct and indirect costs, North and South, gives an overall estimate for the cost of violence arising from the Northern Ireland situation over the period from 1969 to 198~~5~~ of IR ~~£11,840m~~ (stg £11,064m) in 198~~2~~<sup>5</sup> money values. This figure is not a precise estimate, but a reasonable approximation of the total economic and financial costs of violence. ~~It is equivalent to about 2 1/2 times the GDP of Northern Ireland at present.~~

X

2 It is equivalent to about 2 1/2 times the GDP of Northern Ireland at present.

/JH

## NI Economic and Social Problems

1. Northern Ireland is a region in the EC where a number of indicators of social and economic deprivation overlap, giving rise to a number of acute problems. On the Community's own Synthetic Index, NI is second only to Calabria in the extent of deprivation.
2. NI's birth rate is significantly higher than other UK regions. The rate of natural increase (births minus deaths) is above the level in England by a ratio of almost 7 to 1. Families and households are therefore larger than elsewhere in the UK, and the labour supply is increasing at a higher rate than elsewhere in the UK. [To be revised to give comparisons with other EC states].
3. NI's infant mortality rate is one of the highest in Europe. This may be associated with such factors as poor housing, low incomes, and unemployment. It also has a high rate for congenital abnormalities. The take-up of vaccination and immunisation measures is very poor. NI has the highest rate within the UK of new accident and emergency out-patients. The level of coronary heart disease is one of the highest in the world.
4. NI has the smallest working population and largest dependant population in the UK. It has the highest rate of unemployment in the UK (in December 1985, 20.9% compared to 13.5% in the UK as a whole). In December 1985 young people under 25 formed 38% of those unemployed, and 49% of the total unemployed had been out of work for over a year. Unemployment is worse in the western and southern areas: in December 1985, male unemployment was 49.5% in Strabane, and over 35% in Cookstown, Magherafelt, Londonderry and Newry. The lower rate of unemployment in Belfast (17.6%) masks high levels in inner city areas and in West Belfast. Between 1979 and 1985, the number of employees in employment fell by 9.9%, while the available labour force increased by almost 27,000 (4%). The worst hit areas have been manufacturing and construction, where the decline in employees in the period 1979-85 was 32%.
5. Average weekly male earnings are lower in NI than in GB, particularly for manual workers (who earn only 88% of the level of their GB counterparts). NI has a higher proportion (19%) of low-income families than does GB (13%). Average weekly household income is 17% lower than the UK as a whole.

- Almost 26% of income in NI is derived from social security benefit, compared to 15% in the UK. In January 1984, about 40% of households were dependent on housing benefit. The proportion of the population dependent on Supplementary Benefit is about 8% higher than in GB. Average weekly expenditure on food and energy is higher in NI than in the UK: about 8% higher for food and 18% higher for energy. Average weekly household expenditure, when corrected for family standards, is higher than the UK equivalent. [to be revised].
6. Housing standards have improved greatly since the early 1970s, but they remain the worst in the UK. Further improvement is made more difficult by the constraint on resources imposed by the present economic climate. The most recent surveys reveal that 10% of dwellings are unfit, as compared to 6% in England, and 9% lack at least one amenity (5% in England).
7. Although NI children obtain better O and A level results than children in England, a higher proportion than in England leave school with no qualifications at all (22% in NI, 10% in England).
8. NI's peripheral position has important effects on its economy. Its situation has meant that industry has concentrated on the eastern seaboard, adjacent to its main markets in GB. This has resulted in a concentration of employment and population in the east, and particularly in Belfast, with the rest of NI being relatively sparsely populated and much more heavily dependent on agriculture. The economy has also been generally affected by the cost of importing raw materials, intermediate goods and consumer products as well as the cost of reaching beyond the UK market because of the need to tranship NI products via Great Britain.
9. Apart from the recently discovered lignite deposits around Lough Neagh and in Co Antrim, NI has no indigenous energy sources. A high proportion of the electricity generated in Northern Ireland is produced in oil-fired power stations which use imported oil. In an attempt to shield consumers from the resulting high cost of power, the Government has pegged electricity prices to the highest pertaining in England and Wales. Nevertheless, this still means that NI industry suffers a relative disadvantage in competing with firms from Great Britain. It also lessens the attractiveness of NI as a location for inward investment.

