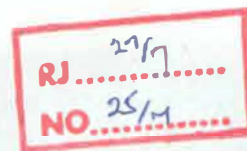


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FROM: MRS DOREEN BROWN  
AS CENT SEC

DATE: 25 JULY 1995

cc PS/Michael Ancram (DENI, B&L) - B  
PS/Sir John Wheeler (DFP, B&L) - B  
PS/Baroness Denton (DED, DANI & L) - B  
PS/Mr Moss (DOE, DHSS & L) - B  
PS/PUS (B&L) - B  
PS/Sir David Fell - B  
NI Perm Secs ✓  
Mr Legge - B  
Mr Thomas - B  
Mr Watkins (o/r) - B  
Mr Bell - B  
Mr Blackwell - B  
Mr Brooker - B  
Mr Daniell - B  
Mr Leach - B  
Mr Shannon - B  
Mr Williams - B  
Mr Wood (B&L) - B  
Director, TFU - B  
Mr Maccabe - B  
Mr Brooker - B  
Mr Currie - B  
Mr Stephens - B  
HMA, Dublin - B  
Mr Lamont, RID - B  
Mr McCartney, DFP Solicitors  
Mrs Evans, HOLAB  
Mrs Devlin - B  
Ms Collins, Cabinet Office

1. Secretary
2. Mr Prover

cc Mr Jordan

*W. Legg*  
*W. Legg*

*M*

PS/SECRETARY OF STATE (B&L) - B

# HURD POLICY

1. David Watkins' submission of 26 June set out 3 options for the future of the Hurd Policy. The Secretary of State has now agreed that the Policy should be withdrawn.
2. I understand that the Secretary of State is to speak to the Prime Minister to seek his agreement to announce the withdrawal of the Policy to coincide with the announcement of the EC Peace Initiative which is expected on either Wednesday 26 or Thursday 27 July. This would replace the earlier plan to include the

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announcement as part of a wider package of measures in some weeks time. The proposal for an earlier announcement is in recognition of the criticism which the Government would be likely to face from the intermediary bodies which will wish to be involved in the administration and distribution of the EC Peace Initiative.

3. In the event that the Prime Minister agrees to an immediate announcement, I attach a Press Release for the Secretary of State's approval (Annex A). This has been cleared with the Press Office. The question and answer briefing included in Mr Watkins' submission is attached at Annex B for ease of reference.
4. Should the Prime Minister not agree to the immediate withdrawal of the policy and its announcement, we will need to have a defensive line to take to use until such times as the announcement is made. It could be difficult to sustain a convincing line for any prolonged period but we might take the line that the Hurd Policy remains under review in the light of changing circumstances, and that the outcome of the review will be made public in due course. This is in line with what has previously been said but does go slightly further to hold out the prospect of a end to the review process and a publicly announced decision

Informing Other Interests

5. It will be necessary to inform the Irish Government through the Secretariat prior to the issue of the Press Release. It is also recommended that Mr Hume and Mr Molyneaux should be informed about the withdrawal of the Policy. If you are content, officials will contact Mr Hume's office. With regard to Mr Molyneaux, I understand he will be meeting the Prime Minister tomorrow evening and it would be helpful if the Prime Minister could inform him of the decision. Draft lines to take

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are attached for approval (Annex C). These can be included in the briefing material for the Prime Minister's meeting with Mr Molyneaux.

## Recommendation

6. The Secretary of State is invited:

- (i) if the Prime Minister agrees to an immediate withdrawal of the Hurd Policy, to approve the attached Press Release for issue;
- (ii) should the Prime Minister's agreement not be forthcoming, to approve the contingent line to take in paragraph 4; and
- (iii) to agree that Mr Hume and Mr Molyneaux should be informed of the decision to withdraw the Policy prior to the announcement and agree the line to take for the Prime Minister's meeting with Mr Molyneaux.

(signed DAB)

D A BROWN

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ANNEX A

DRAFT PRESS RELEASE

GOVERNMENT ANNOUNCES CHANGE OF POLICY ON FUNDING COMMUNITY GROUPS

The Secretary of State, Sir Patrick Mayhew QC MP, has reviewed policy on the funding of community groups and decided in the current situation to withdraw the restrictions imposed in 1985.

The Policy, as set out in the Parliamentary statement of 27 June 1985 by the then Secretary of State, was to withhold Government assistance from community groups where the Secretary of State was satisfied that there was a grave risk that such assistance would have the effect of improving the standing and furthering the aims of a paramilitary organisation, whether directly or indirectly.

In announcing the withdrawal of the Policy, the Secretary of State said: "The Government stated in October 1994 that it is working on the assumption that the ceasefires declared in 1994 by the Provisional IRA and the Combined Loyalist Military Command are permanent. While the situation continues, I believe that the risk to society from paramilitary organisations has lessened to the extent that we can now normally rely on administrative means to prevent fraud and diversion of public funds."

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"There is a range of means, including safeguards introduced in 1990, by which fraud and misuse of public funds for the enhancement of paramilitary capabilities can be prevented and the Government propose to rely on those measures."

This approach will supersede the policy announced in 1985. The withdrawal of the ban on projects associated with the Conway Mill has already been announced.

The Secretary of State continued: "This decision is further evidence of the Government's determination to take steps to embed peace in Northern Ireland."

