

PRIME MINISTER

EUROPEAN COMMUNITY AID TO NORTHERN IRELAND

There is no real question of principle here. It is horse-trading.

The European Community are likely to offer aid to Ireland (North and South, in the proportion 70 : 30) in support of the Anglo-Irish Agreement.

The question is how far we have to treat it as additional to Northern Ireland public expenditure.

If we apply normal rules, extra receipts from the European Community should be a substitute for net added to Northern Ireland public expenditure. Given that Northern Ireland would have to find a matching contribution for Community finance, it would have to stump up £142.9 million of its own cash for every £100 million of Community money. 142

Mr. King says that this is absurd. It will look awful if we use EC money for Northern Ireland to reduce our own expenditure on it. All the extra Community money must be used to increase Northern Ireland expenditure.

The Chief Secretary says: not likely, full additionality would imply a substantial net increase in public expenditure and anyway Northern Ireland is well provided for already.

Neither extreme makes much sense. The attached table shows some options, of which the most realistic are either

- (ii) net additionality of 75.5%
- or
- (iii) net additionality of 50%.

Provided the Chief Secretary can be given some indication of the size of the total programme we would seek - say

£150 million over 5 years - so that he knows what the ceiling is, he would probably accept one or other of these.

(DAVID NORGROVE)

26 February 1986

SRWAPT

ADDITIONALITY : ILLUSTRATIVE OPTIONS (ALL FIGURES IN £ MILLION)

		Increase in spending in NI, ie degree of additionality	Net increase in public expenditure	Offsets required from NIO PE provision (excluding matching contribution)	Maximum offsets required from NIO PE provision (ie including matching contribution of 42.9 in each case)
i.	All EC spending additional	100	7.43	0	42.9
ii.	EC spending minus UK VAT contribution is additional (ie loss of abatement ignored)	75.5	49.8	24.5	67.4
iii.	Half of EC spending is additional	50	24.3	50	9.29
iv.	Net EC receipts additional	25.7	0	74.3	117.2
v.	No additionality	0	-25.7	100	142.9

NOTE These options have been chosen to illustrate a range of possibilities between no additionality and complete additionality as regards the EC contribution. Options ii. and iii. have less intrinsic financial logic than options i., iv. and v., but represent convenient points within the range.