

PRIME MINISTER

POLITICAL AID

You will recall you initiated the idea some months ago (following a discussion with Bernie Grant, M.P.) of a modest programme of aid to nascent political parties in countries moving towards multi-party democracy. Since then some quite extensive consultations have taken place with political parties in this country and there seems to be a fair degree of enthusiasm for the idea. The attached paper by the Foreign Office describes the case for such aid and the objectives for which it might be given. The scale envisaged is something between half a million and one million pounds in the first year: and about £8 million over the ensuing 5 years.

The main question is how this aid should be administered. The paper offers two alternatives. The first is a Government Political Aid Fund. This would be managed by the FCO and staffed by officials, but would have an advisory committee with representatives from political parties, business, industry etc. Projects would be put forward for approval and spending monitored by the FCO/ODA accounting officers. The second possibility is a Political Aid Trust. This would be made up of a Board of Trustees, appointed by political parties to reflect the composition of the House of Commons, and would in turn select an advisory committee and appoint a director. Projects would be considered if they were sponsored and managed by at least one political party represented in the House of Commons and met the basic objectives of the Trust. The Trust would be funded from under the Speaker's vote and might attract donations from the private sector.

The pros and cons of the two alternatives are described in paragraphs 11 and 12 of the attached paper. The Foreign Secretary and Mr. Waldegrave prefer the second for two reasons: they think that aid to political parties can best be channelled through an arms-length organisation rather than through official channels; and a Trust fund would be more likely to attract contributions from elsewhere than a Government fund.

Decisions are therefore needed on:

- Which of the two ways of administering the aid you prefer?
- Whether the fund should be new money or found from savings elsewhere? The FCO have indicated that they cannot produce savings of this order and would prefer not to embark on the scheme at all.

Agree to take decisions on these two points?

Or

Prefer to discuss with the Foreign Secretary and Chief Secretary first?

C.D.P.

Much prefer the Trust Fund.

But think it could be more modest in amount.

CHARLES POWELL

14 June 1990

Before we carry the matter further we must decide whether or not it will come from the Aid Programme. If not, it will have to compete with other small bills in the PSE survey

not



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 June 1990

POLITICAL AID

Thank you for your letter of 14 June about the possibility of establishing an organisation to give aid to political parties abroad. I have discussed this with the Prime Minister, whose position can be summed as:

- she would be ready to back the Trust Fund approach;
- but she thinks the amount might be more modest;
- before taking matters further, we should decide whether or not the amount should come from the Aid programme. If not, it will have to compete with other small bids in the PESC survey.

You may like to reflect on these points and have a word. Meanwhile, I am not copying this letter more widely.

(CHARLES POWELL)

J.S. Wall, Esq., L.V.O.,
Foreign and Commonwealth Office.

Handwritten signature

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John Hines

Treasury Chambers, Parliament Street, SW1P 3AG

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2/7

Charles Powell Esq
Private Secretary
10 Downing Street
London
SW1

ms

2 July 1990

Dear Charles

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POLITICAL AID

Acop

The Chief Secretary has seen the discussion paper circulated under cover of Stephen Wall's letter of 14 June.

2. He has asked me to say that he remains sceptical about both the political attractiveness and the cost effectiveness of an initiative on these lines, whichever institutional model were adopted. He very much hopes that, as Stephen Wall suggested in his letter, these issues can be discussed further among Ministers before any further contacts are made with the House Authorities or with the Political Parties.

3. I am copying this letter to Stephen Wall (FCO) and to Diana Goldsworthy (Lord President's Office), Paul Stockton (Lord Chancellor's Office) and Douglas Slater (Government Whips' Office).

Yours

Carrie E

MISS C EVANS
Private Secretary

for Pol : East / West Relations
Pm



Foreign and Commonwealth Office

London SW1A 2AH

14 June 1990

ccpc
Dear Charles,

Political Aid

Mr Waldegrave called on you and Sir Percy Cradock a little while ago to discuss the possibility of establishing an organisation to give aid to political parties abroad. I enclose a paper which sets out what seem to us to be the two broad alternatives and discusses the pros and cons. Officials have discussed this paper with Treasury officials; the Treasury view remains as set out in the Chief Secretary's letter of 13 March, and in paragraph 8 of the paper.

If it is decided to go ahead with either option, it is important that clear accountability should be established. We think the proposals are satisfactory in this respect. It would also be important that funding for this body should be strictly related to its purposes and kept under tight control. We suggest establishment on a five year basis with a review at the end of that period. This would look at effectiveness and value for money. Following the review, decisions about the continued existence of the organisation and the level of funding appropriate would depend on its performance in the preceding five years.

