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The Rt Hon Alistair Darling MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

27 November 1997

Dear Alistair,

**EU PEACE AND RECONCILIATION PROGRAMME: SECOND TRANCHE**

Thank you for your letter of 28 October.

I am grateful for your agreement that the existing commitment to additionality for EU receipts and associated co-funding for the EU Peace and Reconciliation Programme will extend to the proposed second tranche of funding. As you recognise, this Programme is an important material and political gesture of support from the EU for the political development process in Northern Ireland.

I have noted your comments on the effectiveness of some of the projects which have been supported by the Programme. There may indeed be some instances where we would have wished to see the resources of the Programme make a more direct contribution to our own priorities. But we should not overlook the unique character of the Programme and its potential to contribute to our wider goals. We are of course looking carefully at how second tranche might be more closely tailored to the Government's priorities although, as you point out in your letter, the terms of the Programme do not allow us a great deal of scope in this regard.

You have also drawn my attention to the need to balance the commitment to full additionality on the Peace Programme with the Government's commitment to

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live with existing spending plans in 1998/99. I acknowledge the importance of that commitment. But this Programme has been and must continue to be treated as ring-fenced expenditure if we are to live up to the additionality commitment. Moreover, it was clear and understood on all sides in May that significant rephasing of the 1998/99 provision was required and that a second tranche was being actively negotiated through UKRep on terms endorsed by the Treasury.

I recognise that we are dealing with substantial rephasings. These result from the time which the programme's devolved mechanisms took to build up momentum, and indeed those structures in themselves make forecasting more difficult. But surely the signals were sufficiently clear to have been taken into account in our 1998/99 planning. And hopefully the reduction in the 1997/98 profile may still leave scope to bring forward expenditure on GB programmes so as to ease the 1998/99 position. I am of course entirely happy for my officials to keep yours fully informed about the position as it develops, but I can only do this on the clear understanding that this has no implications for other expenditure in my Block. Any damage to other Block programmes, to accommodate the necessary reprofiling and the second tranche, would bring our commitment to additionality immediately into question with the most damaging consequences in both Northern Ireland and Europe.

Copies go the Prime Minister, Robin Cook, Sir Stephen Wall and Sir Robin Butler.

A handwritten signature in dark ink, appearing to read "Marjorie".

MARJORIE MOWLAM