



Europe Ref

NBPA yet

Ans

Prime Minister

## ADDITIONALITY AND THE USE OF COMMUNITY FUNDS

Geoffrey Howe's minute of 17 June might give the impression that moneys received under an Article 235 Regulation must inevitably be passed on to the various public authorities which provide the related infrastructure programme.

My understanding is that, as at present drafted, the Regulation itself would not prevent the retention of payments by the Exchequer in the same way as grants for industrial projects from the European Regional Development Fund are already retained. No doubt there are considerable political and procedural pros and cons and special difficulties associated with either alternative, but unless it becomes clear that there are insuperable practical difficulties in the retention of payments, it seems to me right that, before procedures are finally settled, we should have the opportunity to review both options, with their political aspects, any special procedural difficulties and staffing implications, before finally adopting a procedure.

I would, of course, accept that, if grants have to be passed on, they should be subject to conditions on the broad lines suggested by Geoffrey Howe. My hope is that we may



yet find an acceptable way of not passing them on at all, but much will no doubt turn upon what procedural arrangements - especially for accountability, can be negotiated in Brussels.

I am copying this minute to members of the Cabinet, Norman Fowler and Sir Robert Armstrong.

*WMA*

MH

23 June 1980



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