



DEPARTMENT OF FINANCE & PERSONNEL  
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Mr Chris Capella  
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BELGIUM

4 March 1997

Dear

Chris

PEACE PROGRAMME/INTERNATIONAL FUND FOR IRELAND (IFI)

1. Thank you for your letter of 28 February 1997 to John Semple. He is on leave and I am replying on his behalf.

Public expenditure treatment

2. Our stance in relation to a second tranche in general and to any related repackaging proposal is critically dependent on the Chief Secretary's response to Sir Patrick Mayhew's letter of 26 February a copy of which you have seen. Whilst we await that reply, it is difficult to give a definitive steer. HMT officials have, however, made clear that even were the CST to accept the case for the continuation of the additionality undertaking of 21 October 1994 to a second tranche of the Peace Programme, it would only be in circumstances in which new money was forthcoming. They have stressed that additionality would not apply to any existing SPD or CI funding which was transferred into the Peace Programme.

Assessment of Commission's proposals

3. In light of this, there are indeed as you suggest, some features of the package which are much less attractive than others:
  - (a) we would welcome new money from the Community Initiatives surplus, absolutely subject to the condition that it, and Government's co-funding, continued to be additional to the NI budget (and we would hope that the Commission could find more than 35 mecu per annum

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although HMT will no doubt express concern about adding to public expenditure);

- (b) however the reallocation or refocusing of existing money from Northern Ireland's Objective 1 funding would be unacceptable. It would not be new money, would not create additionality in NI, would displace expenditures to which NI Ministers attach higher priority, and all of this would be transparently obvious to people on the ground in Northern Ireland.

Line to take

4. The PE treatment, and its implications for how Ministers would present a second tranche, must be the primary determinants of how we deal with the Commission. The inescapable conclusions are that:
  - (a) Ministers would not agree to a reallocation of PE cover from mainstream programmes to EUPRP, on grounds of priority - so we must resist any proposal to reallocate from the existing SPD or CI allocations; however
  - (b) while we should resist this, and press for all new money, it seems likely that this is unachievable; so
  - (c) we should compromise on a smaller package of new money.
5. However given that the Chief Secretary has not yet replied to Sir Patrick Mayhew's 26 February letter, the timing of Sir Stephen Wall's meeting with the Commissioner is not ideal. It seems that the most appropriate course for Sir Stephen Wall to take on 5 March is simply to take receipt of the Commission's ideas, indicate a general reluctance to contemplate reallocations from SPD/CI (because this would attract criticism in NI) and undertake to consult with the UK authorities and come back as soon as possible.
6. I attach a bullpoint brief for Sir Stephen Wall, covering the key points in relation to this repackaging proposal. I hope it is self-explanatory, but I would specifically draw your attention to the final section, which makes the point that we would oppose any suggestion that the Peace Programme structures might be imported into the existing SPD. Again, this would raise unacceptable public expenditure risks for NI Ministers. In addition, it could set a precedent which other UK departments would find extremely unwelcome, as the UK approaches the negotiations for the next round of the Structural Funds.

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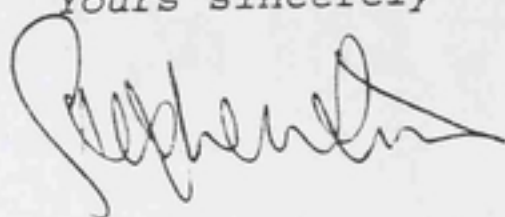
## International Fund for Ireland

7. With regard to any proposal to harness the IFI's budget to the Peace Programme, our IFI colleagues advise that this should be resisted on the grounds that it is inappropriate and unnecessary. The IFI is an independent organisation supported by a range of donors, including the USA, Canada, Australia and New Zealand. It has its own remit to operate in Northern Ireland where as a matter of policy it gives priority to the most disadvantaged areas, and in the Republic where its main focus is in the six Southern Border Counties. Since it began functioning in 1987 it has established an impressive track record of achievements on the ground. On a more positive note, we can tell the Commission that the Fund's operations are already entirely complementary to the operation of the Peace Programme.

## Presentation

8. In the final analysis, if the second tranche is small but funded entirely by new money, it would be up to the Commission and not us to provide a convincing explanation of the budgetary reduction. A stout defence on our part of Northern Ireland's existing Objective 1 money would be regarded as essential by people in Northern Ireland.
9. I would be happy to discuss as necessary.

Yours sincerely



S QUINN

cc Mr Watkins (NIO)  
 Mr Adams (Cabinet Office)  
 Mr Gass (EUD(I), FCO)  
 Mr Lamont (RID, FCO)  
 Mr Neale (HMT)  
 Ms Anderson (DTI)  
 Mr Beeton (NIO)  
 Mr Layberry