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HCS/794/93

FROM: D FELL
9 SEPTEMBER 1993

cc PS/Mr Atkins (DED, DOE&L)
PS/Sir John Wheeler (DFP, B&L)
PS/PUS (B&L)
Mr Legge o/a
Mr Thomas
Mr Semple
Mr Williams
Mr Watkins
Mr Bell
Mr Wood (B&L)
Mr Rickard
Mr Cooke
Mr McCusker
Mr Maccabe
Mr Maxwell
Mr Dodds
Director TFU
Mr Crow
Mrs Kenny
Mr McCartney, DFP
Mr Bentley, HOLAB

PS/SECRETARY OF STATE (B&L)

CONWAY STREET MILL: REVIEW OF POLICY

PURPOSE OF SUBMISSION

1. The purpose of this submission is to review the policy in respect of projects associated with Conway Mill; to invite the Secretary of State to continue with the existing policy of withholding public funds from organisations operating in, or out of the Mill; and to decide, in the light of the review, on the response to representations from Conway Street Community Enterprises Project Ltd, the company which owns the Mill, for funding, addressed to a number of organisations,

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including IDB, LEDU and the International Fund for Ireland (IFI).

BACKGROUND

2. Conway Street Mill is located in the lower Falls Road area of West Belfast, and was formerly owned by the Falls Flax Company which went into receivership in the early 1980s. In 1982 it was sold to Mr Gerry Adams and others for £35,000, and in February 1988 ownership passed to Conway Street Community Enterprises Ltd, a local limited company having as its Directors at that time Father Desmond Wilson, Mr Alfred Hannaway, Mr Colm Bradley and Mr Francis Cahill.
3. In 1985, following concern about the possible exploitation of public funds by, or to the benefit of, paramilitary organisations, the then Secretary of State, Mr Hurd, decided that public money should be withheld from community groups where there was evidence that payment could directly or indirectly improve the standing and further the aims of a paramilitary organisation. This decision was announced in a written Parliamentary answer on 27 June 1985 (copy attached at Annex A) which remains the basis of Government policy.
4. The first groups denied support under the June 1985 Statement were based in Conway Mill. They included the Conway Womens' Group and the Conway Street Community Development Group (formerly known as the Conway Street Mill Group). Decisions on these cases were taken personally by Mr Hurd in the light of information available to him about paramilitary involvement in the Mill.

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5. Subsequently, on the basis of confidential advice about strong paramilitary connections within the Mill complex, the then Secretary of State, Mr King, decided in September 1985 that Government assistance should not be provided for any activity based in the Mill. Following that decision grants to a number of bodies operating in and out of the Mill were terminated; these included the Conway Womens' Group, Conway Education Project and the Workers Educational Association.
6. The application of the policy to bodies operating in and out of the Mill, or proposing to set up in the Mill, has been reviewed on a number of occasions. On each occasion it was decided that the application of the policy towards Conway Mill should remain unchanged, despite changes in the activities carried out in the Mill, and notwithstanding the fact that some of these activities might be intrinsically acceptable and meet a need in the area, and that the individuals involved had no paramilitary connections.
7. The policy in respect of the Mill has been criticised by MPs (mainly Labour MPs but also including Mr John Hume), local community groups, churches and others. This criticism was particularly vocal in late 1988 due to the International Fund for Ireland's decision to apply the same policy as HMG to Conway Community Enterprises Ltd in compliance with advice from Government that it would be inconsistent with the social and economic policies of HMG if the Fund provided assistance to any body operating in or out of the Mill. However, having regard to all the relevant considerations at the time, the then Secretary of State, Mr King, reaffirmed the application of the policy to Conway Mill in January 1989. This decision was made public in a written Parliamentary

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answer on 9 February 1989; a copy of the answer is attached at Annex B.

OCTOBER 1989 REVIEW OF POLICY

8. The most recent formal review of the policy applied to the Mill was undertaken in October 1989. The review was stimulated by continuing criticism of the policy from amongst others Mr John Hume MP, Lord Hylton, the Reverend John Morrow, sympathetic Americans and the Rowntree Trust. There had also been some important changes in the activities carried out in the Mill and in the personnel (the supporting material submitted to the Secretary of State at the time is being submitted separately. This material was updated in June 1990 in response to expected further pressure on IFI). Against that, the Mill continued to be publicly condemned by the former SDLP Councillor, Dr Brian Feeney, (in the Central Television Cook Report programme of June 1989). More importantly, however, the material submitted separately was sufficient (in terms of showing continuing strong links between the Mill and paramilitaries) to convince the Secretary of State that the policy of withholding grant to bodies associated with the Mill should continue, despite the fact that continued denial of funds was a useful propaganda weapon for Sinn Fein.

