



# An Chartlann Náisiúnta National Archives

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International Fund for Ireland  
First Informal Meeting of the Board  
Blessingbourne, Fivemiletown, Co. Tyrone,

23 November, 1986

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Present:

Chairman Designate: Mr. C.E.B. Brett

Members: Sir Ewart Bell, Sir Gordon Booth,  
Mr. Michael Canavan,  
Mr. Gerald Dempsey, Mr. Neil McCann,  
Mr. Alastair McGuckian.

Joint Chairmen of the Advisory Committee:

Dr. W.G.H. Quigley  
Mr. Eamon O Tuathail.

Joint Secretaries: Mr. John G. Hunter  
Mr. Brendan J. Lyons

Deputy Joint Secretaries: Mr. Chris Todd  
Mr. Brendan Scannell.

The Chairman welcomed the members of the Board and spoke of the symbolism of the location for this first meeting. It was west of the Bann, in a border area - an area which the Fund exists to serve. It was the former home of Major-General Hugh Montgomery, one of the founder members of the Irish Association whose aims were remarkably similar to those of the Fund.

The Chairman said that the Board had a difficult and delicate task. It was easy to spend money, but not so easy to spend it fruitfully, fairly and sensitively in a highly political situation. He greatly hoped that the members of the Board would all succeed in making common cause and working for the good of the ordinary people of Ireland, north and south, without dividing themselves on political, sectarian or any other grounds. He thought that if they could turn themselves into a unanimous, civilised and creative force then they could exert no mean influence given the funds entrusted to them.

To do so, he believed that they must sharply distance themselves, quickly and firmly, from the Governments by whom they had been appointed; from the civil services which serve the Governments and, above all, from the political parties. In a year when there may be general elections both in Ireland and the UK, this would be no easy task. But he thought it was indispensable if the members of the Board are to establish their integrity and the independence which both Governments have promised them.

That promise of independence has a reason, and it has a price. The reason is that it suits Governments, Ministers and civil servants to step back a pace from decision-taking; to let the Board do it for them; to let the Board take the blame when things go wrong and to undergo the picketing, ostracism or whatever else may be in store for them. The Chairman went on to say that he had little doubt that he would continue to be the one that would bear the brunt of that. The price for the Governments is that having delegated to the Board the obloquy, they must accord them - within reasonable bounds - the freedom of action they had promised.

In fact, the several governments had posed the members of the Board a sharp problem: they had provided them with three sets of objectives which were far from identical. They had aroused enormous expectations and then set about limiting the Board's

freedom of action. In saying this he was not ungrateful for the generosity of the donors who would be represented at all ensuing meetings and who were entitled to the Board's lasting gratitude. However, he noted that the informal meeting was the first, last and only opportunity for members to speak out their own views with frankness, without feeling that he who pays the piper may call the tune.

The Chairman proposed to spend a comparatively short morning session on the Fund's domestic and procedural arrangements and in the afternoon session to get down to discussing some at least of the built-in conflicts in the Board's task. These included whether or how the Board should

- aim for immediate expenditure or patient and careful, and therefore slow, appraisal of projects;
- give preference to the public sector, the private profit making sector or the voluntary sector;
- achieve both a fair geographical spread and a fair spread in terms of the polarised communities, two aims which were not the same;
- give a few large grants or many small ones;
- finance infrastructure, public works, venture capital or seeding capital;
- decide how to minimise the risks of failure, of fraud, or of paramilitary involvement.

The Chairman proposed to ask each member of the Board, the Joint Chairmen of the Advisory Committee and the Joint Secretaries to speak to these topics in the afternoon session.

Terms and Conditions of Appointment of the Board

The Chairman noted that Sir Ewart Bell had suggested that the section on private or personal interest should be extended to include "officers" of a company or organisation. It was agreed that the terms should be so extended. The Chairman noted also Sir Ewart's comments on the case papers being withheld from a Board member with a commercial interest in an application. A decision on this matter could be taken at a future meeting of the Board. With regard to his own Declaration of Interest, the Chairman said that he would circulate a letter to all Board members and asked them to reciprocate. This was agreed. A draft of the Chairman's Declaration of Interest is attached.