10. One major industrial problem is that a large number of businesses operate in the "sunset" industries, eg traditional textiles and shipbuilding, where excess capacity and market penetration by developing countries have led to severe pressure. While the industrial development programme aims to maximise the contribution of indigenous business to growth, the general manufacturing base is not large enough to generate a significant expansion of long-term employment. The long-term trend of falling employment in manufacturing industry, which began in 1974, seems therefore likely to continue, unless there is a further major influx of inward investment. ✓
11. The private services sector, which is largely concerned with meeting local demand, is unlikely to offer any major compensatory increase in employment. At the same time, the labour force will continue to grow, with an anticipated net increase of more than 5,000 people per year over the next few years.
12. A higher rate of growth requires, therefore, an inflow of new industrial investment. There is an active programme to attract new projects. This is, however, proving extremely difficult at present, given the world economic climate, of intense competition for inward investment and the unfortunate image which attaches to NI because of civil unrest. ✕
13. Agriculture forms a significant share of total employment (about 10%), but most of the farms are small family-owned concerns, and many depend on agricultural income support to maintain their viability. Continuing rationalisation in an attempt to deal with this problem may result in job losses. Because of the climate and type of land, NI agriculture is predominantly pasture-based; the majority of the region has been designated as less favoured agricultural areas. It is therefore difficult to diversify agricultural production. Intensive livestock production relies heavily on imported feedstuffs, and the higher transport costs involved plus the transport costs of exporting their beef animals means that many farmers experience a relatively lower rate of return than their GB counterparts.
14. The public sector in NI is a major employer, providing 45% of jobs. Public expenditure is equivalent to almost three quarters of GDP in NI, compared to 45% in the UK as a whole. Moreover, other businesses, particularly in construction, are heavily dependent on the public sector as a major customer. Restraints on public expenditure over the past few years, in the context of the difficult national economic climate, have therefore had a relatively more serious effect on NI than on other parts of the UK.

Refer to  
restrictive  
effects of milk  
subsidy ??  
QWY

## The social and economic problems of the border areas of Ireland

### Introduction

1. The five counties (Donegal, Leitrim, Cavan, Monaghan and Louth) directly adjoining the border with Northern Ireland, comprise 15% of the land area of the State and contained in 1981 a population of 346,282 or just over 10% of that of the State.
2. These areas and the adjacent border areas of Northern Ireland are among the most disadvantaged areas in the European Community, with acute economic and social problems, including a low population density and a high dependency ratio, an extremely weak urban structure, very low incomes, high unemployment and under-employment, outward migration, and a high dependence on agriculture in an area where topographical, climatic and social conditions are unfavourable.
3. ~~The extent of the areas' disadvantage is fully set out in the Programme for Ireland submitted by the Irish Government in connection with the Special Programme implementing a Specific Community Regional Development Measure for the Border Areas of Ireland and Northern Ireland, and in the Information Report on the Irish Border Areas by the Economic and Social Committee of the European Communities (Brussels, 1983). ] The principal difficulties, however, are illustrated below.~~ X
4. It should be noted that one of the five counties - Louth - is ~~considerably~~ more developed than the remainder of the areas. Data limitations prevent its systematic segregation, and this masks the fact that the situation of the other four counties is even less favourable than appears from the indicators cited. X

### Geography

5. Most of the border areas of Ireland are geographically distant from the nearest markets and all are distant from the centre of national administration, in addition to being situated at the extreme Western periphery of the European Community. As elsewhere in the Community, the presence of the frontier has made the difficult trading and economic conditions of this location even more marginal and difficult, because it deprives them of their trading hinterlands

*or in which Community policies are applied differently.*

and puts them at the periphery of two separate administrative units which operate independent and sometimes quite different ~~agricultural and industrial~~ policies. As a consequence of the areas' difficulties, the development of infrastructure has been slow, and its cost of maintenance high. Four of the five border counties ~~are~~ *are* within the designated areas of the country where economic conditions are generally more severe and, furthermore, they are classified as agriculturally disadvantaged areas within the terms of the Council Directive on mountain and hill farming and farming in certain less-favoured areas, including

*large areas that have been scheduled as severely handicapped.*

### Personal Incomes

16. Personal incomes over most of the border areas are significantly lower than the average for Ireland, which ~~is~~ *is only 7% of the Community average* itself in the ~~bottom percentage among regions in the Community.~~ The most recent data showed that average per capita personal income in the Donegal/North West area was 81% of the national average - the second lowest of the planning areas in Ireland - while the corresponding figure for the border areas as a whole was 88.5%. Leitrim, Donegal and Cavan have been among the counties with the very lowest incomes. Survey data for the same period showed that average farm incomes in Donegal, Cavan and Monaghan were only 48% of the national average.

