

PART A

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PART A

Begin: 15/4/83

Ends: 12/10/83

DD: 25 years

[Signature] 1/9/95

**INTERNATIONAL
DEVELOPMENT ASSOCIATION
(IDA)**

PART A



Foreign and Commonwealth Office

London SW1A 2AH

CHIEF SECRETARY		INTERNATIONAL DEVELOPMENT ASSOCIATION
REC.	18 APR 1983	18 APR 1983
ACTION	Mr Beaskall	Mr Beaskall
COMMENTS	PPS FSC EST	
	MSE (Jmfc/R)	
	Mr Middleton	
	Mr Bailey	

15 April 1983

Mr Little
 Mr Anon
 Mr Carey
 Mr Mansfield
 Dear Willie,

International Development Association, Special Funding Arrangements: Publication of a Command Paper

I am writing to seek agreement to publication as a Command Paper of the text of a resolution by the Executive Directors of the International Development Association (IDA) authorising arrangements for special contributions to help sustain its lending programme during its fiscal year 1984 (1 July 1983 - 30 June 1984). A copy of the proposed text of the Command Paper is attached.

The Sixth Replenishment of IDA, UK participation in which was approved by Parliament in two stages in March 1981 and July 1981, provided IDA with lending resources for a three year period to 30 June 1983. The US contribution was approved in full by the US Congress, but only after a lengthy delay, and on the basis that it would be phased over four or more years instead of the three allowed under IDA 6. This has now caused a short-fall in IDA's commitment authority in its fiscal year 1984 by which time the majority of donors, including the UK, will have completed their IDA 6 contributions, and before arrangements for a further replenishment (IDA 7) can be made. The IDA has asked member governments to contribute to special funding arrangements in its fiscal year 1984 to help alleviate the short-fall in its commitment authority. The UK has agreed to participate, subject to Parliamentary approval; this is now being sought, and the Command Paper is required in this connection.

The Command Paper consists simply of the text of the resolution with a brief explanatory foreword. It is non-controversial and its publication is unlikely to give rise to any comment. In order to expedite the Parliamentary process we should like it to be published as soon as possible. The text has been cleared at official level with the Treasury.

/I am



I am sending copies of this letter and enclosures to the Private Secretaries of the Leader of the House of Commons, the Paymaster General, the Financial Secretary to the Treasury, the Secretary of the Cabinet and the Government Chief Whip.

I should be grateful to receive your agreement to publication as proposed. We would propose to publish in the week beginning 25 April.

Yours ever
J E Holmes

(J E Holmes)
Private Secretary

W Rickett Esq
10 Downing Street

INTERNATIONAL DEVELOPMENT
ASSOCIATION

Replenishment of IDA Resources

Resolution of the Executive Directors
dated 26 October 1982

Presented to Parliament by the Secretary
of State for Foreign and Commonwealth
Affairs by Command of Her Majesty

LONDON
HER MAJESTY'S STATIONERY OFFICE
£ net

FOREWORD

1. The purpose of this Command Paper is to lay before Parliament the text of the Resolution dated 26 October 1982 by the Executive Directors of the International Development Association authorising arrangements for special contributions.
2. It is the intention of Her Majesty's Government, subject to Parliamentary approval, to make an Order under section 6(2) of the Overseas Development and Co-operation Act 1980, to enable them to make payments in accordance with the terms of the Resolution.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Resolution NO. IDA 82-6

ARRANGEMENTS FOR SPECIAL CONTRIBUTIONS

Section A. Introduction

1. WHEREAS

- (a) The commitment on credits of the Sixth Replenishment of the Association's resources is expected to be phased over a longer period than originally contemplated, due to shortfalls in unqualified contribution commitments received from a major contributor to the Sixth Replenishment;
- (b) As a result, delays and shortfalls in the availability of resources to the Association for commitment on credits have occurred and are further expected to occur;
- (c) The other members of the Association have agreed to undertake a joint effort to maintain assistance to the poorest developing countries on concessional terms on a more adequate level pending a further general replenishment of the Association's resources;
- (d) For this common purpose, these members are prepared to make special contributions, as provided in Section C of this Resolution, for supplementing the resources available for lending by the Association during the period extending to June 30, 1984;
- (e) Some members wish to make such special contributions in the form of additional contributions to the Association's regular resources, designated as contributions to an "FY84 Account" and to be subject to the terms and conditions set forth in Section D of this Resolution;
- (f) Other members wish to make such special contributions to a special fund administered by the Association, and the Association is prepared to establish and administer such a special fund on the terms and conditions set forth in Section E of this Resolution; and
- (g) Members considering the arrangements for such special contributions set forth in this Resolution as an appropriate basis for recommendation to legislatures, intend to request, where necessary, their legislatures to approve such arrangements with a view to obtaining approval to make such special contributions, it being understood that no commitment by a member government can be made until such approval has, where necessary, been obtained from its legislature;

2. NOW THEREFORE it is hereby resolved as follows:

Section B. Definitions

3. Whenever used in this Resolution:

- (a) "Association" means International Development Association;
- (b) "Sixth Replenishment" means the replenishment of the Association's resources authorized by Resolution No. 117 of the Board of Governors of the Association, adopted on March 26, 1980;
- (c) "Special Drawing Right" or "SDR" means a special drawing right as valued from time to time by the International Monetary Fund in accordance with its Articles of Agreement;
- (d) "freely convertible currency" means a currency as defined in Article II, Section 2(f) of the Articles of Agreement of the Association;
- (e) "Special Contribution" means any contribution, either to the FY84 Account or the Special Fund, notified in accordance with paragraph 5(a) of this Resolution;
- (f) "FY84 Account" means the resources accepted by the Association pursuant to Section D of this Resolution;
- (g) "Special Fund" means the special fund established pursuant to Section E of this Resolution;
- (h) "SF Contribution" means a Special Contribution to the Special Fund;
- (i) "Special Fund Credit" means a credit made by the Administrator out of the resources of the Special Fund;
- (j) "Administrator" means the Association acting in its capacity as Administrator of the Special Fund; and
- (k) "SF Contributor" means a member of the Association which has notified an SF Contribution.

Section C. General Provisions Regarding Special Contributions

4. The total Special Contribution of each member of the Association participating in the arrangements provided for in this Resolution shall be

an amount which, together with such member's total subscription and contribution to the Sixth Replenishment (valued on the basis of the unit of obligation of such subscription and contribution and exchange rates as of August 31, 1982), is at least equal to four-thirds of: (i) such total subscription and contribution (in terms of either the unit of obligation of such subscription and contribution or, at such member's option, the national currency equivalent of such subscription and contribution as of October 5, 1979, if such subscription and contribution is expressed in a unit of obligation other than the national currency of such member); or (ii) the amount representing such member's share in the Sixth Replenishment agreed upon by the contributors to the Sixth Replenishment as the basis for initial drawings on such subscription and contribution.

5. Special Contributions shall be made in the following manner:

- (a) Each member of the Association desiring to make a Special Contribution shall deposit with the Association one or more formal notifications, in form and substance satisfactory to the Association, whereby such member shall obligate itself to make a Special Contribution in a specified amount in accordance with the terms of this Resolution. Such notifications shall indicate whether a Special Contribution is made to the FY84 Account or to the Special Fund and may be deposited until March 31, 1984, or such later date as the Executive Directors of the Association may determine.
- (b) Special Contributions shall be expressed in terms of: (i) Special Drawing Rights; or (ii) the currency of the member making such Special Contribution or of another member of the Association, provided, in either case, that such currency is a freely convertible currency.
- (c) The full amount of each Special Contribution notified in accordance with paragraph 5(a) of this Resolution shall be payable within 90 days after the deposit of such notification, or in such other installments and on such other date(s) as shall be agreed between the Association and the member making such Special Contribution; provided, however, that: (i) the total amount paid from time to time by each such member shall at least be equal to the amount estimated by the Association to be required from that member for purposes of disbursements on credits made from the FY84 Account or on Special Fund Credits, as the case may be; and (ii) no payment shall be postponed by more than one year from the date specified above.
- (d) Payments on account of any Special Contribution shall be made in the currency in which the Special Contribution is expressed or any currency which the Association determines to be adequately convertible, or otherwise usable, for purposes of the operations

to be financed with the resources contributed pursuant to this Resolution.

6. (a) Until June 30, 1983, or such later date as the Executive Directors of the Association may determine, any member which has made a Special Contribution may notify the Association that the balance (if any) of such Special Contribution, as reasonably determined by the Association, which is not expected to be needed for disbursement on credits of the Association or Special Fund Credits already negotiated by the Association, is to be converted: (i) into an SF Contribution, if said Special Contribution was made to the FY84 Account; or (ii) into a Special Contribution to the FY84 Account, if said Special Contribution was an SF Contribution.
- (b) Upon such notification, such balance, if any, shall be deemed to be an SF Contribution instead of a Special Contribution to the FY84 Account, or a Special Contribution to the FY84 Account instead of an SF Contribution, as the case may be.