There are arguments for both structures. The Foreign Secretary believes that, if the UK wants to contribute to the development of political parties in Eastern Europe and elsewhere, this would be most effectively achieved by an arm's length organisation working through political parties rather than through official channels. Mr Waldegrave's initial soundings with party leaders have shown a similar preference.

Another reason for preferring a trust fund is that this would be more likely to attract contributions from NGOs, industry and the TUC etc. It is hard to assess at this stage what proportion of the fund's resources might be provided in this way, but the ability to attract non-governmental support either for the Trust or for the projects it funds could be one of the performance criteria considered in the five year review.

We would be grateful for your reactions. The Prime Minister might wish to discuss the ideas with the Foreign Secretary and the Chief Secretary.



I am copying this letter to Diana Goldsworthy (Lord President's Office), Paul Stockton (Lord Chancellor's Office), Douglas Slater (Government Whips' Office) and Carys Evans (Chief Secretary's Office).

Yours,

Stephen Wall

(J S Wall)
Private Secretary

C D Powell Esq
10 Downing Street

POLITICAL AID: DISCUSSION PAPER ON POSSIBLE UK ORGANISATIONS

Introduction

1. On 22 February the Foreign Secretary told the House of Commons that the Government wished to discuss with other parties in the House the possibility of Britain establishing a system of giving help to developing political parties in Eastern Europe and perhaps elsewhere.

2. Following this the Minister of State at the Foreign and Commonwealth 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 set out the case for a UK political aid institution, its objectives, two alternative suggestions for a UK organisation and the pros and cons of each suggestion.

The Case for a UK Political Aid Institutions

3. In recent years a number of countries have been actively involved in assisting the development of representative democracy, independent political parties, human rights and a free press in other countries. Economic and technical assistance alone have not proved adequate to promote individual rights and democratic pluralism; and use of traditional aid programmes for political aid schemes is circumscribed by developmental considerations. A growing number of countries have therefore promoted these more political goals through independent arms-length institutions. 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 (see Annex for a more detailed description of German, US and Canadian Political Aid organisations).

This is an area in which the UK has not so far matched the efforts of other countries.

4. 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 contribute indirectly to the UK's general security and prosperity. But as well as the benefit to the UK from increased political and economic stability in the world, political aid provides bilateral spin-offs in terms of prestige and political influence. There is no doubt that institutions such as the German Foundations or the US National Endowment add to their country's standing internationally. Political aid also generates a network of contacts between domestic and foreign political parties and their leaders, between trade unions, journalists, opinion formers and academics. The benefits in terms of access and influence are impossible to quantify, but are none the less substantial.

5. The effectiveness of political aid is hard (and expensive) to prove in balance sheet terms. On its own it will certainly not turn an authoritarian state into a democracy, but it can have a role in assisting developments which are already moving in the right direction. 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 there is recognition that one party systems of government, particularly those based on Marxist models, have failed. Some countries may well struggle through on their own, but it is in our interests to smooth the path and speed up the process where possible. In other countries, such as Romania and Bulgaria the prospects for genuine democratic development are not so healthy and political aid projects could tip the balance between pluralist development and a retreat into totalitarianism. For a relatively low cost political aid can have a disproportionate effect on international developments. It is

anomolous that the UK has so far left the field to others, given that many abroad regard the UK as the home of democratic government.

Objectives

6. The principal objectives of a UK organisation would be :

- to assist in the establishment and organisation of political parties committed to multi-party 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.

7. It would be precluded from :

- making financial contributions for general budgetary support to political parties or any other organisations;
- giving support to violence or the use of force;
- supporting projects which are not consistent with the overall objectives of the organisation.

8. It might seek to achieve these objectives through such activities as :

- technical assistance for electoral administration, such as :
ballotting procedures, preparation of election laws, measures to combat electoral fraud;
- advice on the role of political parties in a pluralist society, practical assistance such as photocopiers, IT, communications, transport, to help political parties get off the ground;

- information about opinion polls and the use of the media;
- technical advice on the drafting of constitutions, legislation etc;
- training for journalists, media representatives and support for independent publishers;
- training and assistance for trade unions and, if appropriate, Church organisations and any other voluntary groups;
- promotion of cooperatives, civic organisations and business associations;
- support for human rights activists, eg provision of printing facilities.

