

**CONFIDENTIAL**



**DEPARTMENT OF ECONOMIC DEVELOPMENT**

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Your reference

Our reference

Date *K* April 1988

Dear *George*

**LOCAL ENTERPRISE GROUPS**

Your letter of 5 February to Colin Stutt has prompted us to consider the potential leakage of public funds to paramilitary organisations through local enterprise groups, although I gather that the Minister's query arose in another context.

Co-incidentally Stormont Castle has recently reminded Departments of Government's firm resolve that financial support for community activities should not be used to foster the aims and objectives of paramilitary interests. With this in mind, Central Secretariat has recommended that future funding arrangements should be made more explicitly subject to the policy announced by the then Secretary of State on 27 June 1985.

We have consulted DFP Solicitor's Branch, who advised Central Secretariat on the matter, and they have suggested that a condition along the lines of the following be incorporated in future Offers to enterprise groups:

"Payment of grant shall be subject to the Government's policy, as outlined by the then Secretary of State in his Parliamentary Statement of 27 June 1985 that Government funds shall not be used to support groups which have sufficiently close links with paramilitary organisations as to give rise to a grave risk that to give support to them would have the effect of improving the standing and furthering the aims of a paramilitary organisation. Where such conditions prevail, LEDU shall be entitled to withhold payments of grant in respect of any such group notwithstanding any provision of this Letter of Offer."

As indicated above, the wording of this condition has been cleared with the Department's Solicitors, but you may well wish to consult your own legal advisers before proceeding. If you see any difficulty in this matter, I'll be happy to discuss.

Yours sincerely

*Betty*

W J NELSON

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