### Unemployment

7. The percentage of the labour force registered as unemployed in September 1985 was 22.0% in Donegal/North West planning area (1.27 times the national average) and 17.9% in the North East area. The former was the highest and the latter the third highest for the planning areas in Ireland. *update*

### Population

8. For decades up to 1971, the border areas, with the exception of Co Louth, suffered heavy net outward migration at rates considerably in excess of those for Ireland as a whole, and even in the decade 1971-81, when there was significant net immigration into Ireland, Cavan and Leitrim, [uniquely] among the 26 counties of the State, continued to have net outward migration. Reflecting these movements, the population of the border areas declined continuously up to 1971, at a rate far greater than the national rate, continuing *check.*

- even after the national population decline was arrested.
9. From 1971, a small increase in the population of the border areas was recorded, but three of the counties continued to be characterised by population decline, while up to 1981, Leitrim, alone in the State, recorded a further decline, though at a much reduced rate.
10. The population of the border areas represents a density of 0.34 hectare<sup>person per</sup> ~~ha~~ 69% and 20% respectively, of the average for Ireland and for the Community of Twelve. The population trends have had serious effects on the age structure and dependency ratio. The latter was 76% in 1981, compared with ratios of 69% and 56% respectively for Ireland and the Community. This reflects, in particular, a high proportion of older people in the rural areas, particularly in the Donegal/North West planning area. The high dependency ratio is a severe handicap for an area of low incomes.

### Urban Structure

11. The border areas have a very weak urban structure. The percentage of the population living in town areas in 1981 was only 30%, compared with 55½% for the State as a whole, and the indicator for the border areas is significantly influenced by that for Louth: if this county were excluded, the urbanisation level would be only about one-third of the State average, ie about 19%. The contrast is even greater when town size is considered. While 43% of the State's population live in towns of over 10,000 people, there are only two towns of this size in the border areas, and their combined population amounts to only 15% of the total population of these areas.

### Labour Force

12. The structure of the labour force in the border counties reflects the low level of urbanisation and emphasises the very low degree of development by comparison with the average for Ireland, which itself is particularly low on the Community regional scale. All of the border counties, except Louth, are heavily dependent on agriculture and have a correspondingly poor industrial base: in 1981, 15% of the State's workforce was engaged in agriculture, but the proportions in Leitrim, Cavan, Monaghan and Donegal, were 37%, 35%, 28% and 21% respectively.

### Agriculture

13. Conditions for agriculture are unfavourable. The frontier follows the drumlin belt, a wide band of hilly country, up to 25% of which is too steep for machinery operation. Rainfall is high and evaporation low and, without drainage, there is a very short season in which the land is sufficiently dry for use. Summer growing conditions are even less favourable than highland areas of continental Europe such as the Massif Central of France. Wind levels are among the highest in the Community, equalled only in the North West of Scotland. Soils are rather poor and are slow-draining. Reflecting the handicaps, numbers working in agriculture have fallen by 38% in the last decade.

### Employment

14. The total number at work in the border areas declined over the decade to 1984 to a level some 9,000 (7%) below that of 1975, rising less rapidly than in the State as a whole up to 1979 and declining markedly more steeply in the period 1980-84.
- ~~15. A similar picture emerges from Industrial Development Authority data relating to manufacturing industry. The target for manufacturing in the IDA Industrial Plan, 1978-82 was 68,000 first time jobs in the State: 89% of this target was achieved. The figures for Donegal, North West and North East region, however, were 71%, 48% and 81% respectively, in each case below the national average.~~
16. In the period November 1982 to November 1984, the performance of the border regions relative to the State average has been slightly better. While manufacturing employment declined by 8.3% in the State, the figure was 6.2% in the border regions. Within those regions, Donegal recorded only a slight decline, with more substantial changes in the North West and, particularly, the North East region where the recession has taken its toll of some established industries.

/JH

## SECTION II: EXISTING DEVELOPMENT STRATEGIES AND ARRANGEMENTS FOR FUNDING AND CO-ORDINATION

### A. Northern Ireland

#### Introduction

1. In answer to the serious problems in NI outlined above, the UK Government has evolved a range of measures designed to tackle the worst aspects of regional deprivation. These measures will be described below, but first it is appropriate to say something about public expenditure arrangements in NI and about the arrangements for co-ordinating and delivering services, since these will play a crucial part in the effectiveness of such measures.

#### Public Expenditure

2. Public expenditure in NI is based on the "block" principle, by which the Secretary of State is given a specific block of resources to be allocated in accordance with his perception of local needs and priorities. The block covers all the expenditure which is within the control of the Secretary of State for NI, and embraces the Northern Ireland Office, Northern Ireland Departments, Area Boards for Health and Education, District Councils and other public bodies such as the Northern Ireland Housing Executive. It excludes expenditure incurred in Northern Ireland by departments for which other Secretaries of State or Ministers have responsibility (such as the Ministry of Agriculture Fisheries & Food, Ministry of Defence and Lord Chancellor's Department), which is included in the relevant Departmental programmes. In 1985-86 NI cash spending is planned to exceed £4 billion, out of total cash spending in the UK of some £132 billion.