Possible Structures

9. There are two broad alternatives for a UK political aid organisation:

a) A Government Political Aid Fund: managed by the FCO and staffed jointly by FCO/ODA officials. The Government would appoint an Advisory Committee (15-20) with representatives from political parties, business, industry, the trade unions and the academic world to comment and advise on the work of the Fund. The Committee would be chaired by the Foreign Secretary or another Foreign Office Minister.

- Proposals for political aid projects would be put forward by any individual or organisation, including British and foreign political parties, British Embassies and other organisations. Project proposers would be required to render detailed accounts of the progress and outcome of their schemes.

- Finance would be provided under the Diplomatic Wing Vote and would have to be accounted for by the FCO/ODA. The Accounting Officers of the FCO/ODA would need to be satisfied that each project approved met the overall objectives of the fund, was a viable and worthwhile use of public funds and that aid was given in an even-handed fashion to different political parties in the countries where projects were undertaken.

b) A Political Aid Trust*: made up of a Board of Trustees (appointed by the political parties to reflect the composition of the House of Commons) which would select an Advisory Committee (again to reflect the composition of the House of Commons) and appoint an Executive Director to chair that Committee.

- Projects for political aid would be considered for funding if they were sponsored and managed by at least one political party represented in the House of Commons and provided they matched the basic objectives of the Trust (as set out in paras 5 and 6 above).
- The Committee would be responsible for advising the Executive Director and the Board of Trustees on the feasibility and value of the projects put forward.
- The Trust would be funded under the Speaker's vote and administered by the House Authorities but would also be able to accept donations from the private sector. The contribution from the Government would be made through a Grant in Aid.

10. Neither organisation would require primary legislation. Whichever was adopted funding for activities for the first year could come from the existing Know How Fund (£500,000 - £1 million)

* It is unlikely that a body with the objectives outlined above would qualify for charitable status.

but for this period projects would have to be restricted to Eastern Europe. Thereafter new money would be needed, perhaps up to £8 million over the first five years, although the level of resources would depend on the performance of the organisation. An advantage of an independent Trust is that if successful it should also attract contributions from industry and other organisations. In the case of a Government Fund there would be running costs and staffing problems for the FCO/ODA. The FCO have no provision for an institution of this kind and would want new money if the expenditure was to fall on their vote. In the Treasury view, the cost effectiveness of the proposal needs more careful study, the institution should be set up in such a way as to be able to attract further funds from the private sector, and if any public expenditure was involved it should fall on an FCO vote with the Foreign Secretary finding off-setting savings within his programmes.

Pros and Cons

11. The Government Fund would have the advantages that:

- being under direct Government control money would be spent in accordance with government objectives
- there would be less risk of funds being used in a fashion which could attract public criticism.

But this field of operation would be limited:

- many foreign political parties would be unable or unwilling to accept support directly from a foreign government
- a government fund would have to operate in a balanced fashion in foreign countries. This could be difficult. How do you operate in a balanced fashion in countries where there are 20 political parties? It might lead to support being given only to bland apolitical projects.

12. A political trust working at arms length from the government would have the following disadvantages:

- some of the money might be used for purposes of which the government would not approve (though the terms of reference of the trust would ensure that only democratic organisations were supported).
- as projects would be more political there might be risks that despite the scrutiny of the Trust and the sponsoring political party funds might go to supporting undesirable political elements (eg. political parties with extremist policies on race, religion etc).

But it would have the following important advantages:

- as a non-government body it would be less suspect; working through British political parties would enable us to reach parts of the system which government funds would not. This would probably be a more effective way of giving support to political parties abroad.
- consultations have shown that this is the approach likely to command support from the major parties in the House of Commons.

Conclusion and Recommendation

13. There is a strong case for the UK being active in the field of political aid. A body at arms length from the Government, operating through the UK political parties is more likely to be effective in delivering political aid and to attract funding from the private sector. We recommend that a discussion document based on this alternative should be circulated to Parties in the House of Commons.

POLITICAL AID : SYSTEMS IN OTHER COUNTRIES

Introduction

1. Some sixteen Western countries give assistance in promoting democracy abroad. Some have established bodies independent of the government specifically for this purpose, of which the Canadian, US and German institutions are the most important. The FCO and ODA jointly commissioned research by Mr Michael Pinto Duschinsky of Brunel University on this subject and the following account of the US, Canadian and German organisations draws on his preliminary report.

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 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. Projects are shown to the State Department in advance but it has no right of veto over how the money is used. Its role is to warn the Endowment if it is getting into bed with unsavoury partners. 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 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 aid.

Accountability and Control

5. Germany, 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 (1987/88). 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 \$C1 million in the first year of operation rising to \$C5 million in the fifth year. It receives its funds from the Canadian International Development Agency.