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Reference Code:	2017/10/79
Creation Dates:	February 1987
Extent and medium:	7 pages
Creator(s):	Department of the Taoiseach
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Specifying Pro.

Visit of President Delors to Dublin

5/6 February 1987

Community Funding in support of Anglo-Irish Agreement

Background Note

Continuing efforts have been made since January last year to reach agreement on a joint British-Irish approach to the Commission to seek financial support from the Community for the Anglo-Irish Agreement. So far these efforts have met with no success. While we would favour seeking a direct Community contribution to the International Fund, or, failing that, a special IMPs-type measure, the British side have advocated an approach based on greater co-ordination and more effective use of the Structural Funds.

British objections to special Community funding either for a direct contribution or a special measure would appear^{to} arise, broadly speaking, from the likelihood that extra funding from the Community for any area of the UK would affect the size of the UK rebate under the Community budget. They deny this however and argue that their main concern is that of additionality i.e. a project attracting say 70% funding from Brussels would require 30% matching finance from London and this would have to be additional to planned national expenditure in the province. They also acknowledge that they do not wish to approach the Community for funding at a time when the Community Budget is under pressure under the present VAT ceiling. In addition they are not optimistic about obtaining a favourable response either from the Commission or from member States.

Commission Views

The Commission has all along shown a positive attitude to the possibility of Community action in support of the Anglo-Irish agreement. President Delors welcomed the signature of the Agreement, and, in a statement on 15 November 1985, he pledged "the continued whole-hearted support of the Commission to the economic and social development of Northern Ireland and to effective cross-border cooperation". In a statement to the European Parliament on 20 February, he said "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".

The Commission services have carried out a preliminary examination of various possible means of Community support. Options examined included a special measure and a direct Community contribution to the Fund. On the latter, they were understood to consider that this would be the most direct manifestation of Community support.

When President Delors visited Ireland in September 1986, the Taoiseach apprised him of the progress so far of discussions with the British. Delors indicated in response to a question from the Taoiseach that he would be willing to initiate a Commission proposal for a contribution to the Fund (without a joint approach by the two Governments). He expressed willingness to take the necessary steps at whatever time the Taoiseach thought would be most appropriate.

Recent Developments

The Taoiseach raised the question of a Community contributions to the Fund with Mrs. Thatcher in December. While her response was not sympathetic and she stressed her ~~relief~~^{relief} that Britain would have to pay 75% of whatever was obtained, she did not appear to object to the idea that the Commission should take the initiative in making a proposal. The possibility of an extra-budgetary contribution on the basis of a Lome Convention type key (Ireland 0.55%, UK 16.58%) was mentioned in the course of the conversation.

In preparation for a further discussion between the Taoiseach and President Delors, a paper (text attached) has been given to Delors' Cabinet containing details of the International Fund and suggesting an extra-budgetary Community contribution to the Fund. Lamy, the Chef de Cabinet, was cautious in his reaction. He said that Delors would certainly be glad to discuss this with the Taoiseach. He felt that it would be important to be clear on British attitudes. It was a pity that the joint approach originally envisaged had not proved practicable. He did not make any observation on the feasibility of a contribution arrangement outside the Budget.

Economic Division

February 1987

Annex

The Anglo Irish Agreement was signed by the Irish and British Prime Ministers on 15 November 1985. 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 combatting terrorism. The Agreement also provides that the two Governments shall co-operate to promote economic and social development in those areas of both parts of Ireland which have suffered most grievously from the instability of recent years and shall consider the possibility of securing international support for this work.

In pursuance of this latter objective, the two Governments have established the International Fund for Ireland. The Agreement to establish the Fund was signed on 18 September 1986 and came into effect on 1 December following parliamentary approval in both countries. The Fund acquired legal personality in the domestic law of Ireland and the United Kingdom on 12 December 1986. The Fund was established as an international organisation the members of which are the Irish and British Governments. It operates independently of the two Governments under the control of its own independent Board which consists of a Chairman and six other members who were appointed jointly by the two Governments. The Board met formally for the first time on 14 December, 1986.

The International Fund for Ireland is intended to play a part in addressing the problems created by serious under-employment and multiple deprivation in those parts of Ireland most seriously affected by the instability of recent years. The objectives of the Fund are to promote economic and social advance and to encourage contact, dialogue and reconciliation between nationalists and unionists throughout Ireland. Priority will be given on a value for money basis to the following:

- (a) the stimulation of private sector investment, in particular by means of venture capital arrangements;
- (b) projects of benefit to people in both parts of Ireland;
- (c) projects to improve the quality and conditions of life for people in areas facing serious economic and/or social problems;
- (d) projects to provide wider horizons for people from both traditions in Ireland.

The Fund proposes in its initial stages to promote economic advance and revitalization by giving priority to projects which stimulate private sector investment and encourage the creation of jobs in industry, agriculture and services, particularly tourism. The Fund intends to achieve these objectives by :

- increasing the rate of business start-up and survival with particular emphasis on small and medium size businesses;
- the stimulation of research and development activities particularly in-house R&D in companies;
- encouraging the introduction and effective use of new technology;
- the improvement of business management;
- encouraging improved marketing with a view to export;
- the enhancement of business awareness in schools;
- exchange programmes aimed at human resource development with particular emphasis on training for business and industry;
- the expansion of tourist accommodation and amenities;
- the support of economic infrastructure projects, which will enhance the drive for industrial development.

To date the Governments of the United States of America, Canada and New Zealand have either contributed to the Fund or have undertaken to do so. The United States contribution will be 120 million US dollars over a three year period; Canada has promised 10 million Canadian dollars over ten years; New Zealand will make a once-off contribution of 300,000 NZ dollars. Three quarters of the resources of the Fund will be spent in Northern Ireland and the remainder in the South.

The Fund is intended as a vehicle for international support. The Irish and British Governments have not contributed to the Fund. They will, however, meet the general, administrative and organisational expenses of the Fund and they will jointly provide a provisional budget for 1987 of IR£46,000 approximately for that purpose.

The support and encouragement demonstrated by both the individual Governments of the other member States of the European Community and the Commission for the objectives of the Anglo-Irish Agreement were noted with especial appreciation by the Irish and British Governments. Now that the Fund has been established as an International Organisation it would appear appropriate that the Community should play a part in this international effort to alleviate the economic and social problems which contribute to the violence and instability existing within the Community itself.

A common Community action would have a strong political impact internationally and would be a significant and concrete manifestation of the Community's support for the objectives of the Anglo-Irish Agreement. Countries already contributing to the International Fund consider that it should be seen to be truly international. Indeed one of the major donors - the United States - has

stated that the International Fund will be exempt from US Government accounting and procurement procedures only if there are substantial contributions to the Fund from donors other than the US. As of now, Canada and New Zealand are the only other contributors. As a result the U.S. is providing 99% of the resources of the Fund. It will, therefore, be appreciated how important a decision by the Community to make a substantial contribution to the Fund would be.

It is suggested that the most appropriate Community response of practical support for the objectives of the Anglo-Irish Agreement would be by way of a direct contribution to the International Fund. In view of the structure and nature of the Fund, consideration might be given to the feasibility of Community contribution to the Fund outside the Budget proper.