PREM 19/859

MT

PART 2

Confidential Filing

Policy Review. The 1979-80 Aid Programme. UK contribution to the International Development Association. (IDA) Aid Framework 1981-82 to 1983-84

OVERSEAS AID

Part 1: June 79

Part 2: March 80

PREM 19/859

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~25.3.80~~		~~13.4.81~~					
~~26.3.80~~		~~27-5-81~~					
~~11.6.80~~		~~2.6.81~~					
~~23.7.80~~		~~3.7.81~~					
~~31-7-80~~		~~6.7.81~~					
~~6.8.80~~		~~28.7.81~~					
11.8.80		~~19-1-82.~~					
~~8-9-80~~		~~22.1.82~~					
~~16-9-80~~		~~27-1-82~~					
~~19.9.80~~		~~12.2.82~~					
~~23.9.80~~		~~3.3.82~~					
~~2-10-80.~~		~~29.3.82~~					
~~13.10.80~~		31.3.82					
~~7-11-80~~		← Pt 2 ends →					
~~19.11.80~~							
~~21-11-80~~							
~~1.12.80~~							
~~3.2.81~~							
~~9.2.81~~							
~~16.2.81~~							
~~2.3.81~~							

PART 2 ends:-

Delhi to FCO tel 363 31.3.82

PART 3 begins:-

President Zambia to PM 2.4.82 TS 8/82

~~AJC to FCO 5.4.82.~~

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC (80) 23rd Concs Min 1	11.6.80
Ex (82) 2	19.1.82
Ex (82) 3	22.1.82
Ex (82) 1st Mtg Min 2	25.1.82

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed P Wayland Date 1 November 2012

PREM Records Team

Prime Minister

The Indian announcement about the power station (para. 4).

MO A.J.C. 21/3

GRS 400
UNCLASSIFIED
FM DELHI 310955Z MAR 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 363 OF 31 VARCH.
AND TO IMMEDIATE DOT (FOR PEP), ODA.

MIPT: MRS GANDHI: VISIT TO LONDON

1. FOLLOWING IS TEXT OF MUKHERJEE'S STATEMENT:-

THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) IS A SOFT-LOAN AFFILIATE OF THE WORLD BANK. ITS PROGRAMME IS OF GREAT SIGNIFICANCE TO LOW-INCOME DEVELOPING COUNTRIES, ESPECIALLY IN ASIA AND AFRICA. ITS 6TH REPLENISHMENT HAS BEEN IN SERIOUS TROUBLE. THE UNITED STATES HAS DECLINED TO CONTRIBUTE ACCORDING TO THE AGREED SCHEDULE AND CONSEQUENTLY OTHER IMPORTANT DONORS HAVE REDUCED THEIR CONTRIBUTIONS IN PROPORTION TO THOSE OF THE UNITED STATES.

2. REPRESENTATIVES OF DEVELOPING COUNTRIES WHICH PARTICIPATED IN THE RECENT NEW DELHI CONSULTATIONS HAD EXPRESSED GRAVE CONCERN AT THESE DEVELOPMENTS AND HAD EMPHASISED THE NEED FOR HIGH-LEVEL POLITICAL INITIATIVES TO RESOLVE THIS PROBLEM. IN PURSUANCE OF THIS, THE PRIME MINISTER, DURING HER RECENT VISIT TO LONDON, SPOKE OF THIS MATTER TO THE BRITISH PRIME MINISTER AND URGED THAT NON-US DONORS TO IDA VI SHOULD WAIVE THE CONDITION REGARDING PRO-RATA CONTRIBUTIONS SO AS TO AVERT A DISRUPTION OF THE IDA PROGRAMME. IT IS A MATTER OF SATISFACTION THAT CONSIDERING THE IMPORTANCE OF IDA TO LOW-INCOME DEVELOPING COUNTRIES, MANY OF WHICH ARE MEMBERS OF THE COMMONWEALTH, THE GOVERNMENT OF THE UNITED KINGDOM HAS AGREED TO CONTRIBUTE ITS FULL SHARE TO IDA VI AND ALSO TO COOPERATE WITH INDIA IN PERSUADING OHTER DONORS TO DO LIKEWISE. THIS IS AN IMPORTANT DEVELOPMENT AFTER CANCUN AND SHOWS HOW CONTINUING DIALOGUE BETWEEN LEADERS OF THE NORTH AND SOUTH CAN PROMOTE THE CAUSE OF INTERNATIONAL COOPERATION EVEN IN THESE DIFFICULT TIMES.

3. INDIA AND THE UNITED KINGDOM HAVE FOR LONG BEEN COOPERATING IN THE AREAS OF TRADE, INDUSTRY, COMMERCE, SCIENCE AND CULTURE. BRITAIN HAS ALSO BEEN PROVIDING VALUABLE ASSISTANCE TO INDIA FOR DEVELOPMENT PROGRAMMES. PRIME MINISTER'S DISCUSSIONS IN LONDON SHOULD RESULT IN EXPANDING THESE RELATIONS STILL FURTHER.

4. CONSIDERING THE IMPORTANCE WHICH WE ATTACH TO INCREASING POWER GENERATION CAPACITY, SOME TIME AGO SEVERAL FOREIGN PARTIES HAD MADE PROPOSALS FOR THE ESTABLISHMENT OF A THERMAL POWER STATION AND FOR THE DEVELOPMENT OF AN ASSOCIATED COAL MINE. OF THESE PROPOSALS, THE ONE MADE BY A BRITISH CONSORTIUM WITH THE SUPPORT

/OF

OF THE GOVERNMENT OF THE U.K. FOR A 1000 MW POWER STATION WAS CONSIDERED TO BE THE MOST ATTRACTIVE, ESPECIALLY IN VIEW OF THE FINANCING PACKAGE ATTACHED TO IT. AS A RESULT OF DISCUSSIONS IN LONDON, THIS FINANCING PACKAGE HAS BEEN IMPROVED FURTHER. ACCORDINGLY, WE NOW PROPOSE TO ENTER INTO SERIOUS NEGOTIATIONS WITH A BRITISH CONSORTIUM FOR THE EARLY SETTING UP OF A POWER STATION AT SINGRAULI AND DEVELOPMENT OF THE ASSOCIATED COAL MINE, WITH A VIEW TO MEETING THE ACUTE POWER SHORTAGE IN THE NORTHERN REGION.

BEETHAM

LIMITED
SAD
NEWS D
ERD
TRED
PS
PS/LRS
PS/MR HURD
PS/PUS
LORD BRIDGES
MR DONAHD
MR GIFFARD

COPIES TO:
MS M. NEVILLE-ROLFE, PEP, D.O.T.
MR. C.R.O. JONES, SAD, ODA.

COPIES SENT TO
No. 10 DOWNING STREET

MR A J COLES

A. J. C. 20/3

h.a.

with compliments

SIR PETER PRESTON KCB
Permanent Secretary

OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE, STAG PLACE,
LONDON SW1E 5DH

Telephone 01-213: 4819/4841
or Switchboard 01-213: 3000

Overseas Aid

29 March 1982

Sir Kenneth Couzens KCB
HM Treasury
Parliament Street
LONDON SW1

IDA 6

an India UK/India Rels pt 2

You are no doubt aware that the Prime Minister was convinced last week by Mrs Gandhi's arguments in favour of not insisting on the carrying through of the pro rata rule for IDA 6 and has directed that we should be prepared to waive it in respect of our contribution. (John Coles' letter of 25 March copied to Terry Matthews refers). With some difficulty we managed to persuade Malhotra on Friday that the agreement we both signed concerning IDA 6, the power station contract and increased British aid to India should say only that Britain would waive the pro rata rule in respect of the second tranche but there was a clear understanding between us that this was said because the IDA Deputies meeting next week will consider only the second tranche and that in due course we should be prepared to release the third tranche also.

You will probably also have seen the replies to our telegram MODEV 5 to Paris which we copied also to Bonn, Ottawa, Tokyo and Rome. It looks as if the French and Germans intend to stick firm to the pro rata rule, at least for the moment. The Canadians and Japanese would clearly be prepared to give up the rule if everyone else did, but I imagine that if the French and Germans stand firm they will also do so. Finally the Italians indicated that they had already released the whole of their second tranche for commitment. I think that we are bound to inform our partners that we propose to make available our second tranche in spite of their views and I am sending a telegram to that effect.

The brief which we are preparing for Rex Browning, who will be our representative at the IDA Deputies Meeting next week, will therefore say unequivocably that we are releasing the second tranche of our contribution for commitment. We hope that he will be able

/to avoid

to avoid saying anything definite about the third tranche in order to keep some (not very convincing) pressure on the Americans. If pressed hard, he would probably have to indicate that we would not rule out a further waiver when the time comes.

Peter Preston

cc Mr A J Coles
No 10 Downing Street

Subject

بسم الله الرحمن الرحيم

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 52 C/82

THE ISLAMIC REPUBLIC OF PAKISTAN

General M. Zia-ul-Haq

ISLAMABAD

30 Jamadi-ul-Awwal, 1402 AH

27 March 1982

Her Excellency
Rt. Hon. Margaret Thatcher, MP
Prime Minister of the United Kingdom,
London.

Dear Madam Prime Minister,

I write to bring to your attention an alarming trend in the current year's contributions to the International Development Association (IDA) which is a matter of serious concern to the developing countries. Following the reduction by the United States of its IDA contribution by $300 million, other donor countries have also decreased their contributions proportionately. As a result, the total funds at the disposal of IDA have

diminished from the originally pledged amount of $4.1 billion to only $2.5 billion.

These actions are not only contrary to the letter and spirit of the original agreement on IDA VI replenishment but also create additional and far reaching pressures for the very poor nations already struggling for their economic and political survival. While the developing countries have been hit very hard by the recent deterioration in the international economic environment, the burden of adjustment has been particularly severe on the poorest nations least able to bear it.

Over the past decade, these nations which constitute two-thirds of the population of the developing world have neither benefitted from the expansion of world trade in which their share is less than two per cent, nor from the major increase in commercial flows, in which their share is less than three per cent. They are poorly integrated into world markets of trade and capital and are least equipped

to survive the severe buffetings which must be endured in the market place.

The largest concessional window for the poor nations has been the International Development Association. The steep reduction in contributions would severely curtail the supply of irreplaceable funds on terms which they can afford. Any further diminution in IDA funds would severely affect the World Bank's ability to address itself to the needs of the poorest countries, seriously undermine their development efforts, and increase their economic and political vulnerability. This trend towards disaster needs to be reversed by a timely and decisive act of statesmanship and vision.

In urging Your Excellency to give your personal attention to this matter, I would request that as a first step, your Government may indicate its willingness to maintain its IDA commitment at the

original level agreed to in the Sixth Replenishment, irrespective of any action on the part of the United States.

We are, of course, all greatly disappointed by the reduction in the contribution of the United States and shall make every endeavour to have it restored. But we would be even more disappointed if the other major contributors were to follow the action taken by United States.

The International Development Association is an investment in the future of a very large segment of humanity and, indeed, an investment in international peace itself. Your timely intervention can preserve this investment and earn for you the respect and undying gratitude of the developing world.

With profound regards,

Yours sincerely,

M. Zia-ul-Haq

General
(M. Zia-ul-Haq)

SUBJECT.

PRIME MINISTER

SALISBURY

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 43A/82

11th March, 1982

Dear Prime Minister,

I have been informed that the World Bank has been forced to cut its International Development Association (IDA) Credits - the non-interest bearing loans - which benefit the poorest countries - by as much as 37% for this Fiscal Year from US$4.1 billion to US$2.6 billion. I had the occasion also to be briefed by Mr. Wapenhans, World Bank Vice President for East and Southern Africa, on the situation, on his recent visit to Zimbabwe.

The cuts in resources for the IDA Credits are the result of delays in United States legislation to authorise the US contribution. They are also the result of the decision by the major contributors to IDA resources, including the United Kingdom, to link their own contribution to that of the United States. Whilst this decision may be understandable and may have been intended to influence the US in a positive way, the opposite has in fact been the case with very serious consequences especially to the poorest of the developing countries, the majority of which are in Africa.

I recognise that the British Government showed flexibility in this matter last year by advancing the first part of your IDA contribution, but the need for support from the United Kingdom, Germany, France, Canada, Japan, and other major donors is much greater now and will be even more so next year.

...../2

I should as well bring to your attention, Esteemed Prime Minister, the growing feeling in the developing countries - which I am sure is a mistaken impression - that your Government may be prepared to use the delays in the US as a basis for reducing the burden of its own commitments which were entered into as part of the IDA agreement to make a total of $12 billion available to the poorest countries over the three years 1981/83. It would be disastrous if the difficulties resulting from US actions were to be compounded by the action of countries such as Britain, that have so strongly supported multilateral development assistance in the past.

As you are aware, there has been pressure on the World Bank for a long time to increase its assistance to Africa, especially the share of IDA Credits going to Africa. Following the issue of the recent World Bank report on an Action Programme for Sub-Saharan Africa, which I was pleased to note your Government had fully supported, a decision has been taken to increase the share of IDA resources going to the poorest African countries. It would be tragic if at this stage IDA was to be denied resources to move in this direction by the actions of countries such as yours which, as I have already noted above, have so strongly supported the need to increase assistance to Africa in the past and are themselves actively involved in assisting African countries. Indeed, as you will no doubt recall, the Commonwealth as a whole has taken a very strong position on issues related to this.

As you well know, this is a time of very severe economic and financial crisis for the poorest countries in Africa and elsewhere. IDA is very important to them, and cuts at this time will be severely disruptive. I hope it will be possible for your Government to review its position and also to see whether you can prevail upon other leaders of major IDA donor Governments to find a way of maintaining the level

...../3

of assistance that your Government and theirs had agreed upon in IDA6, and not follow the American lead in this matter.

Yours sincerely,

R. G. Mugabe

R.G. Mugabe.
Prime Minister.

The Right Hon. Mrs Margaret Thatcher, M.P.
Prime Minister
10 Downing Street
London.

RGM/gm.

JR

Overseas Aid

10 DOWNING STREET

From the Private Secretary

3 March 1982

ASIAN DEVELOPMENT FUND

The Prime Minister has taken note of the Lord Privy Seal's minute of 25 February.

I am copying this letter to Terry Mathews (Chief Secretary's Office), John Rhodes (Trade), Jonathan Spencer (Industry) and David Wright (Cabinet Office).

A.J. COLES

Michael Arthur, Esq.,
Lord Privy Seal's Office.

RdC

Prime Minister

To note.

A.T.C. 26/2

PRIME MINISTER

ASIAN DEVELOPMENT FUND

1. You will wish to note that the Chief Secretary and the Foreign and Commonwealth Secretary have decided to go along with a proposed approach by the European Community member States who belong to the Asian Development Bank (all except Ireland, Luxembourg and Greece), asking the Americans to look again at what they mean to put into the replenishment of the Bank's soft window for its 1983-1986 lending programme. They are doing so only on the basis that all seven countries, including the FRG, will join in this approach, which will be led by the Belgians, who hold the Presidency. We are instructing our Embassy in Washington to emphasize to the Americans that we are not asking them to increase overall public expenditure, but for an adjustment at the expense of other multilateral aid commitments. The background is this.

2. The Asian Development Fund serves, very efficiently, many of the poorer countries in the region with whom we have strong political ties. Even though India is not a borrower, Commonwealth countries in Asia and the Pacific and Pakistan have so far together taken over 60% of its resources. Commercially British business has regularly won a much larger share of Fund-paid orders than the share we have put in. So it is in our interest to see as big a lending programme as possible, provided our own share is kept within acceptable limits.

3. The present replenishment is for $2.15 billion. The Bank originally bid for a large increase to over $4 billion for the next. Most donors backed this, but when the Americans eventually tabled their own proposed contribution it would have implied a total of only $2.34 billion. The general view among donors was that this would be far too low; the minimum that would be politically tolerable, given their interests in the area and the institution, would be $3-3.2 billion which is about the same size as the present replenishment in real terms. However such a figure would not be manageable unless the Americans came up with more.

4. Our aim is to get our share down a bit and we have decided that in any case our cash maximum should be just over £70 million, less in real terms than last time. None of this money will start to be drawn under the Aid Programme until around 1987/8. With a lower share- for which we have good arguments - we could support a new replenishment of $3.2 billion at most. Our difficulties in getting some cut in our share and in avoiding being driven to our cash maximum will be greater if the US stick where they are,because other donors will then be asked to make up so large an American shortfall.

/5.

5. The US Treasury officials at the negotiations told our people privately that there was some chance of the American contribution going a bit higher (though not so far as to embarrass us) and welcomed the idea of representations collectively from EC members of the Bank, and others, to allow them to get the issue reopened. Japan has already made such representations.

6. The proposed action should preempt the risk of a critical discussion, within formal Community machinery, of the US attitude to the international banks. Such a discussion could lead to unwelcome proposals by the Commission, and unnecessary tension in our relations both with the Americans and with our Community partners.

7. I am copying this minute to the Chief Secretary, Secretary of State for Trade, Secretary of State for Industry and Sir Robert Armstrong.

H.A.

25 February 1982

JU32 CONFIDENTIAL

Overseas Aid

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

12 February 1982

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
SW1

N. B. P.S.
MR 15/2

Dear Geoffrey,

AID TRADE PROGRAMME

I would like to support John Biffen's call in his letter of 21 January to Peter Carrington for an increase in the Aid Trade Provision. This part of the aid programme has demonstrated its worth as the most effective in neutralising the practices of other countries on a selective basis, and so enabling our competitive companies to win important new business that they would not otherwise have obtained.

2 I recognise full well present constraints and the very tight scope for manoeuvre. But we must look to exports to achieve significant industrial growth, and the use of some limited extra resources to negate the distortions practised by our competitors would be entirely consistent with our policies to enhance industrial competitiveness. It would frustrate our achievement if our companies, despite the tough steps that they have taken to improve their competitiveness, were to be denied the advantages of this by other countries deploying soft finance in bidding for new investment projects overseas, as is commonplace in the developing world.

3 The recession here and in other developed countries means that the investment programmes of developing countries provide the major opportunities for establishing new technologies in the capital products industry here in the UK. ATP cases have been shown to have an important part to play in securing these opportunities for UK companies. But, equally important, success in winning contracts through ATP leads to early orders - the bulk within six months of contract - to take up industrial capacity and sustain employment among our better companies.

CONFIDENTIAL

4 John Biffen's point about ATP being self-selecting in supporting those companies which are sufficiently competitive and agressive to get to the winning post is a very strong one.

5 The position of the ATP budget is, I am told, one where the next two years are effectively already committed. Since this facility so closely complements our other policies for improving industry's competitiveness, establishes companies and products in new markets, is an early generator of orders and carries considerable benefits in bilateral relations, my own view is that we should be aiming for a rather larger addition to the budget than John Biffen suggests. We do not want to get into a situation where we cannot support worthwhile cases arising over the next two years.

6 I am copying this to the other recipients of John Biffen's earlier letter.

Yours ever

Patrick

HL

CC HMT
DOT
DOI
DIEmp

Overseas Aid

10 DOWNING STREET

From the Private Secretary

27 January 1982

Aid Programme: Use of the Unallocated Resources for 1982/83

The Prime Minister has seen the minute of 7 January by the Foreign and Commonwealth Secretary and the minute of 21 January by the Secretary of State for Trade on the above subject. She has commented that she is in general agreement with Mr. Biffen's arguments as set out in the latter minute.

I am sending a copy of this letter to John Kerr (H.M. Treasury), John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry) and Barnaby Shaw (Department of Employment).

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.

FCP

PRIME MINISTER

USE OF BILATERAL AID FUNDS IN
MIXED CREDIT OPERATIONS

EX(82) 2 and 3

BACKGROUND

1. In EX(82)2, the Secretary of State for Trade proposes that bilateral aid funds pledged to Cameroon (£10 million) and to Zimbabwe(£5 million) should be used in conjunction with Export Credits Guarantee Department (ECGD) commercial credit to finance exports in mixed credit operations. He judges that it might then be possible to generate up to three times these amounts in increased exports. While these particular proposals may seem modest they open up general questions on aid and credit policy and they are opposed by the Chief Secretary for the reasons set out in EX(82)3.

2. At present, most of the funds in the special Aid Trade Provision (ATP) block are used for mixed credit operations but the normal aid programme is not. The ATP provision for 1981-82 is now committed and there are already heavy claims on the total of about £50 million for 1982-83. Because of this the Departments of Trade and of Industry have been looking at specific countries where there might be a good case for using normal aid funds in conjunction with ECGD credit.

3. The Secretary of State for Trade recommends a mixed credit operation in Cameroon on the grounds that this is a promising market at present dominated by the French who themselves operate mixed credit packages. The Secretary of State judges that it is a market into

which United Kingdom manufacturers should be given an opportunity to break. He similarly recommends mixed credit operations in Zimbabwe where United Kingdom manufacturers seem to be doing badly against competition from a number of other countries who are offering mixed credit. The Secretary of State for Trade recognises the importance of not undermining the United Kingdom's general position in international credit discussions but he sees these two proposals as modest and fully justified by the need to compete on the same terms as others rather than to sit back and rest on principles.

4. The Chief Secretary, in EX(82)3, argues that these particular proposals are the thin end of a wedge which could open up general difficulties. He points out:-

(i) the two changes would be visible and could be seen as inconsistent with our policy of strengthening the existing OECD consensus on export credit terms so as to avoid a credit war (his paragraphs 2 and 3);

(ii) although these proposals would add only about £1 million to public expenditure, any extension to other countries and any softening of export credit terms generally could increase public expenditure on export subsidies which is already running at about £500 million a year;

(iii) the proposals represent a subsidy of well over 50 per cent and this will encourage the beneficiaries to push for similarly generous terms for futher business (paragraphs 6 and 7).

5. In earlier discussions both officials and Ministers of the Overseas Development Administration have argued strongly against extension of mixed credit. They fear that the proposed changes would lead to criticism that the United Kingdom was going too far in putting its own commercial interest before the developmental requirements of the developing countries and that more aid will be devoted to the

better off countries rather than to the poorer. They fear that it would then be more difficult for you and for the Government generally to sustain a defence of the quality of the aid programme and of the Government's continuing interest in poorer countries.

HANDLING

6. After the Secretary of State for Trade has introduced his paper you will wish to ask the Chief Secretary to reply. The Secretary of State for Trade is likely to be supported by the Secretary of State for Industry and probably by the Secretary of State for Defence, (although his departmental interest in this item is very limited). Before the meeting the Lord Privy Seal and the Foreign and Commonwealth Secretary will have met to reconcile the differing views of their junior Ministers and officials in the ODA and those in the other part of the Foreign and Commonwealth Office who are sympathetic to the Secretary of State for Trade's case.

7. The general question for the Committee is whether the proposals can be accepted as small, one-off, and in line with competitors' practices or whether they should be rejected as offending general principles of aid and credit policy. In considering this question you might ask whether:-

(i) a favourable decision in these two cases would be the end of the matter or whether it would lead to similar proposals for other countries;

(ii) the provision could not be made from the ATP - although ATP funds are limited this provides a good test of the priorities which the Ministers concerned attach to particular projects and countries;

(iii) there is any case for a compromise - for example, instead of £10 million mixed credit for Cameroon Ministers

might agree to make up to £5 million available to support really good projects and the £5 million proposed for Zimbabwe might similarly be reduced.

CONCLUSIONS

8. In the light of the discussion you will wish to record conclusions on -

(i) whether £10 million aid for Cameroon and £5 million for Zimbabwe (or any lesser sums) should be used in mixed credit operations;

(ii) any points of general principle which emerge from the discussion.

PLG

P L GREGSON
22 January, 1982

Qa 05784 22 January 1982

To: MR SCHOLAR

From: J R IBBS

Use of Bilateral Aid Funds in Mixed Credit Operations

1. I have seen the memorandum of the Secretary of State for Trade (EX(82)2 of 19 January) recommending the use of bilateral aid funds in mixed credit operations for Cameroon and Zimbabwe.

2. I think his case is a good one. It is agreed Government policy to give greater weight to political, industrial and commercial objectives in the allocation of the aid programme as a whole (and not just ATP). Given that ATP funds are strictly limited, and practically exhausted for next year, there is a strong case for using a modest amount of aid funds, already earmarked for Cameroon and Zimbabwe, to provide mixed credit for viable projects. The Chief Secretary in his memorandum (EX(82)3 of 22 January) expresses concern that the subsidy would be over 50%. As I have argued in the past (my minute of 5 March to Mr Lankester on the Castle Peak Project), such levels do need convincing justification. Here however the aid has already been promised to the two countries under the bilateral aid programme. By giving it in this way we can at least ensure that British industry derives the benefit. It is also a question of setting a sprat to catch a mackerel. This aid would provide useful business; in Cameroon we should be breaking into a predominantly French preserve, and in Zimbabwe it would help to re-establish us in what is potentially the third largest market in Africa (after South Africa and Nigeria). Hence the sums involved seem good value for money.

3. As John Biffen points out, we shall not be the first in the field in offering mixed credit in either country. Its use by others prevents UK exporters from obtaining orders on normal commercial criteria. We are not starting a credit war if one is already raging in these countries.

I agree with John Biffen that operating mixed credit in these circumstances will not weaken our credibility in arguing against its wider extension.

4. I am sending a copy of this minute to Sir Robert Armstrong.

JK

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

(2)

Prime Minister
You will wish to see this correspondence but I do not think you need intervene.
A.J.C. 26/1

From the Secretary of State

The Rt Hon The Lord Carrington KCMG MC
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London SW1A 2AL

I agree with Trade Secretary
MT

21 January 1982

Dear Peter,

AID PROGRAMME: USE OF THE UNALLOCATED RESOURCES FOR 1982/83

~~Copy regarded~~ attached

Thank you for sending me a copy of your minute of 7 January to Geoffrey Howe on the above.

Although I accept that there was a large measure of agreement on the proposals your officials put forward to the Joint Aid Policy Committee last December, I cannot disguise my very deep concern, which I know Patrick Jenkin shares, about the proposals for the aid and trade provision. Since a growing proportion of the total programme will still be committed to multilateral aid for some years to come, (despite our publicly stated commitment to look critically at this expenditure), I think it essential that we should focus clearly our bilateral aid in order to maximise the associated benefits for trade and employment in this country.

My principal concern, of course, is the aid and trade provision. When I wrote to you last February, I noted that the provision could justifiably be of the order of £70-80m. I fear, therefore, that your proposals do not meet our real needs. The ATP for 1981/82 was effectively exhausted before the end of the year, that for 1982/83 is now almost all committed, and deep in-roads are being made into 1983/84. It is, I fear, a particularly short-sighted solution to hold back from entering into further commitments for future years if that means British firms are denied assistance on new contracts

From the Secretary of State

that they might win for this country in the meantime. By virtue of reaching the later stages of international competition, these companies are likely to be among our more efficient as well as having the necessary international credibility and local market commitment to gain the customers' confidence. It is therefore not easy to explain to such companies why, out of an aid programme of nearly £1,000m, we still cannot find more than about £50m to help them tackle aid-assisted competition . I think the ATP has already proved itself as a successful instrument of aid, as well as providing a valuable and relatively quick-acting multiplier benefit for British industry. The most recent statistics I have seen show that some £174m of ATP aid finance is likely to produce about £760m of export business (and jobs) for the United Kingdom. The Aid and Trade Working Party Report (79)11 estimated that the same amount of normal bilateral aid finance might on average result in no more than £104m worth of business. I am sure that I also do not need to remind you that there have been in recent months encouraging signs of an up-turn in the economy led by an improved export performance - it would be tragic for the nation and for the Party if major export orders were lost to our international competitors because the United Kingdom was unwilling to give comparable amounts of aid and trade assistance.

I therefore have the deepest reservations about your proposals. My officials have already agreed to drop claims for over £10m of specific items put forward, in recognition of the undoubted public expenditure constraints we all face. If the whole of the £6m proposed were to be applied to the Aid and Trade Provision alone, we could just about claim to industry that we had given effect to the Government's commitment to maintain the ATP in real terms. It is with the greatest reluctance that I accept for 1982/83 your proposal to allocate a further £6m for the Department's claims - the exact division of which we will determine - on the understanding of course that the contingency reserve is available for ATP as it

From the Secretary of State

is for other elements in the aid programme. I note that you are not prepared to give any assurance about the position in 1983/84 I think this merely underlines the importance of collective consideration of the establishment of a significantly larger ATP within our general aid framework. I believe that this would be more in line for the calls now been made upon it by British industry, and meet our public commitment to give greater weight to commercial and industrial considerations in our aid programme as a whole.

In view of the wider consideration I have noted above, I am copying this letter to the Prime Minister as well as to Geoffrey Howe and Patrick Jenkin.

Yours

John Biffen

JOHN BIFFEN

CDA
PS
PS/LPS
PS/Mr Masken
PS/Mr Hurd
PS/Mr Luce
PS/PCS
Lord Bridges
Mr Ballard
Mr Day
Sir J Graham

Mr Banning
Mr Porter
Mr Ainscow
Mr Brick
Mr Hurrell
Mr Lynch
Mr Manning
Mr Cassell
Mr Maddox

FCS/82/4

CHANCELLOR OF THE EXCHEQUER

Aid Programme: Use of the Unallocated Resources for 1982-83

As you will know, our officials have been considering the use of aid programme resources for 1982-83 which still remain to be allocated. This has been undertaken in the light of the recent public expenditure decisions which reduced the aid programme for 1982-83 by a further 2%. I am glad to know that there was a large measure of agreement on the proposals my officials put forward to the Joint Aid Policy Committee on 17 December. I am writing now to tell you how I propose to tackle the remaining points outstanding.

In the light of the very tight overall position I understand that Treasury, Trade and Industry officials felt that some reductions were possible in the previously agreed allocations to multilateral and "functional" items additional to those proposed by the FCO. We have looked at this further and although the successive cuts in these programmes have left very little room for manoeuvre, I am prepared to reduce multilateral allocations by a further £5.8m and "functional" allocations by a further £0.5m. I attach a table showing the make-up of these additional reductions.

I think we should use part of this saving to increase the previously agreed allocation next year for volunteers by £850,000 instead of the £560,000 proposed to the JAPC. The volunteer societies have put forward proposals for considerably increased activity, reflecting their ability to recruit good-quality volunteers at a time of high unemployment. It is by far the cheapest element of our man-power aid in cost per head, and our response to the volunteer societies' bids will be seen

/by many

by many well-disposed people (including our own supporters) as a touchstone of our commitment to the Third World. The £4.225m this allows us to make available next year falls well short of what the societies would like, but we could reasonably expect it to be seen as a substantial offer at a time when the overall aid programme is falling.

I have considered very carefully the proposals from the Departments of Trade and Industry for an increase in the Aid Trade Provision, for extra training money for Latin America and for a capital aid programme in the Ivory Coast. I said in Parliament in February 1980 that in order to maintain the value of this provision in real terms its share of the bilateral aid programme would be increased. In fact, as I indicated in my minute to you of 6 January, I was able to do much better than that in 1981-82 by increasing the provision by £10m to £53m. I also indicated in that minute that increases of £6m in 1982-83 and 1983-84 would be needed to maintain the real 1979-80 value in those years, but added that the size of such additions would have to be reviewed in detail when we considered the Aid Framework as a whole.

Since then of course I have had to accept a cut in the Aid Programme, and I have therefore reviewed how far the £6m offer can stand when weighed against the other pressures on aid resources. My officials have also recalculated the figures required to maintain in real terms the provision made for 1979-80 - to the extent that it is any longer appropriate to take into account such commitments now that public expenditure planning is in cash. The figures are:

/£ million

£ million

	Existing agreed Framework allocation	1979-80 allocation adjusted by Public Expenditure Revaluation factor	1979-80 allocation adjusted by Export Price Index'
1979-80	35.8	35.8	35.8
% change		(18.3%)	(9.8%)
1980-81	41.0	42.4	39.3
% change		(11.0%)	(10.8%)
1981-82	53.0	47.0	43.5
% change		(9.0%)	(13.5%)
1982-83	46.0	51.2	49.4

As the export price index is the most logical one to apply to goods supplied under the ATP I consider we could therefore adequately defend ourselves against any criticism that amounts of ATP fell short of our public commitments by an addition of £3.4m to the existing Framework figure of £46m. That would take the ATP provision up to 10.3% of bilateral aid allocated by country, compared to the ATP's 6.2% share in the 1979-80 Framework and would amply fulfil our commitment to increasing its proportionate share of the bilateral programme. We are also, of course, expecting to provide £26m or so of aid funds next year for the special mixed credit operation for the Indian steel plant and that this is additional to the ATP allocation.

