



Foreign and Commonwealth Office

London SW1A 2AH

*cm.*

Sir Percy Cradock GCMG  
10 Downing Street  
London SW1

9 April 1990

*Dear Percy,*

POLITICAL AID

1. Mr Waldegrave is calling on you and Charles Powell on 11 April to discuss the possible establishment of a trust for political aid.

2. In advance of your meeting you might like to look at the following papers:

A i) My submission of 29 January making the case for a political aid programme.

B ii) The paper we circulated to the leaders of the other parties represented in the House of Commons in advance of Mr Waldegrave's calls.

C iii) A draft discussion paper setting out in more detail the shape a political aid foundation might take (still subject to comments by the Legal Advisers).

3. Mr Waldegrave will circulate the discussion paper to the parties represented in the House of Commons when the funding of the foundation has been agreed. Discussions on this are under way with the Treasury.

*Yours ever,  
Robert Cooper.*

R F Cooper  
Policy Planning Staff

POLITICAL AID

Introduction

1. A number of other countries have established bodies independent of the government to give assistance in promoting democracy abroad. The Foreign and Commonwealth Office has commissioned research by Mr Michael Pinto Duschinsky of Brunel University on this subject. What follows draws on his preliminary report. The report is available in the Foreign and Commonwealth Office for those who wish to see it but readers should note that Mr Pinto Duschinsky has not yet completed his research so that the report is incomplete in some respects.

Purposes of Political Aid

2. Precise terms of reference differ between countries. German programmes for example include a number of projects which, in the UK would be funded directly by the aid programme. The core of political aid programmes focus on the following objectives:

- to promote democratic values, systems and rights
- to assist the development of political parties, trades unions and other pressure groups
- to promote a free press, pluralist institutions, and open debate on political and international questions.

Scope

3. The German political Foundations operate throughout the world. Other countries concentrate political aid on the less developed world or Communist countries.

Alternative Models

4. (i) The German Foundations (Stiftungen) are each allied to

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political parties but are independent of them. Funding is by the German Aid Ministry for operations in LDCs (90%) and the German Foreign Ministry for operations in developed countries (10%). The Foundations also receive a small part of their funds from private sources and from the Länder governments. The Foundations grew out of organisations for domestic political education but now have a network of offices worldwide. Notable among their substantial and successful programmes have been their important role in the transition to democracy in Portugal and Chile. Recently they have been active in the Nicaraguan election.

(ii) The United States gives aid for political development through a number of different channels including the US Aid Programme. The operation of greatest interest in the context of this note is the National Endowment for Democracy. This is funded directly by Congress. It gives grants via the non-partisan National Democratic Institute which focusses particularly on election procedures, and also through the Republican and Democratic Institutes (linked to the parties) and through trade union organisations.

The National Endowment for Democracy gave considerable support to Solidarity in Poland. Through the party Foundations it has been active in Latin America. The National Democratic Institute has concentrated in particular on elections in the Philippines, Pakistan and Latin American countries.

(iii) Canada has recently set up the International Centre for Human Rights and Democratic Development. This is funded by the Canadian Development Agency but is operationally independent of it. Its board includes nationals from less developed countries. It has given grants via trade union organisations and to anti-apartheid groups in South Africa. It has also supported human rights projects and elections in Latin America.

In organising their programme the Canadians have been at pains to avoid any impression of interference in foreign political systems. And although parliamentarians of all parties participated in the establishment of the Centre, Canadian political parties are not involved in the Centre or in the administration of political

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aid.

Accountability and Control

5. German US and Canadian regulations define the purposes for which grants may be given. For example German regulations stipulate that grants must accord with national policy, may not be used in support of political strikes or for direct electoral purposes. In both Germany and the United States proposed projects are reviewed by the Foreign Ministry and the Embassy in the country concerned. In the German case the Foreign or Aid Ministry has a theoretical veto on the projects though this is rarely exercised.