7. Members are entitled to request that their Special Contributions be taken into account in the next general replenishment of the Association's resources, and any such request shall be considered in the course of the negotiations of such replenishment. It is understood that Special Contributions are to be regarded as without prejudice to any arrangements in connection with subsequent replenishments.

Section D. The FY84 Account

8. The Association is authorized to accept Special Contributions, as provided for in Section C of this Resolution, as additional contributions to the Association's regular resources.

9. The rights and obligations of the Association and the members of the Association in regard to the Special Contributions made by such members pursuant to this Section shall be the same (except as otherwise provided in this Resolution) as those which govern the ninety percent portion of the initial subscriptions of original members payable under Article II, Section 2(d) of the Articles of Agreement by members listed in Part I of Schedule A of the Articles; provided, however, that (i) notes or similar obligations may also be substituted, as provided in Article II, Section 2(e) of the Articles of Agreement, in respect of any such Special Contribution of a member payable in a currency other than the currency of that member; (ii) the proviso of Article IV, Section 1(e) and the provisions of Article IV, Section 2 of the Articles of Agreement shall not be applicable to such Special Contributions; and (iii) any voting rights to be accorded to the members making such Special Contributions on account

thereof are to be granted through the authorization of additional subscriptions for such members by the Association's Board of Governors.

Section E. The Special Fund

10. There is hereby established a special fund (the Special Fund) constituted by the Special Contributions (the SF Contributions) which shall from time to time be contributed thereto, as provided in Section C of this Resolution, and any other assets and receipts of the Special Fund, to be held in trust, managed and used in accordance with the provisions of this Section by the Association, acting as Administrator of the Special Fund.

11. In addition to Section C of this Resolution, the following provisions shall govern the payment of SF Contributions:

- (a) Payment may be made in the form of cash or through deposit of non-interest bearing notes of the SF Contributor payable on demand and to the order of the Association, as Administrator of the Special Fund. Such notes shall be deposited in the depository of the respective SF Contributor for the Association.
- (b) To the extent feasible, the Administrator shall draw on the SF Contributions on an approximately pro rata basis in accordance with the Association's normal procedures in order to meet disbursements on Special Fund Credits.

12. Pending disbursement on Special Fund Credits, the Administrator may invest funds held by the Special Fund. The income from such investments shall become part of the resources of the Special Fund.

13. The resources of the Special Fund shall be used by the Administrator for making credits (Special Fund Credits) to members of the Association in accordance with the following principles and procedures:

- (a) Each Special Fund Credit shall be made for the purpose of financing a specific development project or program. The policies, practices and procedures governing the allocation of Special Fund resources, the selection and appraisal of projects or programs to be financed out of such resources and the approval and administration of Special Fund Credits, including the terms and conditions thereof, shall be the same as those applicable with respect to development credits made out of the Association's regular resources, except as otherwise specifically provided in this Resolution.
- (b) Each Special Fund Credit shall be evidenced by a separate agreement between the borrower and the Administrator, indicating

in particular that resources made available under such Credit are provided from the Special Fund.

- (c) Special Fund Credits may be denominated in one or more of the currencies in which SF Contributions are expressed or the SDR, and shall be repayable in terms of any of those currencies or the SDR.
- (d) The proceeds of Special Fund Credits may be used to finance expenditures for goods produced in, or services supplied from, any of the following countries: (i) any Part II member of the Association; and (ii) any Part I member of the Association (A) which has notified, or has advised the Administrator in writing that it intends to make, an SF Contribution in a minimum amount conforming with paragraph 4 of this Resolution, or (B) which has notified, or has advised the Association in writing that it intends to make, a Special Contribution in such minimum amount to the FY84 Account and has advised the Association in writing that such Special Contribution is to be treated in the same manner as an SF Contribution for purposes of any future adjustment of the voting rights of the members of the Association.
- (e) The charges payable by borrowers under Special Fund Credits shall be paid directly to the Association, in any currency acceptable to the Association, and shall be retained by the Association in order to compensate it for its services as Administrator.
- (f) The principal repayments of Special Fund Credits shall become part of the Association's general resources and shall be subject to the same terms and conditions as funds derived from the subscriptions and contributions to the Sixth Replenishment.

14. The administration of the Special Fund shall be governed by the following provisions:

- (a) The Administrator shall have the authority to perform such acts and enter into such contracts as may be necessary for the accomplishment of the purposes of the Special Fund consistent with this Resolution and the Articles of Agreement of the Association.
- (b) The Special Fund shall be kept separate and apart from all other accounts and assets of the Association. For this purpose, the Administrator shall establish and maintain appropriate records and accounts to identify the SF Contributions and any other resources of the Special Fund, the Special Fund Credits, and the receipt and disbursement of funds relating to the operations of the Special Fund.

- (c) The Administrator shall report on the operation of the Special Fund in the annual report of the Executive Directors to the Board of Governors of the Association and shall include in that report the financial statements and the opinion of the auditors referred to in paragraph 14(d) of this Resolution.
- (d) The Administrator shall prepare, as soon as practicable after the end of each fiscal year of the Association, detailed financial statements of the Special Fund (including statements of its assets and liabilities, the origin and application of its resources, and related statements), which shall be audited by the Association's own external auditors.

15. The Special Fund shall become effective and start operations on the date on which the first notification of an SF Contribution shall be deposited, provided such SF Contribution is in a minimum amount conforming with paragraph 4 of this Resolution or the member of the Association depositing such notification has advised the Administrator in writing that it intends to make an SF Contribution in such minimum amount.

16. The arrangements governing the Special Fund set forth in this Resolution may be amended by Resolution of the Executive Directors of the Association, provided that, before any such proposed amendment is presented to the Executive Directors for consideration, at least two-thirds of all SF Contributors whose SF Contributions represent not less than three-quarters of the aggregate SF Contributions must have notified the Administrator that they agree to such amendment.

17. The functions of the Association as Administrator of the Special Fund shall terminate upon a decision to that effect by the Executive Directors of the Association, taken in accordance with the provisions of paragraph 16 of this Resolution. Upon such decision by the Executive Directors, the Administrator shall take all action necessary for winding up its activities as Administrator in an expeditious and orderly manner, in accordance with such decision. Unless otherwise provided in such decision, the Special Fund shall thereupon terminate and Special Fund Credits shall be treated as part of the Association's regular lending portfolio so that the Association shall continue to receive the charges payable on such Credits and principal repayments thereof, as provided in paragraph 13(e) and (f) of this Resolution.

26 October, 1982



PRIME MINISTER
INDIA

New Delhi
April 16, 1983

Dear Prime Minister,

I am writing about the continuing problems of International Development Assistance-VI and the prospects for IDA-VII which have become matters of great concern to developing countries, particularly the low income ones.

At the Toronto Meeting of the World Bank and International Monetary Fund, donor countries recognised the crucial role of multi-lateral concessional flows in the development programmes of low income countries, and agreed to provide a reasonable level of commitment authority for the fiscal years 1983 and 1984. It was then hoped that over the four years of IDA-VI (Fiscal years 1981-84) the aggregate commitment authority would slightly exceed the originally stipulated level of \$ 12 billion for the three year period, FY - 1981-83. The stretch out of IDA-VI over a four year period, resulting in smaller annual appropriations was unfortunate but, considering the circumstances, the action of donor countries in preventing a hiatus in IDA's commitment authority was a step forward.

...2

This gain is now threatened by a shortfall in the appropriation made by the United States Congress and the possibility that IDA-VI could be further stretched out into a fifth year. I should like to share with you the serious concern of developing countries over these developments. In the present uncertain international economic environment, low income oil importing countries suffer from severe resource constraints. So every possible effort has to be made to maintain an orderly and adequate flow of concessional funds to such countries.

The Seventh Conference of Heads of State/Government of Non-aligned Countries held in March 1983 in New Delhi called, among other measures, for a substantial increase in the seventh replenishment of IDA. We are concerned at reports that in the current negotiations on the replenishment of IDA-VII, a low level of replenishment is being considered. We are disturbed that far from securing an increase in real terms, even modest proposals to maintain the level of IDA-VI in real terms appear to be encountering resistance in some donor countries.

I need hardly stress the consequences on low income countries of a reduction in concessional flows in the eighties. Their situation is already grave and it cannot but worsen. We are aware of the budgetary and other constraints in several IDA donor countries, but we hope there will be sympathetic understanding of the rapidly deteriorating economic situation of the low income countries. The amounts involved in raising the size of IDA-VII are relatively small, but in terms of improving prospects of low income countries and of generally strengthening the climate for international cooperation, the gains would be substantial.

May I hope that in the forthcoming deliberations at Williamsburg, it would be possible for the leaders of the major industrial countries to focus on these issues? We look to you for a lead in this matter as you have always supported multi-lateral development assistance and could bring your undoubtedly great influence to bear on other major donors to maintain the level of IDA-VI in real terms and raise the size of IDA-VII.