Against this background I propose to set aside £6m in total for 1982-83 to deal with the further claims to which the Departments of Trade and Industry have given highest priority. I would be content to see the whole of this go to the ATP or to provide say £0.5m of it for training of people from selected Latin America countries and the balance for ATP. I am not prepared to go beyond £6m in view of the other pressures on reduced aid funds, nor can I, given the recent cuts, give any assurances about the position in 1983-84 until we have looked at the Framework as a whole in their light. I do not consider, in the light of the recent cuts and of our reiterated public

/commitment

commitment to concentrate aid on the poorest countries, that it would be opportune to embark on a capital aid programme to the Ivory Coast - a country for which use of the ATP, which can be most easily directed to our commercial benefit, seems more appropriate.

I am also willing to accept Norman Tebbit's proposal in his letter of 7 December to Neil Marten (copy attached) that we should continue next year to provide a small grant to the TUC to finance their activities to assist Trade Unions in developing countries. I would propose to make £50,000 available for 1982-83: but I would wish to review whether any further grants should be made.

It is desirable from all points of view to have an early resolution of the outstanding questions affecting 1982-83 aid allocations. If therefore you or other recipients of this minute see overriding difficulties about the line I propose to take I suggest we have an early meeting to discuss them. But in view of the general meeting of minds at official level I hope this will not be necessary.

I am copying this minute and enclosures to the Secretaries of State for Trade, for Industry and for Employment.

(CARRINGTON)

Foreign and Commonwealth Office

7 January 1982

V.

MAKE-UP OF REDUCTIONS ADDITIONAL TO THOSE PROPOSED TO THE JOINT AID POLICY COMMITTEE

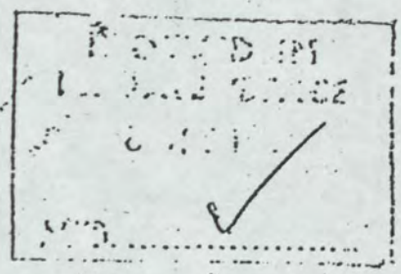
	£ million, cash
Multilateral	
UN Voluntary Programmes	2.0
Provision of food aid (already budgeted for) rather than aid in cash for £1m of our payments to each of UNRWA, UNHCR and the Afghan refugees [£1m of this £3m saving had already been taken account of in the proposals made to JAPC]	
International Development Association	1.7
Adjustment to planned provision for bringing our payments up to date	
Common Fund	1.6
Reduce allocation to zero in expectation that necessary ratifications will not be received in time to permit payment in 1982/83	
EC National Actions Food Aid	0.5
Additional delay in carrying out commitments	
Bilateral	
Functional Programmes	0.5
A further cut of £0.3m in Research and £0.2m in Education programmes	
	6.3

134

Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213 6400
Switchboard 01-213 3000
GTN 213

The Rt Hon Neil Marten MP
Minister for Overseas Development
Foreign and Commonwealth
Office
Whitehall
LONDON
SW1

7 December 1981



Dear Neil,

ODA GRANT TO THE TUC

Douglas Hurd wrote to me on 16 October about the future of your grant to the TUC.

I am now considering with Keith Joseph the grant which my Department and his jointly provide to the TUC for trade union education and training in the UK. My own view is that we should continue that grant at a slightly reduced level for 1982/83, and review the position again in a year's time.

Whatever decision is reached on the main TUC grant, however, I believe that there are similar strong reasons for continuing the ODA grant for the TUC's overseas activities. While it is not for me to pronounce on the developmental or political value of this grant, I am in no doubt about the enormous symbolic importance which the TUC attach to it. I have already mentioned in an earlier letter that Len Murray went out of his way to raise the issue with me personally, and the decision which we take will directly affect both my relations with him and the TUC and the public presentation of our policy.

For these reasons I very much hope that you can find the money to continue this grant to the TUC. I recognise the many other claims on the aid programme next year, and I would be content if the

amount of the grant were to be reduced to, say, £50,000 if this would help. I am confident that such a reduction could be justified to the TUC and would not prejudice the aims I have set out above in order to give no chance to the TUC to substantiate their ill-founded charges of anti union bias on our part (which so far have gained no public credance) and to bring pressure upon them to take up the funds available for ballots.

Norman

vb

Odecs
Dev

28 July 1981

Thank you for your letter of 23 July, about the revised timing of the publication as a Command Paper of the Reply to Lords European Communities Committee Report on Development Aid Policy.

We have no objection to what is proposed.

MAP

Miss N. Andrew,
Overseas Development Administration.

MAP

OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH
Telephone 01-213 5409

From the Minister

23 July 1981

Dear Mike

REPLY TO LORDS EUROPEAN COMMUNITIES COMMITTEE REPORT
ON DEVELOPMENT AID POLICY

May I refer to Willie Rickett's letter of 10 July in which it was agreed that the above reply could be published as a Command Paper before the present session of Parliament. This, I'm afraid, has not proved possible and publication date will now be Thursday 6 August. I should be grateful if you could let me know if this is acceptable to you.

I am copying this letter to the Press Secretary, 10 Downing Street, and to the Private Secretaries of the Leader of the House of Commons, the Lord Privy Seal, the Paymaster General, the Government Chief Whips in the House of Commons and of Lords, the Chancellor of the Exchequer, the Secretary of State for Trade, the Minister of Agriculture, Fisheries and Food, the Secretary of the Cabinet and the Lord President of the Council.

Yours sincerely

Nan Andrew

(Miss N Andrew)
Parliamentary Clerk

M Pattison Esq
10 Downing Street

Overseas Aid

File

ds

MODA seen

cc Ingham

10 DOWNING STREET

From the Private Secretary

10 July 1981

Thank you for your letter of 3 July to Mike Pattison, about the reply to the Lords European Communities Committee Report on Development Aid Policy.

I confirm that we have no objections to the publication arrangements you propose.

I am sending copies of this letter to David Heyhoe (Chancellor of the Duchy of Lancaster's Office), Murdo Maclean (Chief Whip's Office) and Michael Pownall (Chief Whip's Office, Lords).

W. F. S. RICKETT

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

Overseas Aid

BF 7/VII MAP 3/VII

Foreign and Commonwealth Office

London SW1A 2AH

3 July 1981

Dear Mike,

Reply to Lords European Communities Committee Report on Development Aid Policy

I am writing to seek agreement to publication of the Government's reply to the Report on Development Aid Policy by the Lords' European Communities Committee (HL 146).

I enclose a note setting out:-

/ (a) the purpose of the enquiry; and

/ (b) the Report's recommendations with the draft text of the proposed reply.

The Report, published in April, generally endorsed the Government's policy on the various aspects of Community development aid. The proposed reply takes the form of a commentary on each recommendation. It welcomes the majority of them.

There was a lengthy debate on the Report in the House of Lords on 3 June. However, the Report was largely uncontroversial and it is not expected that the proposed reply will be otherwise. The draft reply has been cleared at official level with the Treasury, the Department of Trade and the Ministry of Agriculture, Fisheries and Food. It is proposed to publish the reply as a Command Paper before the end of the present session of Parliament.

I am sending copies of this letter and enclosures to the Press Secretary, 10 Downing Street, and to the Private Secretaries of the Leader of the House of Commons, the Paymaster General, the Government Chief Whips in the Houses of Commons and of Lords, the Chancellor of the Exchequer, the Secretary of State for Trade, the Minister of Agriculture, Fisheries and Food, the Secretary of the Cabinet and the Lord President of the Council.

Subject to any comments by the recipients, I should be grateful for your agreement to publication as proposed, by 8 July if possible.

Yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

Mike Pattison Esq
10 Downing Street

NOTE ON THE 21ST REPORT OF THE LORDS' SELECT COMMITTEE ON THE EUROPEAN COMMUNITIES, SESSION 1980-81

DEVELOPMENT AID POLICY

The Purpose of the Enquiry

According to paragraphs 2 and 3 of the Report:

"The European Community has its own development aid policy. Details of the policy are not widely known in the United Kingdom. The Community's programmes are agreed and implemented by the EEC itself and exist alongside the often much larger bilateral efforts of the Member States. The purpose of this report is to examine critically the EEC's role in development assistance. Should the Community, as distinct from Member States, give aid at all? Is the Community's aid policy well administered? Does it match the resources of the EEC and the status claimed for the Community in world affairs? And how does it affect the recipient countries and the interests of the Member States themselves, including the United Kingdom?"

"The report describes in outline the main features of the Community's aid policy. It then discusses the Community's existing programmes in the light of the evidence received by the Committee, and makes recommendations for their modification and improvement. Finally, the report briefly discusses wider issues of development assistance, especially the Community's role in North-South relations and its response to the Brandt Report."

The Recommendations of the Report and Proposed Reply

The Recommendations are summarised on pages xliv to xlvi of the Report. They are set out, together with the text of the Government's proposed reply, at Annex I to this Note.

ANNEX I

TWENTY FIRST REPORT FROM THE HOUSE OF LORDS SELECT COMMITTEE ON THE EUROPEAN COMMUNITIES, SESSION 1980-81

DEVELOPMENT AID POLICY

The Government warmly welcomes the Report, which was discussed by the House of Lords on 3 June (Official Report Vol 420, no 89), and has the following comments on the main recommendations summarized on pages xliv to xlvi:

(i) The overall shape of the Community's aid programme should be substantially modified over time. Its regionally selective nature, moulded by past historical circumstances, should be converted into a worldwide programme responding to the development needs of the Third World in the 1980s and matching the Community's status in the world. The United Kingdom Government should press for such changes more assertively than in the past.

The Government reaffirms the UK's continuing objective to encourage the emergence of a global Community aid and development policy. The acceptance in 1975 of the first Lome Convention by all those Commonwealth countries eligible under Protocol 22 to the Treaty of Accession, and the subsequent extension of these arrangements to other similar countries, was a considerable achievement. But the Lome pattern is not the only one for the Community. The UK has consistently supported the development of relations between the Community and other countries (for instance through the EC/ASEAN agreement) and the establishment of a substantial programme of aid to other poorer countries together with the improvement of food aid distribution and administration. But the attainment of a development aid programme with better geographical balance is bound to be a matter of compromise and negotiation, a process of evolution rather than revolution; and the extent to which the Government can press for it must depend a good deal on its own policies about the size and use of the whole British aid programme.

(ii) In comparison with other Community policies, the present proportion of aid channelled through the EEC is reasonable. Nevertheless, the need for more development aid, efficiently applied, is manifest. As more resources are made available, the first priority should be to restore or increase Member States' bilateral programmes and their contributions to other multilateral agencies.

The Government agrees that the first priority for any resources becoming available for allocation under the aid programme must be bilateral aid.

(iii) The present practice of imputing all EC aid expenditure to the Overseas Development Administration's vote is not jusftified; greater flexibility should be permitted, especially in connection with food aid.

The Government does not agree with this recommendation. Attribution of the UK share of Community aid expenditure to the Aid Programme enables closer control to be exercised over the total amount of UK resources devoted to aid. The Government recognises that attribution can give rise to certain practical problems in managing the Aid Programme, for example when the Commission proposes to transfer unspent funds from other parts of the Community budget to one of its aid programmes; but possible solutions to these problems are being examined. There is no justification for treating expenditure on EC food aid differently from other forms of Community aid. On the valuation of dairy products for food aid, see Recommendation xi.

(iv) EDF aid to the ACP countries will be unchanged until 1985, when the present Lome Convention expires. Its record would justify its continuation. If more resources became available for Community aid, the Committee would expect some increase in the size of the EDF. But there are no strong grounds for increasing aid to this relatively favoured group of recipients if increments would be at the expense of EEC aid programmes in Asia and Latin America, or at the expense of Member States' bilateral aid or their contributions to other multilateral aid agencies such as the World Bank's IDA.

/The

The Government agrees that arrangements similar to those under the Lome Convention, which covers a much wider range of policies than aid alone, can be expected to continue afer 1985; the ACP group contains many of the poorest developing countries and over half the group are members of the Commonwealth. The total size of any further EDF will then be the subject of negotiation with the ACP countries, and at that stage the Government will have to look very carefully at any proposals in the light of constraints upon public spending and the aid programme in particular. In practice any increase in such aid cannot but be at the expense of other bilateral or multilateral (including EC) aid.

(v) Initial allocations of aid to individual ACP countries appear to be made with some flexibility and inconsistency. Although EDF disbursements do not appear to be generally slower than those of other multilateral aid agencies, delays in disbursements erode the value of aid pledged to ACP countries under the Lome Conventions. To improve the rate of disbursement, greater responsibility should be given to EEC Delegates in recipient countries to approve projects, after shorter consultation with Brussels.

The allocation of EDF funds to individual ACP countries is entirely a matter for the Commission, whose calculations reflect the Community's political commitments and developmental criteria.

In negotiating the present Lome Convention considerable efforts were made to streamline procedures. These will be continuing through a new Committee of the joint ACP-EC Council of Ministers. The idea of devolving spending authority to Commission Delegates is superficially attractive but would entail disadvantages. Large sums of money are involved and the Government has a responsibility to Parliament and taxpayers to ensure effective scrutiny of project proposals. Present procedures provide the necessary safeguards for Member States. Delays in disbursements, as the Committee recognises, reflect not so much factors peculiar to the Community's aid administration as problems inherent in getting aid projects (particularly those relating to rural development) onto the ground.

/(vi)

(vi) The relatively poor performance of the United Kingdom in obtaining contracts under the EDF can only be rectified by firms themselves. However, they deserve the full and enthusiastic support of Government in their efforts, and recent improvements in the Government's services to firms, along with those of the clearing banks, should be maintained.

The Government accepts this recommendation. Improving the British share of EDF contracts is one of the Government's priorities. In the end it is up to firms to decide whether or not to bid for EDF contracts basing their decisions on their own commercial judgement. But the Government has a role to play in increasing their awareness of the opportunities available.

The World Aid Section of the Projects and Export Policy Division of the Departments of Trade and Industry provides guidance and advice on how to pursue opportunities under the EDF, disseminates information to subscribers through the Export Intelligence Service, and makes project dossiers available for inspection. Leaflets about the EDF are made available to visitors or enquirers.

A joint industry/Government Working Group was set up in January 1981 to examine the difficulties which firms face and to reach conclusions about improving their performance. The Working Group report outlines a number of initiatives which have been or are being taken by the Government, by industry and by the European Commission, mainly in the flow of information, system of payments and additional publicity.

(vii) The proportion of British nationals in key positions in Directorate-General VIII (Development) of the Commission is inadequate; the Government should seek to rectify it.

The Government shares the Committee's concern about the inadequate number of British personnel in senior positions in DGVIII; and has raised this problem at a high level with the Commission. The latter fully accepts the need to improve the distribution of posts in Brussels, although it may take time to achieve it. The UK now has, generally speaking, a reasonable share of posts in the Commission Delegations overseas.

/(viii)

(viii) The Mediterranean developing countries do not rank among the poorer developing countries. When the Maghreb and Mashreq financial protocols are renewed later this year, Community aid will have to be maintained, but it should not be increased. More emphasis should be placed on using loan finance, including European Investment Bank loans, to assist development in the Mediterranean developing countries.

The Government agrees with this recommendation. The countries of the Southern Mediterranean are relatively well-off, with the obvious exception of Egypt and Morocco. There are strong political arguments for continuing aid to this region, but the Government agrees that an increase in real terms would be very difficult to justify. In Community discussions the UK has been among those who have consistently argued for a shift away from soft aid towards a greater concentration on EIB lending, and for such soft aid as there is to go chiefly to the poorer countries.

Is this not how agreed in EC?

(ix) The Community's food aid programme suffers from inefficiencies in planning, administration and delivery. The suitability for developing countries of some of the programmes (notably dairy foods) is questionable. A management regulation is necessary to encourage multi-annual planning and less haphazard execution and delivery. The United Kingdom Government should press the Council of Ministers to adopt the Commission's draft management regulation.

The Government agrees that there are defects in the administration of EC food aid and has consistently pressed for adoption of the proposed Management Regulation. This will provide for greater control over administration by the Commission and enhance the developmental impact of EC food aid.

The Council of Ministers (Development) has already decided that multi-year food aid commitments should be possible in certain circumstances, and that allocations of EC food aid should be more closely associated where possible with other development aid, both from the Community and from Member States.

/The

The Government recognises the limited value of aid in the form of dairy products, although this has been particularly useful in supporting "Operation Dairy Flood" in India. More generally, since expert views differ the World Food Programme are about to carry out an in-depth evaluation of projects for feeding vulnerable groups. Its outcome should provide valuable evidence on different forms of food aid in various situations.

(x) In the interest of administrative efficiency, the Community should concentrate its food aid on fewer countries, increase its collaboration with other aid agencies, and increase the number of staff in Directorate-General VIII of the Commission devoted to the food aid programme.

The Government broadly accepts these recommendations. The Commission has traditionally allocated food aid very widely and has responded positively to as many food aid requests as seem to meet the Community's agreed criteria. The UK has sought to exclude very small allocations and allocations to the better off developing countries. Since views among the ten Member States vary, and there is naturally some expectation among past recipients that they will continue to obtain allocations, a reduction in the number of recipients may not be easily agreed.

EC food aid has always involved collaboration with international agencies. This should be stepped up in future especially in providing food aid to the smaller needy countries. But increased collaboration on projects is more difficult since the World Food Programme, which is already a substantial recipient of EC food aid, is the ~~only~~ obvious candidate, and the Commission's own staff are stretched. The EC is working with other agencies eg UNHCR, Red Cross and some non-governmental organisations.

The Commission is aware of staffing constraints. The Government has encouraged strengthening the Food Aid Division by transfer of staff from elsewhere in the Commission.

(xi) The size of the food aid programme in dairy products should be reduced. Budgetary savings should be transferred into programmes of financial aid, particularly for non-associated countries. Dairy food aid should no longer be valued at world market prices or imputed to the British aid budget at this price.

/The

The House of Commons Committee on Agriculture concluded last year that there were serious limitations on dairy food aid and that local dairy industries should be encouraged but that there was some scope for an increase. Since present levels were set in 1976, largely to accommodate "Operation Dairy Flood", the UK has consistently opposed any further increases in EC dairy food aid, mainly on cost-effective grounds but also because of increasing doubts about the nutritional value of such aid. It would be difficult to secure a volume reduction since this would need to be fairly widely supported among Member States, but the Government is willing to explore this provided it does not jeopardise past commitments.

There are no procedural obstacles to transferring savings on dairy food aid to other parts of the budget, such as non-associates aid. But the Government would have to consider such a transfer against its policy of placing more emphasis on bilateral aid.

The Government agrees that the valuation of the EC dairy food aid at world prices does not reflect the economic value of such aid. But the financial cost of such aid to the Community Budget is the Community price, which is normally higher than the world price. This cost is divided between Chapter 6 (agricultural support) and Chapter 9 (development aid) with the latter carrying only the world market price, in accordance with agreed international conventions. The workings of the CAP make it difficult to devise any other system for obtaining food aid from surplus stocks. The question of true cost and value is currently under study by the Commission with the help of outside consultants. In the light of their conclusions, Member States would have to consider whether any changes should be made to the present arrangements.

(xii) <u>Contracts for transporting food aid should cease to be tied to contracts for supplying the food.</u>

The Government agrees with this recommendation. The EC Commission is bound by regulation to supply that part of its food aid which is sent to ports of unloading under single contracts, but would prefer contracts for transport to be a separate issue from procurement of commodities. A formal proposal to change the food aid shipment regulation is expected

/after

after approval of the food aid Management Regulation. One idea is to explore the possibility of appointing a single agent to handle all EC food aid shipment past the procurement stage. Every effort will be made to secure equal opportunities for UK shippers. There can however be administrative advantages in retaining single freight inclusive contracts for deliveries to land-locked countries.

(xiii) Financial aid to non-associated developing countries in Asia and Latin America should be expanded. Savings on reduced dairy food aid should be transferred to the non-associates programme. The administration of the programme should be improved by strengthening the staff devoted to it in the Commission and by greater collaboration with Member States' posts and aid divisions in non-associated countries.

More progress has been made in the non-associates programme than the Report suggests. Including 1981, 533.5 mecu (£330m) have been committed. The programme concentrates on slow-spending kinds of rural aid, but disbursements in 1980 picked up significantly to nearly 40 mecu (£25m) - more than in 1976 to 1979 put together. The Government will wish to see that it remains substantial, but a quicker expansion of the non-associates programme by transferring any savings from dairy food aid, although procedurally possible, would be inconsistent with the Government's aim of placing more emphasis on bilateral aid.

The Government will continue to urge that more Commission staff should be moved to this work now that there is a Management Regulation to set the programme on a permanent footing. The Council agreed in 1976 that Community and bilateral aid should be coordinated and the Government will do what it can, so far as British aid is concerned, whenever this is possible. But most project preparation must fall to the Commission and the recipient country.

(xiv) Co-financing with other donors should continue; to increase the rate of disbursement, the Community should relax its procedures for appraising and approving individual projects itself.

/The

The ~~framework~~ Management Regulation requires co-financing for a substantial part of the programme, but it has to operate within guidelines agreed by the Council of Ministers, and in accordance with the legal requirements of EC financial regulations. Potential co-financing partners often have other priorities and rules. The Government will encourage a good working relationship between the Commission and co-financing partners so that the Commission can rely to the extent practicable upon project appraisal by the latter, without in effect simply providing an addition to their funds over which the Community exercises no controls.

(xv) Non-associated countries should be enabled to use EEC aid to raise and service loans from other sources for development projects, thus increasing the total amount of resources available to them. The Community should establish the necessary machinery to put together agreed financial packages in conjunction with the recipient country and the potential lender. Contracts for projects financed with such loans should be open to international competitive bidding. If this new scheme for increasing the value of Community aid was successful in non-associated countries, it could be extended to a larger part of the Community's aid programme.

The Government has noted the ideas in paragraphs 121-126 of the Report. Its assessment is that, in the absence of new EC money, the sacrificing of annual grants to finance once for all loans would increase the recipients' indebtedness while at the same time removing a source of servicing it. This in turn would make the country less attractive to potential commercial creditors. There could also be the serious administrative and negotiating difficulties in operating the scheme which are common to many co-financing arrangements.

(xvi) NGOs operating small-scale development projects achieve a valuable form of development assistance among the poorest sections of the population in Third World countries. They should be able to plan their co-financing operations with the Community over a longer period; commitment appropriations in the EEC budget should therefore be allocated to individual NGOs with suitable programmes, who should then be able to draw payment appropriations over an agreed number of years. Suitable indigenous NGOs in developing countries should be given access to Community funds for co-financing.

/The

The Government shares the Committee's appreciation of NGOs' work among the poorest. In principle commitment appropriations could already be allocated to an NGO for disbursement over several years on agreed projects; but there may be practical difficulties stemming from present Council guidelines for the programme. The Government will take up the problem of financial uncertainty when discussing new draft conditions this autumn. But to fund the NGOs of recipient countries directly would be likely to pose problems of financial and political accountability which would place disproportionate demands on the small section of the Commission which administers the scheme.

(xvii) The Community should increase efforts within its existing aid programmes to work with OPEC countries to recycle surpluses to developing countries through co-financing and by attracting extra loan finance for developing countries.

The Government supports continuing efforts by the Community to welcome OPEC countries and development institutions as co-financing partners for projects in ACP, Mediterranean and non-associated developing countries. Between 1976 and 1979 OPEC funds contributed 19 per cent, over £350m, to the cost of projects co-financed under the last Lome Convention, whose total value was nearly £200m; the EC contribution to these projects was 32 per cent and 12 per cent came from the World Bank. OPEC funds also provided over £100m over the same period to projects co-financed with the European Investment Bank. The Government fully expects such cooperation to continue and expand under the second Lome Convention. The Community is continuing discussions with the OPEC countries and related institutions on the possibilities for cooperation, but inevitably differing priorities set a limit on its extent.

(xviii) The positions of Member States in international gatherings on development issues during 1981, and in the UN Global Negotiations, must be coordinated. Member States should act together to accelerate acceptance of a more urgent approach to the problem of global development and the expansion of world trade.

/The

The Government will seek to coordinate the positions of Member States, so far as practicable, as the Committee recommend. Like all EC member governments, the Government is conscious of the need to accelerate the pace of global economic recovery, and to take account of the special problems affecting the poorer developing countries. We are consulting closely with our Community partners as the best means of achieving these objectives. The Community's North/South High-level Group meets regularly to review this range of subjects. In the first five months of 1981 Baron von Wechmar, the German President of the General Assembly, has, with the support of the UK and other Member States of the Community, held extensive consultations in an effort to agree acceptable procedures to launch the Global Negotiations. But the US Administration has said that its review of North/South policy will not be completed until after the Ottawa and Mexico Summits. In view of the vital role of the United States in the Global Negotiations, there would be little value in continuing preliminary consultations without them. We hope that the Mexico Summit will have a constructive influence on perceptions of major international economic ussues. We will participate actively, and, as President of the Community during the second half of 1981, will be willing to take account of any views expressed by Community partners who will not be present.

(xix) <u>If no significant progress is made in international meetings and negotiations in which Member States are involved during 1981, the Community itself should take an initiative to negotiate agreements which would stimulate the large-scale recycling of OPEC surpluses to the poorer developing countries</u>.

The principal capital markets can be expected to continue to play a major role in recycling the oil surpluses, but for the poorest countries there will still be a need for significant official aid flows. EC Member States, including the UK, have actively encouraged OPEC involvement. The Government has supported an enlarged role for the IMF and has agreed that its funds will need to be augmented correspondingly. Arrangements are being made for Saudi Arabia to make available up to an additional SDR 8 billion to the Fund over the next two years, and negotiations are continuing with certain other OPEC countries. Virtually all the IMF's recent lending has been channelled towards developing countries. Discussion of these matters will continue in relevant international bodies.

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

3 June 1981

The Rt. Hon. Lord Carrington
Secretary of State for Foreign
and Commonwealth Affairs

Dear Peter

AID & TRADE PROVISION - FINANCING POSITION FOR 1981-82

You asked for my views on points raised in your minute of 27 May to Keith Joseph.

As far as this year's programme is concerned, I agree that departments must leave it to you as the Minister responsible for the financial control of the programme to decide how many offers can safely be made without danger of overspend.

As far as changing the terms of ATP offers are concerned, I see the attractions of your proposal to make all offers on grant terms. This could, as you say, make the money go further. However there are considerations on the other side - we do not want, for example, to encourage countries whose aid is on variant 1 terms to press for grant terms, and the ultimate loss to the Government from loan repayments is not negligible. I should prefer, before giving agreement, that your proposal should be worked out in detail and discussed among officials. Meanwhile the Treasury remains ready to look at individual proposals for varying the term as they arise.

I am sending copies of this letter to the recipients of the earlier correspondence.

GEOFFREY HOWE

NBPM

Rmk

FCS/81/61

SECRETARY OF STATE FOR INDUSTRY

Aid and Trade Provision: Financial Position for 1981/82

1. Thank you for your letter of 20 March which was concerned in part with the provision of additional funds for the ATP this year, bearing in mind the impact of the Philippines SimChem project on the ATP budget. George Younger wrote in similar terms in his letter of 2 April and Patrick Jenkin also sought an expansion of ATP when he wrote on April 15.

2. I have delayed my reply because I was anxious to take full account of three factors. The first was the budget outturn for 1980/81 and the effect of slippage of spending of ATP contracts from last year to this; the second was whether a UK firm was likely to win the Bangladesh power project with the help of ATP funds; the third was the result of the efforts of our officials to create more room for manoeuvre by pruning deadwood from the list of projects already approved. We now know that some £5 million of spending from existing firm commitments slipped from 1980/81 to 1981/82 and that it is almost certain that a British firm has won the Bangladesh contract.

3. The outcome is that against the revised Framework allocation for this year of £53 million, estimated ATP spending arising from firm contacts amounts to £40.46 million. This leaves just over £12 million and this, with the application of the agreed over-commitment formula, is just sufficient to cover the value of the proposals

/that

that we have already approved and that remain outstanding, if account is taken of the savings from the Indonesian Bunyu project that can now be eliminated from the list.

4. There is therefore no room for manoeuvre and it is clear that the present difficulties over the ATP budget arise from the potential impact of the large SimChem project. The fact is that if the British Company wins the contract I shall be compelled to set aside at least £9 million of the Aid Programme's small Contingency reserve to meet expenditure arising from all the firm commitments and to cover possible spending from any of the other outstanding offers that may be taken up.

5. In these circumstances - and bearing in mind that we are only at the start of the financial year and there are already a number of claims on the Contingency reserve - I cannot accept any further degree of risk by accepting new proposals for consideration that require expenditure in 1981/82. I appreciate the points you and others have made and the importance you attach to the ATP. But the Aid Programme is generally under severe strain, as you will know, and I am sure you will see thht there are obvious limits to the commitments that can be taken on. I attach a note by my officials on the essential facts of the ATP in 1981/82 which you may find helpful.

6. There is one final aspect of the ATP where a helpful change could be introduced, and that is to make all new offers of ATP funds on a grant basis (instead of on the basis of interest-free loans which normally apply

/in

in respect of ATP proposals in all but the poorest countries). This would enable the necessary grant element in a mixed credit offer to be attained with a smaller injection of aid money and thus enable these scarce resources to go further in future. I myself favour this move and hope that it would be acceptable to you and particularly Geoffrey Howe, whose views I should welcome. If accepted its principal benefits will not arise until 1982/83.

7. I am copying this to the recipients of yours, and to George Younger and Patrick Jenkin.

C

(CARRINGTON)

Foreign and Commonwealth Office

27 May 1981

ESSENTIAL FACTS ON THE ATP 1981/82: NOTE BY OFFICIALS

1. Framework = £53 million

Firm Commitments = £40.46 million including £5 million slippage from 1980/81 and £4.0 million in respect of Bangladesh power project.

Uncommitted funds = £12.54 million

2. Value of offers outstanding should theoretically amount to £12.54 million x $\frac{5}{2}$ = £31.35 million. Offers outstanding in practice = £34.86 million. There is therefore an excess over-commitment of some £3 million.

3. The only firm candidate for exclusion from the existing list of offers outstanding is the Bunyu Methanol project. Savings in 1981/82 amount to £3 million, all of which are needed to eradicate the excess over-commitment described above.

4. If SimChem win contract firm commitments in 1981/82=£54.46m. Framework therefore exceeded by £1.46 million. To cover remaining offers outstanding of £20.86 million (ie, £34.86 million less £14 million for SimChem) an additional £8.34 million would have to be earmarked from the Contingency reserve to cover possible expenditure on the basis of the 5 : 2 over-commitment formula. The total claim on the Contingency reserve would thus amount to at least £9.8 million, and more if a greater proportion than we are at present assuming of the offers outstanding were to be taken up.

5. Slippage of some spending from this year to 1982/83 may occur but it has to be remembered that the £53 million ATP Framework allocation is already part of total aid allocations which over-commit the total Aid Programme by 10% as against the cash limit available for spending. There therefore has to be some slippage if cash limits are not to be exceeded.

6. If SimChem bid not successful then £14 million would be automatically released for new offers. Some of proposals now in pipeline could then be considered.

80-81 960 gross spending figure.

1037 : Gross Cash figure for 1981-82 includes revaluation

Net : 1980 Calendar : £759

Gross includes : repayments from soft loans.

Rapid spending in first quarter 1981.

RESTRICTED

6211 - 1

GPS 310

RESTRICTED

IDA Promissory Note not realised.

Overseas Aid.

FM FCO 131430Z APR 81
TO ROUTINE CERTAIN MISSIONS
GUIDANCE TELEGRAM NUMBER 39 OF 13 APRIL 1981

UK AID PERFORMANCE

1. DETAILS OF BRITAIN'S 1980 AID PERFORMANCE WILL BE GIVEN TODAY (13 APRIL) BY MR NEIL MARTEN IN ANSWER TO A PARLIAMENTARY QUESTION.

2. NET OFFICIAL DEVELOPMENT ASSISTANCE (ODA) TOTALLED POUNDS STERLING 759 MILLION, PROVISIONALLY ESTIMATED AS EQUAL TO 0.34 PER CENT OF GNP. THIS COMPARES WITH POUNDS STERLING 974 MILLION OR 0.51 PER CENT IN 1979.

LINE TO TAKE (IF QUESTIONED)

3. TECHNICAL FACTORS (SEE GUIDANCE TEL 28 PARA 6) IN LARGE MEASURE EXPLAIN THE FALL IN THE 1980 FIGURES. FOR INSTANCE HAD THE IDA SIX PROMISSORY NOTE BEEN DEPOSITED IN FULL, THE DDA/GNP RATIO WOULD HAVE BEEN 0.42 PER CENT. THESE CONSIDERATIONS HIGHLIGHT THE ARTIFICIALITY OF SUCH TARGETS.

