

REINSTATEMENTS

A further 5 groups who had funds withheld later had them reinstated following changes in their organisation. These were

- *Dove House, Londonderry
Mr and Mrs Ward, Killough
- *Davitt's Gaelic Athletic Club, Belfast
- *Shantallow Community Centre, Londonderry
- *Glor na nGael (West Belfast Committee)

DRAFT PQ ON REVIEW OF HURD POLICY

Q To ask the Secretary of State if Government financial assistance will continue to be withheld from voluntary and community groups on the ground of their close links with paramilitary organisations?

A It has been Government policy, as set out in the Parliamentary statement of 27 June 1985 by the then Secretary of State, 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. This Policy was considered a necessary addition to the Government's range of measures to counter paramilitary threat at a time when the latter was very high.

In 1990, following the implementation of the recommendations of the Efficiency Scrutiny of Government Funding for the Voluntary Sector, new safeguards were introduced to prevent fraud or misapplication of public funds. These safeguards have proved effective. The extent of the continuing paramilitary threat, however, made the continuation of the so-called "Hurd Policy" necessary alongside these safeguards.

The Government stated in October 1994 that it is working on the assumption that the ceasefires declared in 1994 by the IRA and the CLMC are permanent. Accordingly, it recognises that the threat to Northern Ireland society from paramilitary organisations is reduced. While that situation continues and given that there is a range of means, including the safeguards

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introduced in 1990, by which fraud and misuse of public funds for the enhancement of paramilitary capabilities can be prevented, the Government proposes to rely on those measures. This approach will supersede the policy announced in 1985.

This decision is further evidence of the Government's determination to take steps to embed the peace.

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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

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or public funds to paramilitary organisations, particularly 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

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raised for terrorist purposes. As long as a terrorist threat remains the Government will vigorously maintain that opposition.

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

A No policy is immutable, and changing circumstances demand changing responses from Ministers. Officials 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.

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

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 was permanently 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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ANNEX H

DRAFT LETTER TO No 10

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February 1995

THE "HURD POLICY"

1. My Secretary of State has been reviewing the case for change in the so-called Hurd Policy in the light of the ceasefires. This was introduced by the then Northern Ireland Secretary in 1985 partly as a means of preventing public money being diverted from community groups to paramilitary organisations; but mainly as a means of preventing those organisations from thereby being legitimised and enhanced in local communities. The terms of the Policy were set out in a written reply to an arranged question (copy attached).
2. The Policy has been applied in 27 cases (18 republican, 9 loyalist) of which 5 (4 republican, 1 loyalist) subsequently had funding restored. Decisions in each case have been made by the Secretary of State of the time, and based on intelligence information. Our assessment is that the Policy has not been particularly effective in counter-terrorist financing terms, and has brought on the Government a good deal of odium both in Northern Ireland and in the USA. The kernel of criticism is that the Policy amounts to political vetting and that individual decisions cannot effectively be challenged as the Secretary of State's directions cannot be examined. Both Sinn Fein and loyalist representatives have raised the issue in exploratory dialogue, reflecting widespread criticism in local communities, including very responsible opinion, when constructive activity is sometimes prevented by the Policy.

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3. Having reviewed the options, Sir Patrick believes that the Policy should in principle be withdrawn and that we should rely on conventional administrative safeguards against fraud and misuse of funds. In extreme cases the Secretary of State could still direct, on intelligence information, that assistance be withheld or discontinued. But that would be only on grounds of potential or actual misuse of funds for the enhancement of paramilitary capabilities, and not to prevent greater legitimisation of paramilitary organisations. And if peace unravelled, the Policy could very rapidly be reintroduced in whole or in part.
4. In reaching this view Sir Patrick has considered whether such a change would expose us to charges of inconsistency in relation to our stance towards Adams fund-raising in the USA. He believes that we would have a sound defence in that our objections are to the possibility that funds raised in the USA could be diverted to paramilitary purposes. Hence our emphasis on transparent accounting should Adams be permitted to raise funds. This would help make clear that our objections are targeted to paramilitary misuse, not fund-raising for exclusively political purposes.
5. Timing and handling of an announcement would be critical. The changes recommended by my Secretary of State would be a card of some value in the exploratory dialogues: it would help maintain momentum in both dialogues. It is not however a card of high value equivalent to security force deployment or prisons issues, such as to merit being held back against progress on the arms issue.
6. In that light Sir Patrick's preference is for Sinn Fein and loyalist representatives to be told in (L)XD, at the earliest moment deemed tactically advantageous, that the Policy is now under specific review, taking account of wider developments in Northern Ireland, including in (L)XD. At an appropriate stage,

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taking those factors into account, an announcement on the outcome of the review might be made. (A possible Parliamentary reply is also attached.) In that way a change in the Policy might be used as an inducement to a strengthening of the peace process.

7. As in other matters surrounding the ceasefires, this recommendation is not without risk, but my Secretary of State believes that the balance of advantage favours his proposal. The DUP will probably criticise it, though perhaps moderated by local community support for the change. Some UUP members may also be critical, but reliance on other, effective measures and the reversibility of the change are likely to moderate this. The SDLP, Irish Government and groups in the USA will support the move.
8. Some of the provisions of the National Lotteries Act 1993 as they apply to Northern Ireland are based very closely on the Hurd Policy. It would make no sense to retain them if the Policy itself were replaced. Officials are discussing the implications of this with counterparts in DNH.
9. I should be grateful to know if the Prime Minister is content with Sir Patrick's proposal that in principle the Policy should be withdrawn in favour of reliance on other more conventional safeguards and that we should handle the approach to and timing of an announcement as described.
10. I am copying this letter to [Private Secretary, FCO] particularly in view of the US dimension; to [PS/National Heritage]; and to Melanie Leech.

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