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31 July 1997
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Dear Alistair,

NORTHERN IRELAND - EU PEACE AND RECONCILIATION PROGRAMME - 2ND TRANCHE

You will recall that I mentioned the EU Peace and Reconciliation Programme in my 30 June reply to you on the Budget proposals. I am now writing to update you about the proposed second tranche of money to be provided to Northern Ireland as part of the European Union's special Peace and Reconciliation Programme (EUPRP). The first tranche of money for this Programme was fully additional to my Block and negotiations on the second tranche have proceeded on the same assumption. Although UKREP has been carrying forward those negotiations within a negotiating remit endorsed by the Treasury, I thought I would formally seek your confirmation that the agreement on additionality continues to apply.

When the special Peace and Reconciliation Programme was agreed in 1995, it provided for the possibility of a further allocation from the 1998 and 1999 EC budgets, subject to a review by the European Commission. The European Commission is understood to have completed its internal review of the Programme and has now proposed a further 100 mecu for the Programme as part of its draft Budget for 1998 with a similar level of funding expected for 1999. This would enable the Programme to continue at a similar level as was the case in 1995-97. The Budget has still to be approved by the European Parliament which has asked for a report from the three Northern Ireland MEPs and the Council of Ministers but, if

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approved, it could result in an additional tranche of funding amounting to some £112m (at current exchange rates) to which would be added some £37m co-funding. I am assuming that the undertaking provided previously by HM Treasury still holds, and that I can plan on the basis of full additionality (including UK co-funding) for the second tranche. I trust that you will be content for us to proceed on that basis. The Department of Finance and Personnel can provide your officials with a preliminary spending profile for the additional money as soon as they are in a position to do so.

We would of course be in an unmanageable political position if there were any doubts about additionality. In particular, I would be concerned about the position of the Prime Minister since John Major personally highlighted the full additionality concession when the Programme was first launched. Furthermore, Commissioner Wulf-Mathies has queried whether the reductions made in Northern Ireland programmes as a consequence of 1996 PES were consistent with the UK's additionality undertaking on the first tranche. We need to be absolutely unequivocal about this in relation to the second tranche, especially now that the prospects for the peace process have improved.

I hope that you will be able to provide the confirmation I seek as soon as possible, so that UKREP can advance the negotiations. My officials can provide yours with any further background required.

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

MARJORIE MOWLAM

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