4. THE GOVERNMENT ACCEPTS IN PRINCIPLE THE UN 0.7 PER CENT OF GNP AID TARGET BUT IS NOT COMMITTED TO ANY TIMETABLE FOR ACHIEVING IT. PROGRESS MUST DEPEND ON OUR FINANCIAL AND ECONOMIC CIRCUMSTANCES AND OTHER CALLS ON RESOURCES. THE GOVERNMENT IS NOT PREPARED TO FORECAST THE IMPACT OF PLANNED REDUCTIONS ON AID PERFORMANCE IN THIS OR FUTURE YEARS. (THE WORLD BANK ADMITTED LAST YEAR THAT ITS OWN PROJECTIONS OF UK AID PERFORMANCE TO 1985 WERE WRONG AND HAS WITHDRAWN THEM). THE REDUCTIONS MUST BE SEEN IN THE CONTEXT OF THE OVERALL STRATEGY FOR BRINGING INFLATION UNDER CONTROL.

/5.

RESTRICTED

5. BRITAIN'S AID, IN TERMS OF OUR RELATIVE ECONOMIC STRENGTH, REMAINS SUBSTANTIAL. CASH AVAILABLE IN 1981-82 EXCEEDS POUNDS STERLING ONE BILLION, SIGNIFICANT BY ANY RECKONING.

BACKGROUND

6. THE 1980 PERCENTAGE, WHICH HAS BEEN CALCULATED ON THE REVISED METHOD OF RECORDING DEPOSITS MADE TO CERTAIN MULTILATERAL AGENCIES RATHER THAN ENCASHMENTS, IS THE LOWEST ON RECORD FOR THE UK. COMPARATIVE 1980 FIGURES FOR OTHER DONORS ARE NOT YET AVAILABLE.

CARRINGTON

BY TELEGRAPH

ANKARA	UKDIS GENEVA	DACCA
BONN	DUBLIN	COLOMBO
BRUSSELS	UKMIS NEW YORK	DAR-ES-SALAAM
UKREP EC BRUSSELS	WASHINGTON	NAIROBI
COPENHAGEN	CAIRO	NAIROBI (DEVDIV)
THE HAGUE	KHARTOUM	LUSAKA
LUXEMBOURG	BANGKOK (DEVDIV)	LILONGWE
UKDEL OECD PARIS	ISLAMABAD	LILONGWE (DEVDIV)
ROME	NEW DELHI	BRIDGETOWN (DEVDIV)

[ROUTINE]

AND SAVING TO CERTAIN OTHER POSTS

FCO/WHITEHALL	ADDITIONAL DISTRIBUTION
INFORMATION DEPT	GUIDANCE

Overseas Aid.

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

B/F with FCO reply.

The Rt Hon Lord Carrington PC KCMG MC
Secretary of State for Foreign and
Commonwealth Affairs
Foreign & Commonwealth Office
Whitehall
LONDON SW1

2 April 1981

Dear Peter,

AID AND TRADE PROVISION (ATP)

I see from Keith's letter of ~~20~~ March that we are running into the same difficulty as occurred in 1979 in that the pressure of demand from industry for recourse to ATP funds is exceeding the allocation for 1981/82 of £53 million.

I am in agreement in general with the force of his arguments. I feel that we should be prepared to accept potential liabilities in excess of the current allocation especially as some of the offers already made may not be taken up. In our present difficult industrial circumstances I think it is particularly important to keep the Scheme open to consider fresh and possibly attractive projects for British companies. Many projects do take time to mature and it would be inappropriate to deprive ourselves of close contact with the market place by calling a halt to applications. Markets are by their nature constantly changing and in the present highly competitive circumstances any interruption would put at risk valuable business for the future.

In Scotland, one of the companies which has benefited significantly in the past from ATP is John Brown Engineering Ltd, Clydebank, and indeed has expectations of doing so again in 1981/82 for the supply of gas turbines to Bangladesh worth some £20 million and involving £5 million ATP; and in Burma turbines worth about £10 million with £3 million ATP. I am told that the timing of all these projects is likely to fall within the next financial year and whilst there is no similar type of business on the horizon at present, the very nature of the power generation business is such that overseas customers could emerge at short notice with a requirement for developmentally sound projects. It would be a retrograde step for us not to be in a position to at least examine the possibility of assistance.

It follows that I would support an immediate review by officials to determine what deadwood, if any, can be identified amongst those offers already within the £53 million allocation which look like being non-starters to make more room for those schemes likely to reach fruition.

If, as seems likely, the allocation will be over-committed, I would favour recourse to the unallocated reserve within the Aid programme or a specific allocation as Keith suggests. In the face of fierce competition from our international competitors whose industrial base is at present much stronger than our own and who have access to very generous schemes of aid support, our industry certainly requires to have the support of ATP funds if it is to capture the business available. If markets are lost, it is always more difficult in the future to regain a foothold.

I am copying this letter to the Prime Minister, Geoffrey Howe, Keith Joseph and John Biffen.

Yours ever,

George.

CONFIDENTIAL

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

Overseas Aid

NBPA

Rmt 2/3

From the Secretary of State

The Rt Hon The Lord Carrington KCMG MC
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London, SW1A 2AL

2 March 1981

Dear Peter,

will report if required

AID FRAMEWORK: UNALLOCATED RESERVE 1981/82

Thank you for your minute FCS/81/16. I am sorry that you do not feel able to make a larger allocation to the Aid and Trade Provision at this stage. It seems to me that the flexibility inherent in the ATP and its capacity to respond quickly to identified needs which have already been worked up into viable propositions by firms and Governments makes it a particularly good vehicle for the sensible deployment of additional resources when time is, as you recognise, rather short for the development of more traditional aid programmes; but I note what you say about our coming back for more later on in the year. This is already beginning to look increasingly necessary, because of possible slippage from this year's allocation and the volume of business coming forward for next year. I also note that there will be further discussions among our officials about my proposals relating to Mexico, Nigeria and Korea.

More generally I remain concerned that the trend of decisions within the aid programme does not appear to be bringing us any nearer to realising the policy you announced a year ago. I appreciate that some of the criticism of our aid policy in the media comes from those who would like to see more spent on aid, but I am more exposed to those who, like the recent Working Party of the Overseas Projects Board, feel that not enough is being done to make the most of our aid in the rough and tumble of international competition for developmentally sound business. The French, in particular, and the Germans are cited as being very much more capable than us of devising internationally

From the Secretary of State

respectable developmental policies that are also extremely effective in winning substantial export orders in excess of their aid inputs. This is a point of view which reflects an important body of opinion in the party and among our supporters in the country at large, and I am a little concerned that unless we can be seen to be applying our new policy in a thorough going way to any new commitments we make, we shall lose their confidence and support. This must be particularly so while the proportion of our aid going to bilateral programmes is falling, since they will be concerned to ensure that what little new money there is is spent to the best possible effect commercially and industrially as well as developmentally.

This brings me back to what you say about our proposals for Zimbabwe, Cameroon and the Ivory Coast. I accept that they do not affect the unallocated reserve for 1981/82, so I will not press them further in this context, but I do attach importance to extracting a good commercial return for the aid commitments envisaged in these cases, and if there are difficulties which cannot be resolved at official level, I hope that Ministers will be given adequate time to consider them. I appreciate that some of the techniques which our Departments have developed together for the administration of the ATP may not be appropriate to every part of the regular bilateral aid programme, but they should not be dismissed simply because they are ATP techniques. Our commitment to give more emphasis to commercial and industrial factors in the aid programme is not confined to the ATP alone and I am sure that a flexible approach involving mixed credits and double tying has a part to play on the wider scene. This must be particularly so in a country like Cameroon where mixed credits have been the norm for French aid, but it applies or could apply to a greater or less extent in many other countries too.

I am copying this letter to Geoffrey Howe and Keith Joseph and also to the Prime Minister as Chairman of EX Committee.

Yours John Biffen

JOHN BIFFEN

Foreign and Commonwealth Office

London SW1A 2AH

Thanks on MT.

24 February 1981

(4)

Prime Minister
Mr. Ryan

Dear Michael,

Mauritius and the World Bank

When the Prime Minister and the Foreign and Commonwealth Secretary had the informal discussion about relations with developing countries on 13 February, the Prime Minister said that Sir V Ringadoo, the Mauritian Finance Minister, had given her the impression that the World Bank had been unhelpful to Mauritius and that no projects for Mauritius ever came to the Bank's Board.

It seems likely that Sir V Ringadoo intended only to refer to the Mauritians' regret that they are no longer eligible for IDA credits. Since Independence 14 IBRD loans and IDA credits, totalling over $100 million, have been approved for Mauritius, the most recent in December. As a result of increasing per capita income Mauritius became ineligible for IDA lending in 1976 but substantial IBRD lending continues. At the Consultative Group meeting (organised jointly by IBRD and IMF) in October 1980 the IBRD delegate stated that the Bank hoped at least to maintain, and if possible increase, the flow of Bank funds to Mauritius over the next few years. The Bank is negotiating with the Mauritius Government for the provision of a non-project loan to help meet the current balance of payments difficulties; Sir V Ringadoo told Mr Marten last Thursday that he expected these discussions to be concluded in March. The Bank plans to finance 7 or 8 further operations over the next 5 years.

We know of no particular difficulties over individual loans which would have prompted Sir V Ringadoo to make a general criticism of the Bank's role vis-a-vis Mauritius. At the Consultative Group meeting in October he appeared most appreciative of both the Bank's own programme and its efforts to mobilise assistance from other donors.

It seems possible that the Mauritian Government's disappointment that it can no longer attract IDA credits on soft terms may have led to a misunderstanding about the role

/of the

of the World Bank which has in fact played a helpful role.

Yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

Overseas Aid

CONFIDENTIAL

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

18 February 1981

The Rt Hon The Lord Carrington KCMG MC
Secretary of State for Foreign and Commonwealth Affairs
Foreign and Commonwealth Office
Great George Street
London SW1

Yours ever

Dear Peter

DEVELOPMENT POLICY

I have seen papers and correspondence on Development Policy which formed the basis of the Ministerial discussion you chaired on 26 January at which Kenneth Baker was present. I agree with the conclusions drawn out in your minute of 4 February to the Prime Minister, and with Robert Armstrong's draft paper for the Economic Summit, but I would just like to underline the points about putting aid into a proper perspective and encouraging a more realistic approach to what it can and cannot do. In this connection, I agree strongly with what Geoffrey Howe had to say in his letter of 21 January about increasing aid to low income countries and I am glad to see that the more recent papers do not acknowledge any particular responsibility for us to do so.

2 I would not wish to disagree with those who emphasize the need to avoid being labelled as ring-leaders of a "hard-faced" line on aid. Britain could lose much valuable business if we make ourselves too prominent; but I remain convinced, as I think we all are, that the simplistic division between North and South is quite wrong and there are other aspects of the Brandt analysis which are equally open to challenge, especially, of course, his case for further massive transfers of resources.

3 The point here is that the Brandt Commission's conclusions are derived from a perception of the world which in important respects is at least questionable. The notion that international security is threatened by economic disparities between the so called North and South is not borne out by history over the decades since the war. The report fails to acknowledge the wide variation in the rates of growth of developing countries since World War II and over-estimates the importance of external against internal factors in economic development. It suggests that the developed countries are able to manage the world economy in their favour and that it is possible so to alter this management as to create by administrative intervention

/a ...

CONFIDENTIAL

a new economic order in which greatly increased aid flows play a very important role.

4 We can all see the flaws in this approach (I particularly commend Professor Henderson's critique in the June 1980 issue of "The World Economy"). I would just like to say that I hope our reasonable concern to avoid taking too prominently critical a role in international fora will not mean that we fail to cast doubt on the underlying assumptions of the Brandt Commission and its supporters whenever we see an appropriate opportunity to do so.

5 Perhaps I should mention that I recently received a circular from Evan Luard asking my support of the Brandt Report. I replied on a personal basis courteously and briefly drawing his attention to the flaws in the Report's analysis and in particular to Henderson's article. I attach a copy of Luard's reply since his arguments may help us in our preparation.

6 I am copying this letter to members of OD and to Sir Robert Armstrong.

Yours,

Kerr

EL/DW

2 6 JAN 1981

Registered Office:
274 BANBURY ROAD · OXFORD OX2 7DZ
TELEPHONE: 0865 56777 · TELEX 83610

The Right Hon. Sir Keith Joseph, BT., MP,
House of Commons,
London S.W.1.

22nd January, 1981

Dear Sir Keith,

It was extremely kind of you to take the trouble, despite all the many other calls on your time, to reply personally to the circular letter I wrote on behalf of Oxfam about the Brandt Report.

I hope that, since you are one of the few people in a position to have substantial influence over the response which this country ultimately makes to the Report, you will forgive me if I reply at some length.

I have in fact read the article by Professor Henderson to which you refer, as well as the longer one he wrote for The World Economy (indeed I know Professor Henderson personally and only recently had lunch with him). I am however, not altogether persuaded by the arguments he uses, which I think he would be the first to accept are directed only to certain features of the Report, above all its general philosophy and which are very little concerned with the specific recommendations the Report makes.

I fully accept the justice of some of the points he makes. I certainly agree, for example, that the Report greatly exaggerates, or even misstates, the relationship between under-development and war (certainly as between rich countries and poor) and overstates the relationship between disarmament and the availability of development funds. On the other hand it understates the rate of development already achieved by some poor countries and makes little attempt to analyse how this has been achieved, nor the reasons for differing rates of growth (not surprisingly, given the varied composition of the Commission.) The Report perhaps also, for obvious reasons, presents a somewhat unduly alarmist picture of the existing state of the international economy, though I think everybody would agree that there are many very disturbing features in this at the present time.

The heart of Professor Henderson's criticism, however, concerns the concept of global Keynesianism. He suggests that if the rich countries want to reflate, they can perfectly well expand their own economies, but have deliberately decided not to do so. But the reason surely that they have decided not to do so, or not too fast at least, is partly because of balance of payments constraints, and partly that they do not wish to risk restimulating inflationary pressures within their own economies. But expansion in the Third World would have no adverse balance of payments consequences and probably some favourable ones for rich countries. At the same time it would clearly have much less effect, certainly a far less direct effect, in stimulating inflation.

Cont.

And indeed insofar as this indirect reflation is directed, as the Report recommends, to increasing production of commodities at present in short supply, for example, oil, food and other raw materials, it could have the reverse effect of bringing a downward influence on prices, not a small bonus for the western world.

I am a little surprised that Professor Henderson, as a firm believer in the market economy, did not pay greater recognition of the strong call in the Report for a liberalisation of world trade and for resistance to growing pressures for protectionism. As Douglas Hurd pointed out in a recent debate in the House of Commons, such steps could probably do more than anything in the field of aid to provide benefits for developing countries if they were resolutely pursued by the rich. As the Report points out, this could provide substantial benefits for consumers in rich countries and, by increasing the foreign exchange resources of poor countries, would also probably lead to orders for exports of other goods, especially the more sophisticated products in which the rich countries should increasingly be specialising. This could help to bring about the progressive readjustment of our industry, out of the old and uncompetitive industries into new, technology-based industries of a kind which I know you are seeking to bring about.

Professor Henderson also says little in the Encounter article about another major theme of the Report: the need to find new ways of recycling oil surpluses, perhaps making more direct use of the international institutions, given the increasing reluctance of the banks to continue to lend to many countries with very high debts on the scale they did during the last decade. I would have thought that few people today could deny the importance of finding such means, and it is encouraging that both the Bank and the Fund are increasingly moving in that direction. It is difficult to see how many poor countries, crippled by a further tripling of the price of oil, world recession and a big increase in the prices of the capital goods they import, will otherwise be able to play any significant part within the world trading economy. I hope very much that the Government will be giving careful attention to the ways in which this can be achieved, including some of those suggested in the Report.

Professor Henderson apparently believes that the Commission places excessive emphasis on the "regulation" of the world economy. But, as I have pointed out, in many respects the Report is calling for less regulation: for example less intervention by national governments to restrict trade flows. The types of international regulation it is concerned with are of a kind that have been practised for many years, and are likely to continue regardless of the response to the Report: for example in the international monetary system. What the Report is recommending (apart from somewhat ambitious ideas for international taxation, to which Professor Henderson has suggested an interesting alternative) is not an increase in regulation but alternative ways of regulating which are likely to be of greater benefit to many developing countries.

Cont.

There is much more that I could say in reply to Professor Henderson's article (for example concerning his rejection of the idea that countries may have "needs" of food, energy, or foreign exchange, for example) but I do not wish to add to the length of this letter unduly and to try your considerable patience any further. I do hope, however, that you and other members of the Government will, despite the obvious constraints, consider very carefully the ideas that are contained in the Report (which it is generally agreed is attractively written and full of interesting ideas) and may be willing to come up with a positive response at least for some of the proposals which it makes.

Yours sincerely,

Evan Luard.

Evan Luard

From: The Rt.Hon. Sir Keith Joseph, Bt., M.P.

Evan Luard, Esq.,
OXFAM,
274 Banbury Road,
Oxford, OX2 7DZ.

16th January 1981.

I am sorry not to have replied earlier to your personal circular of November 28th written on OXFAM paper.

I respect the work of OXFAM and have from time to time supported it in a modest way.

But I must point out that what you write on the Brandt Report takes no account of the arguments that you will have read, for instance, in ENCOUNTER, by Professor Henderson.

LUARD

sonal

Registered Office:
274 BANBURY ROAD · OXFORD OX2 7DZ
TELEPHONE: 0865 56777 · TELEX 83610

Dear Sir Keith.

28th November 1980

OXFAM warmly welcomes the publication of the important proposals in the Brandt Report for a better international management of the world economy and more effective steps to assist poor countries, especially the neediest people within those countries. We are therefore deeply concerned that this country, in common with the other developed states of the world, should make an adequate response to the proposals in the Report. The Report's publication provides a unique opportunity for a major new international effort to tackle the problems of an ailing international economy at the world level.

We were encouraged by the close attention paid to the Report by MPs in the two debates which took place earlier this year and the support that was then given by speakers from all parts of the House for a positive response by Britain. We believe that many members of the House will wish to focus continuing attention on the Report and to do what they can to ensure that there is further constructive discussion of it in the session now beginning.

It now seems that the summit conference proposed in the Report as a means of following up its recommendations is likely to take place in Mexico in the middle of next year. It is important that this country should by then have adopted a clear-cut position on the main proposals in the Report. We very much hope this will be a position that furthers the main objectives of the Brandt Commission: to achieve a better managed world economy and more effective steps to help poor countries in the face of the very difficult economic problems they now face.

In particular we think it important that the position of the British Government should be clarified on the following points:

1. One of the major concerns of the Brandt Commission was that rich countries should make available adequate markets for the exports of poor countries, especially for their simple manufactures, processed goods and agricultural exports (if only in order to ensure that those countries secure the foreign exchange to enable them to buy from us in return). The British Government has stated that it favours a liberal trading system and recently renewed the OECD Trade Declaration renouncing protection. Can the Government give an undertaking that it will not (for example, in the forthcoming negotiations on the Multi-fibre Arrangement) place any new restrictions on imports of this kind from poor countries and that it will seek to reduce those which already exist?

2. The Brandt Report emphasised the special needs of very poor countries, which are deeply affected by the rise in the price of oil (as well as of many of their capital goods imports) but have few resources of their own and are unable to raise money from the international banking system or to attract significant inward investment. The British Government, in their memorandum to the Overseas Aid Sub-Committee of the Foreign Affairs Committee about the Brandt Report, also expressed concern about the special needs of these countries. Will the Government undertake to increase development assistance at least to this group of countries (some of which have had their aid cut drastically within the last year) and to give them other special assistance (for example through the extension of the Generalised System of Preferences and of the balance of payments support provided by the IMF)?

3. The Report pointed out that millions of people are close to starvation throughout the Third World because of inadequate food supplies there. The British Government has stated that it does not believe in food aid and has recently refused to join other EEC countries in providing new assistance of this kind. What alternative steps will the British Government take to ensure that the essential food needs of these areas are met, both in the short-term and the long-term?

4. The Brandt Report calls for major reforms in the international monetary system, including more liberal drawing-rights for poor countries over longer periods of time, a larger role for the SDR and a link between monetary and development assistance (that is special allocations of SDR's for poor countries). Given the need to maintain the capacity of poor countries to import and to avoid defaulting on debts, will the British Government undertake to support reforms on these lines?

5. The Report makes important proposals to provide more reliable sources of funds for development assistance, both through a system of 'universal resource mobilisation' under which all countries would be assessed as to their capacity to provide aid and through some system of international taxation, perhaps of the use of international resources such as space orbits or radio frequencies, or a tax on the arms trade. Will the British Government agree either to support some such proposal to secure additional resources or to raise the proportion of GNP which this country at present devotes to development assistance?

These are only a small number of the major areas covered in the Report on which it is important that Britain should adopt a positive position (OXFAM has prepared a set of more detailed briefings on the proposals in the Report which we would be happy to send you if you so wish).

We would like to know whether you agree with us about the importance of this Report and the need for an effective response by the Governments of the rich countries of the world. We would, therefore, be most grateful for your answers to the questions listed below.

I personally would be very happy to come to the House to discuss with you any matters relating to the Report and to the part you can play in promoting it (I have been engaged by OXFAM specifically for the purpose of stimulating discussion of the Report in this country and promoting a positive British response to it). Please let me know if you would welcome a meeting of this kind.

Yours sincerely

Evan Luard.

Evan Luard

Can you tell us whether you:

(a) believe that the Brandt Report represents a valuable statement of the needs of the world economy, and of developing countries particularly, at the present time? Yes / No

(b) would like to see Britain play a positive role in responding to the proposals in the Report? Yes / No

(c) are willing to speak in your constituency and elsewhere on the themes in the Report? Yes / No

(d) will offer to help in any way possible in Parliament in promoting implementation of the Report (for example by calling for further debates in the House)? Yes / No

(e) would welcome further briefing about the proposals contained in the Report? Yes / No

Signed ..... Name .....

Overseas Aid

cc CO
CWO
HMT
GLO

JFH

10 DOWNING STREET

From the Private Secretary

16 February 1981

IDA: 6th Replenishment

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute to her of 13 February and has agreed that the laying of the appropriate Order on 17 February can be proceeded with.

I am sending copies of this letter to John Wiggins (HM Treasury), David Heyhoe (Chancellor of the Duchy of Lancaster's Office), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

G.G.H. Walden, Esq., CMG,
Foreign and Commonwealth Office.

jfh

16 February 1981

Public Presentation of the UK's Aid Performance

The Prime Minister has seen your letter to me of 13 February and has agreed the draft reply attached to it.

M. O'D. B. ALEXANDER

CS

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

(V)

Prime Minister

Agree that we should participate in the bridging arrangements & that an Order should be laid to this effect on 17 Feb? This is not the same as confirming our commitment to IDA 6 – though it of course strengthens the assumption that we will confirm. 13/2

Yes
MT.

PM/81/4

PRIME MINISTER

International Development Association: 6th Replenishment:
Bridging Arrangements: Parliamentary Timbetable

1. Your Private Secretary mentioned the 6th Replenishment of the IDA in his letter of 9 February and we discussed this informally this morning.

2. We must now take a decision on the Parliamentary programme for carrying out our undertaking on the IDA 6 bridging operation. This is not a matter of confirming our commitment to IDA 6 but of keeping faith with the other participants in the bridging operation who have already deposited cash or promissory notes. As you know the IDA 6 Replenishment was strongly endorsed in the Venice Declaration.

3. The need for the bridging operation arose from the failure of Congress last year to authorise the provision of funds to permit the Americans to carry out their formal undertaking in respect of IDA 6. As on previous occasions when Congress has been tardy the other donors joined together to make anticipatory commitments.

4. Neil Marten announced in the House on 10 December that he would be seeking the necessary Parliamentary authorisation for United Kingdom participation in the bridging arrangements. We are already well behind the others who have agreed to participate and unless our Order is passed by mid-March we may be held responsible for causing IDA to run out of commitment authority, even though the resultant expenditure will commence on a relatively small scale and be spread over several years (that part which falls in the period 1983/84 is already fully catered for in the aid programme).

5. We have so far ascribed our failure to fulfil our undertaking on the bridging operation to the need to satisfy

/Parliamentary

Parliamentary procedures; but fellow participants may begin to question our good faith if these are spun out to a point which brings the work of authorising new projects in IDA to a halt.

6. Our programme involves the publication of a White Paper on 17 February and we were proposing to lay the necessary Order on the same day with a view to reference to the Select Committee on Statutory Instruments during the course of the ensuing week, and a Debate (preferably in Standing Committee) not later than the week beginning Monday 9 March seeking approval of the Order. Consultation with the Whips suggests that we would be likely to run into difficulties in Parliament unless we allowed at least three weeks between the Laying of the Order and the Debate on its approval, and we need to be in a position to convey our participation to the World Bank by mid-March if we are to avoid the risk of holding up IDA projects.

7. The present indications are that the Reagan Administration (despite Mr Stockman's recommendation to the contrary) intend to recognise their obligation in respect of IDA 6.

8. We and the other participants in the bridging operation entered into it in the expectation that American good faith would be vindicated in this way, and any suspicion that we were delaying because of doubts about this, and in the possible expectation of leaving the other participants in the bridging arrangements to carry the burden without us, would be highly damaging.

9. Given the publication of the White Paper the laying of the Order could not in itself be regarded as a very significant step, and deferring it until after your visit to Washington risks seriously embroiling us with other participants in the bridging operation without affecting

/the

the general position of the IDA 6 Replenishment itself.

10. I would therefore be grateful to know whether the laying of the Order on 17 February can be proceeded with.

11. I am copying this minute to the Chancellor of the Exchequer, Francis Pym, Michael Jopling and Robert Armstrong.

C

(CARRINGTON)

Foreign and Commonwealth Office

13 February 1981

Prime Minister
Agree draft?
MT

Foreign and Commonwealth Office

London SW1A 2AH

13/2

13 February 1981

Dear Michael,

Yes.
MT

Public Presentation of the UK's Aid Performance

During this morning's informal meeting, it was mentioned that the percentage of the UK's GNP devoted to overseas development assistance, as measured by the Development Advisory Committee of the OECD, would show a substantial drop on publication of the figures for 1980. The 1979 figure was 0.51% (recently revised from 0.52% on the basis of adjusted GNP figures). Current estimates suggest that the 1980 figure will be approximately 0.31% (the 1979 average for all OECD countries was 0.35%).

Figures for 1980 will be published by the OECD in June. However, the existence of year end aid figures will be available well before then. By 25 February, we shall be providing the Overseas Development Sub-Committee with figures for calendar year 1980 which may give rise to questions on the aid/GNP ratio.

With the agreement of the Foreign and Commonwealth Secretary, Mr Marten proposes to begin to prepare the ground for the emergence of the new figures in his reply on 16 February to a PQ tabled by Mr Dennis Canavan. I enclose a copy of the draft reply to Mr Canavan. One advantage in dealing with this problem as early as possible is that we shall wish to make the most of the 1981/82 cash aid programme when this is made public on 10 March. It would seriously detract from this objective if news of the 1980 GNP performance was delayed until then. Delay until the run up to the economic summits in June/July would have obvious drawbacks internationally.

Yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

Mr Dennis Canavan (West Stirlingshire): to ask the Lord Privy Seal, when he expects to meet the United Nations target of 0.7% gross national product for overseas aid.

Mr Neil Marten:

As I explained to the Hon Member for Kingston Upon Hull West on 1 December, we accept in principle the target of 0.7%, but we are not committed to a target date for achieving it. Performance against this target is affected by various technical and other factors, not all of which are entirely within our control in any particular year. Preliminary estimates suggest that our 1980 ODA/GNP ratio will be substantially below the level recorded for 1979.

CONFIDENTIAL

c.c.
D/I LPO
CO LPS
HO D/Trade
LCO
HMT
MOD
LPO

Overseas Aid

10 DOWNING STREET

From the Private Secretary

9 February, 1981.

Development Policy

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute to her of 4 February on development policy. She has commented on the importance of our keeping in step with the Americans on aid questions in the months ahead. She agrees that it would not be appropriate for us to put bilateral pressure on the Americans to carry out their own commitments to the general capital increase in the Sixth Replenishment of IDA at present. She is doubtful about the desirability of our commenting on the damage that might flow from an American failure to implement their commitments. She does not wish any action taken on the confirmation of our own commitment until after her visit to Washington.

I am sending copies of this letter to the Private Secretaries to the other members of OD, and to Ian Ellison (Department of Industry), and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

G.G.H. Walden, Esq., C.M.G.,
Foreign and Commonwealth Office.

CONFIDENTIAL

The important thing is that we stand with the U.S. and that we discuss our approach to these issues together.

CONFIDENTIAL

(1)

Prime Minister.

I have asked that no action be taken on para 2 (ii) – confirmation of our commitment to the Sixth Replenishment of IDA – until the Americans have decided their policy or you have been to Washington.

I think there would be considerable value in devoting one of your seminars (Lord Carrington + two or three officials) to Development policy before you go to Washington. May I arrange?

Yes.

PM/81/3

PRIME MINISTER

The U.K. is going to get very difficult this year – and we shall need a sheet-anchor with the U.S. not.

Development Policy

You will recall the exchanges of view on this subject that began with the Chancellor's letter and paper of 2 September. Geoffrey Howe's further letter of 21 January provided the focus for a meeting which I held on 26 January with him, John Biffen, Cecil Parkinson, Kenneth Baker and FCO Ministers.

FLAG 'A'

2. I believe the meeting was very useful in helping to determine our approach as we prepare for the various international meetings this year, in particular the Ottawa and North/South Summits. Sir Robert Armstrong has now sent you the paper that has been prepared by officials and which is intended to serve as the British contribution to the aid study being prepared for consideration by Heads of Government at Ottawa. That paper reflects the consensus which has emerged from the recent exchanges on our attitude to aid and development. At my meeting this week we also agreed on the following main points:

FLAG 'B'

(i) We should continue to underline the responsibility of oil surplus countries to do more to alleviate the economic difficulties brought about by the increases in oil prices. Non-oil developing countries should be encouraged to do more to keep up the pressure on them. In the multilateral field finance was needed from oil producers to swell the funds available to the IMF, and some variant of the proposed IBRD Energy Affiliate

/could

CONFIDENTIAL

could well be a useful magnet for OPEC funds. To ensure such support from oil producers to an Energy Affiliate we should have to be ready to cede a greater degree of control to them over its operation and probably to make some contribution to the Affiliate ourselves.

(ii) We should confirm our commitment to participate in the General Capital Increase of the IBRD and to the Sixth Replenishment of IDA. It would however not be appropriate, at this early stage of the Reagan Administration, for us to put bilateral pressure on the Americans to carry out their own commitments to the General Capital Increase and the Sixth Replenishment of IDA but at some stage we shall probably wish to draw their attention to the damage that would be caused if they failed to do so, given our common objective of supporting these institutions against developing country proposals for radical change.

NO

(iii) Although the question of IMF quotas had no significance for public expenditure, (in contrast to the issue of contributions to IBRD/IDA) and the link between IMF quotas and IBRD shares was complicated, we should be prepared to see a reduction in both to a level more consistent with our relative economic strength.

(iv) There was a need to put aid in the wider perspective of total financial flows to developing countries: private investment and financial flows had an important and growing contribution to development and this should be recognised.

(v)

(v) There should be further discussion among Departments of ways in which private flows could be further facilitated. The Department of Trade had some proposals to make, foreshadowed in Mr Nott's letter of 27 October, and the Chancellor undertook to consider the effects of Advance Corporation Tax on outward investment.

(vi) Although we had interests to protect in international negotiations we should be careful to avoid getting too far out in front. This was largely a question of style. While the substance of our response to Brandt remained right we had to be careful to avoid risking disadvantages in trade terms as a result of our public stance.

(vii) Particular care will be needed in presenting our 1980 performance in respect of our aid as a proportion of GNP. While the 0.7% "aid target" is not relevant in itself it attracts attention at home and abroad. We can expect criticism this year because our 1980 aid/GNP figure will be substantially below that for 1979, partly but not wholly a reflection of technical factors which worked to our advantage in 1979. Work is now being put in hand on how best to explain the change. In the eventual presentation we should make as much as we can of the increasing flows of private finance.

