

- 1. ✓
- 2. Mr. Martin
- 3. Mr MacDonald
- 4. Co-ord. for to file

✓ 2/18/99

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- cc. PUS B+h - M
- Mr Stephens
- Mr Brennan - M
- Mr M Elliott
- Mr Chesterton - M
- Mr Spence
- Mr G Hewitt
- Mr Pearson

- Dr Quigley
- Mr Fell
- Mr Barry
- Mr Parkes
- Dr Hayes
- Dr Jack
- Mr McAllister

LEAKAGE OF PUBLIC FUNDS TO PARAMILITARY GROUPS

1. I hope that colleagues who were present at the PCC discussion on 9 July will now have a better understanding of the nature and extent of the problems which we are encountering in relation to the leakage of public money to paramilitary bodies.

2. We are facing determined and ruthless people who are capable of considerable sophistication in handling financial matters. They are able to hide behind "front men", to operate through one or two key people on otherwise respectable bodies, and to develop successful means of "laundering" money. They are skilled at concealing their activities within apparently legal frameworks and outwardly legitimate organisations.

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3. But we should be in no doubt about their motives. They are seeking funds to finance their illegal activities (including acts of terrorism), to support their own members, and to win and expand their influence over local communities.
4. It is, therefore, essential that Departments remain extremely vigilant and seek advice from Central Secretariat whenever they suspect a paramilitary involvement. To date, our main scrutiny has involved ACE, UDG and LEDU cases, but we can be sure that, as the Government seeks to close the opportunities in one area, the paramilitaries will seek alternatives.
5. Finally, it is likely that firmer action by Government will result in more protests by public representatives, community leaders and others who will not be aware of the extent of paramilitary involvement. Given our difficulties in producing in public the hard evidence behind our decisions, there will, I am afraid, continue to be problems in public presentational terms, which we will have to handle carefully in each case.
6. I would now ask you to consider what further action needs to be taken in your Department.

K.P. Bloomfield

K P BLOOMFIELD

20 August 1986

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