Sir Gordon Booth said that it would be helpful if he could obtain a full biographical note on each Board member and perhaps this might be circulated with the Declaration of Interest.

Rules of Procedure and Operating Rules of the Board

The Chairman suggested that the two Vice-Chairmen of the Fund should be Sir Ewart Bell and Mr. Gerald Dempsey.

Appointment of Auditors

It was agreed that auditors would be appointed as soon as possible as they would be required to help set up systems for the proper accounting of the Fund's resources. The Chairman said that he would write on Monday to the Northern Ireland offices of the firms below with a copy to the senior partners in the Dublin offices as well.

- Coopers and Lybrand
- Price Waterhouse
- Deloitte
- Ernst and Whinney
- Peat Marwick.

The reason for writing to the Northern Ireland offices was (i) he was located there and (ii) most of the Fund's resources would be spent in Northern Ireland. The Chairman proposed that Sir Ewart Bell and Mr. Gerald Dempsey should constitute the Sub-Committee which would oversee the choice of auditors. This was agreed. Mr. McCann said that in considering the presentations by prospective auditors, the Board should look for something extra. By this he appeared to mean some commitment or imaginative input into the work of the Fund. Sir Gordon Booth said that the auditors might be asked to act as auditors for the investment companies as well. Mr. Dempsey said that the presentation by the auditors should cover how they intended to deal with the account. He would like the auditors to nominate the partners, north and south, who would deal with the Fund. He thought that the auditors should be appointed as soon as possible because he was concerned at the exposure of the Board members as directors of the Fund. It was important to get systems right immediately. Mr. McGuckian said that the particular strengths of different firms of auditors would be a factor to be considered. He favoured matching any such strengths to the Fund's requirements.

#### Indemnity of Board members

The Chairman said that Board members were quite exposed. They could be sued and it was imperative that each member should have an indemnity. Both Mr. O Tuathail and Dr. Quigley said that, from the Governments' point of view, it was recognised that such an indemnity should be granted. The only problem was the form which it should take. They undertook to circulate to Board members a draft form of indemnity to be included in the terms and conditions of appointment of the Board as soon as it could be cleared at Government level.

### Bankers

The Chairman asked whether the Fund should keep the Bank of Ireland as its bankers (for its checking accounts) or whether it should seek tenders for the banking arrangements. Mr. Canavan said that this might be reviewed. The general feeling was that this issue would be dealt with in the context of seeking investment advisors to the Fund. It seemed likely that the bank acting as investment advisor might also act as the Fund's banker for checking purposes.

It was agreed to leave stand, unless and until it was changed with the concurrence of the auditors, the requirement in the rules of procedure of the Board that payments from the operational account should be made by cheque signed by two members of the Board. The intention here is to move over to mechanical checking or to a system which will not impose too much of a burden on Board members living close to Stormont or to Iveagh House.

### Investment Advisors

The Chairman explained to the Board the fruits of his research on the management of the investments of several British trusts, including the National Heritage Memorial Foundation, the National Trust and the Pilgrim Trust. All of these were managed by Robert Fleming & Co. in London. He thought it might be useful to seek tenders for advice from this company as well as Baring Bros., Morgan Grenfell, Lazards, Warburgs (all in London), and the investment arms of the four associated banks in Ireland. He suggested that the Fund might perhaps be split for investment purposes into several tranches - one-third each to be available at short, medium and longer term notice. He proposed that the Board establish an investment sub-committee comprising Sir Gordon Booth and Mr. Neil McCann. This was accepted.