3. We did not go into detail on the issue of multilateral aid. We all recognise the desirability of putting less emphasis on multilateral aid and Ministers stressed the relative advantages of bilateral aid as a flexible and effective means of achieving the multiple objectives

/served

served by our aid programme - developmental, political, commercial and industrial - but it is plain that there is in practice little room for manoeuvre over this over the next few years. But it remains the case that each multilateral commitment must be examined critically in the light of its cost and possible benefits (eg extra OPEC money).

4. We believe that we should be as constructive as we can at the Summit meetings this year, by concentrating attention on a package of specific measures which are within the constraints of available finance. This would include implementing the IBRD General Capital Increase, and IDA VI replenishment and making progress on the Energy Affiliate or some other arrangement having the same effect in attracting OPEC funds. It would also be useful to see whether we can come up with other ideas to be put forward either independently or in concert with other OECD countries, and there should be further official study of this.

5. I should finally take this opportunity of recording the outcome of a separate exchange of views on the question of the Soviet Union and aid, following discussions at Venice last year. Agreement has now been reached among Departments that we should openly criticise the Russians for their poor aid performance, and urge them to improve it. We do not think that this runs any real risk of causing them to increase their aid on countries where they would not otherwise be active and we may gain some - not very great - political advantage by highlighting their deficiencies. It would also be right to urge them to make a more effective contribution to the UN agencies

/of

of which they are members (not IMF or IBRD), especially by contributing in convertible currencies.

6. I am copying this to members of OD, to Sir Keith Joseph and to Sir Robert Armstrong.

C

(CARRINGTON)

Foreign and Commonwealth Office

4 February 1981

File

BK.

Overseas Dev Review Member 2/2

Mr Sanders:

Am I right in thinking this agreement has now been rescinded?

Yes - there's a letter coming. RPS 5/2

3 February 1981

IDA 6th Replenishment -
Publication of Command Paper

Thank you for your letter of 3 February.

We are content with publication on Tuesday 17 February.

N J SANDERS

Miss Nan Andrew,
Overseas Development Administration

OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH
Telephone 01-213 5409

From the Minister

3 February 1981

Dear Nick,

IDA 6th Replenishment - Publication of Command Paper

I understand that the above is to be published on ~~Thursday~~ Tuesday ~~19~~ 17 February. I should be grateful if you could let me know if you are content with this date.

Yours sincerely
Nan

(Miss N Andrew)
Parliamentary Clerk

N. Sanders Esq.
Prime Minister's Office

P.M. has spoken to Sir K. Couzens about this.

CONFIDENTIAL

I think it was a most unwise thing to have done and I am sorry we are associated with it. It is a clumsily worded ad which will irritate the U.S. not, unfortunately, will irritate the U.S.

Prime Minister. Mrs. Thatch 3/2

Foreign and Commonwealth Office

London SW1A 2AH

30 January 1981

In view of the extreme shortage of time this afternoon I saw that I thought you would be content to be guided by Sir G. Howe on this. As you will see the State Dept are at odds with OMB about the proposal. Leaving aside the aid issue, it is obviously undesirable that the new Administration should renege on international commitments entered into by their predecessors.

Dear Michael,

Mrs Thatch 30/1

The 6th Replenishment of IDA

It became known in Washington on or about 28 January that on 30 January the United States Cabinet would be considering proposals by the Director of the Office of Management and the Budget, David Stockman, for reductions in overseas aid, including a 50% reduction in the amounts to which the previous Administration committed the United States for IDA 6.

Difficulties with Congress have hitherto prevented fulfilment of the US obligation, but it would be a serious matter for the Administration to take action effectively revoking an international agreement (which had moreover been strongly endorsed at the Venice Summit), especially when a number of countries have promised or advanced a portion of the necessary funds in a bridging operation in anticipation of American adherence. We have already publicly stated our intention to participate in the bridging operation and an Order is about to be laid.

Against this background, the Dutch Presidency suggested that their Ambassador in Washington should send a letter to the US Secretary of State expressing concern about the proposed US action, on behalf of the ten Member States of the European Community. I enclose the text. The United Kingdom's representative reserved our position. The other Member States indicated that they were ready to follow the Dutch initiative. We were subsequently informed by the newly appointed Assistant Secretary for Economic Affairs that the State Department would welcome an approach from the Community about Mr Stockman's proposals. It was therefore decided, in consultation with the Treasury this morning, that the United Kingdom should not prevent a Community demarche being made in the terms proposed. I understand

/that

CONFIDENTIAL

that you were informed of this on the telephone: we thought it would be helpful to explain the sequence of events in writing, as this is a matter on which it would have been appropriate for Departments to consult in writing had time permitted.

I am copying this letter to John Wiggins at the Treasury.

Yours ever

Roderic Lyne

(R M J Lyne)
Private Secretary

M O'D B Alexander Esq
10 Downing St

GR 250

CONFIDENTIAL

CONFIDENTIAL
DESKBY 300900Z
FM WASHINGTON 300415Z JAN 81
TO IMMEDIATE F C O
TELEGRAM NUMBER 335 OF 29 JANUARY 1981,
INFO PRIORITY UKREP EC.

M I P T

I D A 6 AND THE U S

FOLLOWING IS TEXT OF DRAFT LETTER TO HAIG:

BEGINS.

ON BEHALF OF THE TEN MEMBER STATES OF THE EUROPEAN ECONOMIC COMMUNITY, OF WHICH THE NETHERLANDS PRESENTLY IS THE PRESIDING MEMBER, I WISH TO EXPRESS OUR DEEP CONCERN ABOUT PROPOSALS TO REVOKE THE U S PLEDGE TO THE 6TH REPLENISHMENT OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION (I D A) AND TO SEEK A SUBSTANTIAL REDUCTION IN THE AMERICAN CONTRIBUTION TO I D A VI.

SUCH A UNILATERAL REVOCATION OF THE U S PLEDGE WOULD UNDO A FINAL AGREEMENT WHICH RESULTED FROM PROTRACTED NEGOTIATIONS AMONG A GREAT MANY DONOR COUNTRIES. IT WOULD HAVE MOST SERIOUS CONSEQUENCES FOR THE POTENTIAL BENEFICIARIES, WHICH ARE THE POOREST AND LEAST DEVELOPED COUNTRIES OF THE WORLD, AND WOULD ALSO ADVERSELY AFFECT THE OVERALL RELATIONS WITH THE DEVELOPING COUNTRIES.

WE THEREFORE HOPE THAT YOU SHARE OUR CONCERN AND THAT THE U S WILL STAND BY ITS COMMITMENT TO THE INTERNATIONAL DEVELOPMENT ASSOCIATION.

ENDS.

F C O PLEASE ADVANCE TO O D A, TREASURY AND BANK OF ENGLAND.

HENDERSON

ADVANCED AS REQUESTED

MONETARY
ODA

CONFIDENTIAL

GR1000 CONFIDENTIAL

CONFIDENTIAL
DESKBY 300900Z
FM WASHINGTON 300410Z
TO IMMEDIATE F C O
TELEGRAM NUMBER 334 OF 29 JANUARY 81.
INFO PRIORITY UK REP BRUSSELS.

UKDEL IMF/IBRD TELEGRAM NO 24 (NOT REPEATED)

IDA 6 AND THE U.S.

AS A CONSEQUENCE OF THE APPEAL FROM MCNAMARA REPORTED IN TELEGRAM UNDER REFERENCE, THE NETHERLANDS CONVENED THIS EVENING A MEETING OF EC REPRESENTATIVES IN WASHINGTON TO CONSIDER THE POSSIBILITY OF MAKING A JOINT DEMARCHE TO THE U.S. ON THE SUBJECT OF IDA 6. WITH THE EXCEPTION OF IRELAND, ALL TEN MEMBER COUNTRIES AND THE COMMISSION WERE REPRESENTED. COUNSELLOR (OVERSEAS DEVELOPMENT) ATTENDED FOR THE UNITED KINGDOM.

2. THE DUTCH SAID THAT THEIR GOVERNMENT HAD TODAY TELEGRAPHED THEIR EMBASSIES IN THE CAPITALS OF THE OTHER EC COUNTRIES ASING THEM TO INFORM GOVERNMENTS OF THE ACTION BEING TAKEN IN WASHINGTON AND TO SEEK THE REACTIONS OF GOVERNMENTS TO THE PRINCIPLE OF A JOINT DEMARCHE.

3. THE DUTCH PROPOSED THAT THEIR AMBASSADOR IN WASHINGTON, ON BEHALF OF THE TEN MEMBER STATES OF THE EC, SHOULD SEND A LETTER TO HAIG, EXPRESSING THEIR CONCERN ABOUT THE PROPOSED U.S. ACTION. THEY SOUGHT THE VIEWS OF OTHER REPRESENTATIVES. SMITH (KNOWING THAT YOU HAD DECIDED NOT TO MAKE BILATERAL REPRESENTATIONS) SAID THAT HE HAD NO INSTRUCTIONS AND, IF THERE WERE A CONSENSUS AMONG OTHERS IN FAVOUR OF A DEMARCHE HE WOULD NEED TO SEEK INSTRUCTIONS ON BOTH THE PRINCIPLE AND THE DRAFT TEXT OF A DEMARCHE. HE SUGGESTED THAT, GIVEN THE TIME CONSTRAINT AND THE DIFFICULTY OF AGREEING A LINE, IT WOULD BE BETTER IF GOVERNMENTS WERE TO ACT BILATERALLY ACCORDING TO THEIR OWN DECISIONS. THE GERMAN SAID THAT, WHILE HIS MINISTER OF FINANCE HAD WRITTEN A LETTER FOR DELIVERY TO THE U.S. ADMINISTRATION AND HIS FOREIGN MINISTRY WAS EXPECTED TO DO LIKEWISE, HE HAD NO INSTRUCTIONS ON A JOINT DEMARCHE: BUT, IF THERE WERE A CONSENSUS IN FAVOUR, HE WOULD SEEK AGREEMENT WHICH HE THOUGHT HE WOULD GET. THE REMAINING REPRESENTATIVES SAID THAT THEY AGREED WITH A JOINT DEMARCHE AND COULD AGREE TO A SUITABLE TEXT WITHOUT FURTHER INSTRUCTIONS, SOME MAKING THIS CONDITIONAL UPON UNANIMITY. SEVERAL SAID THAT SENIOR MEMBERS OF THE STATE DEPARTMENT AND CONGRESSIONAL AIDES HAD EXPRESSED THE VIEW THAT A JOINT DEMARCHE WOULD HAVE A STRONG EFFECT.

CONFIDENTIAL

/4

4. THE GERMAN SAID HIS EMBASSY WAS CONSIDERING WHETHER TO WITHHOLD THEIR BILATERAL LETTERS PENDING THE OUTCOME OF THE PROPOSAL FOR A JOINT DEMARCHE. THE DUTCH AND THE FRENCH SAID THAT, ON INSTRUCTIONS THEIR AMBASSADORS WERE MAKING REPRESENTATIONS TO THE STATE DEPARTMENT. THE DANES SAID THAT THE NORDICS WERE TO MAKE A JOINT PROTEST. THE ITALIAN SAID THAT, IF A JOINT DEMARCHE WERE NOT MADE, ITALY WOULD MAKE A BILATERAL ONE. THE COMMISSION REPRESENTATIVE SAID THAT IF THERE WERE NO JOINT DEMARCHE, THE COMMISSION MIGHT EXPRESS CONCERN. THE OTHER REPRESENTATIVES WERE SEEMINGLY NOT AWARE OF WHAT THEIR GOVERNMENTS PROPOSED TO DO BILATERALLY IN THE ABSENCE OF JOINT ACTION.

5. IN THE LIGHT OF THE POSITION DESCRIBED IN PARAGRAPH 3, THE MEETING CONSIDERED, WITH SMITH RESERVING HIS POSITION, THE DRAFT OF A LETTER TO HAIG. M.I.F.T. CONTAINS THE TEXT WHICH EMERGED.

6. IT WAS AGREED THAT THOSE REPRESENTATIVES WHO THOUGHT IT NECESSARY SHOULD TELEGRAPH THE TEXT TO THEIR GOVERNMENT AND SEEK INSTRUCTIONS ON WHETHER TO PARTICIPATE IN THE DEMARCHE, RECOGNISING THAT THERE WOULD BE NO TIME TO NEGOTIATE DRAFTING AMENDMENTS. IT WAS FURTHER AGREED THAT THE DUTCH EMBASSY SHOULD BE INFORMED OF THE DECISIONS OF GOVERNMENTS BEFORE 10.00 HRS LOCAL TIME (15.00Z) TOMORROW (30 JANUARY). SMITH REITERATED THAT HE WOULD NEED TO SEEK INSTRUCTIONS ON BOTH THE PRINCIPLE AND THE TEXT AND CONVEY THE DECISION TO THE DUTCH. THE GERMAN AND FRENCH REPRESENTATIVES SAID THAT, IN THE ABSENCE OF UNANIMITY, THEY WOULD NEED TO SEEK AND CONVEY AGREEMENT, WHICH THEY EXPECTED TO OBTAIN. THE OTHER REPRESENTATIVES SAID THAT THE DUTCH COULD GO AHEAD IN THE ABSENCE OF THEIR NOTIFYING OBJECTION.

7. IN VIEW OF YOUR DECISION NOT TO MAKE BILATERAL REPRESENTATIONS, PRESUMABLY YOU WOULD BE RELUCTANT TO BE ASSOCIATED WITH A JOINT DEMARCHE. ON THE OTHER HAND, IN THE LIGHT OF THE POSITION DESCRIBED IN PARAGRAPHS 3 AND 6, IT IS VERY LIKELY THAT ALL THE OTHER MEMBER GOVERNMENTS OF THE EC WILL AGREE TO A JOINT DEMARCHE AND THAT, IF THE U.K. RESISTED IT, WE WOULD BE ISOLATED AND SOLELY RESPONSIBLE FOR PREVENTING IT BEING MADE.

8 GRATEFUL FOR INSTRUCTIONS BY 09.30 HRS LOCAL TIME (14.30Z).

FCO PLEASE ADVANCE TO ODA, TREASURY AND BANK OF ENGLAND.

HENDERSON

ADVANCED AS REQUESTED

MONETARY
ODA

CONFIDENTIAL

Ref: A04147

CONFIDENTIAL

PRIME MINISTER

It is all fairly orthodox. The Treasury are content. I doubt if you need do more than glance through the paper. Agree that it can wait?

Economic Summit: Aid Study

For the next meeting of Personal Representatives (in London next month), each Personal Representative is due to put in, by 1st February, a position paper with his suggestions for the contents and approach of the report which we are due to make to Heads of State or Government for the Ottawa Economic Summit in July.

2. I attach the draft of the paper which I propose, subject to your approval, to contribute. It has been prepared in consultation with the Foreign and Commonwealth Office, the Treasury, the Department of Trade and the Department of Energy, who are content with it.

3. It also reflects the line agreed at a meeting between the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade and other Ministers on 26th January. That meeting (which I attended) considered the exchange of correspondence and papers on development policy beginning with the Chancellor of the Exchequer's letter of 2nd September, 1980 and the Foreign and Commonwealth Secretary's minute of 20th October, 1980. I understand that the Foreign and Commonwealth Secretary may himself be reporting to you on the meeting; so I need say no more, by way of summary, than that it agreed upon:-

(i) the need to put aid in the wider perspective of total financing flows to the Third World, to encourage private investment flows and to ensure recognition of their growing contribution to development;

(ii) the need to encourage a realistic approach, by recipients of aid as well as donors, to the prospects for increases in aid flows;

(iii) the need to concentrate on making aid as effective as possible;

(iv) the need to encourage the oil-exporting countries to increase their aid and distribute it more widely;

CONFIDENTIAL

(v) the need to avoid the risk of becoming labelled as the ringleader of a "hard-faced" line on aid in public and international discussion: other countries (notably Germany and France) are under the same policy constraints as we are, but would be very happy to see us in the lead and to make sure that we took the blame in the development world - to the detriment of our, and the benefit of their, political and trading prospects.

4. I am sending copies of this minute and of the draft paper to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Secretary of State for Trade, the Secretary of State for Energy and the Minister for Overseas Development.

RTA

Robert Armstrong

30th January 1981

PROPOSALS FOR FRAMEWORK FOR PERSONAL REPRESENTATIVES' REPORT TO HEADS OF STATE OR GOVERNMENT ON THE AID STUDY

Note by the United Kingdom Personal Representative

The report should aim to put aid flows into their proper perspective.

2. Since 1970 official development assistance (ODA) as a share of total financial flows to less developed countries (LDC) has fallen from 43 to 35 per cent, while non-concessional flows have risen from 57 to 65 per cent; private flows have provided an increasing part of total non-concessional flows, and in particular bank lending has risen from 16 per cent of the total in 1970 to 21 per cent in 1979. On average LDCs finance the greater part of their investment from domestic savings. In agriculture, domestic policies on land ownership and farm prices play much greater parts than external aid. So aid flows are not the primary determinant of development, though for the poorest countries, especially since the latest oil price rises, increased aid will be needed if they are to achieve anything like adequate growth and build up their economies to the point where they can attract international banking finance and private direct investment.

3. Since 1970 aid as a proportion of GNP of the OECD countries has been remarkably constant at an average of about 0.35 per cent. This has been sustained despite successive oil price increases. In 1979 the industrialised countries had a net deficit of about $70 billion (and the LDCs a net deficit of about $50 billion), against a surplus of $120 billion for the oil exporting countries. In the coming years the needs of the industrialised countries -

i. to control inflation, which in many cases will mean restricting public expenditure;

ii. to develop alternative energy sources;

iii. to restructure their economies and so maintain employment, while keeping their markets open.

(all of these being objectives, the achievement of which by the industrialised countries will benefit the LDCs as well as themselves) mean that aid flows cannot be expected to grow significantly faster than GNP.

4. The report should therefore emphasise the importance of total financial flows in the development process and should recommend against any emphasis on aid targets, whether in the form of commitments to new targets or to reaching the 0.7 per cent target by any given date (or at least not by any date which is not acceptable to all the Summit countries).

5. The emphasis of the policy should be on -

i. putting aid in its proper perspective alongside private investment flows.

ii. making aid more effective;

iii. increasing the contribution to aid for the non-oil LDCs made by the oil exporting countries especially through the multilateral institutions.

iv. increasing so far as possible the proportion of the aid given by industrialised countries which can be given in ways which reflect the political objectives of OECD donors as well as the requirements of the recipients.

Aid Effectiveness

6. To make aid more effective means setting priorities.

7. In terms of distribution by countries, the first priorty (particularly given the prospects for slow growth in aid) is to concentrate it to a greater extent on the poorest countries. Over 1 billion people live in the low income countries (excluding China). During the past decade they have registered growth rates per head of only 1.8 per cent a year, compared with 3.5 per cent for LDCs generally and 2.7 per cent for industrialised countries. They benefit least from bank lending and private investments: in 1978 only 10 per cent of non-concessional flows went to them. Private bank loans and investment

are concentrated heavily on a small number of middle income countries, particularly in latin America. The OECD average for the share of bilateral aid going to the poorest countries is about 52 per cent.

8. Although priority should be given to the poorest countries, the better-off countries will continue to need some aid, where their development cannot yet be wholly financed by domestic savings and private banking and investment flows, or where aid is needed to supplement IMF financing for those in acute difficulties (eg Turkey, Jamaica).

9. In terms of sectors, special emphasis should be given to:-

i. agriculture and food production;

ii. energy production and conservation;

iii. population measures.

the object should be to identify the areas in which external assistance can best help the programmes of individual LDCs and to support those institutions best able to assist.

10. In agriculture the priorities should be to raise the productivity and income of smallholders and to increase, in particular, domestic food production. This will involve a whole range of activities, including research and planning, provision of credit and advice, and improving physical and marketing infrastructure, depending upon the particular circumstances. Technical co-operation has a particularly important role to play. LDCs should be encouraged to adopt sound policies on land ownership, farm pricing and credit. Capital aid for transport facilities can also be valuable to support rural development.

11. Food aid is justified in dealing with emergency situations such as famines or refugee problems, but countries should not become dependent on it as it can discourage the development of local food production.

12. As to energy, the emphasis should be on aid which contributes to the development of indigenous sources of primary energy and of renewable energy sources, and on the development of energy conservation; with particular reference to energy development which will contribute to the improvement of agricultural productivity. The Summit countries support the World Bank's programme, for increasing lending for oil, gas and coal production in LDCs, and in principle endorse the objectives for which the setting up of a new energy affiliate has been proposed.

The United Kingdom Government are ready to examine detailed proposals for a new energy affiliate, but would want to be convinced that setting up a new fund or institution would be the most cost-effective way of mobilising additional resources. They would particularly wish to consider -

i. the need to supply paid-in (as opposed to callable) capital;

ii. the extent to which non-OECD donors would be willing to make larger contributions;

iii. the effect on control.

The balance between multilateral and bilateral aid

13. Since 1970 the multilateral element in OECD aid (including contributions to EEC funds) has doubled to about 30 per cent. The biggest single cause has been successive replenishments of IDA which now accounts for 39 per cent of total multilateral aid by OECD. The United Nations group takes 26 per cent. For European Community (EC) countries aid channelled through EC aid programmes has also grown rapidly. IDA funds are directed to the poorer countries and to that extent contributions to IDA meet one of our suggested priorities. Current suggestions for the size of the next replenishment, due in 1983, would result in still further increases in the multilateral share of aid programmes. There will also be demands for replenishments of regional soft funds.

14. The Summit countries wish to see the general capital increase of the World Bank and the sixth replenishment of IDA carried forward and put into effect. But, if the Summit countries are to achieve the objective of increasing the proportion of their aid which is given bilaterally, they will need -

i. to induce the multilateral development institutions to approach future replenishments more realistically than they at present seem likely to do, and not to assume that traditional donors will be willing or able to support a continued increase in proportion to the growth of total aid;

ii. to induce other donors, notable members of OPEC, to take a larger share in new replenishments.

15. The institutions should also be encouraged to consider concentrating their efforts to a greater extent on the poorest countries. A new problem is that of China which will be eligable for IDA funds, thus virtually doubling the IDA constituency. This is bound to mean less for some others, notably India, if total resources are to be contained.

16. The Summit countries should, however, give their full support to the World Bank and other banks as effective vehicles for harnessing private funds to support well-planned development, and should discourage the formation of new bodies (such as the World Development Fund proposed by the Brandt Commission). While being willing to see the World Bank and other banks (and the IMF) adapt to new needs, the Summit countries consider it important that the institutions should maintain their financial soundness and that control must reflect national contributions. To weaken this would undermine their ability to raise funds and be damaging to the LDCs.

The United Kingdom Government considers that after the present general capital increase of the World Bank any further expansion of the Bank's lending capacity should be devised to minimise or eliminate further calls on the developed countries for paid-up capital. This could be approached in a number of ways, including altering or abolishing the ratio between capital and lending, greater use of callable capital, and co-financing. The United Kingdom Government is ready to envisage an increased role in the decision-making of the international aid institutions for members of OPEC who are willing to put up an increased share of their capital.

Increasing Aid Contributions by non-OECD donors

17. It should be a policy objective of the Summit and other OECD countries to encourage the oil-exporting countries both to provide more aid and to give more of the aid they give to a wider group of countries. To this end the OECD countries should be prepared to consider new financial mechanisms and should be ready to cooperate fully with members of OPEC who are ready to work with them and to respond to these objectives. They should also encourage contacts between OECD and OPEC aid agencies. The Summit countries should not embark on public criticism of the aid performance of the OPEC countries, as this would serve only to antagonise those of them (such as Saudi Arabia) who would have to be the main source of funds.

18. The Summit countries should draw attention to the poor aid performance of CMEA countries. There is no significant risk that this will goad them into expanding aid to the political disadvantage of the West by amounts or in ways which they would not otherwise adopt for their own political purposes.

Trade

19. For very many (and particularly for middle income) LDCs access to markets for their goods is of greater importance than aid flows. The Summit countries should for this reason (as well as for others) reiterate their intention of resisting pressures for increased protection. They should, however, emphasise that it will be easier for them to do so if the better-off developing countries move progressively and as rapidly as possible towards reciprocal objectives in the trade field.

Direct Investment

20. In the Area of direct private investment industrialised countries can help by removing outward controls, but the main need is for LDCs to maintain the right climate for investment. Bilateral investment protection agreements can be of value; so can part financing by the multilateral banks.

Finance of Development by the International Banking System

21. This note has concentrated, as no doubt the report to Heads of State of Government should, on aid by Governments and by official international

development institutions. Perhaps it should conclude with a reminder of the importance of finance for development in the better-off LDCs channelled through the international banking system, which is based principally on the industrialised countries. The purpose of official development assistance should be to enable poorer LDCs to build up their economies (as some already have done) towards the point where they can attract and service international banking finance for development. With GNP in the industrialised countries likely to grow only slowly, and aid as a proportion of their GNP unlikely significantly to increase, the availability of international banking finance will be of continuing and indeed increasing importance to the LDCs. The international banking system, as it recycles the financial surpluses of the oil-exporting countries, is in effect mediating the risks of a large and increasing part of lending to the LDCs, in respect both of terms and of spread of lending. The health and commercial soundness of the international banking system are of equal importance to investors in the industrialised countries, lenders in the oil-exporting countries, and borrowers in the LDCs, and it is in the mutual interest of all three groups of countries so to conduct their policies and affairs as to facilitate the flow of funds through the system and not to put its health and soundness at risk. That could well prove to be as great as any contribution which the three groups of countries can make to the continuing development of the Third World, and we ought to try to get all of them to recognise it.

VMS

Treasury Chambers, Parliament Street, SW1P 3AG

S J Gomersall Esq
PS/Foreign and Commonwealth Secretary
Foreign and Commonwealth Office
Downing Street
LONDON
SW1

23 January 1981

Dear Stephen,

INTERNATIONAL DEVELOPMENT ASSOCIATION, 6th REPLENISHMENT - PUBLICATION OF COMMAND PAPER

The Financial Secretary agrees to the proposals in your letter of 20 January to Nick Sanders.

I am sending copies of this letter to Nick Sanders (No 10), Bernard Ingham (No 10), and to the Private Secretaries to the Leader of the House of Commons, the Paymaster General, the Secretary to the Cabinet and the Government Chief Whip.

Yours sincerely,
Stephen Locke

S A J LOCKE
Private Secretary

Govt Mach

10 DOWNING STREET

From the Private Secretary

22 January 1981

International Development Association, 6th Replenishment: Publication of Command Paper

The Prime Minister has seen your letter to me of 20 January and is content with your proposal.

I am copying this letter to Robin Birch (Chancellor of the Duchy of Lancaster's Office), Richard Tolkien (HM Treasury), Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

N. J. SANDERS

S.J. Gomersall, Esq.,
Lord Privy Seal's Office.

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

21 January 1981

The Rt. Hon. The Lord Carrington KCMG, MC
Secretary of State for Foreign and
Commonwealth Affairs

R Pattison
TPL
NBPM yet
Phil

Dear Peter

DEVELOPMENT POLICY

It may be helpful in advance of our meeting on this subject on 26 January if I respond in writing to your minute of 20 October, and to the useful paper attached to it. I was glad also to have John Nott's letter of 27 October.

There is clearly a high measure of agreement between us. I think that applies to most of the conclusions in paragraph 18 of the paper attached to your letter. In particular I believe we are agreed that we should take every opportunity to broaden our discussion about the situation of the LDCs beyond aid to cover all the routes by which their position could be improved; and that we should turn discussion away from a rigid distinction between North and South towards a more realistic and detailed analysis of the situation of groups of countries in all parts of the world. I think we are agreed too that this approach covers also support for free trade and a free flow of finance. Conclusions vi and vii of your paper on direct investment and the open trading system seem to me quite right.

I agree with the thought behind conclusion ii of your paper that the UK in particular and the OECD countries in general have no need to be defensive about our efforts on aid or about total flows to the developing countries: and that we should better publicise what we have done. That was one of the themes at the Venice Summit. I agree that we should seek to make development aid as effective as possible in order to help countries to move towards reliance on private finance. I agree too that we should explore all reasonable ways of encouraging OPEC surplus countries to make greater financial contributions, whether through the international financial institutions or in other ways; although I would not want to rule out more market borrowing by the international financial ~~institutions~~

/ ~~or in other~~ institutions

~~or in other ways; although I would not want to rule out more market borrowing by the international financial~~ institutions as an alternative to obtaining more OPEC funds directly for them, if the OPEC price for direct assistance proves too high.

On a different and more domestic plane, there is clearly no room for any increase in our public expenditure plans for aid: quite the contrary. Again, I think that is common ground.

As I see it, there remain several points of great importance on which I believe there is also a high measure of agreement between us but which it may be useful to discuss. The first is that we should not allow the point to be lost sight of that was made so strongly at the Vencie Summit: namely that the oil price increases of the past year have had a very serious impact on the LDCs, imposing a penalty which matches or exceeds the total benefit of aid, and at the same time has reduced the ability of the developed countries to maintain, let alone increase, aid expenditure. This point is made in paragraph 9 of your paper but it puts an important gloss on your conclusion iv, which speaks of OECD countries recognising a responsibility to increase aid to low income countries. For most OECD countries, including especially ourselves, further help for low income countries would have to be at the expense of middle income countries ie redistribution not addition. We already have a very high proportion of our aid flowing to low income countries and the scope for further redistribution is limited. We also have to bear in mind the need to maximise our own commercial advantage. So I see difficulty about recognising a responsibility in the terms used, or in exhorting our partners to do so.

Secondly, I think we have to be ready to say that we simply do not accept the Brandt proposition that there must be a further massive transfer of resources through aid from North to South; or that the principle of planned and increased redistribution between North and South should be written into the international monetary and economic system.

I think, thirdly, that we should also move away from lip-service to the 0.7 per cent aid target which does not correspond to present realities and which masks the relative importance of private flows in balanced and successful development.

I conclude that at the end of the day the relevant international discussions ought to produce the following results. There should be a reaffirmation of what was said in Vencie. There should be a recognition that the main weight of action to improve their situation is bound to fall on the LDCs themselves. But finally the discussions

/should

should concentrate on two or three specific practical steps helpful to the LDCs. My experience at Commonwealth Finance Ministers' conferences and at the IMF suggests that many LDC Ministers are ready to turn away from argument about the generalised and unattainable in favour of discussion of steps which offer practical benefit. This is likely to come back to attainable and near-term steps to maintain or augment the lending of the World Bank and IMF (including, the General Capital Increase of the World Bank and, if it materialises, the Energy Affiliate) and perhaps the question of a further SDR issue by the IMF, though I am far from convenced of the case for that. There should be no attempt to conceal that this action would be limited and evolutionary, but it would be far from negligible in its impact. I see these results as flowing from the relevant discussions in the IMF and World Bank, including the Interim Committee meeting in Libreville in May and the Annual Meeting in Washington in September; and from the Ottawa Summit in July.

Finally, I think we should seek allies for our views and should indeed let others speak first on the realities when we can. We may find the new US Administration tougher than we are on some of these questions. But in the last analysis I think we must be ready to state our convictions firmly but unaggressively if the need arises.

I am copying this minute to the recipients of yours.

GEOFFREY HOWE

Copy for Mr Ingham

2

PRIME MINISTER

You should be aware of this, uncontroversial, proposal.

MS

21/1

Foreign and Commonwealth Office
London SW1A 2AH

20 January 1981

Dear Nick,

INTERNATIONAL DEVELOPMENT ASSOCIATION, 6TH REPLENSIHMENT: PUBLICATION OF 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 advance contributions to the Sixth Replenishment of the Association's resources. A copy of the proposed text of the Command Paper is attached.

The Sixth Replensihment, UK participation in which was approved by Parliament in June 1980, did not take effect on 1 July 1980 as intended because of Congressional failure to authorise the US contribution. As on similar previous occasions, the IDA has requested member governments able to do so to participate in bridging arrangements pending the effectiveness of the replenishment, by making advance payment of part of their contribution. 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

N Sanders Esq
10 Downing Street

and its publication is unlikely to give rise to any commment. 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 should be grateful to receive your agreement to publication as proposed, if possible by close of play on Tuesday, 27 January.

I am sending copies of this letter and enclosures to Bernard Ingham (No 10), and to the Private Secretaries to the Leader of the House of Commons, the Paymaster General, the Financial Secretary to the Treasury, the Secretary to the Cabinet and the Government Chief Whip.

Yours ever

Stephen Gomersall

S J Gomersall

International Development Association

Sixth Replenishment of IDA Resources: Advance Contributions

Resolution of the Executive Directors Dated 8 August 1980

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

FOREWORD

The purpose of this Command Paper is to lay before Parliament the text of the Resolution, dated 8 August 1980, by the Executive Directors of the International Development Association authorising advance contributions to the Sixth Replenishment.