6. Neither German nor US legislatures need to give prior approval to specific projects though both have an opportunity to discuss the overall level of funding. In the US case particular projects are discussed actively when the National Endowment budget is considered. It has been agreed that the Canadian Centre will be subject to Parliamentary review every five years. This is designed to give some assurance of its independence and stability while ensuring that its operations are broadly consistent with Canadian policy.

7. The German Aid Ministry receives reports from party foundations on each project every four months. Periodic evaluations are carried out often by outside experts. Recipients of grants from the National Endowment are required to submit quarterly reports to it. Its staff make occasional brief evaluations of projects.

8. Financial accountability is generally a difficult area and it appears that money has occasionally gone astray. Difficulties arise because grants may pass through several organisations before reaching their final destination, because organisations receiving aid may be relatively new citizens groups operating in difficult conditions and because occasionally donor organisations may wish to turn a blind eye to the actual use to which their money is put.

Funding

9. The total budget of the German Foundations is £107 million

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(1987/8). As noted above the bulk of this is from government sources.

10. The National Endowment for Democracy 1988 budget was £10.5 million. The National Endowment is funded directly by Congress. (Other programmes of politically oriented aid in the United States are considerable: these are administered by Trade Unions or by government agencies; their total budget in 1988 was just under £50 million.)

11. The Canadian International Centre for Human Rights and Democratic Development has a budget of \$C 1 million in the first year of operation rising to \$C 5 million in the fifth year. It receives its funds from the Canadian International Development Agency.

Questions for the UK

- Should we be more active in this field?
- If we set up an independent body should it be party based or non-partisan? What should its legal status be?
- Should its activities be confined to certain countries or regions e.g. Eastern Europe, the less developed world?
- What should its activities include: advice, training, grants of money and equipment?
- How should it be funded and to whom should it be accountable?

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(2)

FROM: R F Cooper  
Policy Planning Staff

DATE: 29 January 1990

PS/Mr Waldegrave  
PS

CC: (see list below)

#### POLITICAL AID

1. Sir James Spicer has proposed that the Know How Fund should be transferred to the political parties for projects in Eastern Europe. This proposal again highlights our lack of an arms-length institution for political aid and the way it puts us at a disadvantage against our major allies in promoting political pluralism in Europe. Mr Hulse is submitting on our specific response to Mr Spicer. This minute suggests how we should deal with the longer term need to establish a programme of political aid in the United Kingdom.

2. The ODA and Planning Staff have commissioned Mr Pinto-Duschinsky of Brunel University to undertake a study of the way in which other countries deliver political aid. We submitted in July following a seminar involving Mr Pinto-Duschinsky and junior Ministers proposing a way forward. This received support from Mrs Chalker, Mr Waldegrave and Mr Eggar. Sir Geoffrey Howe agreed that the subject was worth pursuing. Ministerial changes made this a lower priority item and our intention had been to leave it on the back burner until Mr Pinto-Duschinsky's study was available in April. However Mr Spicer's letter now makes it desirable to tackle this whole subject more rapidly.

#### What Others Do

3. A number of other Western governments (the FRG, US, Canada, Sweden, the Netherlands and Austria) have independent arms-length

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institutions to assist the development of representative democracy, independent political parties, human rights and a free press in Eastern Europe and the developing world. In the case of the FRG each of the parliamentary parties has attached to it a charitable trust ("Stiftung") which among other things gives political aid abroad. These trusts are funded by government from both the aid and foreign ministry budgets. The two biggest trusts (attached to the SPD and CDU) spend between £50 million and £60 million each year. The institutes are legally independent of political parties but are effectively under their control: party leaders sit on their boards. The US has come relatively new to this field following President Reagan's Westminister speech. A number of schemes are directly funded by the US government aid agency (AID) but the most comprehensive programme is sponsored by the recently established National Endowment for Democracy. The money for this endowment is appropriated directly by Congress. It has a small staff and in general apportions its money in small parcels. The projects are passed to the State Department for comments in advance, but it has no formal veto over how the money is used. Canada is in the process of setting up its own political aid institute (the International Centre for Human Rights and Democratic Development). Funding for the first year is to be \$1 million rising to \$4 million in the fourth year. Its establishment was preceded by a period of bipartisan discussion and a number of expert studies, as was the foundation of the National Endowment in the US.