With warm regards,

*Yours sincerely
Kandice Fawcett*

The Rt. Hon'ble Margaret Thatcher
Prime Minister of Britain
London.



gawp

EXCHEQUER
20 APR 1983
ST to deal

10 DOWNING STREET

From the Private Secretary

20 April, 1983

INTERNATIONAL DEVELOPMENT ASSOCIATION,
SPECIAL FUNDING ARRANGEMENTS: PUBLICATION
OF A COMMAND PAPER

Thank you for your letter of 15 April. We have no objection to your publishing as a Command Paper the text of the resolution by the Executive Directors of IDA authorising the arrangements for the special contributions in fiscal year 1984. I note that you propose to publish this paper next week.

I am copying this to David Heyhoe (Lord President's Office), John Kerr (H.M. Treasury), Murdo Maclean (Chief Whip's Office) and Richard Hatfield (Cabinet Office).

W. F. S. RICKETT

John Holmes, Esq.,
Foreign and Commonwealth Office

62

cc PS/Chancellor ~~PS~~ Sir Robert Armstrong . MOST IMMEDIATE / BY HAND

1 cc Minister
2 M. Gresh



Pushkar Johari
Deputy High Commissioner

भारत का हाइ कमीशन
लन्दन

P.H. 11/10
22/4

THE HIGH COMMISSION OF INDIA,

Prop: IDA

DEPARTMENT.

INDIA HOUSE,

ALDWYCH,

LONDON, W.C.2.

TELEPHONE: 01-836 8484 EXT.

TELEGRAMS: HICOMIND, LONDON, W.C.2.

Mr. D.J. Hennell OSA

PS wd. to microfilm for review
1 d/f - to No. 10

No. 10/DHC/83

April 21, 1983

cc PS
AS / Mr. Rassen — Mr. Evans
PS / Mr. Hand — Mr. SAD
PS / PUS — ERD
Mr. Giffard — VHS

My dear Michael

I am enclosing a sealed envelope addressed to The Rt. Hon'ble Mrs. Margaret Thatcher, Prime Minister of the United Kingdom from Shrimati Indira Gandhi, Prime Minister of India with the request that it may kindly be forwarded immediately to its high destination.

with regards.

Yours sincerely,

(Pushkar Johari)

Mr. Michael St. E. Burton,
Head of South Asian Department,
Foreign & Commonwealth Office,
King Charles Street
London SW1

Encl: as above

C
V. predictable And
There will be many
more such calls.



Foreign and Commonwealth Office

London SW1A 2AH

NO.	100
DATE	4 MAY 1983 SENT 4/5
TO	Mr Beestall
	CST, FST, EST
	Mr Little, Mr Howlin
	Mr Lavelle
	Mr Carey

3 May, 1983

Dear John,

I enclose a letter from Mrs Gandhi of 16 April to the Prime Minister about the International Development Association (IDA), together with a draft reply.

India receives a large proportion of its development aid from IDA and the World Bank, and the volume of those flows is determined to a significant extent by the size of the various replenishments of IDA. The level of those replenishments is, in turn, influenced greatly by the contribution of the United States Government, as the major donor, with burden sharing among other donors broadly reflecting their relative shares of the total of their gross national products (although the UK share has traditionally been considerably higher than its relative share of GNP).

The Prime Minister was briefed about the present situation on the replenishment of IDA in connection with the visit on 13 and 14 April of Mr Clausen, President of the World Bank. Broadly Mrs Gandhi's message is the same as Mr Clausen's: the US Administration should be urged to persuade Congress to appropriate its full appropriation of \$900m to IDA 6 as originally negotiated (about \$15-16 billion); and the IDA issues should be discussed between the leaders of the world's greatest industrial nations at the Williamsburg Summit. Recent reports from Washington indicate that both Mr Shultz and Mr Regan have made strong statements to Congressional Committees in support of the US's IDA 6 contributions, although it is not clear whether the issue has been brought to the attention of the President himself.

The UK gained great political credit last year, particularly in Indian eyes, for our forthcoming attitude on releasing our IDA 6 contributions. There would be advantage in maintaining a reasonably sympathetic stance on IDA 7 both at Williamsburg and thereafter at the UNCTAD Conference in Belgrade and at the Commonwealth Heads of Government Meeting. The attitudes of the other major donors, as expressed so far, leave little grounds for any expectation that the ambitions of Mrs Gandhi and Mr Clausen will be realised in practice; this may relieve us from the necessity of being in the van of those urging restraint. The draft reply thereafter attempts to stress that the best result is likely to be achieved by taking account of the realities of the situation and working for the biggest possible IDA 7 within the limits of what donors can afford.

A J Coles Esq
10 Downing Street

(J E Holmes) Private Secretary

DRAFT: minutes/letter/teleletter/despatch/note

TYPE: Draft/Final I+

FROM: Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: Prime Minister of India

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

FCO/
Cabinet Office

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 16 April about the Sixth and Seventh Replenishments of the International Development Association (IDA).

CAVEAT.....

I was pleased to have your assessment of the value of the efforts made during last year by donor countries to prevent a hiatus in IDA's commitment authority in 1984. I share your concern that the continuity of IDA's programme is now once again threatened by the shortfall in the appropriation made by the United States Congress for their fiscal year 1983. The British Government is doing everything possible, in co-operation with our European partners, to encourage the US Administration to press for a supplementary appropriation, in the hope that IDA 7 may still begin on 1 July 1984; I have been much encouraged to see the firm statements made recently by senior members of the Administration to Congress in support of the full appropriation of the US contribution by then.

Enclosures—flag(s).....

I fully share your concern at the plight of low
/income

income countries and understand how important the size of IDA 7 will be in helping to alleviate their problems. But I am sure you will agree that this time the Replenishment must be based on realistic expectations that commitments will be met promptly and in full. We want no repeat of the IDA 6 story.

Any consideration of IDA at Williamsburg will clearly need to focus on these issues. I would expect to see some support for maximising the size at IDA 7 within the limits of what donors can afford, and I would certainly want to take that line myself. I can assure you that we shall do everything within our means to ensure that IDA continues to play its vital role in the development of the poorest countries.



(pwr)

10 DOWNING STREET

EXCHEQUER	
9/56 MAY 1983	
Mr Bestall	
CSI - EST. EST.	
Mr Little. Mr Urwin.	
Mr Lavelle. Mr Carey.	

From the Private Secretary

9/56 May 1983

Dear John,

IDA: Letter from Mrs. Gandhi

Thank you for your letter of 3 May. I enclose a reply from the Prime Minister to Mrs. Gandhi's letter of 16 April. I should be grateful if you would arrange for its despatch.

Yours ever
John G. L.

John Holmes, Esq.,
Foreign and Commonwealth Office.



101 [REDACTED] STREET

THE PRIME MINISTER

FCO/
Cabinet Office

6 May 1983

Dear Prime Minister,

Thank you for your letter of 16 April about the Sixth and Seventh Replenishments of the International Development Association (IDA).

I share your concern that the continuity of IDA's programme is threatened by the shortfall in the appropriation made by the United States Congress for their fiscal year 1983. The British Government is doing everything possible, in co-operation with our European partners, to encourage the US Administration to press for a supplementary appropriation, in the hope that IDA 7 may still begin on 1 July 1984. I have been much encouraged to see the firm statements made recently by senior members of the Administration to Congress in support of the full appropriation of the US contribution by then.

I also fully share your concern at the plight of low income countries and understand how important the size of IDA 7 will be in helping to alleviate their problems. But I am sure you will agree that this time the replenishment must be based on realistic expectations that commitments will be met promptly and in full. We do not want a repeat of the IDA 6 story.

/ Any

Any discussion of IDA at Williamsburg will clearly need to focus on these issues. I would expect to see some support for maximising the size of IDA 7 within the limits of what donors can afford, and I would certainly want to argue for that approach myself. We shall do all we can to ensure that IDA continues to play its vital role in the development of the poorest countries.

Very good wish

Yours sincerely

Manmohan Singh

—

Her Excellency Shrimati Indira Gandhi.



10 DOWNING STREET

RECYCLED	
20 MAY 1983	
NO.	
CLASS.	Mr Bestall 20/5.
DATE	EST. PST. EST.
BY	Mr Little, Mr Lawton
	Mr Lavelle, Mr Carey

20 May 1983

Mr Hall

From the Private Secretary

c
 The Indian High Commissioner
 had been seeking an interview
 with you, no doubt to follow
 his up. But the dates
 suggested were those when
 you were out of London
 MAM
 20/5

I enclose a copy of a letter the Prime Minister has received from Mrs. Gandhi. Mrs. Gandhi sets out some of the concerns of the Non-Aligned Movement which she hopes might be discussed at the Williamsburg Summit. I should be grateful for your advice on Mrs. Gandhi's letter and, if necessary, for a draft reply for the Prime Minister's signature. You will no doubt wish to consider whether this should be despatched before or after the Summit. It would be helpful to have your advice as soon as possible.