*Clarify -  
is the NI  
block only?  
This is not  
clear, in 3.  
the context*

The flexibility to decide on the expenditure allocations and priorities within the NI block has been regarded as essential by successive NI Secretaries of State in enabling them to respond to particular local needs and circumstances, which has in turn been seen as a political necessity given the small size of NI and the fact that many services which would in GB be provided by local authorities are provided direct by NI government Departments. It means that the NI public expenditure allocation, having been adjusted to take account of changes to comparable programmes in Great

- Britain, is available to the Secretary of State to allocate to individual NI programmes on the basis of the most up-to-date assessment of the local position. This can entail moving resources contrary to adjustments in corresponding programmes in GB. For example, if industrial support in GB is reduced, the Secretary of State is free to leave the NI programme untouched - or even to increase it - and make whatever adjustments to other programmes are necessary to live within his total. Close monitoring of NI public expenditure over the past few years has meant that cash outturn has been within 1% of the target set. This compares very favourably with performance in GB.
4. The level of NI's public expenditure is determined solely through the Public Expenditure system; *for the U.K. as a whole.* It therefore reflects not only the Province's needs but the availability of resources in the UK and the needs of other areas of the UK. Because of the relatively high needs of NI (arising from its relatively depressed economic conditions) NI's public expenditure is inevitably partly financed by revenue generated elsewhere in the United Kingdom. The largest component of the non-local funding is the grant-in-aid paid by the NIO to bridge the gap between the NI Consolidated Fund's current expenditure and its current revenue. The extent to which NI public expenditure is supported by revenue raised in GB is commonly referred to as the "subvention" to NI. In 1985/86 this was estimated to be of the order of £1,573m, and formed around 25% of NI's GDP. These resources allow NI programmes to maintain a higher level of expenditure than they would if based solely on NI's own resources, and without them NI would experience a sharp decline in its standard of living.
5. Within the various PE programmes in NI, three in particular have been accorded special priority: law and order, the development of viable industry and housing. This does not mean that these three areas are protected from any economies which may have to be made as a result of the pressure of other demands on the NI Block, but does mean that they will receive preferential treatment in resource allocation and adjustment.

*Comment:  
As drafted,  
it might  
appear a  
frustration to  
a Brussels  
reader*

#### Co-ordination of services

6. Co-ordination of services in NI is made simpler by the fact that all major functions are carried out by NI Departments or bodies sponsored by them; there exists, therefore, a central cohesive framework for the delivery of

services which does not exist in GB. Major policy options, once decided upon by Ministers, are quickly communicated to the relevant sector, and feedback is, perhaps, more easily obtained than in GB (the compact size of NI further assists this process). A number of systems have been instituted to ensure continued progress here: the general planning framework, which allows for a high degree of public involvement in major planning decisions; the Belfast Co-ordinating Committee, formed to consider how existing strategies could best be combined in an Integrated Operation for Belfast; and the network of Development Officers (now combined with the planning network), to provide a co-ordinated approach to development in the major regional cities and towns.

7. In conducting its strategies Government is aware of the need to ensure efficiency and value for money in its spending programmes. A major drive, the Financial Management Initiative, has been launched over the past few years to impress upon the public sector the importance of shepherding the available resources to reduce waste and promote effectiveness through clarifying objectives, setting specific targets, and measuring performance. Achievements are reviewed by periodic scrutinies of selected areas of expenditure.

The major agencies in the field of economic development have published statements of strategy in line with this initiative. For example, the Industrial Development Board published - in May 1985 - a strategy for the years 1985 to 1990, under the title "Encouraging Enterprise", while Northern Ireland's prime small business agency, the Local Enterprise Development Unit, is shortly to publish its Corporate Plan showing a detailed strategy for the period 1986-87 to 1988-89.

#### Job creation and maintenance

8. Another main plank in Government strategy is the strengthening of local industry by means of promoting increased productivity and competitiveness, more imaginative marketing, and investment in more modern plant. Industry's energy and transport costs remain high although electricity tariff costs have, as previously noted, been pegged, and the transport problems due to NI's peripheral location have been tackled by improving terminal facilities. A wide range of incentives is offered to encourage the consolidation, development and expansion of industrial firms: these include 20% standard