#### The Case for a UK Political Aid Programme

4. Arguments for the UK becoming involved in political aid include:

(a) Political aid can be a relatively low cost way of promoting pluralism and human rights which in the long term contribute to the UK's security and prosperity. Small sums of money, e.g. for publications or photocopiers can have considerable impact.

(b) The effectiveness of the aid is hard to prove. On its own it will certainly not turn an authoritarian state into a democracy but

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it can have a role in assisting developments which are already moving in the right direction.

(c) A specialist body would develop expertise and would be able to take on work which the FCO and Embassies abroad are not well equipped to handle. It would reduce the administrative load on the FCO.

(d) Direct government aid has failed in the past. Covert aid, of the kind provided through the Ariel Foundation or by the CIA had a tendency to backfire. But overt aid delivered through arms-length institutions is much more acceptable to recipients. The draft Hungarian law on the establishment of political parties, for example, provides that parties may accept money from overseas but not from governments.

(e) There can be a useful spin-off in terms of access, image and influence with the donors. The Germans in particular have profitted from the activities of their foundations.

(f) As international pluralism grows, party and other transnational connections may become increasingly important. In a complex world, where states are by no means the only international actors, arms length institutions provide a valuable extra string to our bow.

(g) Our most important allies have already stolen the march on us through the use of political aid. We are falling behind.

5. The arguments against include:

(a) Such aid would require government funding and savings would have to be found elsewhere.

(b) Establishing an arms-length institution could involve the creation of large bureaucracies, such as those created by the Germans. The money could be soaked up by these bureaucracies rather than by the recipients of aid.

(c) The government would not have direct control over how the money

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is spent.

(d) We could find ourselves duplicating some work already done through e.g. COI visits, British Council, FCO scholarship scheme.

(e) Such work might be better done by concentrating on individual countries, e.g. in Eastern Europe, rather than on a global basis.

6. In our view the balance of argument suggests that the idea of a political aid programme is worth pursuing. On the basis of a very small contribution (a few million pounds) the UK could exercise a substantial influence. A number of the difficulties outlined in the paragraph above could be overcome by proper management and effective rules in the establishment of a non-governmental foundation, like the British Council.

Objectives

7. The objectives of a political aid foundation would be:

(a) to support greater understanding of democratic values;

(b) to provide advice on the role of political parties in a pluralist society;

(c) to provide technical advice and assistance in setting up and functioning of democratic institutions (e.g. parliamentary organisation and procedure);

(d) to assist in the mechanics of elections (balloting, procedures etc)

(e) to assist in the establishment of individual political parties through their sister parties in the UK;

(f) to help in the development of an apolitical, career civil service to underpin democracy;

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(g) to support greater recognition of the need for and strict observance of human rights and civil liberties;

(h) to support development of a free press.

Geographical Coverage

8. Such a foundation would have a particular role in Eastern Europe and the Soviet Union. The establishment of a functioning democratic system in Eastern European countries will not come about overnight. Even after elections have taken place in the first half of this year those parties that survive will need to establish themselves properly and democratic institutions will need technical advice. The foundation would also have a useful role in exploiting the new leverage the West enjoys viz-a-viz the Third World as a result of improvements in East West relations. Here we should be trying to promote multi-party democracy, human rights and economic reform in Africa, Asia and Latin America (we are submitting a separate paper on this aspect).

Options

9. A number of different routes are open to us. We could either give the funds direct to foundations associated with the parties represented in the House of Commons for them to spend as they saw fit (c.f. the FRG) or we could give them to an independent foundation along the lines of the National Endowment for Democracy which would spend some of the money direct but also be in a position to give money to the parties for particular projects.