I am sending copies of this letter and its enclosure to John Kerr (HM Treasury) and Richard Hatfield (Cabinet Office).

W. F. S. RICKETT

Roger Bone, Esq.,
 Foreign and Commonwealth Office.



PRIME MINISTER
INDIA

New Delhi
May 9, 1983

Dear Prime Minister,

In a few weeks, some leading industrialized countries will meet at Summit level in Williamsburg. You will naturally discuss problems of concern to your countries, but I am sure that issues which form the subject of North-South dialogue will also be considered. I thought I should share with you the concerns of the Non-aligned Movement about the prevailing world economic situation and our ideas of resolving the crisis in mutual cooperation and partnership.

The current crisis affects all countries. It has particularly grave consequences for developing ones. The widening gap between the developed and the developing countries is a source of instability which could pose serious threat to world peace and security. No one now disputes the fact of growing interdependence amongst nations and the need of dialogue and constructive cooperation among them. Recovery in the developed countries depends, to a large extent, on the ability of the developing countries to purchase from them since the developing countries constitute an important segment of the global trade. Similarly, many industries in the developed countries depend on stable supplies of raw

materials and other inputs from the developing countries. Hence the resumption of growth in developing countries is essential not only for promoting recovery in the developed world but also for sustained economic growth in the world as a whole.

Some growth oriented structural reforms in the world economic system are indispensable for the economic health of all nations. The existing international institutions in the financial, monetary and trade fields were established at a time when most of the developing countries were not independent. Even from the point of view of developed countries, these institutions cannot be said to be functioning altogether satisfactorily. For example, they have not been able to find adequate solutions to the problems of debt, liquidity and exchange rates. It would not be realistic to expect private commercial banks to play the role that they did in the 70s in the recycling of surplus liquidity.

The Non-aligned countries believe that such restructuring of international economic relations and strengthening of multilateral economic cooperation on the basis of mutual benefit can be achieved only through comprehensive discussions on international economic cooperation for development. Fresh political impetus can be given to global negotiations in a two phased approach - first taking up those issues on which some degree of agreement is in sight and then the remaining one.

In the meantime, urgent international action in areas of critical importance to developing countries such as money and finance, food, financial flows, trade, raw materials, energy is indispensable. We have proposed a Programme of Immediate Measures to

stimulate the economies of developing countries while reactivating the world economy, suggesting the convening of an International Conference on Money and Finance for Development with universal participation. Our approach is flexible and we look forward to discussing, in a spirit of partnership and cooperation with you and leaders of other developed countries, the scope and modalities of the proposed Conference. This approach has received the broad endorsement of the Group of 77 at its Ministerial Meeting in Buenos Aires last month.

We hope that the concerns I have set out above will receive your personal attention and be carefully considered at the Williamsburg Summit.

With warm regards,

Yours sincerely

Andres Boretti

The Rt. Hon'ble Margaret Thatcher,
Prime Minister of the United Kingdom of
Great Britain and Northern Ireland,
London.

2/9/83

FCS/83/166THE CHANCELLOR OF THE EXCHEQUER

EXCHEQUER	
DATE	2 - SEP 1983
ACTION	Mr CARLEY
COPIES TO	Mr Middelton
	Mr LITTLE - Mr Unwin
	Mr Lavelle
	Mr Beestall
	Mr Bonney

Seventh Replenishment of IDA

1. I have been considering what position we should take on the 7th replenishment of IDA. Negotiations on this have already begun but have made very little progress. It will certainly be discussed at the Commonwealth Finance Ministers Meeting in Trinidad, the annual meetings of the Bank and Fund in Washington, and CHOGM in Delhi.

2. As you know, the pressure on the aid programme is very great and although it has been our aim to increase bilateral aid within the total, exactly the reverse has been happening. Multilateral aid now accounts for about 40% of the aid programme and this is likely to rise to something nearer 50% over the next three years. Our own 'country' programmes have been reduced by no less than one-third in real terms over the past three years to 1982/3 and are likely, on present plans, to fall by a further 18% real by 1986/87.

3. The most serious aspect of this problem is the rate at which our spending through the European Community is rising. This is not the best form of aid expenditure - we do not believe that the European institutions spend the money very well (and far too much of it is food aid) nor does the UK get a good share of procurement from it. What more we can do to restrain the growth of European aid expenditure and to protect our own bilateral programmes from being squeezed out by it are questions which we are considering further.

4. On the other hand, IDA is probably the best form of multilateral aid. The money is well spent. Two-thirds of it goes to the Commonwealth and we shall be under a good deal of pressure from Commonwealth countries - you at the

/meetings



meetings in Trinidad and the Prime Minister and I at the Heads of Government meetings in Delhi - to be positive about the next IDA replenishment. In terms of procurement, the UK gained £90 million in direct exports financed by IDA in the Bank's fiscal year 1982 and when estimated indirect benefits are added, the estimated total of exports generated amounts to some £150 million. This compares with payments in that year of £130 million.

5. As you know, the US Administration has been taking a very negative line on IDA 7 and has recently proposed a contribution of only \$750 million a year and a US share of not more than 25%. This would imply a total replenishment of only \$9 billion, compared with the \$12 billion of IDA 6. No other influential country seems likely to take the lead in favour of more, though it would not be difficult, I suspect, to get a movement going for a replenishment of, say, \$12 billion, although even this would obviously mean a reduction in real terms compared with IDA 6; a Community initiative, ahead of the annual Bank/Fund meetings, could, for example, emerge at the EC Finance Ministers Meeting on 10th and 11th September.

6. But we have been trying to reduce our share in IDA in recent years. It was 10.1% in IDA 6 (very substantially more than our share of the GNP of the donor countries); in the special arrangements negotiated last September to keep IDA 6 going for a fourth year, we got it reduced to 7.6%. We have said we think it should come down further towards our GNP share of 5.6%. In negotiating terms, it would not be realistic for us to take the lead in a movement for a larger replenishment while at the same time trying to get our share reduced further. To adopt a forward position would mean in practice that we would have to be ready to accept a share of 7.6%.



7. As things stand, we do not have the money for this. As one of my bids in the Public Expenditure Survey, I proposed an addition to the aid programme to enable us to support a replenishment of \$14 billion with a 7.6% share. The sums involved in the PES period and the two following years work out as follows:-

	1985/86	1986/87	1987/88	1988/89	£ million
\$12 bn	1	4	10	15	
\$14 bn	3	9	23	31	

I also proposed a larger addition to protect the bilateral country programmes from further real reduction. Of course we have still to discuss these but Peter Rees's initial reaction has understandably been unenthusiastic. Unless extra money is made available even a \$12 billion replenishment at 7.6% would mean a further squeeze on the bilateral country programmes, which we should find it impossible to contemplate.

8. I am driven, somewhat regretfully, to the conclusion that we cannot get out in front on the IDA 7 replenishment. We must recognise that the outcome is likely to be a replenishment less than \$12 billion and perhaps as low as \$9 billion. This is bound to lead to criticism and pressure, including some directed specifically at us; at Delhi as well as in Trinidad and Washington. We can argue that, so far as the UK is concerned, this in itself will mean no loss to the developing countries because we shall spend any money we save in this way through our own country programmes and spend it well, but this will not cut much ice, particularly if those programmes are themselves reduced.

9. This does not give you much of a hand to play at the Trinidad and Washington meetings. The best I can suggest is that you allow the Americans, Germans and others to make the running on this subject but indicate as necessary that we are ready to contribute to a reasonable replenishment of IDA, that



is up to \$12 billion, but that our share must be reduced from 7.6% to something nearer our share in the total GNP of the donor countries (of course, if the final IDA total looks like being only \$9 billion, the arguments for our share staying at 7.6% or something like it will be stronger: 5.6% of \$9 billion would look very negative).

10. I am copying this letter to the Prime Minister and to Cecil Parkinson.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

2 September, 1983

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
Mr Middleton
Mr Littler
Mr Bailey
Mr Unwin *Dr Lavelle*
Mr Carey
Mr Mountfield *Mr Beastall*
Miss Court
Mr Wicks - Washington
Dr Rouse
Mr Hall
Mr Lavelle

Minute to issue?
copy of this in your
ECOFID folder.

JKW

IDA 7

Mr Kerr's minute of 10 August asked for advice on what you might say on IDA7 at the CFM and in Washington. We have been pressing ODA to seek the Foreign Secretary's views on this and his minute to you of 2 September is the result. Negotiations will not be completed until later in the year. You will however be expected to give a broad indication of the UK position.

2. The IDA management are asking for a replenishment of \$16 b over the three years beginning 1 July 1984. IDA 6 was \$12 b. The present US position is that they will not contribute more than \$750m a year to IDA7, which would produce a total of only \$9 b if the US share remains at its traditional 25% - ie if other donors are not prepared to increase their percentage shares.