It is the intention of Her Majesty's Government, subject to Parliamentary approval, to make an Order under Section 6 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 80-8

Sixth Replenishment: Advance Contributions

WHEREAS the Board of Governors has adopted on March 26, 1980, a resolution authorizing a Sixth Replenishment of the Association's resources (the Sixth Replenishment Resolution);

WHEREAS the Sixth Replenishment has not yet become effective and the Association is thus unable to start committing the resources to be provided under the Sixth Replenishment Resolution; and

WHEREAS, in order to assure that the Association will have commitment authority pending the effectiveness of the Sixth Replenishment, a number of governments have expressed their willingness to make advance contributions to the Association and to pay part of their respective subscriptions and contributions to the Sixth Replenishment whether or not the Sixth Replenishment shall have become effective in accordance with the terms of the Sixth Replenishment Resolution by the date of such payment;

NOW, THEREFORE, the Executive Directors resolve that:

(a) The Association is authorized to accept advance contributions from governments, to be paid by November 8, 1980 (or such later date as is consistent with the Sixth Replenishment Resolution) whether or not the Sixth Replenishment shall have become effective in accordance with Section E of the Sixth Replenishment Resolution.

(b) The advance contributions authorized by this Resolution shall, prior to the date when the Sixth Replenishment shall have become effective (the Effective Date), be deemed to be contributions without voting rights and the same terms and conditions as those provided for contributions by the said governments to the Sixth Replenishment shall be applicable to the said advance contributions, except for the provisions of Section F of the Sixth Replenishment Resolution and as otherwise specifically provided herein. Upon the Effective Date, the said advance contributions by the said governments shall be deemed to constitute payment towards the amount due from each of them, respectively, for their subscriptions and contributions under the Sixth Replenishment.

(c) Except as provided in paragraph (d) below, none of the advance contributions authorized by this Resolution shall become payable and consequently the Association shall not be authorized to accept any advance contribution hereunder until the following condition shall have been satisfied, namely, a majority of Part I donors or a majority of all donors listed in Table 1 attached to the Sixth Replenishment Resolution shall have given the Association formal notification that they will make advance contributions (either under this Resolution or another resolution accepting an advance contribution) in an aggregate amount of not less than the equivalent of US $1,200,000,000, such equivalent to be determined as under the Sixth Replenishment Resolution.

(d) Notwithstanding paragrah (c) above, the Association shall be authorized to accept an advance contribution hereunder from any government which shall notify the Association that such advance contribution shall not be subject to the condition set forth in paragraph (c) above. Any such advance contribution shall be counted towards the satisfaction of said condition.

(e) Nothing herein shall preclude the Association from entering into qualified credits, qualified in manner whereby such credits would become effective and binding on the Association to finance disbursements thereunder, as and when the Association has received sufficient advance contributions or other resources to finance such disbursements.

2

Prime Minister

A small aid item which might cause disproportionate publicity

MAP 2/XII

Overseas Aid

Treasury Chambers, Parliament Street, SW1P 3AG

Neil Marten Esq MP
Minister of Overseas Development
Overseas Development Administration
Eland House
Stag Place
London SW1E 5DH

1 December 1980

1. Moira to see
2. PA

MAP 3/XII

Dear Neil,

ODA GRANT TO THE TRADES UNION CONGRESS

Your letter of 20 November 1980 asked for my agreement to a renewal of the ODA grant to the TUC for training of trades unionists from developing countries.

You do not feel that there is a very strong developmental case for this expenditure but you are prepared to include it in the aid programme because it promotes better relations between ourselves and the TUC. I share your scepticism about the developmental value. I understand that the grant has in the past been the butt of hostile questions from government supporters in Parliament. We may face such criticism again, particularly in view of the other worthwhile programmes we are obliged to forego.

But if you accommodate this grant from savings in existing programmes, and remain convinced that it is an appropriate use of aid funds, then I would not wish to quibble over a comparatively trivial amount. But can steps be taken to bring it to an end after 1981-82?

Copies of this letter go to Jim Prior, Peter Carrington and the Prime Minister.

Yours

John Biffen

JOHN BIFFEN

P.O. dfC

Spoken Mr Biffen's office. Reply on its way.

B/U 3/12

20 November 1980 1/12

I understand that your officials have questioned a proposal that we should extend, on a reduced scale, our grant to the Trades Union Congress. The amount of money involved is small but its political significance perhaps disproportionately large. I should be grateful if you could look at this.

The grant began with our predecessors in 1977. The reasons for considering it a good use of aid funds were set out at some length in the correspondence between Departments at that time. They were briefly that the development of trade unionism is an important aspect of economic and social development in developing countries, in particular as a means of ensuring improvements in the incomes and working conditions of the poorer sections of the working population. Without trades unions it is very difficult in all developing countries, the poorest as well as the better off, to get governments to make essential improvements in such questions as safety at work, child labour, hours of work, as well as levels of income. There is a general interest in such improvements being made. The development of trades unionism is directly related to the Programme of Action adopted at the 1976 World Employment Conference, to which Britain subscribed.

The grant to the TUC was initiated to help forward such processes. In some respects this is a matter of access: many governments in developing countries are not particularly well-disposed towards free trade unions in their own countries, and do not give priority in our government-to-government programmes, for instance in training, to such needs as their trades unions have. TUC may be able to get through and have been doing so. Also some trades unions here have excellent training facilities and the capacity to send people overseas to run training courses in developing countries. That is pretty much the "development" case.

For my own part I had the greatest doubts as to whether, in the light of the constraints on the aid programme and the other worthwhile things I was having to do without, this grant rated a

/high

high enough priority. Len Murray himself however has taken the question up and Jim Prior particularly wishes the grant to continue so as not to add upsets to relations with the TUC at this time. Peter Carrington and I came to the conclusion that the overriding argument was the significance that the grant and its future had assumed in our general relations with the TUC. That would not of itself have justified the use of aid funds but we felt, and feel, that we can justify the small sum on developmental grounds.

I hope in the light of this - among your many much larger problems - you can agree to the continuation of this grant for the two years 1980/81 and 1981/82, and to the provision of £75,000 for 1980/81.

I am sending copies of this letter to Jim Prior and to Peter Carrington.

NEIL MARTEN

The Rt Hon John Biffen MP

Overseas Aid.

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

21 November 1980

The Rt. Hon. The Lord Carrington KCMG MC.
Secretary of State for Foreign and Commonwealth
Affairs

NBPM

Dear Peter

Nott - 21/XI

DEVELOPMENT POLICY

Thank you for your letter of 19 November. I entirely agree that you and I and Keith Joseph and John Nott should meet as soon as practicable to talk about the papers which have been circulated on this subject. My office will be awaiting an approach from yours.

I am sending copies of this letter to the recipients of yours.

Yours

GEOFFREY HOWE

Overseas Aid

Foreign and Commonwealth Office

London SW1A 2AH

19 November 1980

NBPM yet

Dear Geoffrey

Development Policy

When I sent you our paper on Development Policy on 20 October I said that I thought it would be useful for us to meet informally to discuss the issue. Preparations for the Ottawa Summit are now in hand, we have other international gatherings on the horizon and I believe it is none too early to discuss what our approach is to be on aid and development.

I therefore see advantage in meeting as soon as possible and, if you are agreeable, I will ask my secretary to arrange a time that is mutually convenient for yourself, Keith Joseph and John Nott, whose letter of 27 October I read with great interest in preparation for our meeting.

I am copying this letter to the Prime Minister, other members of OD and Robert Armstrong.

Yours ever

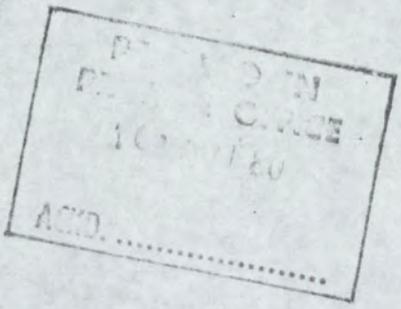
Peter

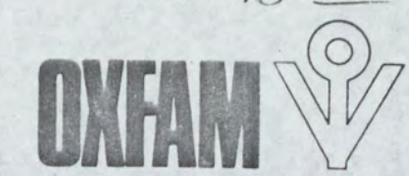
(CARRINGTON)

The Rt Hon Sir Geoffrey Howe QC MP

7051

BWW/jm





Registered Office:
274 BANBURY ROAD · OXFORD OX2 7DZ
TELEPHONE: 0865 56777 · TELEX 83610

The Right Honourable
Lord Carrington, K.C.M.G., M.C.
Secretary of State for Foreign and
Commonwealth Affairs,
Foreign and Commonwealth Office
London S.W.1.

7 November, 1980

Dear Foreign Secretary,

FCO (Development Aid) Dept 27/XI

I enclose a copy of the Memorandum we have prepared for our meeting on Tuesday, 11 November.

Please note that our colleagues in The Save the Children Fund have decided not to join the deputation.

We look forward to discussing the memorandum with you.

Yours ever

Brian W. Walker

Brian W. Walker
Director General.

[Immediate to all]

PS / Mr Marten

We spoke. Most of these points are already covered in your briefing, I gather.

cc PS (2)
PS/LPS
PS/Mr Hurd
Sir P. Preston
Mr Ainscow
Mr Burr
Mr Broderick
} ODA
Mr Bayne ERD
Mr Evans

SAm D
C Af D
CCD
IPD

RM/L 10/xi

NOT FOR PUBLICATION BEFORE 16.00 HOURS - Tuesday 11 November, 1980

To: The Right Honourable The Lord Carrington,
Secretary of State for Foreign and
Commonwealth Affairs.

From: A deputation of Overseas Aid Agencies, including OXFAM,
Christian Aid and the Catholic Fund for Over-
Seas Development.

M E M O R A N D U M

1. We are grateful to you for arranging this meeting and for allocating part of your hard-pressed time to hearing our views. We sought this meeting with you personally, because you are responsible in the Cabinet for our area of concern.

2. We wish to make four main points.

3. First, whilst registering our disapproval of the cuts you have made in the Government's overseas aid programme, this is not the principal burden of the case we wish to put to you this afternoon.

4. Nonetheless, we believe we are entitled at the outset to know why the proposed cuts in foreign aid, planned through to 1983/84, represent a further reduction of 14% in monetary terms as against 4% for all other areas of public expenditure cuts. Thus, during your tenure of office, Britain's aid programme has been cut by some 30%. Are we to assume that in this Government's scale of values, the relief of suffering and the sharing of the resources of our country, which remains one of the 12 richest nations in the world, with those who are infinitely poor, is four times less important than any other area of government concern? The government is actively discriminating in its economies, against those in most need. Worse, it is planning in its forward strategy, to extend that discrimination against the poor, beyond what the Government assumes to be Britain's present economic crisis. Why is this?

/5.

5. When almost all Britain's European and North American friends are increasing their aid to the Third World, why are we alone in decreasing our aid? As this appears to be settled policy, will the Government declare it no longer has, even as an objective, the allocation of 0.7% of Gross National Product to the Third World?

6. If that is a reasonable interpretation of the Government's position, how do we explain it to our constituencies, bearing in mind that, due to our oil revenues, Britain is the only major developed country running a current account surplus this year? According to the Financial Times this ran at $1.6 billion for the first nine months of this financial year.

7. The Financial Times also points out that this surplus on our current account has been very much at the expense of the least developed countries since, in the last quarter, U.K. exports to those countries rose by 10% whilst imports from them rose by only 3%.

8. We do not support the Government in its decision to cut aid four times more than other budget heads. However, the principal points we are here to argue are as follows.

9. First, we wish to challenge the Government's attitude to the problem of the Third World. These have been deeply depressing. Nowhere was this point better demonstrated than at the United Nations Special Session in New York in September. Let me quote two typical press reports:

> 'With the exception of Britain's Development Minister, Neil Marten, whose speech has been greeted by friend and foe with bewildered scorn, everybody talks about the urgency of tackling a package to avert crisis and they cite the Brandt Report warning that the world's economy is breaking down .... Britain is widely identified

/as

'as the top villain - it is the only major industrialised country actually cutting aid.'

Rosemary Righter, Sunday Times,
7 September, 1980.

or, secondly:

'From the beginning, the US, with the support of the UK and West Germany which control the IMF and have been using it to further their control over the international economy, have been unwilling to change the structures or share power.'

C. Raghavan, Guardian Third World Review, 24 September, 1980.

or, again:

'The indications from Whitehall are that Mrs. Thatcher is well aware of the growing criticism of this country's aid policy, and does not care a jot about it'.

P. Keatley, Guardian
6 November, 1980.

These are not quotations out of context and they certainly conform with the reports which all our agencies are receiving from our staff located across the world. Never before, in our judgement, has Britain's name and standing been so low in the opinion of so many people in so many parts of the world. People whose judgement we respect, are puzzled, saddened and angered by the image we are projecting of ourselves.

10. Decisions taken by the Government constantly reinforce this negative and unhealthy view of Britain. We are deeply concerned, for example, with British policy in Latin America. There has

/been

widespread criticism of our position, especially in the context of Claire Wilson's imprisonment and torture in Chile. An article by Hugh O'Shaughnessy in The Observer at the time reads:

> 'Claire Wilson will not have suffered in vain if her torture finally makes British people call into question that set of policies which have for years been committing us to tolerance, and at times active support, of reactionary regimes, not just in Chile but throughout Latin America.'

That article points out that the policy is not only morally dubious but has been 'disastrous in practice', involving the United Kingdom in arms and other deals with bankrupt military dictatorships or other authoritarian regimes shortly before they have been overthrown or collapsed.

11. The treatment of the Brandt Report is another significant example of the Government's generally negative attitude towards the problems of the Third World, even when financial considerations are not immediately involved. Even if the Government feels unable to implement any of the recommendations at this time, they could still have done much more to endorse the urgency of the need for action and to encourage public discussion. As agencies we do not agree with the whole of the Brandt Report and we believe important points have been omitted from it, or underestimated in it - not least that real aid to people in need is not to be equated with aid to the Governments of those people. Nonetheless, Britain, with its colonial past and its utter dependence upon trading, ought to be taking the lead presented by Brandt, making the issues of the Third World central to Government strategy.

/12.

12. Yet again we would cite the Government's attitude to Zimbabwe as one we cannot support. What is the justification for the Government's niggardly attitude to the needs of Zimbabwe? In contrast to the success of your Lancaster House talks, you now propose to make only £75 millions available over the next three years (including £20 millions to compensate white farmers), when the much smaller Malawi has been promised £55 millions over a similar period? What is the rationale for this decision? An extra £½ million was offered to Non-Governmental Organisations for Zimbabwe by the Overseas Development Administration, but when OXFAM applied with several projects for some of this amount the rules were so strictly applied that very little additional support has, in fact, been attainable.

13. The Government's decision in September at the Commonwealth Finance Ministers' Conference to reduce our contribution to the Commonwealth Technical Co-operation Fund by 20% justified the Secretary-General of the Commonwealth's reference to the "appalling parsimony" of the richer industrial countries of the world.

14. The decision to squeeze the British Broadcasting Corporation's World Service is in this same vein. Here is a British asset without comparison in the world. An asset relied upon by people denied freedom in their own countries in many cases. Yet instead of expanding and capitalizing on that asset, the Government cuts and restricts it.

15. Thus, if the Government is determined to reduce their help to the poor by a factor of 3 or 4 times more than other areas of public expenditure cuts, then it is all the more important that we seek a dramatic improvement in the quality of what aid is allocated. And this is our principal point.

/16.

Yet it is precisely here that the Government has declared its firm purpose to subordinate aid to the poor overseas, to Britain's industrial, commercial and political objectives. If the Government is determined to tie aid to British products, we would wish for a separate and indentifiable aid budget to be allocated purely for humanitarian purposes, controlled and administered separately, and for that declared purpose. We would rather see a significantly reduced aid budget which generously helped the poor, than a budget which maintained the fiction of aid, and which has little to do with the purposes of the considerable public support enjoyed by each of our agencies. We do not wish to hang an entire argument on the notorious case of the Club Mediterranée,* but many tied projects administered by the Overseas Development Administration have little to do with meeting the needs of the poor and the dispossessed. Frequently they have the reverse effect.

* brief below

17. Finally, it is in this same context of urging a change in the Government's attitude to the Third World, and of improving the quality of aid so that what aid is available does benefit the poor, that we would also urge the cause of development education and public opinion-forming in this country.

18. Paragraph 41 of the Communiqué from the Commonwealth Prime Ministers' Conference at Lusaka in August, 1979 gives specific attention to this point:

> 'Heads of Government considered that a continuation of slow growth in the global economy would further damage the prospects for reducing poverty and raising living standards in developing countries. Such a continuation would also be contrary to the economic interests of developed contries and could have adverse effects on the economic, social and political structures of all countries. The circumstances called for bolder endeavours and a new approach to the formulation of policies and to

/improving

improving the public understanding of the need for change in the countries participating in the interdependent international system. For the decision-making process to be sufficiently responsible, it would require better information and involvement at the highest possible level.'

19. The Government has taken the line that Development Education in the United Kingdom is a matter for the Voluntary Agencies and not for the Government themselves. However, at the time when it was decided to close the Overseas Development Administration's Development Education Fund, that Fund was disbursing grants at an annual rate of £600,000; and plans for following years envisaged a significant increase up to over £2 millions by 1982. It is absolutely not possible for the Voluntary Aid Agencies in the United Kingdom to fill a gap of that magnitude. To take a specific example, the Government is at present proposing to cease its support for SEAD (Scottish Education Action for Development) in the spring of 1981; and for CWDE (Centre for World Development Education) in the spring of 1982. Both are bodies which operate at a national level and which, taken together, cost more than £200,000 per annum to run at today's prices. It is not going to be possible for the agencies to take on these additional financial burdens. We are already doing all we can to keep alive projects and programmes which were originated with the help of Overseas Development Administration funding.

Brief no?

20. We recognise that the Government has taken an initiative to provide alternative funding by commissioning the Wells Organisation to survey the feasibility of raising money from industry. We are also aware that Wells have replied that they see no possibility of industry responding to such an appeal unless the Government is seen to be providing matching funds from its own resources.

/21.

21. We would urge, therefore, that the Government must continue to accept a responsibility for funding Development Education in the United Kingdom; and that the Overseas Development Administration should prepare proposals for discussion with other interested parties, such as the Department of Education and Science (and its equivalents in the other member countries of the United Kingdom), the voluntary agencies and the CWDE and SEAD.

22. In conclusion may we summarise?

(a) We oppose the disproportionate scale of cuts to overseas aid.

(b) We seek for significantly improved quality in the spending of aid in favour of poor people, rather than governments and, if necessary, in the establishment of a special budget for such genuinely humanitarian aid.

(c) We request that you should seek a reversal of what appears to be a deeply negative attitude by the Government to the Third World and to aid generally.

(d) We urge that development education and public opinion forming in favour of the Third World in this country should be a prime concern of Government in which we are willing to play our full part.

We are grateful to you for receiving this Memorandum.

7 November, 1980

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

(2)

Weekend Box

Pass 29/X

From the Secretary of State

CONFIDENTIAL

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
H M Treasury
Parliament Street
London SW1

MT

27 October 1980

Dear Geoffrey.

DEVELOPMENT POLICY

I have read with great interest and considerable pleasure the paper attached to your letter of 2 September and the correspondence which has followed resting with Peter Carrington's reply of 20 October. I agree with a great deal of what you have to say, although I share some of the doubts which have been expressed about whether your approach is "saleable": we must have regard to the damage which might be done to our political and commercial interests if we were openly to espouse such a policy. I have therefore been giving some thought to the development of a policy, which, building on your analysis, might have some presentational attractions. I have also added some views on the trade implications of our whole approach to aid.

2 I should like to say at once that I entirely agree with you about the great diversity of interest and experience on both sides of the so-called North/South divide. I also agree that, so far as our record stands up to scrutiny, we need to give more prominence and take more credit for the immense volume of private flows which benefit developing countries, including trade and investment. Our record here is not too bad - on investment it is certainly better than most. I further agree that we need to get it across, despite much received opinion both here and in the third world, and in the multilaterial aid agencies themselves, that the multilateral aid agencies are not necessarily the best way to promote development, nor indeed do they represent the massive transfer of resources which the developing countries need and seek. I particularly agree therefore that we should prepare the ground for substantial reductions in our own contributions to many of these agencies. How else can we reconcile our stated aid policy with the size of the aid budget which our public expenditure policies can tolerate?

contd/.....

From the Secretary of State

CONFIDENTIAL

3 I think this is where you and I would tend to part company with Peter Carrington's paper, which would seem to be advocating more multilateral aid rather than less (and a greater concentration on the poorer countries) despite the conclusions of the Aid Policy Review. Whatever we do or say about multilateral aid - and the French have demonstrated that there can be a considerable gap between words and deeds - must be based on the premise that our own contributions must fall, so that we can make room for a higher proportion of our aid to be given in bilateral form, and concentrated in those markets and industrial sectors where there is the best prospect of it being spent to our mutual advantage. The fact that 72 per cent of our aid already goes to the poorest countries (as the FCO paper points out) as against the DAC average of 60 per cent, shows that there is plenty of scope for us to adjust our policy in this direction without becoming too conspicuous.

4 However, I do not believe it is realistic, nor presentationally feasible, to go as far as to invite all the developing countries to solve their problems by behaving like Australia, Canada, and the United States. Some countries, inevitably the poorest ones, cannot begin to attract private investment when they have to compete with the greater security and surer return from more developed countries, and the blame cannot simply be laid at the door of unstable or incompetent governments. Moreover, some of the countries which have attracted substantial flows of private capital over the past decade have also borrowed at high rates of interest, with the result that their debt burden is now a heavy drag on their development.

5 Turning to the elements of the new approach set out in paragraph 18 of your paper, items (iii), (iv), (v) and (vi) are all essentially negative, reflecting the disenchantment with multilateral aid which I share with you. They need to be balanced I think by the more positive approach to problems surrounding the OPEC surpluses which was set out in the conclusions of the paper you sent to the Prime Minister on 11 August.

6 Your final suggestion, about maintaining the open trading system, but requiring that it be applied reciprocally by the stronger developing countries also is already agreed policy, although we should discuss how we can translate this view into action. (In this context I have written separately on our approach to the renewal of the Generalised Scheme of Preferences). In the trade area of most interest to the developed countries - textiles and clothing - we have come to be regarded as one of the most hawkish on protection against low cost imports. It is the MFA which destroys our reputation and record. Our

actual/.....

CONFIDENTIAL

actual performance, however, in terms of the proportion of our market to which developing countries have access, is better than that of most developed countries and, in the realities of our present industrial situation, I do not think we can be expected to do more.

7 If we must cut back on aid, and cannot do more on trade, the only area in which we could do more in ways which could be mutually beneficial to ourselves and developing countries is by encouraging overseas investment. This is the area to which your first two points relate, but the first is largely concerned with preaching the values of a free economy to developing countries while the second is concerned largely with demonstrating that private investment is better than aid. While I agree entirely with these propositions, since private investment is more likely to go into viable opportunities, we must recognise that the underlying political attitude of developing countries, expressed through the creation of such bodies as the UN Commission on Transnational Corporations, is to argue that a nation's independence is more likely to be undermined by multinational companies: certainly there are signs that the more sophisticated developing countries recognise the reality as distinct from the political rhetoric, but the theme needs careful handling.

8 It is in this area of overseas outward investment that I would like to see us develop a more coherent policy. For, at present, there are several factors which point clearly to our national advantage. First, increased flows could help our exports by establishing or strengthening the investment presence in the more rapidly growing developing world markets, where it is becoming increasingly necessary to gain a competitive market presence. Secondly, by helping to counter the upward pressure on the exchange rate which North Sea oil is bound to exercise over the next decade or so. And, thirdly, the argument that you suggest will only stand up if we can demonstrate increased flows to countries which need them.

9 We have of course made a start by abolishing exchange control. But we should explore what more could be done. I think we should begin by studying what has happened recently to the volume and direction of United Kingdom investment overseas, and how this pattern compares with our industrial competitors. If the periods 1960/4 and 1974/8 are compared it appears that there was a fall in the proportion going to

the/.....

the developing countries and the old Commonwealth and a rise in the proportions going to the United States of America (especially) and Western Europe. In looking at ECGD's investment insurance scheme, which is not currently self-financing, we should consider whether it is attracting as much business as it should, and what might be done to make it more attractive if this seems necessary, again taking account of the policies and methods of our competitors. Another particularly valuable instrument relevant to aid policy and investment is the Commonwealth Development Corporation. I hope that the current review will lead to an increase in its ability to finance investment alongside British companies. Finally I suggest that we should look at all aspects of the tax system affecting overseas investment to ensure that no discrimination against outward investment exists and how far improvements could be made.

10 Whilst I would not suggest that it should discourage us, the traditional bias of the Opposition and Trade Unions is to oppose investment overseas which they argue is displacing investment in this country. Indeed, I could well see that some complaint from this quarter could be turned to our advantage.

11 Finally let me stress a point which you have heard before but which causes me the gravest concern as Trade Secretary. It is the industrial implications of the cutbacks on our bilateral aid programme. ECGD face a great dilemma when British companies need to safeguard their markets in countries like Tanzania where ECGD no longer feel that they ought to be giving cover - even under Section 2. There is a clear risk that export credits given in these circumstances are nothing more than aid which will be putting on ECGD a function which is incompatible with their existing objectives. I do not deny that there is a temptation to accept this changed role to some extent for support of industrially important business in substantial export markets. This temptation is all the stronger because of the cuts we have made in the whole aid field, and the business we have forgone as a result.

12 We could make up some of that lost business in other more promising markets if we were more willing to direct more of our bilateral aid to these markets and to make it go further by using more mixed credits. Our reluctance to advance minimal sums of commercial aid such as mixed credits could if carried to an extreme, force our high technology industries out of developing country markets altogether simply because they cannot compete on the aid/trade front. Can our heavy industries survive on domestic markets alone? I think not.

contd/.....

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

From the Secretary of State

CONFIDENTIAL

13 The cost of some measures to this end need not be very large, certainly in the short term, but I am sure that if our case is to carry conviction in the international community we should need to be much more aware of its strengths and weaknesses, and be seen to be taking some steps to give the policy greater reality, notably in encouraging the markets to give attention to the less developed countries while its natural inclination will be to favour the more advanced.

14 I am happy to go along with Peter Carrington's suggestion of a fairly informal meeting to discuss all our ideas on this subject, but I think we should need to ask officials afterwards to examine the suggestions I have made more fully, alongside yours and his, in a paper for OD. Any conclusions would however need to be within the framework of our agreed aid policy, and in particular there should be no question of planning to increase still further our commitments to multilateral aid.

15 I am sending copies of this letter to the Prime Minister and other members of OD, to Sir Keith Joseph and to Sir Robert Armstrong.

Yours ever

John.

JOHN NOTT

CONFIDENTIAL

CONFIDENTIAL

10 DOWNING STREET

From the Private Secretary

27 October, 1980.

Dear George,

Development Policy

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 20 October to the Chancellor of the Exchequer on this subject. She has commented that we must aim to concentrate on redistributing our aid from the multilateral sector to the bilateral sector. The Prime Minister does not consider that there can be any question of increasing our total effort.

I am sending copies of this letter to the Private Secretaries to the other members of OD and to David Wright (Cabinet Office).

Yours ever

Michael Alexander

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

(2)

Weekend Box

CONFIDENTIAL

The best hope lies in redistributing our aid from multilateral to bilateral. We can increase the total, not.

Rmk 24/x

FCS/80/153

CHANCELLOR OF THE EXCHEQUER

Development Policy

1. In my minute of September 19 I promised to let you have a note in response to the paper on development policy that you circulated on September 2. I now attach our paper and look forward to an early discussion with you and others on this important topic.

2. I am sure we all agree that the time is right to consider what our approach should be to that aspect of development policy where we, as a Government, can exert direct influence, namely the provision of official assistance. Preparations for the Ottawa Summit (where aid and other contributions to development will be one of the subjects for discussion) are already under way, and in the OECD and elsewhere it is plain that the problems of the poorer developing countries are already shaping the responses of the major donors. Your own reflections, following your meetings in Bermuda and Washington, will be of particular value to our discussions.

3. As I suggested in my minute I believe that the best way in which we, together with John Nott and Keith Joseph, can take this forward would be through the informal kind of meeting that Ian Gilmour had when dealing with the Aid Framework last month. If you and other recipients of this minute agree, I suggest we try to hold such a meeting early next month.

4. I am copying this minute to the Prime Minister, other members of OD and to Robert Armstrong.

C

CARRINGTON

Foreign and Commonwealth Office
20 October 1980

CONFIDENTIAL

DEVELOPMENT POLICY

1. The Chancellor of the Exchequer circulated a paper on 2 September about our development policy and the role of aid. Despite the recent Review of Aid Policy there is certainly still room to consider further wider aspects of development, and the way in which we can most persuasively present our views internationally. The transformation of the energy situation, OPEC'S new financial power, and rather greater pessimism about economic prospects for the coming decade combine to create a new context for the 1980s. The ritualistic conflict between North and South, which has gone on from 1974 on the basis of the developing countries' demands for a NIEO, is largely irrelevant but shows no sign of abating. We cannot unilaterally terminate it nor can we opt out. So we need to work out an approach to the very real problems of the developing countries which is coherent and consistent with our own national policies and also avoids our being isolated from our main partners or identified by developing countries as the least sympathetic to their needs.

2. This paper considers in turn some questions relating to the development process as well as the international dimension. Some policy conclusions are at para 18 below.

Development in the Third World

3. We agree that we should work for a wider understanding of the development process including, in this context, a clearer definition of the role of development assistance. There is general agreement that the prime responsibility for development rests with each developing country and that investment depends in the first place on the mobilisation of domestic savings. As the Chancellor's paper points out the record of most developing countries is in fact impressive; World Bank estimates are that even the poorest countries, taken as a group, may have financed up to 90% of their investment from domestic resources this year although, of course, for many within this group the reliance on external resources, largely on concessional terms, is much greater than this. Appropriate domestic policies are also of great importance to ensure that productive investment takes place and human resources are effectively mobilised.

/4. We

4. We agree that there are very wide differences between developing countries. It would be right to continue to make this point in a constructive and illustrative way so as to avoid any impression that we are simply trying to split the developing countries. It has also long been recognised that there are implications for the kind of external finance that is appropriate for countries at different stages of development.

5. The upper and middle income countries have more balanced economic structures, a higher level of skills and many have experienced high growth rates over the last quarter of a century. In general, they have been able to borrow substantially on the world capital markets and to attract direct foreign investment and technical expertise. In 1978 over 90% of non-concessional flows went to countries with a per capita income of $400 and over and nearly 2/3 to countries with a per capita income of over $1 thousand. Five countries (Brazil, Mexico, Venezuela, Algeria and Argentina) accounted for about half of all bank lending to developing countries and also for about half of all bond issues.

6. Unfortunately, the majority of developing countries are at the other end of the spectrum - often with fewer resources, weaker administrations, lower levels of skill and greater vulnerability to world trading conditions. Their growth rates in terms of income per head have been much lower than in the middle income countries and they have naturally been unattractive to foreign investors. Mismanagement may in certain cases have played some part, but to ascribe to it the major role would be to caricature the real situation.

7. The Treasury paper itself brings out the needs of the poorest countries for continuing levels of official concessionary assistance. For these countries growth prospects remain bleak. The World Bank's Development Report contains projections indicating that they are unlikely to grow by more than 1.7% per head per year in the period 1980-85, compared with prospects of 2.6% or more for the better-off developing countries and industrialised countries and even this will only be attained if aid flows treble in current prices during the 1980s and support from the multilateral institutions is increased correspondingly, and if the share of low income countries in bilateral aid

/from the

from the industrialised countries increases from the present 40% to around 50%. In his speeches to the Commonwealth Finance Ministers' meeting and the IMF/IBRD Annual meeting, the Chancellor emphasised that concessional aid needs to be concentrated increasingly on the poorer countries. Our own record on this score is good - according to DAC figures for 1978 72% of our total aid (including multilateral) went to the poorest countries as against a DAC average of 60% and on bilateral aid alone we score equally well. We believe that we should continue to give priority to the poorest countries in our aid programmes and to seek wherever possible to concentrate international discussion more on distribution than on volume. This need not conflict with our other aims of giving more emphasis to political and commercial aspects - there are important markets and political interests to be protected in the poorer countries.

8. We all agree that official aid should be transitional in character, and some well known cases (eg Korea, Malaysia) have already graduated from being dependent on aid for satisfactory development. Nevertheless, it is plain that for the majority of the low income countries that transitional period will be a very long one.