- capital grants, selective financial assistance, R&D assistance, factory provision, and general marketing support. All manufacturing establishments are exempted from payment of rates. These measures have been strengthened by the creation of Enterprise Zones, where special benefits are available to both manufacturing and service industries. A Freeport has been designated at Belfast International Airport. As mentioned earlier, it is felt that new industrial investment would play a crucial role in developing the local economy, and emphasis has been placed on those sectors which promise long-term growth. Responsibility for promoting inward investment falls to the Industrial Development Board for NI. Sectors such as information technology, advanced manufacturing technology, bio-medical technology and food processing, have already been targeted for priority attention.
9. However, high priority is also given to developing fully the existing industrial base of Northern Ireland, whether owned locally or by companies based in Great Britain and overseas. The Industrial Development Board has set out its sectoral priorities for home-based industry employing more than 50 in its medium-term strategy document. The Local Enterprise Development Unit - Northern Ireland's Small Business Agency - deals with firms employing 50 or fewer people and will shortly be publishing its Corporate Plan for the period to 1989-90.
  10. Three industries dependent on local natural resources are being specially encouraged: the fishing fleet is being modernised (with beneficial results for local fish-processing industries), forestries are being extended (thus providing more work for sawmills and other wood-using industries), and the tourist potential of NI is being promoted by a number of tourist amenity projects and assistance towards the development of tourist accommodation. Tourism may provide important employment opportunities and these will be particularly valuable in the west of the Province, where the dispersed population and relative remoteness from major markets makes the attraction of inward investment particularly difficult. However, tourism does have to contend with the unfavourable image of NI, which may dissuade potential visitors.
  11. Allied to the industrial strategy is one designed to conserve and enhance the local environment and infrastructure. Transport facilities, particularly at ports and Belfast's International Airport, have been upgraded, with major investment planned for the railways, coupled with a continuing programme of road development, where the most significant recent project has been the

- Foyle Bridge in Londonderry. It is planned over the next few years to update the NI telecommunications system in order to provide modern facilities for business communications. A number of schemes to improve water and sewerage services are planned, along with a renewal of drainage culverts in Belfast and other urban areas.
12. Government strategy also includes measures to improve educational, social, and health facilities, particularly in the inner city areas of Belfast, where major efforts are also being made to deal with the inherited backlog of sub-standard housing. Housing unfitness has been reduced from 14% to 10% in the past 5 years. Modern, attractive sports and community centres have been built in areas of high unemployment and in areas with tourist potential.
13. Government has actively sought out opportunities for cross-border co-operation with the ROI, a fellow EC state. Recent areas of investigation have been communications in the Londonderry/Donegal area, tourism and drainage in the Lough Erne basin, and traffic needs in the Newry/Dundalk area. X

## B. Ireland

### Public Development Expenditure

14. The planned investment of central government, local authorities and semi-state bodies is co-ordinated in the annual published Public Capital Programme. Expenditure under the programme is financed from both Exchequer and non-Exchequer sources. The non-Exchequer element is funded mainly through the own resources and borrowings of semi-state bodies. Exchequer-funded capital expenditure is either subject to annual approval by Parliament or authorised under aggregate capital spending limits which are subject to review every 3-4 years, and is undertaken by bodies such as local authorities and the state trading corporations.
15. Capital or development expenditure is categorised under the following three main classifications:
- (i) Sectoral economic investment - this covers investment in the productive sectors of the economy ie industry, agriculture, tourism, fisheries and forestry. Within this category resources are concentrated on industrial

investment by the State's industrial promotion and industrial lending agencies, ie Industrial Development Authority, Shannon Free Airport Development Company Ltd, Udaras na Gaeltachta (the industrial promotion agency for Irish-speaking areas), and ICC plc, the State's industrial investment bank.

- (ii) **Productive infrastructure** - this relates to investment in the supportive infrastructural network needed by the productive sectors of the economy. Included here are investments in roads, sanitary services, transport, energy and communications. This investment is carried out by Government Departments, and by State bodies and local authorities under their aegis.
- (iii) **Social infrastructure** - this provides for investment in housing schemes, hospital development and Government construction. This investment is carried out by Government Departments and local authorities along with hospital boards, health boards and other health agencies.

**Administrative and co-ordination arrangements for the promotion of development and provision of services at regional and local level in the border counties Ireland**

16. ~~Apart from the functions carried out by the local authorities and by the Health Boards,~~ <sup>and</sup> the promotion of development <sup>generally</sup> and <sup>there</sup> the provision of services is <sup>generally</sup> organised at national level <sup>but</sup>. The national agencies concerned (Government departments and semi-state bodies) operate a variety of levels of decentralisation in keeping with the requirements of their respective functions.
17. The Regional Development Organisations provide a forum for consultation and co-ordination among the agencies at regional level, providing a feedback to the national level decision-makers and facilitating the co-ordination of their respective programmes. They do not, however, have any executive functions.
18. The border counties are covered by three RDOs, viz Donegal RDO, Sligo/Leitrim RDO and North-East RDO (Cavan, Monaghan and Louth).
19. The membership of the RDOs includes the local authorities and (with some variation from region to region) the following development or service

agencies:

Industrial Development Authority  
Bord Failte (national tourism board)  
regional tourism organisations  
Electricity Supply Board  
Coras Iompair Éireann (national transport operation)  
Bord Gáis Éireann (national gas board)  
The Harbour Authorities  
Udaras na Gaeltachta (development authority for Irish-speaking areas)  
Departments of Agriculture and Fisheries and Forestry  
County Vocational Education Committee  
County Development Team  
Health Board  
National Manpower Service

20. It should also be noted that at national level, because of the relatively small scale of the country and of the administration, there is generally a thorough familiarity with needs as identified at local level. The relatively centralised public financing system also generally leads to a co-ordination of activity matching that which takes place at local level.