3. **The UK share in IDA 6 was 10.1%;** and 7.6% in the special FY 84 account set up to compensate for the delay in the US contribution. **If contributions were based on GNP the UK share in IDA 7 should be 5.6%.** The latest Ministerial statement of the UK position was made by Sir Geoffrey Howe as Chancellor to the Development Committee in April, when he said:

"We must strive for an early agreement on a reasonable total for the 7th replenishment, distributed on an equitable basis among the donor countries.... We will only succeed.... if all participants are prepared to discuss a realistic total.... This Committee would do IDA a disservice if we were to raise expectations about IDA 7 which we are subsequently unable to deliver".

4. ODA's baseline in the current PES allows for a 6½% UK contribution to a \$12 b replenishment. However most of the disbursements will fall after the PES period, at a time when our contributions to EC aid will continue to rise (the next European Development Fund replenishment has to be settled this winter as part of the Lome III negotiations). Moreover the Chief Secretary is seeking cuts in the aid programme.

5. On the other hand we agree with the Foreign Secretary's view that IDA is the best form of multilateral aid from the UK point of view. You will undoubtedly come under strong pressure from the developing countries both at the CFM and in Washington to take a forthcoming line. 6½% of \$12 b would mean a total UK contribution of about £520m, compared with £555m for IDA 6; and we judge that this could be accommodated within the aid programme without damaging the Treasury's position on public expenditure either in the PES period or in the longer term, provided that Ministers can accept that the share of multilateral aid in the aid programme will continue to increase. (We believe that they should; a paper on the merits of multilateral versus bilateral aid is being prepared). A \$12 b replenishment, the same nominal amount as IDA6, will not of course be regarded as generous by the LDCs.

6. ODA will be hoping that the pressure on you in Trinidad and Washington will encourage you to concede an addition to the aid programme in PES. The Foreign Secretary has made an additional bid which would allow the UK to contribute 7.6% of \$14 b. This is out of the question in the present public expenditure situation. However, for the reasons in paragraph 5 above, we recommend that you accept the line the Foreign Secretary proposes you should take in paragraph 9 of his minute, namely that we are ready to contribute to a replenishment of up to \$12 b, but that our share must be reduced from 7.6% to something nearer our GNP share.

7. Whether a replenishment of \$12 b will be achieved of course depends entirely on whether the US is prepared to improve on its present position. Although we hope that some other donors will increase their shares a little so as to allow a reduction in the UK

share, there is no possibility of other donors collectively making up a substantial shortfall in the US contribution.

IBRD Selective Capital Increase (SCI)

8. It is convenient to deal at the same time with a related matter not mentioned in the Foreign Secretary's minute. Following the IMF 8th Quota Review the IBRD management have made proposals for a selective capital increase which would reflect the IMF quota increases and allow some increase in the IBRD's level of lending. This would involve a change in the ranking of the G5 in the IBRD. At present the order is (1) USA, (2) UK, (3) Germany, (4) France, (5) Japan. The new order would be (1) USA, (2) Japan, (3) Germany, (4=) UK and France; or alternatively Germany, UK and France all third equal. Sir Geoffrey Howe as Chancellor was ready to accept a reduction in the UK position and at the Development Committee in April he said:-

"It is my view that a selective capital increase based on the relative increases agreed in the IMF quota review would provide a basis for a modest expansion in lending. And I hope that the IBRD management will soon bring forward detailed proposals".

[NB. We got
No 10 agreement to our down-grading -]
2/10

9. The management have put forward options for an SCI ranging from \$3 b to \$20 b. Initial preferences expressed at Executive Director level have varied and covered the whole range. Mr Clausen has hinted that a compromise should be sought at \$8 b. We would favour this because:-

(a) it would allow a ^{modest} increase of ^{about} \$1 b a year, in the IBRD's lending above its present level of about \$12 b, and could thus be presented as a significant step forward; and

(b) it could be done at negligible cost to the UK because all, or nearly all, the UK's shares could be reallocated to others in order to secure the change in ranking.

We would continue to make it a condition of our acceptance of a lower ranking that those who would be improving their ranking - Japan

U

Die Punkte A(1|1), B(2|1), C(2|2) bilden ein Dreieck. Berechne die Fläche.

1.1) Dreieck ABC

Die Punkte A(1|1), B(2|1), C(2|2) bilden ein Dreieck. Berechne die Fläche.

Die Fläche eines Dreiecks kann mit der Formel $S = \frac{1}{2} \cdot \text{Grundlinie} \cdot \text{Höhe}$ berechnet werden.

Wir wählen die Strecke AB als Grundlinie. Die Länge von AB ist $|AB| = \sqrt{(2-1)^2 + (1-1)^2} = 1$.

Die Höhe ist die vertikale Distanz von C zur Geraden AB. Da AB horizontal liegt, ist die Höhe $|y_C - y_A| = |2 - 1| = 1$.

Die Fläche ist $S = \frac{1}{2} \cdot 1 \cdot 1 = \frac{1}{2}$.

Die Punkte A(1|1), B(2|1), C(2|2) bilden ein Dreieck. Berechne die Fläche.

Die Fläche eines Dreiecks kann auch mit der Determinantenformel berechnet werden:

$$S = \frac{1}{2} \begin{vmatrix} x_A & y_A & 1 \\ x_B & y_B & 1 \\ x_C & y_C & 1 \end{vmatrix}$$

Einsetzen der Koordinaten:

$$S = \frac{1}{2} \begin{vmatrix} 1 & 1 & 1 \\ 2 & 1 & 1 \\ 2 & 2 & 1 \end{vmatrix} = \frac{1}{2} (1 \cdot 1 \cdot 1 + 2 \cdot 1 \cdot 1 + 2 \cdot 1 \cdot 1 - 1 \cdot 1 \cdot 2 - 1 \cdot 2 \cdot 2 - 2 \cdot 1 \cdot 1) = \frac{1}{2} (1 + 2 + 2 - 2 - 4 - 2) = \frac{1}{2} (-3) = \frac{3}{2}$$

(Hinweis: Die Determinantenformel liefert das doppelte Flächenmaß.)

Die Punkte A(1|1), B(2|1), C(2|2) bilden ein Dreieck. Berechne die Fläche.

Die Fläche eines Dreiecks kann auch mit der Vektormethode berechnet werden:

Die Vektoren $\vec{AB} = (1|0)$ und $\vec{AC} = (1|1)$ spannen ein Parallelogramm auf. Die Fläche des Dreiecks ist die Hälfte davon:

$$S = \frac{1}{2} |\vec{AB} \wedge \vec{AC}| = \frac{1}{2} |1 \cdot 1 - 0 \cdot 1| = \frac{1}{2} |1| = \frac{1}{2}$$

Die Punkte A(1|1), B(2|1), C(2|2) bilden ein Dreieck. Berechne die Fläche.

Die Fläche eines Dreiecks kann auch mit der Heronschen Formel berechnet werden:

Die Seitenlängen sind $|AB| = 1$, $|BC| = 1$ und $|AC| = \sqrt{2}$.

Der Halbumfang ist $s = \frac{1+1+\sqrt{2}}{2} = \frac{2+\sqrt{2}}{2}$.

Die Fläche ist $S = \sqrt{s(s-a)(s-b)(s-c)} = \sqrt{\frac{2+\sqrt{2}}{2} \cdot \frac{2+\sqrt{2}}{2} - 1 \cdot \frac{2+\sqrt{2}}{2} - 1 \cdot \frac{2+\sqrt{2}}{2} - \frac{2+\sqrt{2}}{2} \cdot \frac{\sqrt{2}}{2}}$

Die Punkte A(1|1), B(2|1), C(2|2) bilden ein Dreieck. Berechne die Fläche.

Die Fläche eines Dreiecks kann auch mit der Gaußsche Formel berechnet werden:

$$S = \frac{1}{2} (x_A(y_B - y_C) + x_B(y_C - y_A) + x_C(y_A - y_B))$$

Einsetzen der Koordinaten:

$$S = \frac{1}{2} (1(1 - 2) + 2(2 - 1) + 2(1 - 1)) = \frac{1}{2} (-1 + 2 + 0) = \frac{1}{2}$$

and France - must make a suitably large contribution to IDA 7.

10. We recommend therefore that at the CFM and in Washington you should say that you hope that an SCI of \$8 b can be agreed as part of an acceptable package. This should be regarded as a reasonably positive statement by the LDCs and might make your stance on IDA 7 less uncomfortable.

11. I attach a draft reply to the Foreign Secretary which clears this SCI point with him in addition to accepting the line he proposes on IDA 7. Since the correspondence is copied to the Prime Minister this is a convenient opportunity of informing her of the proposed change in the UK ranking in the IBRD.

12. We understand that IDA7 may be raised at the meeting of EC Finance Ministers this weekend. If so, you may like to take the line at the end of paragraph 6 above.


(J S BEASTALL)

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Handwritten paragraph of text, starting with a capital letter.

Handwritten paragraph of text, continuing the narrative or list.

