

010

apc
(2)

From: THE PRIVATE SECRETARY

NORTHERN IRELAND OFFICE

WHITEHALL

LONDON SW1A 2AZ



Charles Powell Esq
10 Downing Street
London
SW1

Prime Minister
You will want to
note the Northern

12 February 1986

labelled Leverage's
position on additionality.
in relation to a
Special Fund. CDP 12/2

Dear Charles,

AN INTERNATIONAL FUND

I attach a copy of the Secretary of State's letter of 11 February to the Chief Secretary. I am sorry not to have done so earlier.

I am copying this to the Private Secretary's to the Prime Minister, members of OD(I) and to Sir Robert Armstrong.

Yours Sincerely

Neil Ward.

nd

N D WARD

Enc

CONFIDENTIAL



NORTHERN IRELAND OFFICE

WHITEHALL

LONDON SW1A 2AZ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon John MacGregor OBE MP
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

11th February 1986

Dear Chief Secretary,

AN INTERNATIONAL FUND

I have been considering your letters of 17 October and 14 November in the light of the preliminary discussions on the Fund which my officials have had with representatives of the US Administration and Congress.

It is quite clear that they are fully alert to the additionality issue and that they will need to be satisfied that, notwithstanding the availability of resources from the Fund, NI's budget will continue to be determined in the normal way. Only thus can they be satisfied that Fund money is not being substituted, directly or indirectly, for UK Government money.

What is required, therefore, is genuine additionality of the common-sense kind sought by the Americans rather than skilful locutions which seek to conceal the absence of such additionality. I am satisfied that we cannot evade this issue. It is certain to be raised at the Inter-Governmental Conference by the Irish, either on their own volition or prompted by the SDLP, and our actions will be closely monitored.

Fortunately our arrangements for fixing the Block through the operation of the comparability formula should enable us to give the necessary assurances and I should now be grateful for your agreement to this. If you see difficulty, I fear that we have a problem on our hands in relation to the implementation of the Hillsborough Agreement which colleagues would need to discuss. Any less complete definition of additionality than that which I propose would be flawed and would not convey adequate signals of our sincerity.

.. /

CONFIDENTIAL

CONFIDENTIAL

Your letter of 14 November also refers to future years, after Fund resources are exhausted. I am sure that the Americans do not envisage making a subvention which in effect does no more than enable an acceleration of expenditure to take place over a defined period, with the level thereafter, when the Fund has been exhausted, reverting to a level lower than it would have been if the Fund had never existed. Such a stance might be credible if, on such indicators as GDP, income per head, and unemployment, the gap between NI and the rest of the UK had by then been closed but I doubt whether we will be so fortunate.

We have, however, stated our respective positions and I suggest that any arguments on the years beyond the Fund's expiry can be left to our successors.

Yours Sincerely

Niall Ward
(Private Secretary)

for T.K.

*(Approved by the King and
signed in his absence in
Northern Ireland.)*

CONFIDENTIAL