/JH

## SECTION III: PREVIOUS AND EXISTING EC AID

### A. Northern Ireland

#### Introduction

1. NI has benefitted over the years from EC recognition of its status as one of the neediest areas in Europe. This has resulted in its being granted priority status as regards EC assistance.

#### European Social Fund

2. Northern Ireland's major vocational training, retraining, job creation and resettlement initiatives, for both adults and young people, have been assisted by the ESF. Between 1973 and 1984 a total of £282 million was allocated from the ESF to schemes in Northern Ireland. In 1985 the allocation was £45 million (about 4% of the total fund allocations), and in 1986 applications from Northern Ireland total almost £60 million.

#### European Regional Development Fund

3. The ERDF recognises Northern Ireland as a specially disadvantaged region and has, to date, allocated some £200 million for infrastructure and industrial investments in the Province. The Department of Economic Development has overall responsibility for co-ordinating applications from Northern Ireland for ERDF aid. The Department maintains close and regular contact with the organisations responsible for industrial investment in NI and for the provision of infrastructure and tourist facilities. It has aimed, in general, to submit ERDF applications sufficient to absorb about 15% of the total ERDF aid allocated to the UK in any one year. In recent years there has been a decrease in the number of eligible industrial and infrastructure projects with a consequent decrease in the NI share from the ERDF. In 1984 NI took 6% of the UK total and in 1985 there has been a small increase to some 8% of the UK total.
4. Northern Ireland has also benefitted from several of the ERDF Special Measures, including the Border Areas Measures and Measures to help in the Shipbuilding and Textiles areas.

Allocations

5. Allocations (£m) from the two main structural funds over the past six years have been as follows:

	1980	1981	1982	1983	1984	1985
ESF	25.6	30.00	48.39	53.59	50.01	45.5
ERDF	19.22	27.92	23.44	21.90	20.06	23.19

European Agricultural Guarantee and Guidance Fund

6. The Community's Common Agricultural Policy has, as might be expected, an exceptionally important role to play in such a rural area as N Ireland. Apart from the substantial receipts disbursed from the Guarantee section of the Fund, the Province has also benefitted largely from various measures operating under the Guidance section. Prominent among these is the Agriculture Development Programme which is making a significant contribution to the more remote areas of N Ireland, safeguarding the structure of farming and the rural economy in Less Favoured Areas. The rural community has also been sustained by the schemes of assistance under the Farm Structure Directives and certain regulations providing grant for development of agricultural processing and for fishing sectors.

Urban Renewal Regulation (URR)

7. Perhaps the most radical (and certainly the most specific) of all the forms of EC assistance to N Ireland is that received under the URR. This unique measure was the outcome of particular Community concern for the welfare of the Province. It was designed to combat Belfast's socio-economic malaise by augmenting the national resources already directed to that end with assistance <sup>for</sup> earned by such infrastructure categories as roads, social welfare and health facilities, environmental improvements etc. The significant impact of the 100 mecu of special assistance on Belfast's problems is generally acknowledged.
8. The Community has always shown itself willing to help Northern Ireland in innovative ways and beyond the existing structural funds. Integrated

Operations, designed to maximise the impact of Community assistance by careful co-ordination of projects, has been a good example of this approach. Northern Ireland will continue to collaborate with the Commission on the development of integrated operations. A second integrated operations document has been lodged with the Commission.

### European Investment Bank (EIB)

9. EIB loans are designed to assist in industrial, energy and infrastructure investment. Since 1973 37 loans, totalling some £178m, have been extended to Northern Ireland recipients. The majority of these loans have been applied to developments in the manufacturing and electricity industries; the relatively low uptake of loans for infrastructure services being due to the fact that in N Ireland most of these services are provided by central government rather than by local agencies whose capital expenditure is funded by borrowing. Nevertheless, Northern Ireland continues to avail itself of this valuable Community facility whenever circumstances permit.

## B. IRELAND

### Introduction

10. As one of the less prosperous member States, Ireland has benefitted considerably from transfers from the Structural Funds.

### The border areas

11. Because of the factors outlined in the previous section of this document however, the border counties of Donegal, Leitrim, Cavan, Monaghan and Louth as well as adjacent areas have not been in a position to benefit to the same extent as other parts of Ireland. The particularly disadvantaged position of the border counties has been given concrete recognition by the Commission in a number of specific measures in recent years. A significant proportion of the border area is classified as less-favoured under the heading of Article 3(4) of Directive 75/268.