Handwritten paragraph of text, possibly a concluding sentence.

Handwritten text at the bottom of the page, possibly a signature or date.

M-type
4/9 ✓DRAFT ~~LETTER~~ MINUTE

Foreign and Commonwealth Secretary

cc Prime Minister
Secretary of State
for Trade and
IndustryIDA
L SEVENTH REPLENISHMENT OF IDA
C.C.

Thank you for your minute of 2 September about the

2. I agree that ^{at the CFM and IBRD meetings (and if the issue comes up} ~~in Trinidad and Washington~~ (and if necessary at the EC Finance Ministers' Meeting this weekend) I should say that we are ready to contribute to an IDA 7 of up to \$12 billion, but that our share must be reduced from 7.6% to something closer to our GNP share.

3. However, I think it ^{would} ~~will~~ make our position seem a little more positive if I also say that ^{we} ~~I~~ hope a selective capital increase for the IBRD of about \$8 billion can be agreed as part of an acceptable package. You will recall that in your speech to the Development Committee in April you ~~expressed~~ ^{said} ~~the view~~ that a selective capital increase based on the relative increases agreed in the IMF quota review ^{would} provide a basis for a modest expansion in lending. As you know, this will mean that we move down from second place in the IBRD either to third place (after Japan and equal with Germany and France) or to fourth (after Japan and Germany and equal with France). Like you, I see no difficulty in this and we will of course continue to make it conditional on a suitably large contribution to IDA 7 from those who move up. (The \$8 billion selective capital increase would be on the basis that

CONFIDENTIAL

the cost to the UK would be negligible because all, or nearly all, the ^{our}~~UK's~~ shares would be reallocated to secure the changes in ranking.) I would be grateful if you would confirm you have no objection to this.

4. I am copying this ^{minute}~~letter~~ to the Prime Minister and ~~to~~ to Cecil Parkinson.

N.L.

CONFIDENTIAL



PP

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

FOREIGN SECRETARY

IDA

CST
Mr Middleton
Mr Litter
Mr Bailey
Mr Unwin
Mr Lavelle
Mr Carey
Mr Mountfield
Mr Beastall
Miss Court
Dr Rouse
Mr Hall
Mr Wicks
[Washington]

Thank you for your minute of 2 September about the IDA seventh replenishment.

2. I agree that at the CFM and IBRD meetings (and if the issue comes up at the EC Finance Ministers' Meeting this weekend) I should say that we are ready to contribute to an IDA 7 of up to \$12 billion, but that our share must be reduced from 7.6 per cent to something closer to our GNP share.

3. However, I think it would make our position seem a little more positive if I were also to say that we hope that a Selective Capital Increase for the IBRD of about \$8 billion can be agreed as part of an acceptable package. You will recall that in your speech to the Development Committee in April you spoke of a Selective Capital Increase based on the relative increases agreed in the IMF quota review, and pointed out that this could provide a basis for a modest expansion in lending. As you know, such an Increase would mean that we move down from second place in the IBRD either to third place (after Japan and equal with Germany and France) or to fourth (after Japan and Germany and equal with France). Like you, I see no difficulty in this, and we would of course continue to make it conditional on a suitably large contribution to IDA 7 by those who move up.

4. Our suggestion of an \$8 billion selective capital increase would be on the basis that the cost to the UK would be negligible because all, or nearly all, our shares would be reallocated to secure the changes in ranking. I should be grateful if you would confirm you have no objection to my putting it forward.

5. I am copying this minute to the Prime Minister and to Cecil Parkinson.

J. Kew

PP.

(N.L.)

(Approved by the Chancellor)

9 September 1983

OFFICE OF THE COMMONWEALTH SECRETARY-GENERAL
ALBOROUGH HOUSE · PALL MALL · LONDON SW1Y 5HX

This can't be done

Melbourne *to Larry* *Beard*

14 September 1983

Jen

My dear Chancellor.

I am looking forward to seeing you next week in Port-of-Spain. As Sir Peter Marshall discussed with Mr Littler on Monday 12 September, I wish to extend an invitation to you to be one of the two lead speakers on the World Bank issues (speaking for about 15 minutes). You would know that there is special concern about developments concerning IDA replenishment at the Bank and among many countries - donors and recipients - and about the Bank's lending capacity. Your Commonwealth colleagues would, I am sure, be looking forward to your participation in the discussions and in particular on World Bank issues on which the UK has played such a positive leadership role in the past.

As in previous years, Ministerial discussions on the general economic situation will be divided into three separate topics, namely, World Economic Situation, IMF Issues and World Bank Issues. Background papers on these three subjects have been despatched to Ministers. In addition, Ministers will have before them the Commonwealth Study Group's Report, "Towards a New Bretton Woods", which devoted considerable attention to Development Finance.

I would be delighted to hear that you are willing to accept.



Shridath S Ramphal

The Rt Hon Nigel Lawson, MP
Chancellor of the Exchequer
11 Downing Street
London S W 1



FCS/83/177

CHANCELLOR OF THE EXCHEQUER

(P)

EXCHEQUER	
19 SEP 83	
TO	Mr Beattall
TO	Mr Linder.
TO	Mr Bailey. Mr Lawson.
TO	Mr Lavelle. Mr Grey.
TO	Mr Mountfield.
TO	Mr Hall. Mrs Court.

IDA and the World Bank Selective Capital Increase

Dr Rouse.
in Wicks.
Washington!

1. Thank you for your minute of 9 September.
2. I do see that there would be advantages in supporting a selective capital increase for the IBRD of \$8 billion if that can be agreed as part of an acceptable package. It is important, as you recognise, that the decision on the SCI should be linked to satisfactory decisions about the French and Japanese shares in IDA 7. There is a public expenditure implication: the cost would be about £3.75 million (although this could probably be paid over a period of 5 years). This is not a large sum, but we have no provision for it and with all the pressures on the aid programme, it can only add to our difficulties. However, I can see that you would find it helpful in Trinidad and Washington to support a SCI of \$8 billion as part of an acceptable package, and so should not wish to stand in your way.
3. I am copying this minute to the Prime Minister and to Cecil Parkinson.

(GEOFFREY HOWE)

Foreign and Commonwealth Office
19 September, 1983





DEPARTMENT OF TRADE AND INDUSTRY
 1-19 VICTORIA STREET
 LONDON SW1H 0ET
 TELEPHONE DIRECT LINE 01-215 5422
 SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

19 September 1983

The Rt Hon Sir Geoffrey Howe QC MP
 Foreign and Commonwealth Secretary
 Foreign and Commonwealth Office
 Downing Street
 London SW1

Dear Geoffrey,

SEVENTH REPLACEMENT OF IDA

Thank you for copying to me your minute of 2 September to Nigel Lawson. I have noted what you say about the negotiating position now facing us on the seventh IDA replenishment and I strongly support the line that you propose we take.

My concern is principally that the bilateral programmes and the Aid and Trade Provision (ATP) should not be crowded out or reduced as a result of our multilateral commitments. I share entirely your criticism of the European Community aid expenditure; we will need to ensure that in the forthcoming Lome negotiations we seek to restrict our commitments as far as possible and I would welcome an early consideration of the financial implications of the negotiating tactics open to us.

I recognise that of the multilateral institutions IDA is probably among the most effective. And I note too your estimate of likely indirect and direct exports generated by our IDA contribution. These are interesting statistics that my officials will want to look at in more detail. But the fact remains that in terms of additionality - that is business gained which would not have been won if the UK funds had not been there - it is still better to spend on our bilateral programme, and particularly on the ATP, than on multilateral programmes. A marginal increase in our multilateral contribution does not necessarily produce an extra return to industry in this country; such an increase if applied to the ATP certainly would benefit our firms, and on around a four to one basis.

I agree that further cuts to your bilateral country programmes (and, I would add, to the ATP) cannot be considered. And in the circumstances, I think that it is entirely right that we should lower our horizons on the contribution that we will make to the IDA replenishment, and, if necessary, on the role that we might

CHEQUER	
19 SEP 1983	
ACTION	<i>To Beartall</i>
COPIES TO	<i>est. To Hittler</i>
	<i>To Bailey, To Unwin</i>
	<i>To Lwelle, To Carey</i>
	<i>To Mountfield, To Hall</i>
	<i>Miss Gault, Dr Rouse,</i>
	<i>Mr Wicks (Washington)</i>



play in the replenishment negotiations.

I am copying this letter to the Prime Minister and to Nigel Lawson.

Yours Ever,
A. Blair



(M)

Foreign and Commonwealth Office

London SW1A 2AH

23 September 1983

EXCHEQUER
 23 SEP 1983 ✓
 ACTION ✓
 Mr Lister.
 Mr Urwin. Mr Bailey.
 Mr Lavelle. Mr Corey.
 Mr Beestall. Mr Mounfield.
 Mr Hall. Miss. Court. Dr. Rouse.

Dear Sirs,

International Development Association

I submit a draft reply to the enclosed copy of a letter to the Prime Minister from Lt General Ershad.