Sir Ewart Bell declared his interest as a director of the Ulster Bank and went on to say that he would like to see the investment advice retained within the island of Ireland. There was a lot of expertise here and the major banks all had linkages to London. Mr. Dempsey agreed and said that London would be seen as being remote from the purposes of the Fund. He also thought that the Fund might consider having an overall investment adviser with individual advisers on specific aspects of its investments. In the first instance, the Board should start with banks in Ireland. Mr. Canavan supported this suggestion. Sir Gordon Booth said that the job of the investment sub-committee appeared to him to be to decide on the best team which the Fund could get to manage its resources. He did not think it would be advisable to split the Fund into little pieces for investment purposes and thought the Fund should take the advice of whomsoever it appoints on the best way to manage its resources. The Chairman pointed out that the Fund is constrained from losing any money on its investments. It was decided that the Joint Secretaries should communicate with Sir Gordon and Mr. McCann on the question of seeking advice from the main banks.

#### Solicitors

The Chairman said that in his view the Fund needed a separate firm of solicitors to look after its affairs. His firm would not be in contention.

#### Appraisal of Applications

The Chairman said that the Board should decide how far to delegate this function. He proposed an applications sub-committee composed of Mr. Canavan and Mr. McGuckian. The members of the Board all expressed the view that they would like to look at all projects in the early stages of the Fund's operation and were not yet prepared to have decisions taken in their name without seeing the details of each project.

Views of Board members

Mr. Alastair McGuckian said that if the Board appraises only what comes to it, it will be usurping the role of the IDA and the IDB. He would like the Board to identify the special role of the Fund and to find a theme and a sense of purpose for it. One suggestion which he would like to be considered is that the Fund should develop the common interests of the two communities. The fact that it is a foreign-financed fund suggests that it could usefully be used to get the whole island to look outside of itself, particularly to Europe. He thought that this could be achieved, for example, by youth exchange schemes; by the development of products, both industrial and agricultural, which would enable Irish industry to be market-led rather than production-oriented; and, finally, by the creation overseas of centres of representation (on the lines of the Irish college in Louvain) where the talents of the whole island would be on view.

He recognised that if the Fund devotes its resources to developing its European or overseas potential, it will be accused of neglecting some local community in the short term. However, he thought that there would be more long-term benefit in developing the island's overseas potential. He thought that the Fund should not duplicate what has been done by the exchequers.

Mr. Neil McCann said that the Fund is not dealing with a large sum and the Board does not have a duty to increase its resources. The Board's job is to disburse the Fund's resources quickly, prudently and productively. He thought that the Fund should have a couple of early winners so that it establishes a good track record, looks credible and is attractive to future donors. One priority of the Fund should be to increase employment in Northern Ireland and in border areas. The Board should have the courage to take calculated risks which the IDA and the IDB do not take. The Joint Secretaries should get out and about to stimulate the proposal and development of suitable projects.

The Fund should also assist the provision of leisure facilities in areas where they cannot be provided at the moment. He noted that, in Northern Ireland, high levels of grants are available for almost everything. But he suspected that, even there, there were some facilities which were not being provided. In a period of high unemployment and when those in work also had a large amount of free time, he thought that the leisure industry could be developed.

On the question of applications to the Fund, he would like to see every application, together with reasons given for supporting or rejecting it. He thought that the Board should not lose touch with the views of people putting applications to the Fund.

Mr. Gerry Dempsey said that the theme of the Fund should be the development of private enterprise. He thought that the first part of Article 3 which obliged the Fund to stimulate private enterprise should be the most important one. He was concerned about the giving of grants to companies as he thought that, overall, Ireland had an unhealthy "grant" mentality. He noted that the Fund cannot take equity in projects that it is empowered only to give grants and loans (Note: the investment companies can take equity). Grants tend to kill enterprise not to promote it and the US would find the "grant" mentality difficult to take. The proposed £2m to each of the investment companies was limiting and he would like to see more of the Fund's resources put into venture capital. In fact, if at all possible, he would like to see most of the Fund's efforts turned in that direction.

