



DEPARTMENT OF FINANCE & PERSONNEL
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Rosepark House
Upper Newtownards Road
Belfast BT4 3NR

Tele: 01232 520400
Fax: 01232 485711
GTN: 440

JH 778197

24-2-97

Mr. Boyle / Mr. M. M. Kelly

*25/2 J.W. Rooney is pushing
the boat out a bit far.
The boat you never know.*

- cc PS/Michael Ancram (DENI,B&L)
- PS/Baroness Denton (DANI,DED&L)
- PS/Mr Moss (DOE, DHSS&L)
- PS/PUS (B&L)
- PS/Sir David Fell
- NI Perm Secs
- Mr Semple
- Mr Capella UKREP
- Mr Watkins
- Mr Hewitt**
- Mr Layberry
- Mr Sullivan
- Mr Thomson

*PA EU Peace
Package
2265/96 (A3)*

FROM: S QUINN

DATE: 24 FEBRUARY 1997

1. PS/SIR JOHN WHEELER (DFP,B&L) - *Agreed Sir J.W 24/2*
2. PS/SECRETARY OF STATE (B&L)

**POSSIBLE EXTENSION OF EU PEACE AND RECONCILIATION PROGRAMME :
PE TREATMENT**

Background - first tranche

1. When the EU Peace and Reconciliation Programme was launched, in principle for 5 years, funding of 300 mecu was allocated by the European Commission to cover both NI and the ROI border counties for the period 1995-1997. NI's share was 240 mecu (about £200m) to which the UK added co-funding of c £66m.
2. While the EU allocation was for 1995-97, the requirement is that the budget should be committed before the end of calendar year 1997; the actual expenditure can continue up until end 1999.

A possible second tranche

3. When the Programme was agreed in 1995, it provided for the possibility of a further allocation, from the 1998 and 1999 budgets, subject to a review to be undertaken on behalf of the Commission in 1997. This review is currently under way.
4. In the meantime, UKREP has been lobbying in Brussels (in liaison with their ROI counterparts) for an extension of the Programme, in consultation with all relevant NI and Whitehall interests, including HMT. This has culminated in Sir Stephen Wall obtaining

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confirmation in principle from President Santer that the Commission would propose that the Programme should continue, though

- (a) further negotiations with the Commission on issues of detail will be necessary;
- (b) in particular, no agreement has been reached on quantum or on from where a further allocation would be found within the EU budget;
- (c) an extension will require the approval of the European Parliament.

Public expenditure treatment

5. The Commission's agreement to the first tranche was absolutely conditional on the UK's commitment to full PE additionality, most publicly expressed in the Prime Minister's October 1994 undertaking that

"The European Union's programme will be in addition to the British Government's own expenditure plans for Northern Ireland".

6. The outcome for NI of 1996 PES has, however, created some suspicion about whether that undertaking was fully implemented, and the Secretary of State's reply to the CST's 1996 PES Settlement Letter drew attention to this and emphasised that

"... absolute and convincing evidence of the Government's commitment to full additionality will be an essential prerequisite to any extension of the Programme ...".

7. This is extremely important, both presentationally and substantively. Any hedging of the original undertaking would be fatal to obtaining an extension of the Programme. And, if NI's mainstream PE were to be reduced, however covertly, as a consequence of the EU Peace Programme, then key services would be further eroded and NI priorities distorted. Notwithstanding its intrinsic value and high political profile, the reality is that the EU Peace Programme is in many respects of lower priority than many of the mainstream programmes which are under pressure.

8. It is, therefore, essential that we clarify the PE treatment of a possible second tranche before entering into further, more detailed discussions with the Commission. The attached draft letter to CST

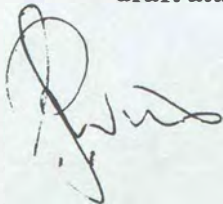
- (a) sets out the background;
- (b) explains the political context and the imperatives which flow from it;
- (c) seeks an assurance on PE additionality - and indicates in broad terms how it might be assessed in the event, though it must be acknowledged that, as demonstrated by 1996 PES, strict arithmetic proofs are unlikely to be available.

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Recommendation

9. In order that UKREP and NI departments can engage the Commission further within a clear policy on PE treatment, the Secretary of State is invited to write to CST in the terms of the draft attached, which has been agreed with UKREP.



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