The background to the negotiations on the Seventh Replenishment of IDA is contained in the Foreign and Commonwealth Secretary's minute of 2 September to the Chancellor of the Exchequer, copied to the Prime Minister.

We shall forward the signed copy of the Prime Minister's letter by Bag, if you agree.

I am copying this to John Kerr (Treasury).

Yours ever
John Holmes

J E Holmes
Private Secretary

M C Scholar Esq
10 Downing Street

DRAFT LETTER FOR SIGNATURE BY THE PRIME MINISTER

To: His Excellency Lt General H M Ershad ndc, psc
President of the Council of Ministers of Bangladesh

Thank you for your letter about the funding of the International Development Association.

I agree with you that it is important to maintain concessional flows to the world's poorest countries. As you will know, our own bilateral aid programme is second to none in directing assistance to the poorest. About two-thirds of our funds go to them, almost all in the form of grants.

At Williamsburg, we re-affirmed the need to implement commitments to the multilateral aid agencies. The United States Government are now on course to complete their contribution to the Sixth Replenishment of IDA during its fiscal year 1984. All other donors, including the UK, are providing additional resources to alleviate the shortfall in IDA's commitment authority in that year.

All countries participating in the next Replenishment (IDA 7) have accepted that it must command full international support, with contributions based on the principle of fair burden-sharing among donors. But I should not disguise from you our view that the World Bank President's target of \$16 billion is likely to prove unrealistically high in the context of the current budgetary problems of those many donors, including the United Kingdom, which feel obliged to exercise strict control over public expenditure as part of their measures to deal with their own economic problems.

Whilst I cannot predict the eventual outcome of the negotiations, I assure you that Britain stands ready to support the next

/Replenishment

RESTRICTED

Replenishment within the limits of what donors can afford; but our percentage share will have to be more in line with our relative economic strength among donors, and therefore much less than the 10.1% which we contributed to IDA 6. Our aim is to put the next Replenishment in place by July 1984, however, and we share your expectation that it will cover the usual three-year period.

I look forward to meeting you again soon at the Commonwealth Heads of Government Meeting in Delhi.



Foreign and Commonwealth Office

London SW1A 2AH

4 October, 1983

(p4)

Dear Andrew,

International Development Association

I submit a draft reply to the enclosed letter (in original) to the Prime Minister from President Betancur in Colombia.

The background to the negotiations on the Seventh Replenishment of IDA is contained in the Foreign and Commonwealth Secretary's minute of 2 September to the Chancellor of the Exchequer, copied to the Prime Minister. Negotiations on IDA 7 were held in Washington late last month at the time of the IMF/IBRD Annual Meetings, but they proved inconclusive. Further discussions among donor countries are due to take place in Paris between 21-23 November.

We shall forward the signed copy of the Prime Minister's letter by Bag, if you agree.

I am copying this to John Kerr (Chancellor of the Exchequer's Office).

Yours ever
J E Holmes

(J E Holmes)
Private Secretary

A Turnbull Esq
10 Downing Street

EXCHEQUER	
- 4 OCT 1983	
ACTION	EST. Mr Litter
COPIES TO	Mr Unwin
	Mr Bailey
	Mr Lavelle
	Mr Carey

Mr Beasly
Mr Mounfield
Mr Hall
Miss Count - Dr Rouse.

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/ Final 14

FROM: prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: His Excellency Dr Belisario Betancur
President of the Republic of Colombia

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

FCO/
Cabinet Office

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter about the current problems of the International Development Association.

CAVEAT.....

Britain has always been one of IDA's strong supporters and I share your concern over the likely size of the next Replenishment (IDA 7). Unfortunately, however, this further funding of the Association is being negotiated at a time when public expenditure constraints are necessary in many donor countries, including the United Kingdom, as part of the measures needed to strengthen their own economies. Because of this, the World Bank's target of \$16 billion for IDA 7 does not command full international support among donor countries, and I fear that it will prove unattainable. As you know, contributions to IDA have always been based on the principle of fair burden-sharing; donors wish strongly to adhere to this, and not to use their limited resources to make good any shortfall in the contributions of others.

Whilst I cannot predict the eventual outcome of the IDA 7 negotiations, I assure you that the United Kingdom stands ready to support the next Replenishment within the limits of what donors collectively can afford; but

Enclosures—flag(s).....

our percentage share will have to be more nearly in line with our relative economic strength among donors, and therefore much less than the 10.1% which we contributed to IDA 6.

We do, of course, have a substantial bilateral aid programme, with its concentration on assistance to the poorest countries; and we shall also continue to play our part in the various European Community programmes to help developing countries.

República de Colombia
Presidencia

Bogotá, Septiembre 19 de 1983

Señora Primer Ministro:

Con mi más atento saludo, permítame hacerle algunos comentarios en relación con la actual situación que atraviesa la Asociación Internacional de Fomento (AIF) ("International Development Association", IDA).

Como consecuencia de la recesión mundial, los precios de los artículos primarios provenientes del mundo en desarrollo, han alcanzado los niveles más bajos de los últimos treinta años, y esto ha afectado especialmente a los países más pobres: estos, que son los principales receptores de la AIF, utilizan esos fondos para financiar proyectos de desarrollo como parte de su lucha contra la pobreza.

Por tal razón se han elevado las necesidades financieras de la AIF; por lo cual la administración del Grupo del Banco Mundial está buscando la séptima reposición de recursos por una suma de US\$16 mil millones. De otra parte, China, como miembro del Banco Mundial, cumple los requisitos para obtener préstamos de la AIF y aunque esto redunda en nuevas oportunidades para el comercio internacional, plantea también una mayor demanda hacia los recursos escasos de la Asociación.

Comprendo las limitaciones financieras de los estados en virtud de las actuales políticas administrativas; comprendo las presiones ejercidas sobre el presupuesto de Gran Bretaña y el hecho de que las naciones industrializadas han tenido que pasar también por un período de penuria

Su Excelencia
MARGARET THATCHER
Primer Ministro de Gran Bretaña
Londres



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económica; y soy consciente de que el pueblo Británico ha estado dispuesto a cooperar cuando quiera que han surgido situaciones aflictivas en el mundo.

El apoyo al crecimiento de los países más pobres que significa la AIF, podría correr peligro si no se asignan a tiempo los recursos adecuados para recuperar la economía de dichos países.

Colombia ha recibido digna y oportuna ayuda de la Asociación para su desarrollo; por ello, considera pertinente, dirigirse a los gobiernos donantes, haciendo suya la voz de los dos mil millones de personas más pobres del mundo, que atraviesan una situación desesperada, para solicitar su cooperación a fin de que la AIF continúe contribuyendo al desarrollo a través de su ayuda económica: es ahora imperativo que las economías más sólidas agoten esfuerzos tendientes a evitar consecuencias políticas y económicas impredecibles, que podrían derrumbar el ya frágil andamiaje del mundo.

Dada la situación que contempla la AIF, me he permitido hacer el mismo llamado a sus colegas de Canadá, Alemania Federal y los Estados Unidos de América, y de otros países industrializados, para que, junto con Gran Bretaña, brinden su decisivo apoyo a la AIF.

Reciba, señora Primer Ministro, el testimonio de mi más alta consideración.

BELISARIO BETANCUR
Presidente de Colombia

GRS 200

UNCLASSIFIED
FM BOGOTA 231530Z SEP 83
TO IMMEDIATE FCC
TELEGRAM NUMBER 189 OF 23 SEPTEMBER

RECEIVED IN REGISTRY No. 18		
26 SEP 1983		

LETTER FROM PRESIDENT BETANCUR TO THE PRIME MINISTER

1. WE HAVE JUST RECEIVED A LETTER FROM THE PRESIDENT ADDRESSED TO THE PRIME MINISTER FOR ONWARD TRANSMISSION TO HER. FOLLOWING IS UNOFFICIAL TRANSLATION: -

BEGINS

WITH MY BEST WISHES, PLEASE LET ME MAKE SOME OBSERVATIONS ABOUT THE CURRENT SITUATION AFFECTING THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA).

AS A CONSEQUENCE OF THE WORLD RECESSION, THE PRICES OF PRIMARY PRODUCTS ORIGINATING IN THE DEVELOPING WORLD HAVE REACHED THEIR LOWEST LEVELS OF THE LAST THIRTY YEARS. THIS HAS PARTICULARLY AFFECTED THE POORER COUNTRIES. THESE, WHO ARE THE MAIN RECIPIENTS OF IDA FUNDS, USE SUCH FUNDS TO FINANCE DEVELOPMENT PROJECTS AS PART OF THEIR STRUGGLE AGAINST POVERTY.