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ANNEX B

SUPPLEMENTARY Q & A MATERIAL ON HURD POLICY

Q What has changed since 1985, when Douglas Hurd introduced this Policy, to warrant its withdrawal now?

A Since the announcement of the IRA ceasefire in August 1994 and the Loyalist ceasefire in October, the risk to society from paramilitary organisations has in the Government's judgement lessened to the extent that the Government can now normally rely on administrative means to prevent fraud and diversion of public funds.

Q What was the purpose of the Policy?

A The primary purpose of the Policy was to withhold public funds from community groups which have sufficiently close links with paramilitary organisations to give rise to a grave risk that to give support to those groups would have the effect of improving the standing and furthering the aims of a paramilitary organisation, whether directly or indirectly.

Q Has the Policy been withdrawn in its entirety?

A Yes. In cases where we believe that public funds may be diverted to enhance paramilitary capabilities, we will responsibly use administrative safeguards in order to prevent this risk.

Q What safeguards exist to prevent public funds being diverted to paramilitary organisations?

A Since 1985 effective safeguards have been developed in Departments' administrative mechanisms to prevent the diversion of public funds to paramilitary organisations, particularly

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following the implementation of the recommendations of the UK Efficiency Scrutiny of Government Funding for the Voluntary Sector. These include arrangements for the monitoring, evaluation and financial control of every grant made.

Should a particular case arise where it is considered that these arrangements would not suffice to prevent paramilitary capability being enhanced through diversion of public funds, additional and specific arrangements can be put in place to prevent this. As Secretary of State, I can, in the public interest, direct that assistance be withheld or discontinued, in such cases, where I am satisfied from information available to me that such action is necessary to prevent enhancement of paramilitary capability.

Q Why did you not then abandon the Policy in 1990 (ie, after strengthening of administrative safeguards)?

A Because the active paramilitary threat was so high that all available measures were necessary.

Q What concessions are Sinn Fein and the IRA making in response to this withdrawal?

A My decision to withdraw this Policy was based on a considered assessment of the developing peace process and its potential for the future well-being of the people of Northern Ireland.

Q Is this not inconsistent with the Government's opposition to Sinn Fein fundraising in the USA?

A There is no inconsistency between the Government's stance on Sinn Fein fundraising in the USA, and elsewhere, and the withdrawal of this Policy. The Government's objections are not to fundraising in the USA per se, but to the use of any funds raised for terrorist purposes. As long as a terrorist threat remains the Government will vigorously maintain that opposition.

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Q Is the Government abandoning the original objectives of this Policy?

A No policy is immutable, and changing circumstances demand changing responses from Ministers. Ministers are currently engaged in exploratory dialogue with representatives of Sinn Fein, the PUP and the UDP. The ultimate objective of these talks is to bring those parties, and their adherents, into the constitutional political process. This objective, so vital to the future peace and prosperity of the people of Northern Ireland, must now be the Government's most important objective.

Q What has the Policy achieved?

A Given the security imperative behind the introduction of this Policy in 1985, I am not at liberty to disclose details of the Policy's achievements. But I am satisfied that it played a significant role in preventing paramilitary organisations from using public money to improve their standing or further their aims.

Q Does withdrawal of the Policy mean that the Government considers that Sinn Fein, the PUP and the UDP are now legal organisations?

A These are lawful organisations. The political allegiance or aspiration of any members of any organisation have never been considered as a relevant factor in any decisions to apply the Policy.

Q Did the Policy not simply represent political vetting?

A No. It was applied in cases where there was concern about links with paramilitary, not political, organisations.

Q How many groups were refused Government Funding under the Policy?

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A 27 groups were refused funding. Of them 5 groups whose funding had been withdrawn subsequently had it restored following changes in their management.

Q Who were these groups?

A The names of all these 27 (22+5) groups are not in the public domain, and it would be wrong for me to name them now as hopefully we move towards establishing a permanent peace in Northern Ireland. I am aware that some of the groups disallowed funding have identified themselves: that is a matter for them. What I can say is that of the 22 groups whose funding remained withdrawn, 14 could be identified as republican and 8 as loyalist.

Q Are these 22 groups still excluded from Government support?

A They are free to apply for support under those Government programmes for which they are eligible. Applications will be dealt with on their merits in the light of all relevant circumstances.

Q Will the Conway Mill now receive Government assistance?

A The promoters of the Conway Mill are free to apply for support from those Government programmes for which they are eligible. Any application will be dealt with on its merits in the light of all relevant considerations.

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MEETING BETWEEN THE PRIME MINISTER AND MR MOLYNEAUX

HURD POLICY

Line to take (if the Prime Minister agrees to the early announcement of the abandonment of the Hurd Policy)

- Have agreed that Government Policy in relation to funding of organisations, the 'Hurd Policy', should be withdrawn with immediate effect.. An announcement will be made shortly.
- I am content that the risk to society from paramilitary organisations has lessened to the extent that this policy can be withdrawn.
- There has been little need in recent years to apply the Hurd Policy; it has been used only once in the last 3 years'
- Administrative means, including effective safeguards developed since 1985, will be used to prevent the diversion of public funds to paramilitary organisations.
- The Secretary of State can, of course, in the public interest, direct that assistance be withheld or discontinued where information available indicates this is necessary to prevent enhancement of paramilitary capability.