

NH 133/12

E.R.



CONFIDENTIAL

14/12 - 27/12

1 cc: Sir K Bloomfield (or)  
Mr McConnell  
Mr Pope

UND  
SEC 93/12  
14 DEC 1987  
CENT

14/12  
Mr [unclear]  
Mr [unclear] 14/12  
To mfl  
14/12

PS/Mr Stanley (B&L)

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IFI HANSARD 12 NOVEMBER

1. In Mr Roger's note of 19 November he asked for advice on the question of the International Fund Board's scrutiny of individual applications from a security/paramilitary finance standpoint.
2. The Board has always been clear that it must avoid letting its money fall into the wrong hands and in particular the American donors of the Fund have also been strong on this point. As the Board has approached the stage of approving individual projects, it has been considering what the precise mechanism for safeguarding its funds should be. The matter was formally considered at a meeting of the Board of the Fund last weekend and I am therefore now able to report the final position.
3. In earlier discussion of this subject, it appeared that the Chairman would like to have access to security advice in individual cases so that he could form his own view of the merits of particular applications. This was unacceptable, given the security classification of the relevant documents and the risk that his judgement (and ultimately that of the Board) would differ from that of the Government. The Chairman moved from this position - and it certainly became clear that his Board had no wish to become involved in evaluating security advice.
4. An alternative approach has therefore been agreed, based on the fact that the Board of the Fund is required to ensure that its disbursements are "consistent with the economic and social policies and priorities of the respective Governments". (Article 3 of the Agreement between the

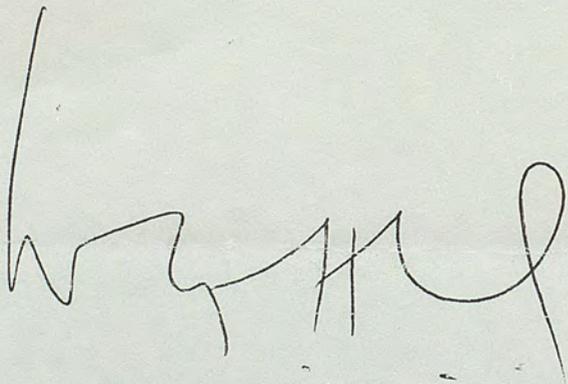
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British and Irish Governments which established the Fund.) The Board has decided to regard it as incompatible with Article 3 to approve any application which the Government regards as suspect on security grounds. The primary responsibility for identifying such projects rests with the Government Departments who will be administering the Board's various programmes. For this purpose they will apply the same checks and procedures they would in the normal course of their work. Where they identify a suspect case, the present procedures for obtaining the imprimatur of the Secretary of State (via the Central Secretariat) for withholding of grant will be invoked.

5. It has been important to get all those on the Board of the Fund or connected with it to sign up for effective arrangements. By proceeding as now agreed, I believe that we can ensure, to the best of our ability, that IFI monies are not applied to the support of projects of a "security/paramilitary financial" nature.



W G H QUIGLEY  
11 December 1987

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