9. The recent rapid increases in the price of oil have seriously exacerbated the difficulties of the poorest and have greatly reduced the capacity of industrialised countries to help. It follows that OPEC should do more to channel a greater proportion of their surpluses to the non-oil developing countries. These are, of course, deposited in the world banking system and are available for recycling to developing countries. However, the extent to which they are onlent to third world countries depends on the latters' creditworthiness and there are limits to the risks that financial markets are willing to take.

10. We must therefore look to the oil producing surplus holders to make a major direct contribution - either by increasing their official assistance to the poorest both bilaterally and through the multilateral development agencies or by greater direct lending to the international financial institutions (IFIs).

/The problem

The problem, however, is how to persuade them to co-operate. Attempts to pillory them will be quite ineffective and will simply reduce the prospect of achieving the co-operation which we shall need in the fields of both oil and finance. There are two chords which might strike some response - their own interest in the stability of the world's monetary and financial system, and their political identification with the developing countries.

11. We should be ready to recognise that official concessional flows from OPEC countries are already substantial in relation to their GNP and in this respect their performance is better than that of the OECD countries as a group. However, the flows are highly concentrated on relatively few countries. They should therefore be encouraged both to increase their concessional aid and improve its distribution. It will be for other developing countries to make the most of the running here but the western donors can make some contribution through co-financing in appropriate cases as has already been happening. They should also be encouraged to channel more funds through the international financial institutions. We shall have to recognise however that this could well lead inexorably to a growing influence of the major OPEC donors in the running of multilateral institutions. We must also recognise that it is implausible to envisage increased OPEC flows replacing flows from OECD countries whether bilateral or multilateral. Indeed, experience with IFAD shows that a readiness to increase contributions by OECD donors is likely to be a pre-condition of obtaining extra finance from OPEC. If a new energy affiliate is established by the World Bank the same problem will arise and it is likely to come up with the next replenishment of IDA. We can and should look for ways of improving the OPEC share of financing of multilateral institutions (and also of providing extra resources to some of these institutions without having to put up new paid in capital). But it will be virtually impossible to achieve this result if Western donors as a whole are unwilling to go on increasing their own contributions. This in turn will make it harder to achieve our own policy aim of reducing the multilateral share of our aid programme.

/12. Having

12. Having emphasised the importance of private flows - mainly to the better off developing countries - there is not much more that Government can do to promote them. We have removed all exchange controls. We provide incentives to direct private investment through our investment insurance scheme reinforced where possible by bilateral investment protection agreements and by double taxation agreements. We are the second largest source of direct private investment to developing countries. The direction of private flows depends primarily on the creditworthiness and future prospects of potential recipients in the eyes of lenders and investors. We cannot expect to get all that much credit from most developing countries from the intermediation of OPEC surpluses through the United Kingdom banking system which accounts for by far the greatest part of private flows, although it should be recognised that the United Kingdom's financial institutions are carrying the risks that OPEC lenders are unwilling to bear themselves.

International Dimension

13. Whatever view we may take of the relevance of many of the developing country demands, the underlying economic position of many of them is, as the Chancellor said in Washington, very serious. They look to the developed countries for understanding of their real needs and for practical assistance. Failure to take account of this will affect the political relationship between developed and developing countries. Conspicuous lack of concern on Britain's part would single us out for criticism and resentment; there would in due course be repercussions on our political and commercial interests.

14. Underlying our development policy world-wide is the recognition that Britain occupies an unusual, if not unique, position in the world. We are the only major industrial power which both trades a high proportion of our GNP - some 30% - and also trades virtually world-wide. The only other major industrial power which approaches our share of GNP traded is Western Germany, but in their case a significantly higher proportion of their trade goes to other EEC countries or to their neighbours in EFTA. The Japanese and Americans by comparison trade only 10% of their GNP

/15. This

15. This does not mean that we must accept uncritically the partial and distorted approach of some developing country spokesmen. It does, however, mean that we should be cautious and that we should, as far as possible, act in company with the like-minded among our main partners. It would be quite unrealistic, for example, somehow to opt out of discussions that are superficially on a North/South basis. The developing countries place great store by their political unity and would react very strongly to overt attempts to divide them. Nor would our partners agree that such a course was realistic.

16. One issue to which we all attach importance is the preservation of the integrity of the international financial institutions. Here we must be firm on essentials but we must also be prepared to react positively when sensible proposals for change in policies and procedures of the IFIs are made. They have shown their ability to adapt to changing needs without compromising their essential character. We should show ourselves ready to support new ideas for making greater use of them as we have recently done over structural adjustment lending by the World Bank and expanded lending by the IMF. Where we cannot ourselves contribute we should not obstruct useful proposals made by others. Where we have genuine doubts (eg on the new energy affiliate) we should not be the first to object or the last to agree if the general view is in favour, unless the arguments for doing so are overwhelming. There will have to be changes in policies and procedures. The developing countries and OPEC must gradually increase their role though not to the point of destroying the institutions. Our influence in these bodies is such that we can and should play a major role in encouraging their constructive evolution.

17. There will soon be an opportunity to discuss these issues frankly with our partners in the context of the study on aid issues commissioned by the Venice Summit. Clearly, action taken in conjunction with our main partners would be much more effective and would leave us much less vulnerable to criticism, internationally and domestic.

/Policy Conclusions

Policy Conclusions

18. A number of conclusions may be drawn from the foregoing.

i. We should seek a wider understanding of the development process, placing overseas aid in context and giving due emphasis to other important factors such as private flows.

ii. We should act in concert with our main partners to reduce our exposure to false charges of unconcern and to demonstrate the ways in which collectively and individually we have assisted development in the third world.

iii. We should explore practical and effective ways of persuading the oil producing surplus countries to make greater direct financial contributions. In particular, we should consider new mechanisms (for example co-financing; the extension of the Supplementary Financing Facility (SFF) etc) by which additional OPEC funds might be attracted to the IMF and to the multilateral development agencies. We should be ready to recognise that this would mean an increase in their influence in these institutions.

iv. We, in concert with other OECD countries, should recognise a continued responsibility to make available an increased volume of concessionary finance to low income countries. This will be especially important if OPEC are to be persuaded to do more, both in general and for these recipients.

v. We should seek the most effective use of official assistance in terms of development in order to facilitate the graduation of recipients towards eventual reliance on private finance:

a. by giving special attention to aid which most effectively improves food and industrial crop production, exploits new and renewable sources of energy and which enhances local skills and administration;

/b. by

b. by ensuring that these funds are mainly devoted to longer term development projects and programmes; this should be facilitated to the extent that the IMF has both more funds and greater flexibility to tackle short-term balance of payments difficulties;

c. once the general capital increase is achieved, by supporting ways of expanding IBRD lending at minumum outlay of new concessional funds by considering either a reduction (possibly to zero) in the paid-in element of new capital or a change in gearing. This would have the additional benefits of being commercially attractive for Britain and of making the optimum use of an efficient development agency. It should also help to induce OPEC to greater efforts.

vi We should encourage an expanded flow of foreign direct investment while recognising the limits of Government influence in this field.

vii. We should maintain an open trading system and should press the upper income LDCs to do likewise.

Foreign and Commonwealth Office

October 1980.

JU

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Overseas Aid

Secretary of State for Industry

13 October 1980

Michael

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1

Dear Geoffrey,

You recently sent me a copy of your letter of 2 September to Peter Carrington. I am writing to say that I agree with your analysis and that I am very much in sympathy with the policy stance you have proposed in paragraphs 17 - 23, although it will clearly require rather careful handling internationally.

2 I am sending copies of this letter to the Prime Minister, other members of OD, and to Sir Robert Armstrong.

Yours,

Keith

Overseas Aid.

1. ~~MOD~~ Mrs
1. ~~MODA~~
2. TL

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

PRIME MINISTER

Ian Gilmour copied to me his minute of 19 September recording the outcome of the recent discussions about the Aid Framework for 1981-82 to 1983-84. I agree that, as revised, the Framework shifts the aid programme as far in the direction of our aid policy objectives as inherited commitments permit, and therefore accept the proposals.

(G.H.)

2 October 1980

✓ MAP Overseas Aid

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

The Rt Hon Sir Ian Gilmour Bt MP
Lord Privy Seal
Foreign and Commonwealth Office
Downing Street
London SW1A 2AL

23 September 1980

Dear Ian,

AID FRAMEWORK 1981/2 TO 1983/4

I have been following the correspondence on this subject with close interest, and of course Tom Trenchard attended the meeting you held on 9 September. I have now also seen the changes which were agreed at Sir Peter Preston's meeting the following day, and John Nott's letter dated 16 September accepting them. You will wish to know that I too can now accept the aid framework as amended in the latest round of discussions. I am particularly pleased to see that you are willing to commit up to £10 million more to India in 1981/2 if this would help to secure the Costal Steel Plant.

I note that most of the changes which have been made are at the expense of the COMIBOL project about which your Private Secretary wrote on 15 August. I was pleased to note from that letter that the reinstatement of this project, which we saw as bringing important benefits to our mining equipment companies as well as being essential to the reconstruction of the Bolivian economy around its principle export industry, will be considered at the appropriate time, and that it should be regarded as a preferential claim on the unallocated reserve.

In deciding what is the appropriate time, we should also take into account the need to support Capper Pass if they approach the Bolivians with their own offer of a loan in return for supplies of tin concentrate; at present their proposal too is in abeyance because of the critical situation in Bolivia. If we and Capper Pass do decide to go forward in parallel it will be important for us to act in such a way as to provide the right atmosphere for a successful deal between the Bolivians and Capper Pass.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Trade and Sir Robert Armstrong.

Yours ever
Keith

2.

Prime Minister

Seems a satisfactory outcome for the immediate future

MAP 23/IX

Prime Minister

You have seen the Ministerial exchanges about the draft aid framework for 1981-82 to 1983-84, and agreed that those Ministers most closely concerned should meet to finalise the details.

2. Geoffrey Howe, John Nott, Tom Trenchard, Neil Marten and I accordingly met to discuss the aid framework on 10 September. I think it is fair to say that the differences between us were ones of emphasis rather than substance. We recognised that the constraints of inherited commitments, inflexible multilateral obligations and a reducing aid programme imposed a straitjacket which meant that we could not move as far and as quickly towards shifting the direction of the aid programme as we would have liked. We recognised, too, that sometimes political and commercial or industrial considerations do not necessarily coincide. Tanzania proved to be a case in point.

3. Both John Nott and Tom Trenchard wished to be fully satisfied that we had gone as far as possible in meeting the industrial and commercial objectives agreed in the Aid Policy Review. I instructed officials to meet one last time in an attempt to reconcile remaining differences on the aid framework allocations. This they did, and were able to agree modest increases for several countries with attractive commercial prospects at the expense mainly of one large project in Bolivia which we have dropped following the coup. John Nott has said that he is now satisfied that the aid framework is moving in the right direction, and he has joined the other Ministers concerned in agreeing the aid framework as amended; I propose to circulate this shortly.

4. I am copying this minute to the Chancellor of the Exchequer and the Secretaries of State for Trade and Industry.

I.H.G.

19 September 1980

✓MAP

Foreign and Commonwealth Office
London SW1

19 September 1980

Dear John,

AID FRAMEWORK 1981/82 TO 1983/84

Thank you for your letter of 16 September. I am glad that we have now been able to agree on the amended Aid Framework proposals. I am informing the Prime Minister that this is now adopted.

I note your comments on the £10 million for India. The officials in the Overseas Development Administration concerned with the negotiations with the Indians will write to your officials setting out how they propose to give effect to your suggestions.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for Industry.

Yours ever

Ian

The Rt Hon John Nott MP
Secretary of State for Trade
1 Victoria Street
London SW1H OET

Overseas Aid 2

CONFIDENTIAL

Prime Minister

Agreed MAP 19/IX

FCS/80/146

CHANCELLOR OF THE EXCHEQUER

Development Policy

1. You wrote to me on 2 September enclosing a paper on development policy as a possible basis for the line to be taken by British representatives at forthcoming international meetings.

2. I have now had a chance to look at your paper and although I agree with its analysis, I would not draw quite the same conclusions. I believe that we can evolve a line which would be consistent with our existing policy on aid, would take account of the facts set out in your paper, and would still enable us to take a reasonably positive stance in international discussions.

3. Obviously we need to discuss the question together with other interested Ministers. May I suggest that when you return from Washington we arrange a meeting rather on the same basis as the one held by Ian Gilmour on the aid framework? I would in the meantime circulate a note setting out our own thoughts on this important subject.

4. I am sending copies of this minute to the Prime Minister, other Members of OD, and to Sir Robert Armstrong.

C

(CARRINGTON)

Foreign and Commonwealth Office
19 September 1980

CONFIDENTIAL

Overseas Aid

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

(2)

Prime Minister

From the Secretary of State

CONFIDENTIAL

The Rt Hon Sir Ian Gilmour Bt MP
Lord Privy Seal
Foreign and Commonwealth Office
Downing Street
London, SW1A 2AL

16 September 1980

Dear Ian.

AID FRAMEWORK 1981/2 to 1983/4

I have now seen the further note on this subject which Sir Peter Preston has put to you on 12 September following the meeting we had last week. I must say that I am very pleased by the adjustments which our officials have agreed. They seem to me to combine political soundness with the promise of considerable commercial benefit. We are able to enlarge our aid to Nigeria, India, Cameroon and English language training in Francophone countries virtually for the savings on the Bolivian Comibol project.

I am therefore happy to agree the aid framework as amended. But having made these changes we must make the most of them. I know that you will be anxious to optimise the political mileage out of the increases which we have agreed for each country, but I think we must also use them to advance our position on projects where British companies are facing stiff international competition.

I am thinking principally of India. I saw the Indian Energy Minister yesterday, who was most positive about collaboration with the United Kingdom in the coal sector. This is one of the areas (the other might be fertiliser plant) where expenditure which risks being deferred under present plans could be brought forward again to great advantage, commercially and politically, if another £10 million were made available in 1981/2. In other words the extra aid which we think may be needed to improve prospects for the coastal steel plant would also be worthwhile in its own right.

If we are to ensure that it does have this effect we should not simply tell the Indians or Nigerians that their aid programme is being reduced by less than might otherwise have been the case. Rather we should let it be drawn out of us in the context of our discussions on United Kingdom involvement in the coal and fertilisers programme. I hope you will agree that an approach on these lines will be just as effective

CONFIDENTIAL

From the Secretary of State

CONFIDENTIAL

in correcting the disappointment which the Indians feel about the size of our aid programme and it will potentially be much more beneficial to British industry.

As I have said, I believe that the meeting which you chaired and the subsequent discussions between officials have been a practical demonstration of how we can shift the balance of our bilateral aid programme towards more commercially attractive projects in better markets, and so make the most of our limited Government resources by mixing aid with private finance and export credits whenever appropriate. This we must continue to do in coming years. If we also take every opportunity to reduce our commitments to multilateral aid - even if this costs us something in terms of prestige in the international organisations concerned - I believe we shall have taken a significant step towards bringing the distribution of resources which the aid framework reflects more closely into line with our agreed aid policy. There is still a long way to go and the constraints remain formidable, but the important thing is to move as far and as fast as we can in the right direction whenever we have the chance to do so, and I am now satisfied that this aid framework does just that.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for Industry.

Yours ever

John.

JOHN NOTT

CONFIDENTIAL

CONFIDENTIAL

Overseas Aid

(2)

Prime Minister

8/9

Foreign and Commonwealth Office
London SW1

Ms

8 September 1980

Dear Geoffrey,

TPM

Thank you for your letter of 2 September to Peter Carrington about Development Policy, enclosing a paper which you have had prepared on the subject. We shall be studying your paper in detai and Peter Carrington will of course wish to see it on his return before sending you fuller comments.

I have read the paper with great interest. It raised a numbe of major issues, including the role of private flows and OPEC finan which we shall need to consider together very carefully. I agree that it is important to make the facts about development better known. But obviously the first step is to make sure that we agree upon what these facts are.

Leaving aside questions of substance, however, there is an important question of how we handle this subject. As I am sure you recognise, for the United Kingdom openly to adopt the line you advocate for example in relation to the 0.7% aid target, the conduct of the North/South dialogue and future replenishments of the World Bank or IDA, would put us in the position of being clearly identifi as the industrialised country with the least sympathy for the pligh of the Third World. I know we agree that this would be highly damaging to our political and commercial interests; and I doubt

/whether

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AG

CONFIDENTIAL

whether, at the end of the day, such a position would secure the necessary support of other developed countries to gain the objective which you have in mind.

Once we have agreed on the facts therefore, we shall face the very difficult question of how to play the hand tactically. Meanwhile, I should have thought that for the meetings immediately in prospect in Bermuda and Washington we should rest on the line set out in the White Paper on the Brandt Report, which was the subject of thorough consultation between us earlier in the summer. That would give us time to consider your ideas properly in preparation for the international discussions next year.

I am copying this letter to the Prime Minister, to other members of OD, and to Sir Robert Armstrong.

Yours ever

Ian

file

BIC

Overseas Aid

MR. WRIGHT

Overseas Development

The Prime Minister has seen Mr. Wade-Gery's minute to me of 4 September on this subject.

She is content with the arrangements proposed in paragraph 4 of that minute.

M. O'D. B. ALEXANDER

8 September 1980

68

CONFIDENTIAL

(1)

Prime Minister

I suspect that Mr Wade-Gery may slightly exaggerate the likely degree of controversy. The FCO will be anxious about the presentation but will not, I think, take issue with the substance of the Chancellor's case.

2. Agree procedure in paragraph 4? Yes MT S/G

Ref: B06013

MR ~~ALEXANDER~~

Yes MT

Overseas Development

In his letter to the Foreign Secretary of 2nd September the Chancellor of the Exchequer suggests a revision of the Government's "policy stance" on overseas development. He also proposes that the new stance should be reflected in our attitude at the Commonwealth Finance Ministers meeting, which he will be attending in Bermuda on 24th/25th September; at the IMF meeting, which he will be attending in Washington from 28th September to 2nd October; and at meetings of the Personal Representatives charged with follow up work from the Venice Summit, for the first of which Sir Robert Armstrong will be going to Washington on 25th/26th September.

2. Sir Geoffrey Howe's proposals are likely to generate controversy. They reflect a number of views which Ministers have previously expressed in collective discussion. But they run counter (as he himself acknowledges) to the conventional wisdom about development aid, and may therefore be unwelcome to officials in the ODA. The main FCO will be more worried about the international odium which these unorthodox views may attract; as the Chancellor says, those who agree with them tend to do so only in private. In Lord Carrington's absence until mid September, the Lord Privy Seal has decided to reply fairly quickly. He will probably take issue with a number of the Chancellor's points.

3. On 10th September the Lord Privy Seal is chairing a meeting of Ministers to consider differences of view which were expressed in early August about the Aid Framework (particularly by Mr Nott). This is the meeting which the Prime Minister suggested at the time (Mr Pattison's letter to Mr Lever of 11th August). Clearly that meeting will now also need to address itself to Sir Geoffrey Howe's letter. There is no need for the Prime Minister to express any views on substance before that meeting. But it may help if she indicates how, procedurally, she wishes matters to be handled.

4. If the Prime Minister agrees, therefore, I recommend that you should await Sir Ian Gilmour's reply to Sir Geoffrey Howe (provided it appears no later than 8th September); and that thereafter you should write to his

(In fact it may not be available till 9 Sept.)

private secretary and others concerned to suggest the following procedure. Sir Ian Gilmour's meeting on 10th September, and any further meeting(s) which may be necessary to cover the ground and also to bring in Lord Carrington on his return, should consider both the controversy about aid distribution (ie the Framework) and whatever controversy there may be about aid policy (ie the Howe doctrine). If agreement on both subjects can be reached at these meetings, it should be reported to the Prime Minister, for approval in time for the series of international meetings beginning on 24th September. If it cannot, a meeting of OD on the subject should be held before that deadline. The report to the Prime Minister, and the OD meeting if one proves necessary, should also take into account the results of the current UN Special Session to launch the "Global Negotiations" between North and South, which was the subject of OD's last meeting on 4th August (OD(80) 19th Meeting).

4th September 1980

R L WADE-GERY

CONFIDENTIAL

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

2 September 1980

The Rt. Hon.The Lord Carrington, KCMG, MC
Secretary of State for Foreign and
Commonwealth Affairs

Dear Peter

DEVELOPMENT POLICY

We have made it clear in our actions and in a series of statements that our policy on overseas aid differs from that of the previous Government. In my view however there is now a good case for adopting a new stance about the development process and the role of aid in it, which moves away from some of the more conventional wisdom on the subject. I attach a paper which explains what I have in mind and draws some policy conclusions (paragraph 18).

The Venice Summit recognised that longstanding assumptions about official aid and the obligation to provide it had been called in question. In fact events over the last decade have made those assumptions look less relevant. It is no accident that at Venice and other international gatherings discussion of aid has broadened into discussion of "recycling", thus bringing private sector flows back into the centre of the development process. We expect the questions of aid and recycling to come back to the next Seven-Power Summit in mid-1981, and of course we shall hear a lot more of them in other fora before then.

I accept, of course, that we should avoid putting ourselves in a position where other industrial countries can put the blame on the UK for saying "no" on any particular issue to the developing countries. But I was struck by the extent to which Schmidt and Giscard expressed - privately - much the same views at the Venice Summit as our own, and I think we can expect our approach

/increasingly

increasingly to be shared by our European partners. I do not suggest that we expound the argument in the paper in an aggressive way in international meetings. On the other hand I believe the paper contains sound reasons why - in the interests of the LDCs as well as those of the UK - we need not be defensive about our policies on aid, either at home or overseas. What I do suggest is that we use the argument steadily when necessary and when opportunity offers. On this basis I hope that you and other colleagues would agree with what is said in paragraphs 17-22 of the paper.

I am copying this minute and enclosure to the Prime Minister, to other members of OD and to Sir Robert Armstrong.

GEOFFREY HOWE

CONFIDENTIAL

DEVELOPMENT POLICY

This paper proposes a change of stance about economic development in the Third World Countries and about the role of official aid in the development process.

2. It has long been a convention of international discussions that there is a great divide in the non-Communist world between the industrialised countries of the North (OECD) and the developing countries of the South (the Group of 77, now in fact about 120). Official aid has been seen as a key factor in the development of Third World countries and this has been institutionalised by the acceptance of an aid target for industrialised countries of 0.7% of their GDP. The 0.7% target remains one of the main foci of Third World policies and efforts. There was also a second target of 1% transfer in total financial flows, which has been substantially exceeded because of the growth of private flows, but about which little is heard. Much attention has been devoted to the redistributive principle of a levy on the industrialised countries. For many this was the counterpart of the redistributive principle at home and also imposed a continuing obligation on former imperial powers in favour of their previously dependent territories. Less attention was given to the effectiveness or direction of aid, which raised questions about domestic policy and administrative efficiency in developing countries.

3. Recent developments in at least 4 related areas make this approach look increasingly irrelevant:

i. the biggest single factor has been the increase in oil prices and all that has flowed from it. The actions of OPEC have brought out the disparity of interest and circumstances among the developing countries. The oil exporters themselves have scored dramatic increases in GNP per head; some newly industrialised countries have been able to adjust through the achievement of high rates of growth in manufacturing; and a third Group of poorer non-oil countries - especially in Africa - has been very heavily penalised;

ii. taking developing countries in the aggregate, the relative importance of official aid to market borrowing has changed drastically. In 1970 official flows and private flows were roughly equal, but by 1979 the latter were twice as important as the former. Total flows doubled in real terms over the period, but whereas official flows rose by 30%, private flows rose by 150% (Table 1). This aggregate picture conceals widely different experience at the receiving end between market-worthy and non market-worthy developing countries. The growth of private flows has been largely caused by the oil price increases, and the pattern of surpluses and deficits resulting from them. The effect has been to accord far greater importance to private flows and to "recycling"; to bring out the varying circumstances of the LDCs; and to reduce the relative role of official aid;

iii. as reflected in the Tokyo and Venice Summit communiques, the OECD countries are increasingly reluctant to accept primary responsibility for the development needs of LDCs. The LDCs have suffered greater damage from the oil price increases than they have gained from aid; growth in industrial countries has been sharply reduced; and the urgency of the fight against inflation has stiffened reluctance to increase public expenditure on aid. The US Congress has shown a revulsion from aid-giving which has delayed and impaired US support for the World Bank. US officials have begun to talk about moving away from the 0.7% approach and looking at assistance of all kinds in relation to the GNP of particular recipients;

iv. the great range of economic development within the Third World has called in question the convention of the "great divide" between North and South and the automatic assumption of the need for transfer of resources from the one to the other. Countries like Korea, Taiwan and Singapore have grown very fast, have become major manufacturing and banking centres, and have overhauled some OECD countries of Southern Europe in GDP per head. The issue with them is certainly not aid, but trade relations - integrating them into an open world trading economy. In Africa, on the other hand, civil disorder and maladministration have caused many countries to fall further behind than ever.

The Diversity of the Third World: Some Key Statistics

i. Income

4. Throughout the last two decades, GDP in the Third World grew faster than that in OECD countries (Table 2). But the average growth masks wide disparities. "Low income" countries - those with less than $360 per head in 1978 - grew slowest, by about ¾% per annum; while the countries of East Asia, for example, achieved a very high rate - about 8% - in the 1970s.

5. The disparity of growth rates is further accentuated by population trends; there is some tendency for population to rise faster in poorer than in middle-income countries. Whereas per capita income rose steeply in East Asia, in Sub-Saharan Africa there was virtually no growth at all in the 1970s. The per capita benefits of aid can be offset by rapid population growth.

6. As a result of differential rates both of economic growth and of population increase, the absolute disparities of per capita income within the Third World are enormous - $90 per annum for Bangaldesh, $14,900 for Kuwait. Indeed, the "richer" G77 countries (including main oil exporters) are now better off than the poorer OECD countries. Thus for example:-

GDP PER HEAD IN 1978 (US DOLLARS)

"Poor" OECD		"Rich" G77	
Italy	3840	Kuwait	14890
Spain	3520	Saudi Arabia	8040
Ireland	3470	Libya	6910
Greece	3270	Singapore	3260
Portugal	2020	Venezuela	2910
		Trinidad & Tobago	2910
		Argentina	1910
		"Poor" G77	
		Bolivia	510
		Egypt	400
		Pakistan	230
		Zaire	210
		India	180
		Bangladesh	90

(ii) Balance of Payments

7. A developing country is likely by definition in most years to be an importer of capital for development and to run a current account deficit on its balance of payments. The IMF expect the aggregate deficit of LDCs to reach 4¾% of GNP in 1980 compared with 6% in 1975 and an average of 3¾% between 1972 and 1979. Experience in 1980 is expected to differ as follows, however:

a.	net exporters of oil	2.5%
b.	exporters of manufactures	3.5%
c.	low income countries	7%
d.	other importers of oil (other than b. and c.)	7.5%

8. The figures in Table 4 compare for various groups the growth of real export earnings - that is export earnings divided by growth in import prices. This measures the volume of additional imports which can be purchased. In the period since high oil prices, two groups within G77 fared particularly well. First, those non-OPEC LDCs who are either self-sufficient in oil or are minor oil exporters enjoyed a growth of real export earnings of over 9% a year. Secondly, the major exporters of manufactures achieved increases of 6½% a year. Again, the lowest income countries fared worst - real export earnings increasing by less than 1% in 1972-79 because of the oil price increases.

(iii) External Debt

9. Between 1973 and 1980 the external debt of LDCs is estimated to have increased by about 3½ times, an annual rate of increase of 20% (see Table 5). But the significance of these figures is obscured by the inclusion of net exporters of oil, including Mexico, which have no credit problem. Mexico in particular has been a heavy borrower. If the net oil exporters are excluded debt as a share of GDP rises over the period from 13½% to 17½% and, as a percentage of exports, from 67% to 69%. For the aggregate of all LDCs the debt service ratio has risen from 9% to 11%. This is nothing like as dramatic an increase as might have been expected in view of the increase in the debt total. A combination of continued growth in export volume and a rise in export prices as part of the general inflation has meant that the real burden of indebtedness has been greatly eroded.

10. But again, within the overall picture the position varies considerably. The debt service ratio of the major exporters of manufactures, who account for 38% of total indebtedness, rose hardly at all, while that of the low income countries increased from 9% to 15½%. Once again, therefore, the poorer countries, which have been particularly vulnerable to oil price increases have suffered most. (Some serious debt cases among middle-income countries have also occurred, but this has been largely through mismanagement.)

(iv) Private Flows and Aid

11. Over concentration on the 0.7% has distracted attention from other flows of financial resources. Table 1 shows the huge growth of private flows in the 1970s rising from $7 billion in 1970 to $43 billion in 1979. (Even after allowing for inflation, the total has more than doubled.)

12. The boundary between what is aid and what is a flow on market terms is a blurred one and has, if anything, become less clear. For example in 1980-81 UK public expenditure includes £150/200m of interest support costs on fixed rate export credit to LDCs in addition to provision for overseas aid of £779m. In fact some part of the £150/200m will be a benefit to LDCs as well as to British exports because the LDCs have been enabled to borrow at below market rates; just as part of the £779m will be a benefit to British exports as well as scoring as aid to LDCs. And reschedulings of private debt of countries like Zaire, Turkey or Zimbabwe have converted some important private flows into what amounts to concessional loans or grants.

(v) Investment and Financial Flows

13. The investment level is obviously of prime importance to economic development. Table 6 shows how far, for different groups of LDCs, domestic investment is financed by domestic savings and how far it is dependent upon inflows from abroad to fill the so-called resource gap. It can be seen that (once again) only in the case of low income countries in Africa is this dependence very significant.

14. The aid component within the inflows is, of course, smaller still. Private flows from OECD countries, as a percentage of investment of LDCs, was 11% in 1979. The comparable proportion for official aid was 5%. Table 3 gives a further illustration of the wide spread of dependence of different groups of LDCs upon official flows in the financing of current account deficits. These data all demonstrate how widely different are the actual needs of particular groups and of particular countries for finance for investment, and how different are their external financing requirements. As we would expect, countries which have a high level of domestic investment have grown fastest, and these tend to be the countries which operate an economic system which is sufficiently liberal and market-orientated to offer scope for profitable investment and to attract inflows of direct or portfolio investment from overseas. The newly industrialised countries of South East Asia, like Japan before them, have achieved impressive economic development through encouraging local entrepreneurs and welcoming private investment from overseas. The same is true of some countries in South America.

15. Within this diverse picture it is the lowest income countries which naturally have the greatest dependence on aid. Even within this group the picture is not uniform. Some countries eg India have been able to make good progress. But it is the low income countries which have been most vulnerable to oil price increases, to excessive population growth and to the political instabilities which have plagued parts of Africa, Asia and Latin America. Their economic future depends on progress on these fronts.

Mutual Interest

16. An argument often used for increased OECD aid is that this will maintain or increase OECD exports to the Third World, and is therefore a particularly suitable form of reflation at a time of world recession, attracting also a political bonus. It is of course true that LDCs and industrialised countries share an interest in sustained world growth. The interest of the LDCs is probably even greater than that of the

industrialised countries; that is why OPEC action is particularly damaging to the non-oil LDCs. But the objections to OECD aid as a means of world reflation are basically the same as the objections to domestic reflation at a time of high inflation. The LDCs share an interest in reduced inflation in the industrialised countries just as they share an interest in their growth, not least because growth will run into a stop unless inflation is controlled. Talk of reflation through aid and "global bargains" lacks realism and tends to obscure the fact that the main route for development lies not through official action or official assessment of mutual interest, but through the free working of the international trading, investment and capital markets.

Implications for our Policy Stance

17. I believe that we should deliberately move away from the conventional approach described in paragraph 2 above, and adopt one with a different emphasis, which takes full account of the developments outlined in paragraph 3. This would not only be in accordance with the general thrust of our policies as a Government, it would be more realistic, and would in fact accord better with the interests of the LDCs themselves.

