

**Concordia Board Visit to Brussels  
9 – 10 March 2005**

**Briefing Paper**

**Key messages**

- **Northern Ireland's economy is over dependent on public expenditure and the private sector faces major structural issues as it seeks to grow and transform into a more innovative, knowledge based economy**
- **Significant social challenges remain to be addressed – much of which is a legacy of the 'Troubles'. The transition to an harmonious, peaceful and prosperous society is a long-term process requiring substantial cultural change**
- **Northern Ireland faces a major infrastructure deficit which will take more than a decade to address**
- **The European Union can help the transition and the major 'change management' process the Province is embarking on. The Union can help Northern Ireland help itself by recognising the unique political, social and economic environment that exists and support measures designed to create a stronger and more self-sustaining economy and address the social challenges.**

**The Economic Challenge**

- In Northern Ireland around 62% of GDP is public expenditure – this is likely to increase unless more radical policy measures are introduced to grow the private sector
- Over 50% of available employment is in the public sector, retail or hospitality
- There are low levels of business formation and growth and a low percentage of high technology, knowledge based businesses
- There is inadequate job creation to meet the demands of a growing population, and to close the 'participation gap' with rest of the UK – job creation needs to increase by 50% per annum
- The UK government 'harmonisation policy' and the need to meet EU Directives, especially in the environmental arena, is substantially raising costs for both the business and domestic sectors
- Northern Ireland has highest electricity prices in Europe – with stranded costs associated with market opening burdening customers until 2012
- The manufacturing sector is under enormous competitive pressures and there is a lack of critical mass in key, technology driven sectors
- There are low levels of R&D expenditure – and in recent years business R&D spend has been falling
- A black economy exists with involvement of ex-paramilitaries undermines legitimate businesses

*“The enterprise economy needs to be encouraged and supported in order to build a more sustainable and balanced economy”*

## **The Social Challenge**

- Separation and segregation are major challenges – some 36% of the population live in areas which are over 90% Protestant or Catholic
- Sectarianism remains a major challenge. Over £45m was spent in 2003 on rehousing individuals and families as a result of sectarian threats. There are significant other cost implications of sectarianism and separation including duplication of government services, costs associated with managing ‘interface’ areas, and costs of managing parades/marches
- Racism is increasing in the community – with the number of incidents doubling in 2003/4. Government has stated that *‘there is evidence of a significant and rapidly growing problem of ‘hate crime’ in Northern Ireland’*
- Over 40,000 people have been injured by the Troubles, while some 12% of the population consider themselves as ‘victims’ of the Troubles. Overall psychological well-being in the local population has not improved since 1995
- 185,000 households (29.6%) in Northern Ireland are poor, including 150,000 children. The poverty rate is four percentage points higher than in Great Britain
- Ongoing violence remains a major challenge – in 2003 there were 229 shootings, 77 bomb incidents, and 88 bombing devices used. In terms of casualties there were over 300 paramilitary shooting incidents and assaults last year.
- The proportion of people aged 16-24 without basic educational qualifications is 30%.

*“Many people continue to experience the hardship caused by poverty and our troubled past , and are unable to enjoy a decent standard of living and quality of life.”*

## **The Environmental Challenge**

- Significant infrastructure investment is required to address Northern Ireland’s infrastructure deficit (estimated at over £13 billion) – over £3.0bn is required to invest in water and sewerage plants to ensure Northern Ireland meets the increasingly stringent EU regulations
- High energy costs and limited natural gas network - over 25% of households live in fuel poverty
- The number of people dying from heart disease is the highest in Europe
- Child road fatalities in NI are 4.4 per 100,000 child population compared with an EU average of 2.9. Child pedestrian fatalities are almost 3 times the EU average
- Average waste recovery rate in NI is 6% (with a target of 25% by 2005) with significantly underdeveloped waste management facilities
- Water treatment samples are only 69% compliant with EU legislation

*“A massive investment is required to ensure the infrastructure is fit for purpose”*

## **How can the EU help to facilitate the development of a more peaceful, sustainable and prosperous Northern Ireland?**

- **Understand the issues and challenges** - It is vital that the European Union understands the unique issues and challenges Northern Ireland faces as it transforms its economy and society from its troubled past. Much progress has been achieved over the last ten years. And while overall GDP and employment/unemployment figures appear encouraging, they mask major structural weaknesses in the economy
- **Value the contribution that Peace and Reconciliation I and II Programmes have made to society in Northern Ireland** The Special Support Programmes for Peace and Reconciliation (Peace I and Peace II) have been major drivers for change in Northern Ireland. The European Union recognised that reconciliation required a sustained investment in civil society in a region coming out of prolonged conflict. Northern Ireland was like a microcosm of the larger European conflict. The programmes promoted social dialogue and social partnership and have helped reshape how Northern Ireland does business with greater collaboration between Government, Private sector, NGOs and Trade Unions.
- **Recognise that specific actions are required** - Concordia believe the European Commission should continue to support the transition and change management process in Northern Ireland by:
  - Considering what actions need to follow on from the two Peace programmes recognising that peace and political development are long term objectives. Sectarianism in Northern Ireland has had a four hundred year history and will need a sustained approach to squeeze it out of society.
  - Recognising that Northern Ireland's economy needs radical structural change by:
    - Recognising the need for greater fiscal flexibility for Northern Ireland within the UK – by accommodating a package of fiscal measures aimed at strengthening the Northern Ireland economy by accelerating the growth of the private sector
    - Ensuring that despite losing Objective 1 in transition status in 2006 that the Northern Ireland government is able to offer Selective Financial Assistance to companies to improve their R&D, innovation and capabilities – this is essential if the Province is going to become a more self-sustaining economy
    - Recognise the emerging all-island dimension in economic, environmental and social issues, which can help improve the competitiveness of the island – this will require recognising Northern Ireland as a distinct identity within the UK and the providing the region with flexibility to do something differently from the rest of the UK