RECENT DEVELOPMENTS

9. The Chairman of IFI and the Chief Executives of IDB and LEDU have received requests for a meeting from Conway Street Community Enterprises Project Ltd suggesting that on the occasion of the Mill's 10th anniversary the time had now come for a re-assessment of Conway Mill and its future. The correspondence from Conway Street Community

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Enterprises indicates a desire to contribute to the commercial and industrial development of the area, and with this in mind asks for a discussion to explore with representatives of the respective organisations what the Mill's development could be, and how the Mill could co-operate for the good of the area. The organisations concerned have in turn sought advice on how to respond from Central Secretariat.

10. Separate advice is being provided about the current nature and known extent of paramilitary influence within the Mill. This shows that there has been no significant change in the situation at the Mill since the last such assessment was carried out in June 1990. The nature of the separate material is such that it would, in the opinion of [REDACTED] Political Affairs Division and Central Secretariat, support the assessment that financial assistance of organisations carrying on activities within the Mill would have the effect of enhancing the status of PIRA, and so falls within the scope of the policy statement of June 1985. The Legal Adviser is satisfied that the separate material is such that it would sustain that assessment. Officials have concluded therefore that the existing policy towards projects operating in, or out of, Conway Mill, should continue to apply.

POLITICAL IMPLICATIONS

11. To continue with current policy would mean a rejection of the recent overtures to a number of organisations by Conway Community Enterprises Project Ltd. Coverage in the Nationalist press would probably be hostile to such a rebuff, and whilst there has been little comment recently from the SDLP on either the policy itself, or

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on the position of the Mill, it is possible they will feel it necessary to speak out. Such a move should be seen in the context of Dr Hendron's battle to shore up support in the area following the SDLP's poor local election performance. Local opinion generally is therefore likely to be opposed to a rejection of the Mill's overtures.

IMPLICATIONS FOR THE INTERNATIONAL FUND

12. As indicated above Conway Street Community Enterprises Project Ltd has written to the Chairman of the International Fund seeking a review of its earlier decision not to provide assistance to the Conway Mill project. Under the terms of its constitution the Fund is obliged to ensure that its 'disbursements shall be consistent with the economic and social policies and priorities of the respective Governments'. Accordingly, having taken advice from Government, the Board decided in 1988 not to offer assistance to Conway Mill on the basis that to do so would be inconsistent with Government policy.
13. This decision has been the subject of much debate and criticism in the intervening years, particularly in the United States, where it has been used to challenge the Fund's independent status. Indeed, during the IFI's Chairman's most recent visit to Washington last June, Congressman Engel once again made a critical reference to the decision.
14. In reaching a final decision in this case the Secretary of State may wish to note that it is possible, and indeed likely, that any decision to continue to apply

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existing policy could be used by the Fund's detractors to embarrass the Fund in the US.

JUDICIAL REVIEW PROCEEDINGS

15. Decisions to withhold funds, or to continue to do so, under the Hurd Policy set out in the statement of June 1985 have generated considerable adverse publicity and given cause to objectors to complain of political vetting of community groups. Judicial review proceedings were instituted by the West Belfast Committee of Glor na nGael (not connected with Conway Mill) against the decision of Mr Brooke to withhold funds from the Committee. Those proceedings were settled in April 1992, and funding restored following a change in the composition of the Committee. The Government's defence of the Glor case produced very real benefits; two useful decisions on discovery and public interest immunity were obtained from the Northern Ireland High Court (and can be made available if the Secretary of State wishes to peruse them). Nevertheless, that settlement may be seen by the owners of the Mill as indicating that the proceedings successfully forced Government to capitulate; they may therefore seize on a reiteration of the decision to withhold funds as providing a new opportunity themselves to make an application for judicial review.