FOR THIS REASON THE FINANCIAL REQUIREMENTS OF THE IDA HAVE INCREASED: AS A RESULT THE ADMINISTRATION OF THE WORLD BANK IS SEEKING A SEVENTH REPLENISHMENT OF RESOURCES AMOUNTING TO US DOLLARS 16000 MILLION. ON THE OTHER HAND, CHINA AS A MEMBER OF THE WORLD BANK, MEETS THE REQUIREMENTS TO OBTAIN LOANS FROM THE IDA, AND ALTHOUGH THIS WILL BE OF ADVANTAGE IN CREATING NEW OPPORTUNITIES FOR INTERNATIONAL TRADE, IT WILL ALSO BRING ABOUT AN INCREASED DEMAND FOR THE LIMITED RESOURCES AVAILABLE TO THE ASSOCIATION.

I REALISE THE FINANCIAL LIMITATIONS IMPOSED ON STATES BY VIRTUE OF THE PRESENT ADMINISTRATIVE POLICIES; I UNDERSTAND THE PRESSURES EXERTED UPON THE BUDGET OF GREAT BRITAIN AND THE FACT THAT THE INDUSTRIALISED NATIONS HAVE ALSO HAD TO GO THROUGH A PERIOD OF ECONOMIC STRIGENCY AND I AM CONSCIOUS THAT THE BRITISH PEOPLE HAVE FELT DISPOSED TO COOPERATE WHENEVER DISTRESSING SITUATIONS HAVE OCCURRED IN THE WORLD.

THE SUPPORT TO THE GROWTH OF THE POOREST COUNTRIES THAT THE IDA REPRESENTS MIGHT BE IN DANGER IF ADEQUATE SUPPORT IS NOT FORTHCOMING IN GOOD TIME TO RESTORE THE ECONOMIES OF SUCH COUNTRIES.

COLOMBIA HAS RECEIVED APPROPRIATE AND TIMELY ASSISTANCE FROM THE ASSOCIATION FOR HER DEVELOPMENT; SHE THEREFORE FEELS IT APPROPRIATE TO ADDRESS HERSELF TO THE DONATING GOVERNMENTS, MAKING HER VOICE THAT OF THE TWO THOUSAND MILLION POOREST PEOPLE OF THE WORLD, WHO ARE IN A DESPERATE SITUATION, TO REQUEST THE DONATING COUNTRIES COOPERATION SO THAT IDA MAY CONTINUE ITS CONTRIBUTION TO DEVELOPMENT THROUGH ITS FINANCIAL ASSISTANCE. IT IS NOW IMPERATIVE THAT THE STRONGEST ECONOMIES DO THEIR UTMOST TO PREVENT UNPREDICTABLE POLITICAL AND ECONOMIC CONSEQUENCES WHICH MIGHT BRING DOWN THE ALREADY SHAKY FRAMEWORK OF THE WORLD.

/ IN VIEW

IN VIEW OF THE SITUATION WHICH CONFRONTS THE IDA, I HAVE TAKEN THE LIBERTY TO MAKE THE SAME REQUEST OF YOUR COLLEAGUES IN CANADA, THE FEDERAL REPUBLIC OF GERMANY, AND THE UNITED STATES OF AMERICA AS WELL AS OTHER INDUSTRIALISED COUNTRIES, SO THAT, ALONG WITH GREAT BRITAIN THEY MAY OFFER THEIR DECISIVE SUPPORT TO THE IDA.

VERY RESPECTFULLY

BELISARIO BETANCUR
PRESIDENT OF COLOMBIA

ENDS

2. SIGNED ORIGINAL FOLLOWS BY BAG.

ROBSON

LIMITED

S&M D

APD

NEWS D

PS

PS/LADY YOUNG

PS/MR WHITNEY

PS/MR ROBSON

PS/PUS

MR GIFFARD

MR URE

MR AINSCOW

THIS TELEGRAM
WAS NOT
ADVANCED



Foreign and Commonwealth Office

London SW1A 2AH

CHEQUER
12 OCT 1983

REC	
ACTION	CSI. Mr Little.
COMES TO	Mr Unwin. Mr Bailey. Mr Lavelle. Mr Carey. Mr Beestak. Mr Mountfield.

(P)

12 October 1983

Mr Hall. Miss Court. Dr. House.

Dear Sir,

International Development Association

I enclose a draft reply to the enclosed copy of a letter to the Prime Minister from President Zia of Pakistan.

You are aware of the background from previous letters on the same subject. Negotiations on IDA 7 were held in Washington last month at the time of the IMF/IBRD Annual Meetings, but they proved inconclusive. Further discussions among donor countries are due to take place in Paris between 21-23 November.

We shall forward the signed copy of the Prime Minister's letter by bag, if you agree.

I am copying this to John Kerr (Chancellor's Office).

Yours ever

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

DRAFT LETTER FOR SIGNATURE BY THE PRIME MINISTER

Fco/
Cabinet office

To: His Excellency General M Zia-ul-Haq
President of the Islamic Republic of Pakistan

Thank you for your letter regarding further funding of the International Development Association.

We are in no doubt about the importance developing countries attach to the Association's resources as a means of promoting their economic and social development. Britain is a strong supporter of IDA, and the likely size of the next Replenishment (IDA 7) is therefore of some concern to us.

Unfortunately, the negotiations on IDA 7 are taking place at a time when public expenditure constraints are operating in many donor countries, including the United Kingdom, as part of the measures needed to strengthen their own economies. Because of this, the World Bank's target of \$16 billion does not command full international support among donor countries, and we fear that such a level will be unattainable. Donor countries will also want to adhere to the principle of fair burden-sharing, and not use their limited resources to make good any shortfall in the contributions of others.

Whilst we cannot predict the eventual outcome of the IDA 7 negotiations, I can assure you that the United Kingdom stands ready to support the next Replenishment within the limits of what donors collectively can afford. The UK's contribution will have to be more in line with our relative economic strength among donors; this means much less than the 10.1% level which we contributed to IDA 6, and now acknowledged by other donors as being very high.

/We

We do, of course, have a substantial bilateral aid programme, with its concentration on assistance to the poorest countries; and we shall also continue to play our part in the various European Community programmes to help developing countries.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



THE ISLAMIC REPUBLIC OF PAKISTAN

General M. Zia-ul-Haq

ISLAMABAD

13 Zilhaj 1403 AH
21 September 1983

Her Excellency
The Rt. Hon. Mrs. Margaret Thatcher, M.P.,
Prime Minister of the United Kingdom,
London

Dear Madam Prime Minister,

Your Excellency will recall that in early 1982, I had addressed a letter to you expressing my deep concern at the decision of the United States to reduce its contribution to IDA VI and proposed various specific steps to maintain and increase the flow of IDA resources to developing countries. I was particularly gratified at your positive response to this suggestion, which was instrumental in containing a situation which could have created a major crisis in multilateral economic cooperation.

Your constructive and bold action and your demonstrated support for IDA encourages me to write to you again to underline the great importance that Pakistan and the developing world attach to the Seventh Replenishment of International Development Association (IDA) at levels higher than previous replenishments. I do not have to stress that IDA represents a very positive and fruitful achievement in international economic cooperation. It is a vital investment in the economic development of the Third World and in international peace itself.

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IDA has contributed in important social and economic sectors affecting the poorest people in the developing countries. It has compiled an impressive record of working effectively towards alleviating the problems of poverty and under-development during the last two decades. It is, therefore, absolutely essential that the VIIth Replenishment of IDA is agreed at levels higher in real terms than those agreed for IDA VI. IDA VIIth replenishment to the order of 16 billion dollars for a three-year period starting from 1 July 1984, would, according to available estimates, be the absolute minimum which is needed to meet the requirements of the developing countries for concessional flow of assistance from this organization.

We are, therefore, greatly concerned to learn that the United States is planning to limit its contribution to IDA VII to the reduced level of \$750 million per year and is also considering a reduction in its contribution in percentage terms which would bring the overall target for IDA VII down to \$9 billion only, as against the commitment of \$12 billion for IDA VI. We are also given to understand that some other major donors may be considering a reduction in their shares for IDA VII as well in line with the reduction in the U.S. contribution. We strongly believe that any such reduction, or even the maintenance of previous levels of commitment, for the next replenishment period would in effect mean a major loss in real terms of the resources available to IDA.

I am aware that the contribution of Your Excellency's Government to IDA has been generous in the past and I am confident that a similarly positive approach to IDA replenishment will continue to mark your policies. I am writing, therefore to

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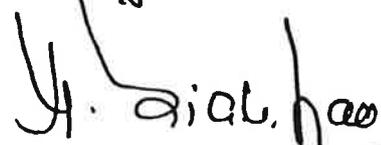
- 3 -

urge you to give your personal attention to this matter and as an expression of your commitment and support to IDA, and a continuation of your enlightened economic policies, ensure an effective and adequate level of replenishment for IDA VII.

The timely replenishment of IDA VII is an investment in the future of millions of people in many developing countries, and would constitute a positive contribution to the world development and peace. Your continuing support would strengthen the ability of the World Bank system to address itself to the basic needs of the people of the developing world.

With profound regards,

Yours sincerely,



General
(M. Zia-ul-Haq)

