

From PUS
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NI Permanent Secretaries

cc Sir K Bloomfield
Mr Chilcot
Mr Ledlie
Mr Pilling
Mr A Wilson
D/ARU

10326

Financing of Terrorism

You will all be aware that an important element in the Government's strategy for ending terrorism in Northern Ireland is a determination to disrupt the flow of funds to paramilitary organisations. One reason for the creation last year of an Anti-Racketeering Unit within the NIO was to underline that determination. The Unit has already proved its worth in a number of different ways, not least by providing a much needed specialist resource for the RUC. But the responsibility for taking all possible steps to prevent funds reaching paramilitary organisations does not rest solely with the RUC and the ARU, or, even, the police and the NIO. Hence this minute, which I am sending to you with the agreement of Sir Kenneth Bloomfield.

2. There is no intention that Northern Ireland Departments should be in the front line in the battle to prevent or inhibit the financing of terrorism. But, that said, I am convinced that all of us serving the Government in Northern Ireland should at all times be aware that action which we propose to take or which we are required to carry out, could have adverse implications in terms of terrorist financing. This is particularly important at a time when paramilitary organisations on both sides of the communal divide (but especially PIRA) have shown their ability to diversify their sources of finance and to rely more and more on the product of quasi-respectable business activity. They are ready to exploit whatever opportunities which we might wittingly or unwittingly decide to give them. The need, therefore, is for care and vigilance in the scrutiny of new proposals, including legislative proposals, in order to identify any possible implications for terrorist financing.

3. In essence, I am asking of Departments (including, of course, the Northern Ireland Office) that they should do two specific things: First, I would be grateful if you would look again at areas of activity, or the provision of services, for which you are responsible, with a view to identifying anything from which paramilitary organisations may be benefitting already (or from which they could benefit) either directly or indirectly; and, second, that you should introduce into the consideration of new policy proposals (including proposals for legislation) a "terrorist finances" audit in the same way that we now do an audit on European Community or "equal opportunities" issues.

M. Duncanson 20/11/90
To see and return pt. LEDV's activities
in the community are there but need constant
vigilance.

a pm dossier
Mr Spence - for
approp. action
re para 3.
Mr Gibson

4. As some of you will know, this issue of the possible implications for terrorist financing of a 'policy' proposal has arisen recently during consideration of proposals for privatisation and for compulsory competitive tendering by area boards or local authorities. Ministers are, of course, committed to an extension of both these concepts in Northern Ireland in the belief that this is likely to lead to increased effectiveness and improved value for money. The role of civil servants in this sort of situation, is not of course, to argue against Government policy; but in comparable situations we can and should, at the very least make sure that Ministers fully understand the possible implications (or unintentional consequences) or moves of this kind and, wherever possible, suggest ways in which the risk of unintended consequences actually appearing is reduced to a minimum.

5. For most of us most of the time, the subject of paramilitary finance may seem somewhat esoteric - someone else's problem. It is primarily a problem for the NIO, but I would be grateful if each of you would do what you can to raise awareness of the issue within your own Departments. The introduction of a 'terrorist finance' audit into all policy proposals should in itself contribute to this effect. If you or colleagues in your Department are in doubt about the possible implications in this context of a particular practice or proposal and would welcome further advice about it, Austin Wilson (US, Law and Order) might be the most convenient first point of contact.

6. He and his colleagues in the ARU would be equally pleased to receive an approach from you if anything comes to your notice that seems, perhaps in a way which it is difficult to be specific about, to be simply "not right". In the context of terrorist financing, we all need to have suspicious minds.

John

JOHN BLELLOCH

22 October 1990