### Drainage programme

12. On 6 February 1979, the Council of Ministers adopted Directive 79/197 on a

Programme to Promote Drainage in Catchment Areas including Land on Both Sides of the Border between Ireland and Northern Ireland. This involved expenditure by the Community of 16m ECU. Four of the border counties, Donegal, Leitrim, Cavan and Monaghan, were also included in the area covered by Directive 78/628 on a drainage scheme for the West of Ireland, which provides funds of 26m ECU from the EAGGF for work on arterial drainage and field drainage.

*from under this is well advanced.*

*K 81 Ag - one sentence*

### Special border areas programme

13. In June 1981 approval was given by the Council for a programme under the ERDF for the improvement of economic and social conditions in the border areas of Ireland and Northern Ireland (Reg. EEC/2619/80). A programme implementing the scheme was approved by the Commission with a total budgetary allocation of 24m ECU spread over a five year period. To date, the expenditure in Ireland under this programme has been generally targetted on a number of small schemes, in particular the provision of individual grants to extend and upgrade tourist accommodation, and to carry out minor improvements to the local physical environment. Two of the more significant projects in this area were the development of Glenveagh National Park Visitor's Centre and the Globe Art Gallery close by.

*in the south and tourism facilities at Killykeen Forest Park*

14. In 1985 the Special Border Areas Programme which was funded out of the Non-Quota Section (NQS) of the European Regional Development Fund expired, and was replaced by a special NQS measure. The current measure provides a total sum of 48m ECU in Community aid, 32m ECU of this to be used in the Republic mainly to assist in the extension of the natural gas pipeline to the border areas. This measure is designed in particular to reinforce the economic development base of the areas by assisting Small and Medium Enterprises (SMUs) to adapt their production potential and by the provision of a natural gas supply to viable centres on the southern side of the border.

*was extended for one year in modified form.*

*and Medium Enterprises*

### Cross-border studies

15. In addition, under EEC auspices a number of studies designed to promote the economic development of border areas has been undertaken. In each

instance, the terms of reference were agreed between the Irish and UK Governments and the European Commission. A study which focussed on the needs of the area covered by Derry City Council, and its natural hinterland on both sides of the border, was finalised in 1977, and a similar study which identified development priorities for the Erne catchment area was completed in 1980. The Mourne Herring Fishery report was also completed in 1980. ~~[The two Governments have also funded a study of the tourism potential of the Newry/Dundalk region].~~

16. At present, a cross-border study to prepare a development plan for the Lough Melvin catchment area, one of the less developed areas of Ireland, which traverses the border counties Leitrim and Fermanagh, is underway. The need for such a study was highlighted in the Erne Catchment Area Study. An interim report has been sent to the Commission.
17. In February 1984, the ~~EEC~~<sup>EEC</sup> Economic and Social Committee presented to both Governments a report on the Irish border area which made detailed recommendations drawing on the studies which had been completed to date. It described the Irish border area as being among the least economically and socially developed in Europe, and as bearing the additional disadvantage of being cut in half by a frontier that hampers normal economic development. The main recommendations of the report concerned the improvement of the Newry/Dundalk road, the provision of a natural gas supply, the restoration of the Ballinamore/Ballyconnell Canal, drainage of the Erne, a cross-border industrial zone, the Blackwater Cross-Border Drainage Scheme. Although some of the recommendations have been acted upon, the limitation of financial resources prevents the Government<sup>Minister</sup> from committing ~~itself~~ to implementing all of them.

~~[In late 1983 the Foyle/Donegal/Strabane group submitted a proposal to the Commission for an integrated operations feasibility study of the North West area. While both national Governments are agreed on the terms of reference for the study which agreement is a prerequisite for Commission support, the Foyle/Donegal/Strabane group have not yet indicated their support for these terms.]~~

(Foyle/Donnegal/Strabane group favour a feasibility study of integrated operations in the area. The national governments envisage a cross-border study of the potential for economic development and the scope for promotion of employment in the area.)]