10. The establishment of a political aid foundation would not be a matter for the FCO Diplomatic Wing alone. There would be implications for the ODA if the project was to be financed from their budget and for the Treasury if new funds were to be found. Other government departments would also have an interest. The Secretary of State might therefore wish to consult Cabinet colleagues before we could make any decisions. The first step however should be to build an all party consensus on both the

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objective of political aid and the way in which it should be administered. This was the pattern followed by both the United States and Canada in building up to the creation of their programmes. Tactically Sir James Spicer's interest in channelling funds for Eastern Europe through political parties would give us a head of steam to build on in launching the idea of a political aid programme. However we respond to this specific request it would make sense to think carefully about long term structure for delivering political aid.

Recommendation

11. I therefore recommend that the Secretary of State speak to David Howell to:

- suggest that the FAC consider whether the UK should opt for a programme of political aid along the lines of other Western countries.
- explain that we have been working on such ideas in the FCO but think that the first priority is to establish whether an all-party consensus exists.
- offer to make available the backing and work prepared by Mr Pinto-Duschinsky to the FAC. The Secretary of State would of course have to make it clear that we could make no commitment to providing resources for such a programme of political aid nor to accepting whatever structure MPs thought best. If however they made a concrete proposal we would be prepared to study it.

R Cooper.

R F Cooper

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CC: PS/Mrs Chalker

PS/Mr Maude

PS/Lord Brabazon

PS/Mr Sainsbury

PS/PUS

Mr Lankester, ODA

DUSs

Mr Anderson, Legal Advisers

AUSs

Mr Hulse, EED

Mr Raleigh, APD

Mr Crabbie, RMD

PRU

Finance Dept

PUSD

Mr Lidington

Mr Fraser

POLITICAL AID : DISCUSSION PAPER ON A POSSIBLE UK ORGANISATION

Introduction

1. On the 22nd of February, the Foreign Secretary told the House of Commons that he wished to look on an all-Party basis to see what help Britain could give to developing political parties in Eastern Europe and possibly elsewhere.
2. Following this the Minister of State at the Foreign Office consulted leaders of the political parties represented in the House of Commons about the possibility of establishing a UK organisation for political aid. While there were differences of view on detailed points, there was broad agreement that this was a field in which the UK could and should be involved. The paragraphs below, which set out a suggestion for a UK organisation, reflect points made most frequently in the Minister of State's consultations. The description of the possible organisation is followed by some short notes explaining why particular arrangements have been chosen.

## SUGGESTION FOR A POSSIBLE UK ORGANISATION

### Legal Status

3. The organisation would be established as a Trust. This could be done by means of a deed under seal between a donor (on behalf of HMG) and a Board of Trustees. Such a Trust could be set up relatively quickly, as soon as the deed was drafted and funding had been agreed. The deed would embody:

- the objectives of the Trust
- the manner of operation
- the sources of income.

The Trustees would be independent in the exercise of their functions and would not be subject to direction by HMG. They would be accountable, if necessary through the courts, for the proper execution of their duties.

### Objectives

4. The principal objectives of the Trust would be :

- To assist in the establishment and organisation of political parties committed to multiparty democracy
- To support the spread of democratic values and human rights by encouraging free and democratic institutions throughout the world
- To provide training, technical advice and practical assistance in support of democratic electoral processes abroad

5. The Trust should not support projects which :

- Involve subventions to political parties or any other organisation
- Give support to violence or the use of force
- Are not consistent with the overall objectives of the Trust.

Nor should the Trust carry out projects directly itself.