He was also concerned that the whole process of the Fund was connected with government. The Board of the Fund were very dependent on the Secretariat and on the Advisory Committee. He did not think that this was in the best interests of the Board. He would like to see an independent Secretariat but he noted that the Agreement to establish the Fund precluded the

Board from employing their own staff. As a second best, he would like the Secretariat of the Fund to be seconded by the two Governments to work exclusively for the Board of the Fund. They could then follow through on the themes and policy decisions of the Board without their time or loyalties being divided.

On the question of delegation, he thought that the Board would have to delegate, but he would not like to do it too early. Perhaps after a couple of meetings the Board would have some idea as to what it could and could not delegate.

Sir Ewart Bell referred to his written comments on the documents which had been submitted to the Board. He thought that clarification was needed on the funding of projects, as it was difficult to see how the Fund would work. He noted that it could supplement existing projects but that it should not be used for areas for which sufficient public resources were already available. Existing organisations have so many facilities that it is difficult to see what role the Fund can take. He also would like to see a clarification of the role of the investment companies and how these should operate in association with other aspects of the Fund. There was plenty of venture capital available in Ireland but in many cases the terms on which it was available are difficult. If the Fund were to make available venture capital, it could usefully do so only if it made attractive the terms on which it provided such capital. The Board will find it difficult to reconcile the various objectives of the Fund. The US had placed a strong emphasis on private enterprise. There was also the social dimension of the Fund which was provided for in the Agreement, including cross-community and north/south reconciliation. However, very little of the Fund's resources were being devoted to this aspect of its work and he could see practical difficulties in reconciling the different aspects of the Fund's work.

Mr. Canavan said that the aims of the Fund should be the creation of jobs in the private sector. He would not rule out supporting the expansion of existing companies to create jobs. In his view, the Fund should assist (1) existing firms, (2) new firms which were just starting up, and (3) people who could develop ideas which would lead up the start of new firms. He thought that there were many venture capital companies with more money than opportunity and that the Fund would have to have a distinctive objective if it was to achieve anything. Nevertheless, he thought that the amount of £2m for each company was too little and he would like to see the investment companies have access to more finance as time went by. He thought that, in the management of the investment companies, the services of existing companies should be used.

As far as the operation of the Fund itself was concerned, the Board would have to generate ideas and stimulate people and associations to make applications to it. He was happy enough with the vetting system for projects in that he expected different government departments, using their knowledge of schemes already in existence, to advise the Fund well on projects which they were asked to evaluate.

Sir Gordon Booth said that, in his view, the Fund was in the commercial enterprise business, not in the business of supporting lame ducks. He would feel comfortable if applicants to the Fund stated the equity which they had in their proposals so that they should share the risk and not leave it entirely to the Fund. He was also in favour of sharing the risk and benefits of projects with others. The Fund should not have as its objective the increasing of its own resources but should operate as a revolving Fund with the returns to the Board being used to develop new projects.

As far as the type of projects were concerned, he favoured schemes where the spin-off from the Fund's investment helped in spreading knowledge of the Fund's objectives. Accordingly, he

would support schemes to promote tourism which would have the effect of spreading overseas a knowledge of co-operative projects in Ireland. for the same reason, he would also support educational exchanges, as suggested by the Canadian Government. In addition, he believed that young people should be outward-looking and should have the opportunity to experience the way of life of other countries.

He shared the anxiety of other Board members concerning the investment companies. He would like to see their development tightly controlled as he did not wish, as a Board member, to allow others to take decisions which might later rebound on the Fund. One way of overcoming this problem would be for the Fund to nominate some of its Board members as non-executive directors of the investment companies. They would thus see the papers and vote on projects. In this way the Fund would be better protected than if it hived off the investment companies to act totally independently.

He said that the Board should not lose sight of the possibility of setting up the Fund as a charity which could receive tax deductible contributions. The Fund should also not forget the possibilities of assisting a large number of small schemes. A programme to do this could be hived off to a small business bureau or some such organisation. From the point of view of public relations, he agreed that it was necessary to achieve early successes. These would assist in attracting future contributions including, perhaps, from the EEC. He wondered what the position on EEC financing was.