/JH

## SECTION IV : NEED FOR A SPECIAL COMMUNITY MEASURE

### Introduction

1. The preceding sections have outlined the political, social and economic problems which are being tackled by the United Kingdom and Irish Governments. The scale of the efforts being made by the two Governments has been indicated and their arrangements for determining priorities and co-ordinating action have been outlined. The contribution which the Community has already made has been described.
2. As indicated, Community assistance until now has been largely channelled through the Structural Funds. These funds are designed to cope with structural adjustment problems which are common to other Member States. They are, therefore, geared to dealing with problems arising in a normal political context. Their eligibility criteria and resource levels are not designed, and cannot be expected, to cope adequately with the additional grave problems which have arisen <sup>in Ireland, North & South</sup> as a result of the sort of political violence and the serious communal divisions experienced in NI.
3. It is the combination of long-standing and severe social and economic problems with deep-rooted political and communal differences which creates a unique situation in the Community and calls for a special effort by the ~~Commission~~.
4. Both the UK and Irish Governments have devoted, and will continue to devote, considerable resources to tackling all these problems. However, much remains to be done and that is why the two Governments have, in the context of the Anglo-Irish Agreement, <sup>agreed</sup> to seek international support for their efforts. <sup>afforded by the</sup> <sup>of</sup> <sup>the</sup> <sup>UK and</sup> <sup>Ireland</sup>
5. The Governments see <sup>an</sup> important and unique role for the European Community in this work. The most effective way of achieving this would be by way of a special and exceptional Community measure. <sup>of</sup> <sup>agree to undertake a special effort of</sup> <sup>reconstruction and development and to</sup>
6. The overall objective of this special measure would be to take advantage of the opportunity for peace and stability offered by the Anglo-Irish Agreement in order to carry through an exceptional effort of social and economic reconstruction and development.

7. The range and application of supportive action of a specific operation under this measure would vary in response to differing local conditions and priorities. Having regard to other special Community measures designed to tackle exceptional circumstances within the Community, the measure should include operations directed to:

- strengthening the productive sectors including the development of indigenous potential and the creation of new jobs;
- reducing deficiencies in infrastructure, some portion of which may fall outside the scope of the existing Community instruments;
- reducing the communal divisions and social deprivation arising from deficiencies in housing, health and education conditions;
- promoting understanding and reconciliation;
- maximising the potential for cross-border ~~co-operation~~ <sup>operations</sup>.

8. The measure would, therefore, support both social and economic change. <sup>Both Govts</sup> While <sup>emphasise</sup> recognising the crucial importance of short-term action to strengthen the economies of Northern Ireland and the border counties of Ireland, <sup>The two</sup> Governments stress the importance of social reconstruction. <sup>since in the special circumstances of NI,</sup> Long-term economic recovery depends upon the promotion of reconciliation and a greater sense of community, the creation of social stability and the reduction of communal tensions.

9. As indicated earlier, it is envisaged that the range and application of supportive action would vary according to differing local conditions and priorities. In Northern Ireland, the emphasis would be on tackling the direct consequences of the years of violence - through the creation of jobs; the development of enterprise and skills; repairing the damage to property; overcoming the inadequacies in housing, education and health services; urban renewal; providing facilities and supporting activities to bring the two communities together; generally, tackling energetically social reconstruction in areas of multi-deprivation through development and improvement of physical, social and

community resources.

10. In the border counties of Ireland, the problems are more those of a <sup>under developed</sup> marginal agricultural economy, with an <sup>inadequate</sup> ~~under-developed~~ infrastructure, <sup>and</sup> difficulties exacerbated by their peripheral situation and by the existence of the frontier which, for long, hampered the rational development of indigenous potential in such areas as agriculture, forestry and tourism. The conflict and violence in NI have added to these disadvantages by severely setting back and inhibiting the exploitation of tourism potential and discouraging inward investment in industry and other off-farm sectors of employment.
11. Both Governments wish to maximise the potential for cross-border co-operation in all possible fields [~~including infrastructure, education and health~~].
12. The UK and Irish Governments therefore request that the Commission give favourable consideration to a special multi-annual measure involving a Community contribution on a scale in keeping with the gravity of the problem.
13. The Community contribution should involve special additional resources. Allocations from the existing Community resources would continue to operate in the normal way. Given the seriousness of the situation rates of assistance of up to 70% should apply for projects to be assisted by a special measure.
14. The two Governments would take appropriate steps to ensure that there is effective co-ordination and appropriate integration between actions being funded under existing public expenditure provision and supported by the Community Special Measure and the International Fund.
- [15. Annex I summarises the principal characteristics of a possible measure and Annex II illustrates areas of expenditure which might be assisted].

/JH

SECTION V : CONCLUSION

1. The UK and Irish Governments seek, therefore, the Commission's agreement to provide a degree of financial and economic underpinning towards peace and stability as represented by the Anglo-Irish Agreement.
2. That Agreement seeks to overcome an age-old problem involving two Member States of the Community. ~~Progress in tackling that problem will provide a firm basis for long-term economic recovery in Northern Ireland and those parts of Ireland affected by the conflict in Northern Ireland.~~

*31* The Agreement provides a unique opportunity for the Community to support in a concrete fashion, one of the primary objectives of its founding fathers as set out in the Preamble to the Treaty establishing the European Coal and Steel Community:

"to substitute for age-old rivalries the merging of their essential interests; to create, by establishing an economic community, the basis for broader and deeper community among peoples long divided by bloody conflicts .....

/JH