RESPONSE TO REQUESTS FOR ADVICE

16. If the Secretary of State agrees with the recommendation (paragraph 10) that the current policy of withholding grants to any activity in Conway Mill should continue, we would need to advise IDB, LEDU and IFI. It is

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proposed that this be done by means of a minute from Central Secretariat along the following lines:-

"You wrote to [] on [] seeking advice on a request from [] of Conway Street Community Enterprises Project Ltd for a meeting to discuss funding for the Mill's work in the area. Having carefully considered all the relevant information the Secretary of State has decided that Government funding will continue to be withheld from projects operating in or out of Conway Mill in line with the statement made by Mr Tom King on 9 February 1989."

CONCLUSION

17. The Secretary of State is invited to:-

- (a) note the recent representations which have been made to IDB, LEDU and IFI from Conway Street Community Enterprises Project Ltd for funding;
- (b) agree that the existing policy to withhold grants from all activities operating in or out of Conway Mill should continue;
- (c) note the political implications, and specifically the implications for the International Fund for Ireland, of a decision to continue with the existing policy;
- (d) note the possibilities for judicial review proceedings being taken by Conway Street Community Enterprises Project Ltd against the Secretary of

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State on foot of a negative decision from him about the provision of funding for the Mill's activities; and

(e) agree the line proposed in response to requests for advice from IDB, LEDU and IFI in relation to recent representations from Conway Street Community Enterprises Project Ltd.

18. I also recommend that, if the Secretary of State accepts these conclusions and also my advice in a parallel submission on Mr Adams' request to meet the IFI Chairman, he should alert Mr Spring tomorrow to the Conway Mill decision, since the decision would impact on the IFI of which the Irish Government are co-sponsors with HMG.

19. The Legal Adviser has seen this submission and is content.

DAVID FELL

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ANNEX B

NORTHERN IRELAND Information Service

9 February 1989

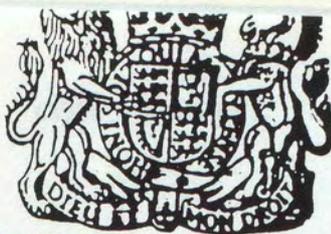
PARLIAMENTARY QUESTION

The Secretary of State, Rt Hon Tom King MP, today gave the following written parliamentary reply to Mr Greg Knight (Derby North) who had asked if he would indicate Government's policy on public funding of projects in Conway Mill with particular regard to applications for assistance from the International Fund for Ireland.

Mr King: "Government policy on the payment of public funds to community groups, where there is evidence that such payments could directly or indirectly further the aims of a paramilitary organisation, is set out in the parliamentary statement of 27 June 1985 by the then Secretary of State. The nature and extent of paramilitary influence within Conway Mill is such that this policy has been applied to groups operating in or out of the Mill. Whilst I have reviewed the situation I am satisfied from the information available to me that influence remains such as to justify the continued withholding of funds to such groups in accordance with the terms of the parliamentary statement.

Article 3 of the bilateral agreement of 18 September 1986 between the Governments of the United Kingdom and Ireland on the International Fund for Ireland provides that disbursements from the Fund shall be consistent with the economic and social policies and priorities of the respective Governments. I have accordingly indicated to the board of the fund that it would be inconsistent with the social and economic policies of this Government if the fund were to provide assistance to any body operating in or out of Conway Mill.

It is, on the other hand a most important aspect of our policies to stimulate development and activity in the more deprived areas of Belfast, including, of course, west Belfast. In this context, we welcome the initiatives taken by the International Fund for Ireland, within its programmes, to provide extra help for disadvantaged areas, including west Belfast. I understand that they have further proposals to that end under consideration."



ANNEX A.

NORTHERN IRELAND
Information Service

27 June 1985

PARLIAMENTARY QUESTION

The Secretary of State, Rt Hon Douglas Hurd MP, today gave the following written parliamentary reply to Mr John M Taylor (Solihull), who had asked what plans Mr Hurd has to ensure that Government financial support for community activities is not used to foster the aims and objectives of paramilitary interests.

Mr Hurd: "It is the Government's policy to encourage voluntary and community-based activity which has the genuine aim of improving social, environmental or economic conditions in areas of need, and various grant-aid schemes exist for such purposes. However I am satisfied, from information available to me, that there are cases in which some community groups, or persons prominent in the direction or management of some community groups, 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. I do not consider that any such use of government funds would be in the public interest, and in any particular case in which I am satisfied that these conditions prevail no grant will be paid."