Mr. O Tuathail said that the Board will be independent and that its independence will be fully respected by the two Governments. The Advisory Committee will be as helpful as the Board wants and the Secretaries will be as active as the Board wishes them to be.

He explained the details of the US contribution and said that the US wants the Fund to use its resources as quickly as

possible. The second tranche of US money depends in part on the spending of the first. As soon as the Fund is legally established, it will sign an agreement directly with the US which will govern the disbursement of US monies.

The US expects another major contributor to the Fund and to this end the Irish Government was discussing with the UK how best to approach the EEC. The UK has a problem of budget rebates with any contribution from the EEC and the two sides are in discussion to see how these might be overcome. The Irish side regard an EEC contribution to the Fund as very important.

The Canadian contribution is divided fifty-fifty into a cash contribution which would be used partly to finance exchanges, with the other half of the Canadian contribution being used to promote Canadian interest in Ireland. The Department of External Affairs in Ottawa is at the stage of putting proposals to the Prime Minister. It is important that Canada's contribution be paid over directly to the Fund so that the Board can manage it.

In general, it is important for the Board to establish a programme quickly and the Governments will make available the resources to enable it to do so.

Dr. Quigley said that he wished to express his gratitude to the Board for agreeing to serve. He hoped that the role of government departments would be to analyse projects and to deal with the sheer grind of the assisting <sup>in</sup> of applications. What Governments have done so far is to "manufacture the ball and put it on the field". It is now up to the players to score the goals. The illustrative lists put forward by the two Governments are designed to demonstrate to donors, particularly the US, the kind of areas in which the Governments think that the Fund might usefully operate. The US view is that the Fund should primarily be used for the stimulation of private sector

investment. Government departments, although well aware of the developed financial structure which already exists to promote such investment, have put forward projects which they feel will be most useful in promoting such investment. He thought that, if three-quarters of the Fund were devoted to private sector promotion, the US Administration and Congress would be satisfied.

In commenting on some of the ideas of the members of the Board, he said that more venture capital seemed to be available than there were projects to take it up. The investment companies could support projects which receive assistance from other state agencies by, perhaps, taking an equity stake in the promoting companies. In answer to Sir Ewart Bell's queries, he said that there were very few areas in which there is no public sector scheme in Ireland. The Fund should not substitute for, or take rejects from, the state system but it could, if necessary, come in to assist. The proposals submitted by the two Governments are their ideas, taking account of donor preferences, of how the Fund might stimulate business enterprise and might get off to a successful start.

Mr. Lyons said that the role of the Joint Secretaries is that of servants of the Board. Although they are civil servants, their first duty in relation to the Fund is to carry out the wishes of the Board. At the moment, there are advantages in serving the Fund from within the civil service system in that it allows for greater co-ordination and gives the Fund a leverage which it otherwise might not have.

The two Governments, in establishing the Fund as an independent organisation, obviously felt that independent thinking would assist economic regeneration. They considered that it would be up to the Board to act as the engine of the Fund. The role of government departments will be supportive, mediated through the Advisory Committee.

On the investment companies, it is worth noting that, as a result of the legislation to grant the US support for the Fund, Ireland now has access to several US Government sponsored overseas programmes, including the Trade Development Programme and the Overseas Private Investment Cooperation. The investment companies could act as the vehicles for tapping into these programmes and could help develop the outward links which were an important feature of the Fund's existence.

Mr. Hunter said that there was a good working cooperation between the Northern and Southern Joint Secretaries but that there would obviously be logistical problems in ensuring the quick clearance of papers so that a joint view could be presented to the Board. The Joint Secretaries were studying the solution of the communications problems so that drafts could be exchanged and improved more rapidly than at present.

The Board had a wide expertise and would obviously stimulate thinking on economic development. He noted that the Board can accept or reject the advice offered to it by government departments through the Advisory Committee and that it has full freedom of choice in selecting projects. The difficulty will be for the Fund to identify discrete areas of opportunity for its operations. One of these areas could be in the development of local enterprise which has not yet received sufficient recognition within existing government programmes.