### Structure

6. The Trust should be a non-partisan body representative of all the parties in the House of Commons. It should be structured as follows:

- A Board of Trustees: 7 or 8 senior Parliamentarians from either of the Houses of Parliament, chaired by the Speaker (two vice chairmen should also be appointed who can chair the Board in his absence). Appointments to the Board of Trustees should be nominated by the political parties and approved by the Speaker. The allocation of places should reflect the composition of the House of Commons.
- An Executive Director, to be appointed for a period of three years. His appointment should be made by the Board of Trustees, who may also dismiss him.
- An Advisory Committee, appointed by the Board of Trustees, comprising a representative of the Speaker, two representatives each of the other members of the Board and one representative of the Foreign and Commonwealth Office (14-16 in total). The Committee would be chaired by the Executive Director who would also act as Treasurer.
- Members of both the Board and the Committee will be expected to make a serious commitment to its work. Members of the Advisory Committee who fail to attend three successive meetings will be

expected to resign.

- Members of the Board of Trustees and Advisory Committee (with the exception of the Executive Director) should be appointed for a period of 5 years or until the next General Election whichever comes sooner. The Board and Committee will be re-appointed after each General Election.
- Members of the Board or the Committee may be re-nominated and re-appointed a maximum of three times (subject to the approval of the Speaker in the case of the Board of Trustees).
- The Speaker, in the case of the Board of Trustees and members of the Board of Trustees in the case of the Advisory Committee, will be able to appoint new members in the case of the resignation or death of existing members.
- The Trust should have a small permanent Secretariat to support the work of the Executive Director.

#### Procedures

7. The proceedings of the Trust should be flexible, capable of processing applications promptly and not inhibitingly formal.

- The Board of Trustees may meet as often as they deem appropriate but at least twice a year. In its early stages the Board should play an active role in establishing the pattern of the Trust's work.
- The Board will consider :
  - (a) an annual review of the projects approved by the Trust;
  - (b) the annual bid for the level of funding for the next financial year prepared by the Executive Director and approved by the Advisory Committee;



- (c) projects which the Executive Director and the Advisory Committee refer to the Board;
  - (d) projects costing more than £30,000 (to be adjusted for inflation);
- The Board of Trustees will forward to the Treasury, as approved by them, the annual review of projects and the bid for funding before the end of each financial year.
  - The Executive Director will attend all meetings of the Board of Trustees and will be available to discuss with the Treasury the annual review of projects and bid for funds.
  - The Executive Director will be empowered by the Board of Trustees to refuse or approve projects on the advice of the Advisory Committee provided their costs do not exceed £30,000 (to be adjusted for inflation).
  - The Advisory Committee will meet at least four times a year or more often depending on the number of projects submitted. Half of the members of the Advisory Committee shall constitute a quorum.
  - All projects must be sponsored by one or more of the parties represented in the Houses of Parliament. Projects may come from any proposer but to be eligible they must be sponsored by a party. The Committee will advise the Executive Director or the Board of Trustees on the suitability of projects.
  - Details of projects will be circulated to the Advisory Committee or the Board of Trustees as appropriate at least one month before the meeting at which they are to be considered.
  - The geographical scope of the Trust shall be unlimited outside the UK, although initially its activities will be directed

principally towards Eastern Europe and Southern Africa.

- Parties sponsoring projects must be able to demonstrate that their proposals fall within the terms of the Trust and that adequate provision has been made to process and monitor each project. The Executive Director and Board of Trustees will not approve projects unless they are satisfied on these points.
- The Advisory Committee may recommend to the Executive Director that a project be referred to the Board of Trustees for approval.
- The Speaker may call an extraordinary meeting of the Board of Trustees either at the request of the Executive Director or at the request of three or more members of the Board. The Executive Director may call an extraordinary meeting of the Advisory Committee on his own decision or at the request of 7 or more members of the Committee. Such meetings may be called at 3 days notice.

#### Budget

8.

- The Trust should be funded by grant in aid from the Treasury voted annually by Parliament.
- The Trust should be open to contributions from industry and other organisations. Such contributions may be tied to projects sponsored by particular political parties. These funds would be subject to the same approval, audit and reporting procedures and will be included in the annual review.
- Initial allocations from public funds could be in the region of £1 million rising to £10 million over the first five years depending on the performance of the Trust.