Government departments would provide a useful service in evaluating projects and assisting in weeding out dubious projects and groups. Whatever system was used to vet project applications, Board members should each be aware of all projects, even though some might be ruled out immediately.

He thought that one of the benefits of the Fund will be to develop its overseas contacts and linkages for the greater benefit of both parts of Ireland. It is envisaged that the US and Canadian observers should have this wider role.

The Chairman, in summarising the discussion, said that in many respects the Fund would be extremely unpopular as, on the evidence of the projects already submitted, most would not meet the criteria set out in the Agreement or by the donors. There was a general consensus that the Fund should be used primarily to stimulate the private sector. This is not the public perception, which sees the Fund as a fountain of plenty. To redress this, he hoped to have available at the next meeting a draft advertisement, application form and explanatory leaflet which could be issued as soon as possible after the Fund had been legally established.

He thought that it would be useful to draw up two categories of organisations which would either be excluded from or less-favoured by the Fund. Exclusions would include military, paramilitary, police, prison, intelligence organisations (as per the exclusions in the Anglo-Irish Support Act); unlawful organisations, paramilitary front organisations; bankrupts, persons with criminal records or organisations whose solvency or legality was in doubt; political parties and political pressure groups. Less-favoured projects might include those which were solely sporting or recreational or of a purely educational, cultural or artistic nature. Environmental or conservation projects, purely academic, scientific, medical or research projects and projects of a religious, social and philosophical nature might also be included in this category. He envisaged that the Board might agree to finance these projects only if they had exceptional merit or if they could yield benefits in more than one of the above sectors.

Sir Ewart Bell said that he queried the less-favoured treatment of education and would not like organisations to be inhibited from submitting projects which would have an impact on the creation of jobs. If educational or research projects could show that they were assisting economic development, they should be supported. Mr. McCann said that he would be slow to exclude sporting projects as these could be used to build bridges

between the communities. Sir Gordon Booth had doubts about putting a list of exclusions in a leaflet or advertisement. He thought that the Fund should leave itself the latitude to reject projects for what might appear to it to be good reasons. The Chairman pointed out that the Fund might have to justify its decisions. Mr. McGuckian said that he would prefer the Fund to go for a positive approach and to establish a clearly defined purpose. Then it could seek projects in those areas which most usefully serve that purpose. He thought that one of the Board's early aims should be to reach consensus on the purpose of the Fund.

#### Communications

It was agreed that the Joint Secretaries would circulate a list of names, addresses, telephone, telex and fax numbers for all Board members and the Joint Secretaries.

#### Future Meetings

The Board agreed that in the early stages, meetings should be called frequently even if all Board members could not make each and every meeting. The Board members would also like to receive papers as early as possible, perhaps in draft form, so that they could comment in writing if they could not attend Board meetings. It was decided to hold meetings at approximately three weekly intervals alternating between Fridays and Mondays and North and South.

The Chairman advised the Board members that the next meeting on 14 December would be held at the Tyrone Guthrie Centre in Annaghmakerrig, Co. Monaghan starting at 11.00 a.m. Some Board members would stay overnight the night before. These included the Chairman, Sir Gordon Booth, Sir Ewart Bell, Mr. Alastair McGuckian. The Joint Secretaries would also stay overnight, if necessary.

It was agreed that future meetings of the Board should be held on the Dublin/Belfast axis as far as possible, with perhaps some meetings in Derry. He suggested two venues - The Bleach House at Dunadrie Hotel and Malahide Castle.

The meetings for the first quarter of 1987 were decided as follows:

Friday 9 January (North) (Mr. McGuckian unavailable).  
Monday 2 February (South) (Sir Gordon Booth unavailable).  
Friday 27 February (North)  
Monday 23 March (South)  
Friday 10 April (North) (tentative).

*Brendan J. Lyons.*

Brendan J. Lyons,  
25 November, 1986.

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