- Funds will be apportioned for projects sponsored by particular parties in accordance with the formula for allocation of the Short Money.
- Allocated funds unspent three months before the end of each financial year will be placed in a pool and available for projects sponsored by any party.
- Where a project is sponsored by more than one party it will be for the parties concerned to decide how funding should be apportioned between them.
- Funds will be paid to the political parties sponsoring projects approved by the Trust, who will appoint representatives (not members of the Board of Trustees or the Advisory Committee) to process each project in accordance with the objectives of the Trust.
- Allocation of funds must include provision for the cost of premises and other running costs (including the salaries of the Director and Secretariat and the reasonable expenses of Board and Committee members).

#### Accountability

9. The work of the Fund should be fully accountable and open in order to maintain all party support, to attract funding from other sources and to maintain a good standing abroad.

- The accounts of the Trust should be audited annually by the Comptroller and Auditor General and laid before Parliament.
- Parties sponsoring projects must circulate to the Advisory Committee within three months of project approval, either an assessment of the project or a progress report (if it is still

running). These will be considered at the next Advisory Committee Meeting provided they are received within two weeks of that meeting or if not at the following meeting, and may if appropriate be referred to the Board of Trustees.

- It will be the duty of the Executive Director to remind sponsors of this obligation.
  
- The Executive Director will prepare before the end of each financial year a review of all projects approved with the advice of the Advisory Committee, to be agreed by the Board of Trustees and submitted to HMT. The review shall be unclassified and public.

## EXPLANATORY NOTES

### 1. Legal Status

An alternative would be to establish the Trust as a charitable trust. This would have advantages in terms of tax status but it is not clear that the Trust's work would necessarily qualify for charitable status. As a charitable trust there would be complications on the handling of funds, the approval of projects, and the Charity Commissioners would need to be involved. These factors outweigh the possible advantages.

### 2. Objectives

The suggested objectives for the Trust are drawn up to avoid duplication of effort with government activity. Some areas of political development such as assistance in the development of a judiciary or a civil service can be handled under ODA or diplomatic wing programmes. There is also a grey area where, depending on circumstances, projects may or may not be too political for government programmes. For example under the Know-How Funds the FCO can help the training of journalists but where newspapers are highly political the Government is not always able to undertake this.

### 3. Budget

It is proposed that Government funds from the Trust should come in the form of a grant-in-aid from the Treasury rather than from the FCO in order to establish the Trust's independence of the foreign policy of the government of the day. Funding from the diplomatic wing vote would compromise this. It is also difficult to see how the FCO Accounting Officer (the Permanent Under Secretary) would be able to ensure that expenditure was in line with the requirements of Government accounting.

## THE CASE FOR A UK POLITICAL AID INSTITUTION

The UK has an interest in the promotion of pluralism, democracy and human rights throughout the world. These are accepted as desirable goals across the political spectrum in the UK. Pluralism and democratic accountability also contribute indirectly to the UK's security and prosperity.

There are increasing opportunities for activity in this field. In Eastern Europe a number of countries are attempting to restructure their society on pluralist lines. In Latin America the prospects for democracy have improved considerably but help will be needed in overcoming obstacles. In Africa and Asia also there is a recognition that one party systems of the government, particularly those based on Marxist models, have not succeeded. A number of other countries have been actively involved in promoting democracy and free political parties. The German Foundations have made an important contribution towards pluralism especially in Spain, Portugal and certain Latin American countries. The United States National Endowment for Democracy is now increasingly active in the same field. This is an area in which the UK has not so far matched the efforts of other countries. As well as contributing to political development abroad, there is no doubt that institutions such as the German Foundations or the National Endowment added to their country's standing. (These are the most prominent examples but some 16 countries have larger or smaller programmes of political aid). It is anomalous that the UK has so far left the field to others given that many abroad regard the UK as the home of democratic government.