18. The elements of this new approach would be as follows:

i. the best hope for development, even when a country has limited natural resources, lies in encouraging private investment and welcoming private inflows of capital. The developing country needs to mobilise its domestic savings to finance investment; but thereafter it requires to attract funds from the external sector. It pays handsomely for a developing country to maintain its credit standing for this purpose. This was after all the way in which countries like the United States, Canada, and Australia were developed. When countries such as Sri Lanka choose the opposite path, and drive out foreign capital, they sometimes learn to regret their actions and attempt to reverse them;

ii. the independence of a nation state can only with difficulty be compatible over the longer term with continued dependence upon official assistance. It should be the objective to win freedom from such dependence. Aid ought, therefore, to facilitate adjustment, to attract private investment, and to reduce future aid dependence; it ought, in principle, to be transitional in character;

iii. targets for official aid obscure the real problem. While we should not directly disown the 0.7% target, we should treat it as obsolete and no longer relevant. This is all the more necessary because it exculpates OPEC which already satisfies it several times over;

iv. we should not accept that the older industrial countries be regarded as overwhelmingly the main source of official aid. OPEC countries ought to be important providers of aid and should also share the risks involved in direct lending to LDCs. As was implied in the conclusions of the Venice Summit, the obligation on OPEC derives not from their GNP level but from the impact on non-oil LDCs and on world growth of their action on the oil price, and also from their share in world trade (exports larger than those of US) and their GNP per head;

v. with iv. in mind, and in accordance with the conclusions of our own aid policy review, we should do all we can to avoid or defer new calls for capital by the World Bank on the older industrial countries. If the World Bank is to continue to expand lending at recent high rates, it ought not to be at the expense of those countries;

vi. we should not accept the North/South alignment as a basis for tackling international economic problems. The process of differentiation within both North and South is manifest;

vii. we should recognise that the maintenance of a basically open trading system is important for development, but stipulate that the system ought to apply reciprocally to the stronger developing countries also.

19. In important respects the policies pursued since we took office have been wholly consistent with the change of stance suggested above. We have eliminated exchange control, freeing the flow of UK private investment to developing countries. We have maintained probably the most open economy in the world and have been and are the base of one of the most relevant and effective sources of private sector financial know-how and resources. As can be seen from Table 8, the total of both official and private flows from the UK to developing countries is larger than that from any other country except the USA, and in terms of its proportion of GNP is twice as large as the nearest "competitor" (France).

20. We have also resisted pressures for protection except in sectors and cases where international usage recognises the need for adjustment measures. Our tax structure in no way inhibits UK-based firms from investment in developing countries and our double taxation and other arrangements are generous and help to facilitate private flows.

21. This change of approach would not directly affect our current aid plans or the priorities we agreed following the aid policy review. It would, however, affect our stance at the Commonwealth Finance Ministers Conference and IMF meeting; in the Global Negotiations; in the work of the Personal Representatives commissioned by the Venice Summit; in any future plans for extra demands on the developed countries for multinational aid through the World Bank or the European Development Fund; in the handling of particular cases; and elsewhere.

22. I believe that it will be particularly important to make better known the facts about development set out in this paper. We should seek opportunities to do this; for example, by drawing the attention of commentators to the figures, by using them in Parliament and in speeches elsewhere and perhaps by including them in an appropriate Government publication.

23. I ask my colleagues to endorse these proposals and to agree that we should adopt the suggested stance, particularly in the fields referred to in paragraph 18 above.

Table 1

THE NET FLOW OF FINANCIAL RESOURCES FROM DAC COUNTRIES

Net disbursements	$ million			percentages		
	1970	1978	1979	1970	1978	1979
I. OFFICIAL DEVELOPMENT ASSISTANCE	6 807	19 994	22 267	43	28	32
1. Bilateral grants and grant-like flows	3 320	9 403	11 231	21	13	16
of which: Technical Cooperation	1 524	3 780	4 557	10	5	6
2. Bilateral loans at concessional terms	2 355	3 721	4 549	15	5	6
3. Contributions to multilateral institutions	1 132	6 870	5 487	7	10	9
II. OTHER OFFICIAL FLOWS	1 119	5 069	2 995	7	7	4
1. Bilateral	842	4 912	3 233	5	7	5
2. Multilateral	276	157	-237	2	*	*
III. PRIVATE FLOWS	7 018	43 474	(43 170)	45	62	61
1. Direct Investment	3 690	10 947	(12 900)	23	16	18
2. Bilateral portfolio	697	21 298	(19 630)	4	30	28
3. Multilateral portfolio ..	474	2 228	2 180	3	3	3
4. Export Credits	2 157	9 001	(8 460)	14	10	12
IV. GRANTS BY PRIVATE VOL. AGENCIES	860	1 678	1 974	5	2	3
TOTAL NET FLOW	15 803	70 214	(70 406)	100	100	100
TOTAL NET FLOW IN 1979 PRICES	38 510	76 674	70 406			

TABLE 2 : GROWTH OF GDP AND GDP PER CAPITA

	GDP			POPULATION			GDP PER CAPITA		
	1960-70	1970-80	1980-85[1]	1960-70	1970-80	1980-85	1960-70	1970-80	1980-85
All developing countries	5.6	5.3	5.1	2.5	2.4	2.4	3.1	2.9	2.6
Oil importing countries	5.6	5.1	4.7	2.4	2.3	2.3	3.1	2.7	2.4
Low income	4.1	3.3	4.1	2.5	2.4	2.4	1.6	0.9	1.7
Africa	4.2	3.0	3.1	2.5	2.8	3.0	1.6	0.2	0.1
Middle income	6.1	5.5	4.9	2.4	2.3	2.3	3.6	3.1	2.6
East Asia	7.8	8.0	6.9	2.8	2.3	2.1	4.9	5.6	4.7
Oil exporting ldcs	5.5	6.1	6.3	2.6	2.5	2.7	2.8	3.5	3.5
Capital surplus oil exporters	10.5	8.4	5.3	3.0	3.1	2.8	7.3	5.0	2.5
Industrial countries	5.0	3.1	3.3	1.0	0.7	0.5	3.9	2.4	2.0

Source World Bank Development Report 1980

1 High case projections

TABLE 3 : FINANCING OF CURRENT ACCOUNT DEFICITS AND RESERVE GROWTH 1976-79

	All non oil ldcs	Major exporters of manu-factures	Low income countries	Other oil importing ldcs
Official grants and SDRs	15.6	12.1	32.7	16.4
Official loans	29.6	20.8	42.4	25.0
Total official flows	45.1	32.9	75.1	41.4
Private long term lending	42.3	53.7	3.2	27.9
Direct investment	12.2	14.1	3.2	6.9
Other	3.4	-0.8	22.3	17.2
Total	100.0	100.0	100.0	100.0

Source : IMF WEO March 1980

TABLE 4 : GROWTH OF REAL EXPORT EARNINGS

	1967-72	1972-79
All non-oil ldcs	7.7	5.5
Net oil exporters	4.7	9.2
Net oil importers	8.2	3.0
of which major exporters of manufactures	11.0	6.6
Low income countries	3.4	0.8
Other oil importing ldcs	5.1	3.8

Source : IMF WEO March 1980

TABLE 5 : EXTERNAL DEBT[1] OF LDCS

Ratio of external debt to GDP	1973	1975	1980	Increase in Debt 1973 = 100
All non oil developing countries	13.7	15.0	19.2	366
Net oil exporters	14.6	18.4	29.4	523
Net oil importers	13.5	14.2	17.3	335
Major exporters of manufactures	11.2	11.7	13.6	305
Low income countries	20.8	21.1	25.2	348
Other oil importers	16.8	17.7	23.1	384
Debt service ratio[2]				
All non oil ldcs	8.9	8.8	11.1	
Net oil exporters	17.2	13.9	21.0	
Major exporters of manufactures	7.7	8.0	8.2	
Low income countries	9.0	11.4	15.4	
Other oil importers	5.0	4.0	6.0	

Source : IMF WEO March 1980

1 Public and publicly guaranteed long term external debt

2 Percentage of export earnings given over to debt interest and repayments.

TABLE 6 : INVESTMENT AND SAVINGS RATES : 1980
(percentage of GDP)

	Gross domestic Investment	Gross domestic saving	Resource Gap
Low income countries	21.2	18.7	2.5
Africa	6.3	9.1	7.2
Asia	22.0	20.2	1.8
Middle income countries	25.3	23.2	2.1
All developing countries	24.6	22.4	2.2

Source : World Development Report 1980

TABLE 7: NON-OIL DEVELOPING COUNTRIES: CURRENT ACCOUNT BALANCES OF SELECTED GROUPS AS PER CENT OF GDP

	(A) All Non-Oil LDCs	(B) Low-income Countries	(C) Exporters of Manufactures	(D) Other Net Importers of Oil*	(E) Net Exporters of Oil
1972	-2.2	-6.1	-1.0	-2.7	-3.1
1973	-2.0	-6.5	-1.3	-1.2	-2.9
1974	-5.2	-10.6	-5.0	-4.0	-4.4
1975	-6.0	-9.1	-4.8	-6.6	-7.1
1976	-3.8	-6.6	-2.4	-4.9	-5.2
1977	-3.0	-5.3	-1.1	-5.7	-4.3
1978	-3.2	-6.8	-1.4	-5.9	-4.1
1979	-4.1	-6.6	-2.8	-6.4	-3.9
1980	-4.7	-7.2	-3.4	-7.5	-2.5

Sources: National and Statistical publications and staff estimates and projections.

* That is, column (A) minus columns (B) and (C).

TABLE 8

TOTAL NET FLOW OF RESOURCES FROM MAJOR COUNTRIES TO DEVELOPING COUNTRIES AND MULTILATERAL AGENCIES

1. 1978 (amounts, and as percentage of GNP)

	Official Flows		Private Flows		Total Flows	
	$ ~~£~~m	% GNP	~~£~~m $	% GNP	~~£~~m $	% GNP
UK	1402	0.46	8712	2.83	10114	3.29
France	2617	0.55	4741	1.01	7358	1.56
Italy	160	0.06	2603	1.11	2763	1.17
Germany	2219	0.35	4708	0.74	6927	1.09
Canada	1058	0.52	686	0.34	1744	0.86
Japan	1956	0.20	6317	0.64	8273	0.84
US	5276	0.25	8267	0.39	13543	0.64

2. 1978 compared with 1970 (as percentage of GNP)

	Official Flows		Private Flows		Total Flows	
	1970	1978	1970	1978	1970	1978
UK	0.37	0.46	0.64	2.83	1.01	3.29
France	0.68	0.55	0.57	1.01	1.24	1.56
Italy	0.19	0.06	0.54	1.11	0.73	1.17
Germany	0.39	0.35	0.40	0.74	0.79	1.09
Canada	0.49	0.52	0.28	0.34	0.77	0.86
Japan	0.58	0.20	0.34	0.64	0.92	0.84
US	0.32	0.25	0.31	0.39	0.63	0.64

Source: OECD: Development Co-operation, 1979 Review.

file cc: HMT
DT
DI
CO
Overseas Aid

BK

10 DOWNING STREET

From the Private Secretary

11 August 1980

Dear Paul

The Prime Minister has seen the Ministerial exchanges about the aid framework 1981-2 to 1983-4, resting with the Chancellor's letter to the Foreign and Commonwealth Secretary of 7 August.

She assumes that Lord Carrington will be calling a meeting of the Ministers involved, and she would be grateful to be informed of the conclusions reached at that meeting.

I am sending copies of this letter to Martin Hall (HM Treasury), Nicholas McInnes (Department of Trade), Ian Ellison (Department of Industry) and David Wright (Cabinet Office).

Yours ever

Mike

Paul Lever, Esq.,
Foreign and Commonwealth Office

HC

Prime Minister 1.

You have seen several comments on the aid framework. Content that further ministerial discussion should be in an ad hoc meeting chaired by Lord Carrington?

MT.

MAP 8/8

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

7 August 1980

The Rt. Hon. Lord Carrington, KCMG., MC.,
Secretary of State for Foreign & Commonwealth Affairs

Dear Peter

AID FRAMEWORK 1981-2 TO 1983-84

You wrote to me on 23 July asking for agreement to the proposed allocations of overseas aid over the next three years. You have set out very clearly the constraints which prevent the aid programme moving more quickly to meet the policy priorities which we laid down following the Aid Policy Review earlier this year. Like you, I can see no scope for substantial changes to the framework which would allow a greater share for bilateral aid, and although this is unfortunate, I am in general agreement with what you propose, against the background of the level of inherited aid commitments and our determination to control the overall level of public expenditure.

Keith Joseph copied to me his letter of 31 July. I support what he says in paragraph 3 of his letter about aid to India, and the scope for further cuts in the UNDP and in the functional technical co-operation programmes (which I understand your officials are reviewing at present). I welcome your decision to allocate money for the African Development Bank. I would also ask you to consider whether the allocations to the Asian Development Bank could be increased for the same reason: I believe that there would be real commercial advantages to the UK doing so.

I see no prospect of changes being made which would substantially alter the structure of the framework in the way we would wish, but I would be happy to attend the meeting that Keith Joseph has proposed.

I am sending copies of this letter to the Prime Minister, the Secretaries of State for Trade and Industry, and to Sir Robert Armstrong.

Yours ever

Geoffrey

GEOFFREY HOWE

DEPARTMENT OF TRADE 1 VICTORIA STREET LONDON SW1H 0ET Telephone 01-215 7877

2

Overseas Aid

Prime Minister
Mr Nott spoke on these lines in OD.
MAP 6/8

From the Secretary of State

CONFIDENTIAL

The Rt Hon The Lord Carrington KCMG MC
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London, SW1A 2AL

6 August 1980

Dear Peter.

AID FRAMEWORK 1981/82 TO 1983/84

I read your minute of 23 July to the Chancellor of the Exchequer with great concern.

In February we agreed and announced an aid policy intended to give greater emphasis to commercial and industrial considerations. But now, only 5 months later, when it comes to be translated into more detailed plans, it turns out that in essential respects we are moving in the opposite direction and with no prospect of giving substance to our declared intention within the lifetime of the present Parliament, or even possibly for some years beyond that.

If the gap between policy and practice were small, we might explain it away under the general terms of our announcement. But I do not see how we can explain to our supporters in Parliament and in industry that a share of multilateral aid, rising from 29% now to 39% next year and 44% by 1983-84, is consistent with our public commitment to 'look critically at our expenditure on multilateral aid programmes', much less with our agreement in OD that you would consider how to increase as soon as possible the proportion of the aid programme devoted to bilateral rather than multilateral aid.

CONFIDENTIAL

From the Secretary of State

CONFIDENTIAL

It does seem to me that our contribution to multilateral aid, for instance the IDA replenishment, is hopelessly out of line with our capacity to pay (this results from historical reason). For instance the French share of the IDA replenishment is 5% against our 10%. Yet the French GNP per head is 64% above our own. In my view we cannot any longer afford our prestige position as the ... attached table shows.

Moreover, the distribution of bilateral aid between countries has moved markedly against those which offer the better markets, and in certain cases, notably India, could sour relations to our commercial disadvantage. We are also looking for some re-arrangement of priorities within the African aid programme and are in touch with your officials about this.

I confess considerable sympathy for your predicament. It seems increasingly impossible to meet our policy objectives with the sums available. I am concerned about the impact of this on our trade. As the Overseas Projects Board has pointed out to me in a recent letter aid is one of the few instruments available which is capable of being used to the mutual advantage of our own industry and the economies of developing countries. The squeeze on the non-multilateral part of the aid programme is greatest in the short-term. Yet this is precisely when our exporters will be hardest hit in trying to get orders overseas. Their main foreign competitors are backed by Governments with apparently greater facility for deriving maximum commercial benefit from their aid policies. We need to consider not only the magnitude of the non-multilateral part of the programme but also how best to apply it to obtain maximum gearing and so give the best support for our exporters. I am conscious that the ATP formula and what we are

CONFIDENTIAL

From the Secretary of State

CONFIDENTIAL

doing in India with the steel plant can give us £5 worth of orders for every £1 of aid. I would suggest that we might have a further meeting of Ministers to discuss these matters.

I am sending copies of this letter to the Prime Minister, Geoffrey Howe, Keith Joseph and Sir Robert Armstrong.

Yours ever

John.

PS. In terms of GNP per head - ~~our contribution~~ our contribution to these multilateral bodies is even more flagrantly out of line -

JOHN NOTT

CONFIDENTIAL

IDA SIXTH REPLENISHMENT

Contributor	Contribution $m	% Share of Replenishment	GNP $m	Contribution as a % GNP
United States of America	3240	27.0	1,874,270	0.17
Japan	1757.54	12.0	642,200	0.27
Federal Republic of Germany	1500	12.0	500,930	0.30
France	645.6	5.38	387,060	0.16
Canada	516	4.30	196,990	0.26
Italy	462	3.85	194,520	0.23
Saudi Arabia	390	3.25	46,110	0.84
United Kingdom	1212	10.10	247,170	0.49

JU

Overseas Aid 2

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

MT

31 July 1980

The Rt Hon Lord Carrington PC KCMG MC
Secretary of State for Foreign and
Commonwealth Affairs
Foreign & Commonwealth Office
Downing Street
London SW1

Prime Minister

MAP 4/8.

Dear Peter.

AID FRAMEWORK 1981-82 to 1983-84

I have read with concern your minute of 23 July to the Chancellor of the Exchequer. I appreciate the constraints to which you have drawn attention, but I am not ready to accept the conclusion that we cannot make any significant progress towards implementing the policy objectives we have announced before 1983/84 and perhaps not even then.

As matters stand we seem to be planning for a significant increase in the proportion of our aid going to multilateral agencies, partly as a result of substantial new commitments over the last year which I do not recall being invited to comment on, and within a reduced programme our bilateral aid is being cut by 30% next year and another 10% the year after to make room for it. Moreover, the distribution of what bilateral aid remains has if anything moved away from those markets where we would expect to see the best return for our investment.

I am particularly concerned that we should find a little more aid for India during 1981/82. Over the next few months they will be taking decisions about the coastal steel plant, which, at more than £500 million, represents the biggest contract we have ever sought to obtain through the aid programme. Under your present proposals, and leaving aside provisions for the coastal steel plant, India has suffered particularly severely from cuts in the bilateral aid programme, and I believe that an additional £5-10 million in 1981/82 would not only be intrinsically worthwhile since India is now a rather promising market, but also psychologically important in ensuring that this vital large contract does indeed come to us. I feel sure that this sum could still be found from such sources as the UN Development Programme or a more rigorous scrutiny of the numerous small technical co-operation programmes, of which the majority are planned to continue at current levels in real terms, or even in the case of UNDP, to increase slightly over the framework period.

/While ...

While these adjustments are important, and I hope they can be achieved, they are small in relation to the main problem. I had hoped, and I still hope, that by giving more of an industrial emphasis to our aid programme we can demonstrate to our supporters in industry, who are having to carry the weight of our economic policies, that we are willing to help them in an area where there are still large opportunities for maximising our mutual advantage. I think we must meet to consider how to make much more rapid progress towards the policy objectives we have identified and announced.

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer and to the Secretary of State for Trade.

Yours,

Keith

Overseas Aid

(2)

CONFIDENTIAL

Prime Minister

FCS/80/124

CHANCELLOR OF THE EXCHEQUER

Aid Framework 1981-82 to 1983-84

1. I now circulate details of the main features of the planned allocation of aid resources I propose for the next three years, to which I should be glad to have early agreement. The details are set out in Tables 1-3 attached. These plans have already been examined very closely by our officials and discussed by them in a meeting on 11 July.

2. The allocation of aid resources must take account of

a) policy considerations and objectives;

b) the level of funds we have decided to make available for the aid programme;

c) existing commitments which cannot be breached without serious consequences.

My starting point, therefore, for this framework exercise has been the recently concluded aid policy review, and it does not seem necessary, on this occasion at least, to circulate an aid strategy paper which would do no more than repeat the points made in my statement on 20 February.

3. That statement made it clear that our aid programme would continue to be a substantial one; that we would give particular attention in it to the relief of poverty and the growth of world trade; that we would give greater weight to political, industrial and commercial considerations alongside our basic developmental objectives; that the Aid/Trade Provision and the unallocated margin in the aid programme were being increased; and that we would be looking critically at our expenditure on multilateral aid programmes.

4. Those aims continue to stand as our strategic objectives. But we must accept that they cannot be fully achieved over the next three years within the resources which we, as a Government, have decided we can afford to allocate to the aid programme.

/While the

CONFIDENTIAL

While the constraints on rapid implementation of the recommendations of the review were fully recognised in the final report of the aid policy review group at that time the size of the cuts in the aid programme had not been finally determined and turned out larger than anticipated.

5. Our detailed examination of the forward position has shown the constraints to be very severe. The extent of forward commitments, most particularly in 1981-82 and 1982-83, means that our room for flexibility in the Framework period is very limited. The major objective which it has not been possible to achieve, or even move towards, is a switch from multilateral to bilateral aid. Multilateral commitments take a number of years to spend and the increasing weight of our multilateral spending obligations, notably those arising from our membership of the EC and our agreed support for IDA VI, will substantially reduce most of our bilateral programmes. Some but by no means all of these spending requirements arise from commitments made by the previous administration which had been planning rapid growth in the aid programme. We too have made substantial multilateral commitments over the last year including our £550m contribution to EDF V on part of our aid channelled through the EC and our £555m contribution to IDA VI. These will, of course, be spent over a number of years running well beyond the present aid framework period. My officials are looking further at the possible requirements of multilateral aid programmes beyond 1983-84 which is the final year of the present framework period to assess how long it may be - given an assumed continuation of aid at the levels projected for 1982-83 and 1983-84 - before we shall be able to achieve a shift from our multilateral to our bilateral programmes. The information will be circulated at official level as soon as it is available but it cannot affect the position up to 1983-84. We must also bear in mind that through our agreement to the Declaration of the Venice Summit last month we gave our strong support to a number of multilateral aid programmes including IDA VI.

/6.

6. Against this background, by far the greater part of the allocations proposed for multilateral programmes are those which are necessary to ensure that we continue to meet existing obligations. The Aid Policy Review decision to provide a larger unallocated reserve and to continue the Aid/Trade Provision at its present level in real terms, combined with rising multilateral disbursements inevitably results in very severe cuts in bilateral aid, especially our country programmes. Many of our important aid recipients will be very disappointed indeed - some, such as President Ziaur in Bangladesh, appalled - when they fully appreciate that UK aid is falling substantially, in both real and cash terms from 1980-81 levels. But I see no means of achieving significant savings against other parts of our programme to enable desirable reallocations of aid to take place.

7. When officials examined FCO proposals interdepartmentally attention was drawn to a number of additions to programmes which would be desirable for commercial or political reasons. Instances of countries mentioned are Bangladesh, Burma, India, Indonesia, Jamaica, Mozambique, Nigeria, Pakistan, Seychelles, Sierra Leone and Zaire. Other possibilities were mentioned also, notably China, English Language Teaching in Francophone Africa and the likely fall of about 50% in the numbers of people trained in the UK under the aid programme. The only proposal I have felt able to accept at present, however, having regard to the constraints outlined above is the addition of an allocation (about £3 m per year) to allow us to become members, with other developed countries, of the African Development Bank; by joining it is argued we can hope to obtain contracts we would otherwise be excluded from. This can be financed for the most part from savings identified in our contributions to the Inter-American Development Bank. Any other additional allocations could be found only at the expense of the unallocated reserve; but this would reduce our room for responding flexibly to situations

/as they

as they develop in future. As noted by our officials, any additional provision required for Turkey and for the Indian coastal steel plant would have to be found from this unallocated reserve.

CONCLUSION

8. I recognise that the allocations proposed are not what I and you would have wished in the light of our agreements on our aid policy. But I can see no way of making the changes desired, given existing commitments, within the level of funds available for aid. The framework will be reviewed annually and in this process we may be able to make some shift in the right direction but the scope for doing so cannot be very great. Meanwhile, I seek your agreement to the proposed allocations for the period 1981-82 to 1983-84.

9. I am sending copies of this minute to the Prime Minister, the Secretary of State for Trade and the Secretary of State for Industry.

C

(CARRINGTON)

Foreign and Commonwealth Office

23 July 1980

TABLE 1

SUMMARY AID FRAMEWORK

	£m Cash				Volume Change (1980-81=100)		
A. RESOURCES AVAILABLE	1980-81	1981-82	1982-83	1983-84	1981-82	1982-83	1983-84
1. Net Aid Programme	877	872	879	924	94.5	88.1	88.0
2. Amortisation	76	65	68	69	81.5	78.3	75.3
3. Gross Aid Programme	953	938	947	993	93.4	87.3	87.0
4. Estimating Adjustment	114	94	95	100			
5. Total available for allocation	1067	1032	1042	1093	88.3	82.4	82.2
B. ALLOCATIONS							
6. Multilateral	293	382	411	449	118.3	117.7	122.2
7. Bilateral							
a. Country programmes	548*	426	392	396	70.7	60.2	57.7
b. ATP	41	43	46	49	100.0	100.0	100.0
c. Functional TC	76	78	78	77	95.8	89.0	83.1
d. CDC	25	24	26	27	86.2	86.2	86.2
e. Pensions	26	26	26	20	91.7	83.3	62.5
Total bilateral	716	597	568	569	80.6	70.9	67.5
8. Total allocated	1009	979	979	1018			
9. Unallocated Reserve	58*	53	63	75	86.7	95.4	107.9
Unallocated Reserve as a percentage of the Gross Aid Programme	6.1%	5.7%	6.7%	7.6%			

*Note: The 1980-81 aid framework allocations in Tables 2 and 3 have firm claims against the unallocated reserve, totalling some £36m, added to the appropriate programmes.

ANNEX 2

AID FRAMEWORK ALLOCATIONS

	£m				Volume Change (1980-81 = 100		
	1980-81	1981-82	1982-83	1983-84	1981-82	82-83	83-84
MULTILATERAL AID							
EC Group	142.215	185.864	189.641	209.727	120.1	113.4	119.1
World Bank Group	75.600	116.000	136.000	155.000	138.0	149.6	162.0
Regional Development Banks	16.205	16.735	18.835	18.025	92.9	96.7	87.9
UN Group	44.750	48.727	50.342	51.431	97.9	93.0	90.9
Other multilateral aid	14.544	14.790	15.833	14.577	91.4	90.6	79.2
Total multilateral aid	293.314	382.116	410.651	448.760	118.3	117.7	122.2
BILATERAL AID							
Africa: Central and Southern	79.590	64.696	67.295	67.236	74.9	72.1	68.4
East and General	94.320	78.761	70.740	70.884	75.9	63.1	60.0
West and North	31.750	26.955	23.235	23.580	77.2	61.6	59.2
(Total Africa)	(205.660)	(170.412)	(161.270)	(161.700)	75.7	66.3	63.2
Asia	117.867	80.910	76.295	81.780	62.1	54.2	55.2
India	142.690	86,900	85,100	82.500	54.8	49.7	45.8
Middle East & Mediterranean	42.110	23.032	9.536	9.108	49.4	18.9	17.2
Caribbean and Pacific	36.368	27.583	25.840	26.432	69.5	60.2	58.6
Latin America	14.195	11.992	11.016	11.142	77.9	66.2	63.6
Dependencies	24.600	25.425	23.372	23.234	94.0	80.0	75.8
Total country programmes	583.490	426.254	392.429	395.896	66.3	56.9	54.2
Aid-Trade Provision	41,000	43.000	46.000	49.000	100.0	100.0	100.0
Education	39.785	41.128	40.962	39.830	97.8	90.2	83.3
Research & Development	24.720	24.702	24.958	24.471	93.5	87.4	81.4
Other Functional TC	11.340	11.818	12.112	12.328	93.7	88.9	86.0
Commonwealth Development Corporation	25.000	24.000	26.000	27.300	86.2	86.2	86.2
Pensions	25.900	26.400	26.000	20.500	91.7	83.3	62.5
Total bilateral aid	751.235	597.302	568.461	569.325	72.1	63.5	60.4
TOTAL ALLOCATED	1044.549	979.418	979.112	1018.085			

TABLE 3

LARGE COUNTRY PROGRAMMES

	£m Cash				VOLUME CHANGE (1980/81 = 100)		
	1980-81	1981-82	1982-83	1983-84	1981-82	1982-83	1983-84
Asia and Middle East							
India: Tied capital aid and TC	110.690	46,900	35.100	32.500	38.3	26.5	23.2
RTA	32.000	40.000	50.000	50.000	111.0	123.4	122.0
Total	142.690	86.900	85.100	82.500	54.8	49.7	45.8
Bangladesh	42.700	23.500	25.000	28.000	49.6	48.3	52.0
Sri Lanka	28.585	24.900	24.300	24.200	78.6	70.9	67.1
Pakistan	19.960	13.000	10.700	13.000	58.7	44.7	51.6
Nepal	9.475	7.900	7.500	7.000	75.6	66.4	58.9
Indonesia	8.870	6.000	5.500	6.000	61.7	52.3	54.2
Turkey	31.450	15.250	3.800	3.500	43.6	10.1	8.8
Jordan	4.540	4.050	2.700	2.650	80.3	49.5	46.2
Burma	3.050	1.900	0.500	0.500	56.6	13.8	10.1
Thailand	2.200	1.850	1.050	0.780	77.0	40.4	28.6
Africa							
Zimbabwe: Training	11.930	4.023	1.298	0.068	32.0	9.6	0.5
Capital aid and TC	7.000(1)	10.000(1)	19.000	24.000			
Kenya	29.120	21.800	21.205	36.629	68.3	61.5	100.9
Tanzania	27.810	20.379	16.431	10.980	66.5	49.6	31.5
Zambia	23.190	17.070	18.160	14.200	67.7	66.6	49.5
Sudan	22.100	28.259	27.679	18.594	115.6	104.8	66.9
Malawi	13.980	12.630	10.850	11.320	82.8	65.8	65.2
Ghana	11.500	9.645	8.620	6.990	76.1	62.9	48.5
Egypt	8.830	9.010	7.270	8.925	81.9	68.7	80.2
Botswana	6.640	7.699	6.451	6.038	107.8	83.5	74.3
Uganda	5.420	0.360	-	-	6.0	-	-
Lesotho	5.340	5.130	5.570	5.650	87.2	87.6	84.4
Mozambique	6.240	3.980	1.960	1.950	57.4	26.2	24.7
Swaziland	4.120	3.300	3.200	3.200	74.2	66.6	63.2
Seychelles	4.060	3.659	1.934	1.482	82.3	40.2	29.3
Nigeria	3.250	1.600	0.130	0.100	44.3	3.3	2.4

(1) Zimbabwe 1980-81 and 1981-82 allocations exclude £8m and £7m respectively from Central Contingency Reserve.

TABLE 3 (continued)

	£m Cash				VOLUME CHANGE (1980-81 = 100)		
	1980-81	1981-82	1982-83	1983-84	1981-82	1982-83	1983-84
Mauritius	2.180	2.016	1.465	1.422	83.9	56.4	52.0
Sierra Leone	2.150	1.535	1.955	1.950	65.7	77.5	73.4
Gambia	2.038	3.010	3.940	4.400	132.0	159.9	169.7
Somalia	2.090	1.388	1.446	1.370	60.9	58.7	52.8
Caribbean and Pacific							
Solomons	10.840	7.036	7.689	7.650	59.1	59.8	56.5
Kiribati	5.822	8.678	7.424	6.419	135.2	107.0	87.9
Jamaica	3.420	0.396	0.467	0.492	10.4	11.4	11.4
Guyana	3.290	2.633	1.763	0.849	71.7	44.4	20.3
Latin America							
Bolivia	4.575	5.826	5.695	5.203	116.0	105.2	91.1
Chile	2.164	1.121	0.657	0.314	46.7	25.3	11.5
Dependencies							
New Hebrides	6.615	7.480	7.480	7.480	103.5	95.7	91.0
Belize	4.644	3.718	3.065	3.257	72.7	55.4	56.0
Gibraltar	4.215	3.364	2.767	2.940	72.0	54.8	55.3
St Helena	3.618	3.891	4.076	4.153	97.3	94.3	91.3
Other country programmes (less than £2m each in 1980-81)							
Asia	9.147	5.592	4.781	5.258	57.8	44.3	47.4
Africa	6.672	4.919	2.706	2.432	69.0	35.1	30.0
Caribbean and Pacific	12.996	8.340	8.497	11.022	63.4	56.4	69.5
Latin America	7.456	5.045	4.664	5.625	63.4	54.2	62.1
Dependencies	5.508	6.972	5.934	5.404	115.7	91.9	80.2
TOTAL COUNTRY PROGRAMMES	583.490	426.254	392.429	395.896	66.3	56.5	54.2
Large programmes (over £2m in 1980-81) as a percentage of the total	92.8%	92.6%	93.2%	92.5%			

JS

Overseas Aid

13 May 1980

Thank you for your letter of 13 May. I am sorry that you are having such difficulties over this publication, but we are content with the revised timetable you now propose.

NJS

KRB

Miss N. Andrew,
Overseas Development Administration.

OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SWIE 5DH
Telephone 01-213 5409

From the Minister

13 May 1980

Dear Mr Saunders,

Command Paper - Sixth Replenishment of IDA Resources

I am sorry to bother you yet again about publication of the above Command Paper. HMSO now tell us that Friday 16 May will be impossible because of the recent NGA dispute. I understand the new publication date will, hopefully, be Tuesday 20 May.

Yours sincerely
Nan Andrew

(Miss N Andrew)
(Parliamentary Clerk)

N. Saunders Esq.

FILE

VLS
Overseas
Aid
BC Press Office

10 DOWNING STREET

From the Private Secretary

7 May 1980

Command Paper - Sixth Replenishment of I.D.A. Resources

Thank you for your letter of 6 May. We have no objection to the revised timetable you propose.

N. J. SANDERS

Miss N. Andrew,
Overseas Development Administration.

RH

OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SWIE 5DH
Telephone 01-213 5409

From the Minister

6 May 1980

Dear Mr Saunders

Command Paper - 6th Replenishment of IDA Resources

Further to my letter of 23 April, and your reply of the same date, about publication of the above Command Paper, we have been informed by HMSO that publication date will have to be postponed until Friday 16 May because of the threatened industrial action on Wed. 14th.

I should be grateful to have your agreement to this proposed change.

Yours sincerely

Nan Andrew

(Miss N Andrew)
Parliamentary Clerk

N. Saunders Esq.
No. 10 Downing Street

bc Press

10 DOWNING STREET

From the Private Secretary

23 April 1980

Command Paper - 6th Replenishment of IDA Resourses

Thank you for your letter of 23 April. We have no objection to the publication timetable you propose.

I am copying this letter to Richard Prescott (Paymaster General's Office), Peter Moore (Chief Whip's Office) and Petra Laidlaw (Chancellor of the Duchy of Lancaster's Office).

N. J. SANDERS

Miss N. Andrew,
Overseas Development Administration.

GC

010

OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH
Telephone 01-213 5409

From the Minister

23 April 1980

Dear Mr Sanders.

COMMAND PAPER - 6TH REPLENISHMENT OF IDA RESOURCES

The above paper is now available for publication and if you see no objection we propose to publish it on Thursday 15 May 1980.

It will be produced as a Command Paper.

I should be grateful for your agreement that we may publish on this date.

Yours sincerely

Nan Andrew

(Miss N Andrew)
Parliamentary Clerk

N Sanders Esq
Prime Minister's Office

cc FCO LPO
Constituent

C.F. to note

Overseas Aid

10 DOWNING STREET

THE PRIME MINISTER

26 March 1980

Dear Miss Lestor,

Thank you for your letter of 27 February enclosing one from Mr. M. Brueck of 132 Stoke Road, Slough, about overseas aid.

The Government's overriding aim is to restore Britain's economy. For this, it is essential to reduce the share of resources taken by public expenditure. Our decisions on planning figures up to 1983/84 will be announced in the Public Expenditure White Paper to be published this week.

As in the case of other programmes, overseas aid will have to bear its share of the reductions in public expenditure which it is our declared policy to make. Nevertheless our aid programme will remain substantial and we shall continue to apply the funds available to the greatest possible effect.

Mr. Brueck will have read reports of this Government's Aid Policy Review Statement made last month and will be reassured that we fully recognise the mutual benefits which will come from assisting the developing countries.

We regard the Brandt Report as an important and influential document and are now studying its general approach and specific recommendations.

Yours sincerely

Margaret Thatcher

Miss Joan Lestor, M.P.

HS

Overseas Aid

Treasury Chambers, Parliament Street, SW1P 3AG

25 March 1980

Miss Petra Laidlaw
Private Secretary to the Chancellor of the Duchy of Lancaster
Privy Council Office
70 Whitehall
LONDON
SW1

Pmt 25/3

Dear Petra,

INTERNATIONAL DEVELOPMENT ASSOCIATION

The Financial Secretary has no objection to the proposal in the letter of 19 March from the Private Secretary to the Lord Privy Seal, namely to publish a Cmnd paper with the report of the Executive Directors of the International Development Association and the draft Resolution on the 6th Replenishment.

Even with the special drawdown arrangement which the UK has negotiated, our contribution to IDA is disproportionately high, and the Financial Secretary doubts whether we would have accepted it if we were working on current public expenditure figures. However he accepts that it would be impossible to reopen the decision now, and has no objection to the proposals in the letter.

Yours sincerely,

Stephen Locke

S A J LOCKE
Private Secretary

Overseas Aid

PRIVY COUNCIL OFFICE
WHITEHALL. LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster

21 March 1980

Dear Myles

Thank you for your letter of 19 March covering the draft Report of the Executive Directors of the IDA. There are no comments we wish to offer on it from this Office's point of view.

I am copying this letter to the recipients of yours.

Yours sincerely

Petra Laidlaw

PETRA LAIDLAW
Private Secretary

M A Wickstead Esq
Assistant Private Secretary
to the Lord Privy Seal
Foreign & Commonwealth Office
London
SW1

Overseas Aid

Foreign and Commonwealth Office

London SW1A 2AH

19 March 1980

Dear Petra,

Mr Marten told the House of Commons on 8 February (Hansard, 8 February 1980, Vol 978 No 115 col 384) that following agreement on the sixth replenishment of the resources of the International Development Association (IDA) - the branch of the World Bank which makes loans on very soft terms to the poorest developing countries - he intended to seek parliamentary authorisation for the United Kingdom contribution of $1212 million.

not cut

The Governors of the IDA have to vote by 31 March on a resolution authorising the replenishment proposed by the Executive Directors; the United Kingdom Governor has voted in favour. It is proposed that the Lord Privy Seal should lay before Parliament as soon as possible a Command Paper containing the Report of the Executive Directors of the IDA and the draft Resolution, which gives full details of the proposed replenishment; the House would be informed of this in answer to an arranged written Question, and a Statutory Order would be made to enable the United Kingdom to make its contribution in due course. This follows the procedure for previous replenishments; the last replenishment was described in Cmnd 6838, presented to Parliament in July 1977.

/I enclose

Miss Petra Laidlaw
Private Secretary to the Chancellor
of the Duchy of Lancaster
Privy Council Office
Whitehall
London SW1

I enclose a copy of the draft. It is a routine Paper, and we do not propose to give it any wider circulation before publication; I would be grateful for any comments from you and other addressees on this and on the substance by the end of this week. We hope to be able to send the draft to HMSO at the beginning of next week so that a draft Order can be laid as soon as possible.

I am copying this letter and its enclosure to the Private Secretaries to the Prime Minister, the Secretary of State for Foreign and Commonwealth Affairs, the Financial Secretary to the Treasury and the Chief Whip.

Yours ever,

Miles

M A Wickstead
Assistant Private Secretary
to the Lord Privy Seal

FOREWORD

The purpose of this Command Paper is to lay before Parliament the text of the Report, dated 15 January 1980, by the Executive Directors of the International Development Association on additions to the Association's resources, together with the draft Resolution (Annex A), which would give effect to their proposals.

The United Kingdom Governor has cast his vote in favour of the Resolution. It is the intention of Her Majesty's Government, if the Resolution is adopted, to make a Statutory Order under Section 1(5) of the Overseas Aid Act 1968 to enable them to make the necessary payments.

INTERNATIONAL DEVELOPMENT ASSOCIATION

January 15, 1980

Report of the Executive Directors

ADDITIONS TO IDA RESOURCES: SIXTH REPLENISHMENT

A. INTRODUCTION AND BACKGROUND

The Institution

1. The International Development Association (IDA) was established in 1960 to provide financing for projects and programs in those developing countries whose prospects for economic advance were so difficult that it did not seem that they could prudently borrow except on the most highly concessionary terms. While the terms of IDA lending reflect this original purpose .... credits are for fifty years, with repayments starting after ten years and no interest is charged (only a service charge currently set at 0.75%) .... in all other respects the institution functions in the same way as the International Bank for Reconstruction and Development (IBRD). The development projects financed by IDA must meet the same economic and financial standards; the procedures for credit appraisal, approval, and supervision are the same and identical procedures are applied in areas such as procurement and the control of disbursements to ensure that the proceeds of the credits are applied efficiently and for the purposes intended. The staff of IDA is common to that of the IBRD so that the same pool of technical and other expertise is available to carry out its operations and the Executive Directors of IBRD are ex officio the Executive Directors of IDA. Through their Executive Directors the member governments establish the general policies of IDA and review each lending operation proposed by IDA's management.

2. In the years since it started operations, IDA has attracted the support of a growing part of the international community and a widening circle of countries contribute to its resources. Membership in IDA has increased from the original 68 to 122 currently, while the number of contributors has grown from 17 in 1960 to the 33 contributing to the Sixth Replenishment of IDA resources which is the subject of this report. 1/

1/ A list of current members and the year in which they joined is attached as Table 1 in the Statistical Annex appended to this report.

3. IDA's Articles of Agreement provided for the initial subscriptions to finance IDA operations. Since that time, IDA's resources have been replenished on five occasions. IDA is currently entering into credits with borrowers from resources provided under the Fifth Replenishment on which agreement was reached in 1977. These resources will be fully committed by July 1980 when IDA will need fresh commitment authority. 1/ In order to provide IDA with new resources in time to lend when needed, governments of prospective contributors were invited in September 1978 to appoint Deputies to negotiate proposals for a Sixth Replenishment agreement. Subsequently, the Deputies have held five meetings and reached agreement on the proposals contained in this report in Paris in December 1979. The report has been reviewed and approved by the Executive Directors. The report and the draft Resolution for approval by the Governors (attached as Annex A) provides the basis on which it is now proposed that members will work to obtain legislative approval of the additional resources negotiated for the Sixth Replenishment.

4. During the negotiations, the Deputies focussed their discussions on the total size of the replenishment and the amounts and shares of the contributions of their respective countries. The different considerations taken into account in this discussion are described in Sections B and C of this report. Various technical aspects of the financial arrangements were also reviewed by the Deputies such as the manner of making payments and the currency of obligation and the results of this review are reflected in Section D of this report. A further section sets out the provisions under which the agreement will enter into effect and IDA be enabled to start making credits under the Sixth Replenishment.

5. In the course of the negotiations, Deputies requested and received information on many aspects of IDA's operations -- the way it is building up its project capacity in the poorest countries, the sectors IDA is assisting and the way in which projects are being designed to reach the poorest people. Other aspects such as the way in which supervision, evaluation and audit is carried out were also described. The salient points of the information and analysis provided to the Deputies are included in this report starting with a brief account of the current direction of IDA lending which has provided the background against which the negotiations for the Sixth Replenishment have taken place.

1/ Because the projects financed by IDA involve investments executed over a period of years, the disbursement of the credits is correspondingly spread out and at any one time there is an amount 'outstanding and undisbursed' but which is fully committed and awaits disbursement as orders are placed and the investments are actually carried out.

IDA'S Current Operations

6. IDA's resources are scarce in relation to need and in making credits from the resources provided in the Fifth Replenishment IDA is continuing its well-established policy of giving priority to the poorest countries. There are 40 countries with a median per capita income level of $200 that receive 90% of IDA credits. 1/

7. Per capita income is an incomplete measure of poverty and the analysis presented to Deputies distinguished between the dimensions of poverty and the prospects for alleviating it in three groups of countries that receive IDA credits: the primarily agricultural economies characteristic of two thirds of the countries that receive IDA credits; those economies with a better resources base because, for example, of mineral endowment; and, thirdly, the economies of a few large countries with a modern sector but which remain primarily rural 2/ (dualistic). It is estimated that in the first and third groups of countries, which receive 90% of IDA credits, over half of the population lives in absolute poverty whose dimensions are summarized below.

	Primarily Agricultural	Dualistic	Better Resource Base
Poverty Indicators			
Per Capita Income	200	160	460
Life Expectancy	46	51	48
Population per Physician (000)	18	6	8
Literacy Rate	19	34	50
IDA Lending a/			
$ Per Capita	9.7	5.5	5.0
% of Lending	31	58	10
% of Operations	57	30	13
Memo: No. of Countries	35	5	14
% of Population in Rural Areas	86	78	64

a/ Figures on current IDA lending given in this section are for the period of credits made under the Fifth Replenishment of IDA and cover fiscal years FY78-80 starting in July 1977 and including an estimate for the final part of the period ending June 1980. For further detail see Statistical Annex Tables 2 and 3.

1/ The figures cited are in 1977 dollars, published in the World Bank Atlas 1979.

2/ The countries falling in these groupings and selected poverty and resource base indicators are shown in Table 4 of the Statistical Annex.

8. Within these countries, despite some large urban concentrations, the bulk of the population lives in rural areas and it is the investments necessary to raise agricultural output that will be crucial for achieving faster income growth and alleviating poverty. Reflecting the importance of the agricultural sector, nearly one half of IDA lending is for agricultural and rural development. Investments in infrastructure (such as roads and telecommunications) are also essential for growth, including the growth in incomes of the poorest elements of the community. Credits for this purpose continue to be an important part of IDA lending.

IDA Lending by Sector (FY78-80)

	% of Lending	% of Operations
Agricultural and Rural Dev.	46	45
Basic Infrastructure a/	24	19
Industry and Urbanization	10	12
Other	17	22
Non-Project	3	2
Total	100	100

a/ Power, telecommunications and transportation.

9. Not shown separately in the broad categories given above are a number of smaller but important developments in IDA lending in the Fifth Replenishment period:

- the start of IDA lending for oil and gas development as part of the Bank Group's increased expenditure on resource exploration and pre-investment activity in response to growing incentives for developing known energy resources in developing countries due to the rise in international energy prices. As many as 16 IDA operations are possible in this sector over FY80-83.

- a more broadly based approach to family planning involving not only health facilities but also training programs, technical assistance, nutrition and family education activities (7 operations are anticipated).

- growing IDA involvement in agricultural research at the national level designed to adapt the technical base of knowledge to the local environment (about 15 projects are being undertaken specifically for this purpose along with research components in other agricultural projects).

- increased emphasis on small scale, labor intensive industries where 11 projects are being financed.

10. Extending across all sectors is an attempt to design IDA projects to increase the income and employment opportunities of those in the poorest income groups. This trend is exemplified by IDA lending in rural development for projects aimed to expand output of small scale farmers and tenants and bring the landless into the productive process. From the 93 agricultural and rural development projects undertaken in the first two years of the Fifth Replenishment period, about nine million rural families are expected to derive direct benefits of which about two thirds have income below either the absolute poverty level or the relative poverty level for their respective countries.

11. Although the major thrust of IDA lending directed to the poorest income groups addresses the problems of increasing income growth in rural areas, IDA is also increasing its lending aimed at improving the productivity of the urban poor. Initially such projects were centered around the provision of sites and services housing lots but recent projects have been broadened to include water supply and sewerage, transportation and health components. Eight such urban credits are being undertaken in IDA's current program.

12. IDA lending is focussed on the poorest countries. Furthermore, a growing proportion of lending is directed to combatting poverty and mobilizing human resources through an increase in productivity of the poorest income groups, as well as through efforts to ensure a more equitable distribution of income and wealth. This is the institutional setting in which Deputies reached their decisions on the support to be proposed for IDA to carry on its operations in the three years FY81-83, starting in July 1980. In arriving at their proposals, essential elements taken into account by the Deputies were the economic prospects of the poorest countries (their need for assistance from IDA), the capacity of IDA to expand and improve its operations and procedures in the directions desired and the economic situation affecting the contributing countries themselves. These elements together with the resulting proposal on the scale of the Sixth Replenishment of IDA are discussed in the following section.

B. THE AMOUNT OF THE SIXTH REPLENISHMENT

Prospects of the Poorest Countries

13. The need of the poorest countries for greatly expanded external assistance on concessionary terms had been described in the World Bank's first World Development Report issued just prior to the start of the Sixth Replenishment negotiations. The analysis contained in that report (which was drawn upon in the analysis prepared for the Deputies) made clear that substantial and sustained progress in reducing poverty in these countries will be impossible without accelerating their growth rates. Mobilizing the domestic resources to achieve faster growth will require a major effort on their part; external assistance on appropriate terms can play a critical supporting role. The Bank's second World Development Report issued in August 1979 pointed to a deterioration in the prospects for developing countries since the first report was prepared. The Replenishment of IDA should be seen against this general background and should be taken into account in the International Development Strategy for the 1980s, presently under discussion in the United Nations.

14. The effort that IDA recipient countries themselves can make to develop their economies has to be seen against the background of poor physical resources in many cases and slow economic growth in the past. With only a few exceptions, the poorest developing countries have achieved a per capita income growth of only around 1% per annum during the 1970s and savings and investment rates are low. The key to their future development is an acceleration of agricultural production. Although the sources of growth of agricultural output are different in different regions of Africa and Asia, large investments will be required, particularly in irrigation and physical infrastructure. The illustrative projections contained in the first World Development Report and described in the information given to Deputies suggested that a doubling of past rates of growth in agricultural output will be required if there is to be significantly faster progress in reducing poverty.

15. Exports from IDA recipient countries are predominantly primary commodities, vulnerable to sometimes large fluctuations in their prices while the heavy dependence on agriculture in the structure of production means that both export earnings and import needs can be adversely and severely affected by the vagaries of climatic conditions. The poorest countries can only to a very limited extent reduce their relative dependence on foreign resource inflows by increasing their domestic savings efforts. Concessionary assistance is therefore projected to remain very scarce in relation to urgent needs. 1/ The 1978 World Development Report concluded that even with very major efforts by the poorest developing countries, additional concessionary resources would be required to achieve both higher rates of growth in the poorest countries and greater progress in poverty alleviation, a finding endorsed by the analysis in the 1979 World Development Report.

Economic Prospects of the Contributors

16. Against this background of the need for a substantial increase in IDA's resources in the Sixth Replenishment, Deputies were provided with illustrative estimates of how the economies of the countries that contribute to IDA might evolve over the medium to long term future in order to place the scale of the Sixth Replenishment within the context of the budgetary possibilities and resource transfer policies of contributors. A longer term perspective is necessary because while contributors will be providing IDA with renewed commitment authority in the early 1980s, the actual cash impact on contributors is spread out over the decade as a whole as IDA draws on the contributions to meet disbursements. The table below illustrates how the pattern of disbursements arising from Sixth Replenishment credits is projected with two thirds of disbursements occurring in the mid-1980s. It is according to this pattern, modified in the light of actual experience with disbursements, that drawings will be made by IDA on commitments by contributors to the Sixth Replenishment.

1/ The most recent World Bank staff projection of the flow of ODA is attached as Table 6 in the Statistical Annex.

Percent Drawings on Commitments to IDA6

FY81	1%
FY82	5%
FY83	13%
FY84	20%
FY85	20%
FY86	15%
FY87	10%
FY88	7%
FY89	5%
FY90	4%
	100%

17. Projections of the economies of the contributing countries for such a period ahead must necessarily be regarded as highly approximate because there can be many differences of view about the long term prospects for real growth and the possibilities for restraining price increases. The illustrative estimate made by Bank staff for the Deputies showed the Gross Domestic Product (GDP) for the group of 26 countries that contributed to the Fifth Replenishment rising in nominal terms at about 10% per annum in the 1980s. According to this particular assumption a level of IDA6 of $12 billion would maintain the ratio of commitments by contributors to IDA6 at the same ratio to GDP as in IDA5.

Commitments to IDA and GDP of Contributors 1/

	IDA5 FY78-80	IDA6 FY81-83
Commitments to IDA ($ billion)	8.7	12.0
GDP of Contributors ($ billion)	18,900.0	26,000.0
Commitments % of GDP	0.046%	0.046%

1/ GDP is for the total three-year replenishment period.

The Purchasing Power of IDA

18. The price increases affecting the economic capacity of countries to contribute to IDA are also reflected in the cost of the goods and services purchased from the credits made by IDA and erode the purchasing power of IDA's resources. It has become increasingly accepted in the course of successive replenishment negotiations that the scale of the replenishment should take into account these price increases so far as possible in order that the purchasing power of IDA can be maintained and increased in real terms.

19. Purchasing power calculations involve not only the uncertainties connected with projecting price increases over the period IDA disbursements take place, but also other assumptions such as the exchange rates to be used in translating price increases into US dollars in which IDA expresses its credits. In whatever way measured, the level of replenishment for IDA6 actually agreed provides IDA with an increase in its resources in real terms.

IDA's Project Work

20. The proposal to provide IDA with an increase in its Sixth Replenishment resources in real terms has also taken into account information provided on IDA's capacity to make effective use of the resources in the poorest countries on projects and programs that have a sound economic and financial justification.

21. As mentioned earlier, the standards IDA applies in its work on development projects are the same as those of IBRD. IDA draws on the same staff resources. IDA's record to date in building up its operations in the poorest countries is shown in the table below:

Number of IDA Operations in the Poorest Countries 1/

	IDA1 FY65-68	IDA2 FY69-71	IDA3 FY72-74	IDA4 FY75-77	IDA5 FY78-80
No. of Operations	27	50	98	125	189
% of Total IDA	33%	39%	46%	60%	57%

1/ 35 Primarily agricultural countries receiving IDA credits with a median per capita income of $200 (in 1977 dollars) as listed in Table 2 of the Statistical Annex.

22. A number of factors have entered into this build-up of IDA operations which hold promise that IDA can continue to prepare projects in the Sixth Replenishment that will meet the same standards:

- increased emphasis in IDA's project work on the staff resources devoted to project preparation;
- greater reliance on local capabilities in generating projects;
- technical and financial assistance provided borrowers by IDA for project preparation including advances from a recently established Project Preparation Facility;
- increased attention to choosing an appropriate technological package for a project rather than the most advanced technical solution;
- the benefits from moving on to second generation projects after financing the first pilot projects in earlier replenishments.

23. A sample of recently prepared and approved IDA projects shows a projected economic rate of return of 20% and in some cases much higher. An example of the way in which projects designed to reach the rural poor are also aimed to achieve major output objectives and secure a high return to the economy is provided by IDA lending in agriculture. At full production, food output (which accounts for about 70% of the agricultural output) is expected to increase by about 4.1 million tons a year from agricultural credits approved in FY78 and FY79.

	Total a/ FY78-79
Cereals	2742
Oilcrops & Other Foods	1405
Total Food	4147
Non-Food	1937
Total	6084

a/ Volume expressed in '000 metric tons.

Supervision, Evaluation and Audit

24. It takes on average about three years from the initial identification of a project to be financed by IDA to the point at which the proposal is to be considered by the Executive Directors. After approval, IDA is typically involved in supervising the implementation of the project for a further eight years. Through its supervision efforts, IDA seeks to ensure not only that the project is implemented successfully and that the proceeds of the credit are used for the purpose intended, but also that the lessons to be learned from the experience with the project are analyzed and used to improve IDA's future project work.

25. The procedure used by the Bank and IDA in project supervision and evaluation and how the use of the funds is controlled and audited were described in detail to the Deputies. The paper prepared for Deputies pointed out the need to strengthen procedures for financial control and auditing standards in many of the countries to which IDA lends and the ways in which the Bank is providing increasing assistance in this area.

Contributions to IDA6

26. In the light of the considerations described above, as well as other factors, those countries which contributed to the Fifth Replenishment and in addition certain countries that are contributing resources to IDA for the first time have reached agreement on a proposed level for the Sixth Replenishment of IDA of $12 billion (SDR9.2 billion). The proposed amounts for

each contributor are set out in the table below 1/ (also attached to the draft Resolution).

27. Those countries intending to participate in the Sixth Replenishment believe that the amounts and conditions stated below form an appropriate basis for recommendations to legislatures. Consequently, they intend to request, where necessary, their legislatures to approve these arrangements with a view to obtaining approval to commit the amounts listed in the table below. It is understood that no commitment by a government can be made until approval, where necessary, has been obtained from its legislature.

1/ For convenience, this report refers at various points to the amount of the Sixth Replenishment expressed in SDR or US dollars equivalent as of October 5, 1979; however, the obligations of members are in the respective units of obligation in the amounts shown in this table.

CONTRIBUTIONS TO THE SIXTH REPLENISHMENT 1/
(In millions)

Country		National Currency	US$ Equivalent	SDR Equivalent	Unit of Obligation
Argentina		37087.50	25.00	19.07	US Dollar
Australia		203.53	229.20	174.83	Nat'l Curr.
Austria		1034.20	81.60	62.25	Nat'l Curr.
Belgium		5743.58	201.60	153.78	Nat'l Curr.
Brazil 2/		1484.25	50.00	38.14	US Dollar
Canada		601.81	516.00	393.61	Nat'l Curr.
Denmark		743.04	144.00	109.85	Nat'l Curr.
Finland		268.34	72.00	54.92	Nat'l Curr.
France		2672.78	645.60	492.47	Nat'l Curr.
Germany	Ordinary	2535.41	1440.00	1098.46	SDR
	Extra	105.64	60.00	45.77	SDR
Greece		220.85	6.00	4.58	Nat'l Curr.
(Iceland 3/		1373.76	3.60	2.75	Nat'l Curr.)
Ireland		6.23	13.20	10.07	Nat'l Curr.
Italy		377223.00	462.00	352.42	Nat'l Curr.
Japan	Ordinary	322992.00	1440.00	1098.46	Nat'l Curr.
	Extra	71224.22	317.54	242.22	Nat'l Curr.
Korea		1452.00	3.00	2.29	Nat'l Curr.
Kuwait		55.20	200.00	152.56	Nat'l Curr.
Luxembourg		170.94	6.00	4.58	Nat'l Curr.
Mexico		455.85	20.00	15.26	Nat'l Curr.
Netherlands		704.16	360.00	274.61	Nat'l Curr.
New Zealand		10.00	10.02	7.65	Nat'l Curr.
Norway		708.84	144.00	109.85	Nat'l Curr.
(Portugal 3/4/		343.71	7.00	5.33	Nat'l Curr.)
Romania 4/		*	*	*	
Saudi Arabia		1304.55	390.00	297.50	US Dollar
South Africa		8.26	10.00	7.63	Nat'l Curr.
Spain		3303.90	50.00	38.14	Nat'l Curr.
Sweden		1497.24	360.00	274.61	Nat'l Curr.
UAE		300.96	79.20	60.42	Nat'l Curr.
United Kingdom		554.97	1212.00	924.58	Nat'l Curr.
United States		3240.00	3240.00	2471.53	Nat'l Curr.
Venezuela 4/		85.85	20.00	15.26	Nat'l Curr.
Yugoslavia		381.14	20.00	15.26	Nat'l Curr.
Sub-Total			11838.56	9030.71	
Unallocated			161.44	123.15	
GRAND TOTAL 5/			12000.00	9153.86	

1/ This table is based on IMF representative exchange rates and the SDR value of currencies published by the IMF, on October 5, 1979.

2/ Brazil intends to pay US$20.44 million equivalent of its contribution to IDA6 through release in usable form of the 90% portion of its initial subscription in the Association.

3/ Tentative figures, since as of December 12. 1979, Iceland and Portugal were not in a position to take a decision on these amounts.

4/ Portugal, Romania and Venezuela are not yet members of IDA, but are considering membership in connection with the Sixth Replenishment; documents for that purpose would be circulated separately.

5/ It is hoped that this total will be exceeded.

* Romania has previously stated its intention to participate.

Other Possible Resources

28. In view of the resource requirements of the poorest countries, members are invited, where they can, to make additional voluntary contributions to IDA. Such additional contributions would be accepted by the Association on terms to be agreed with the contributing members.1/

29. Depending on the income and reserve position of IBRD, it is also possible that, as in the past, the Bank will be in a position to make grants to the Association during the Sixth Replenishment commitment period. Any such grants, as well as repayments on previous credits totalling about $135 million, would be available for commitment in the Sixth Replenishment period. The phasing of IDA's commitments and operations during the Sixth Replenishment is discussed further in paragraph 44 below.

C. SHARES IN THE SIXTH REPLENISHMENT

30. In the negotiations for the previous replenishment of IDA's resources, it was found that there was little room for changes in the relative shares taken up by the participating countries (the burden sharing arrangements). In their report on the Fifth Replenishment the Deputies recommended that in order to facilitate negotiations for future replenishments a comprehensive review of burden sharing should take place before the start of the Sixth Replenishment negotiations. 2/

31. Accordingly, a special meeting of Deputies was held in London in June 1978 to discuss the principles of burden sharing on the basis of a paper prepared by IDA. The consensus reached was that no universally applicable criterion or formula could be found on which to base shares in IDA and that as a result the negotiations on shares in the Sixth Replenishment should take as their starting point the shares negotiated in the previous replenishment. It was widely accepted that adjustments would need to continue to be negotiated on an ad hoc basis and that some such ad hoc adjustments would be required in the Sixth Replenishment.

1/ Switzerland, which is not a member of IDA, intends, subject to parliamentary approval, to convert the previous two loans to IDA of 1967 and 1972 (maturity 50 years including a grace period of 10 years, free of interest), amounting to SwF51.5 million (original value of SwF52 million minus first repayment) and SwF130 million respectively, into grants.

2/ 'Report of the Executive Directors to the Board of Governors on Additions to IDA Resources: Fifth Replenishment', dated March 29, 1977 (para. 8).

32. During the Sixth Replenishment negotiations, Deputies were provided with data on a number of economic and financial indicators that discussions had suggested might be relevant to the distribution of shares such as GDP and the flow of Official Development Assistance from each country. Also included were indicators of changes that had taken place in the economic status of individual contributing countries between the time of the negotiations on the Fifth Replenishment and the start of the negotiations on the Sixth.

33. In the event, a rearrangement of shares has been negotiated in the Sixth Replenishment involving, in the main, reductions in the shares of the United States, Sweden and Canada, and increases by Germany and Japan.

34. The shares taken up in the Sixth Replenishment are shown in the table below:

Percent Shares in the Sixth Replenishment 1/

United States	27.00	Finland	0.60
Japan - ordinary	12.00	Brazil	0.42
- extra	2.65	Spain	0.42
Germany - ordinary	12.00	Argentina	0.21
- extra	0.50	Mexico	0.17
United Kingdom	10.10	Venezuela	0.17
France	5.38	Yugoslavia	0.17
Canada	4.30	Ireland	0.11
Italy	3.85	New Zealand	0.08
Saudi Arabia	3.25	South Africa	0.08
Netherlands	3.00	Portugal	0.06
Sweden	3.00	Greece	0.05
Australia	1.91	Luxembourg	0.05
Belgium	1.68	Iceland	0.03
Kuwait	1.67	Korea	0.03
Denmark	1.20	Unallocated	1.34
Norway	1.20		
Austria	0.68		
United Arab Emirates	0.66	TOTAL 2/	100.00 3/

1/ For further detail see Statistical Annex Table 7.

2/ Romania has previously expressed its intention to participate.

3/ May differ from the sum of the individual percentages shown because of rounding.

35. It can be seen from the table above that those countries that contributed to the Fifth Replenishment have been joined in the Sixth Replenishment by several new contributors. While starting to give assistance to some other developing countries, these new contributors, as well as some of the previous contributors, are expected themselves to remain substantial importers of capital during the 1980s, including borrowings from IBRD. The contributions of these countries to the Sixth Replenishment should be accepted without prejudice to the amount of assistance that may be provided to them by the Bank in the future.

36. In addition to the principal issues of the overall size of the replenishment and the shares to be taken up by each contributor, various technical aspects relating to the budgetary procedures followed by member countries were reviewed such as the arrangements under which the replenishment will be committed as well as those setting out the method of making payments for the replenishment. These and other aspects are discussed in the sections which follow.

D. PAYMENT ARRANGEMENTS, COMMITMENT PRACTICES AND VOTES

Maintenance of Value and Currency of Obligation

37. The original financial arrangements in IDA, in operation through the Third Replenishment, provided for subscriptions/contributions to be expressed in 1960 US dollars, credits made by IDA to be expressed in current US dollars, and for the repayment obligations of borrowers to be expressed in 1960 US dollars. This arrangement provided de facto for symmetry in the currency arrangements. Furthermore, the contributors undertook the obligation to maintain the value of their subscriptions/contributions in terms of the 1960 US dollar. This obligation for the contributors to maintain the value of their contribution applied until the contribution was disbursed on credits (or exchanged for the currency of another member). These arrangements provided IDA with a high degree of financial security in the conduct of its operations.

38. The ongoing reform of the international monetary system has made it necessary in recent replenishments to depart from the original financial arrangements in IDA and to review their appropriateness during each replenishment negotiation. In particular, the frequency of exchange rate changes and unsettled conditions from time to time on foreign exchange markets have made it necessary to review whether contributors could undertake the obligation to maintain the value of their contribution in terms of the US dollar or the SDR. Beginning with the Fourth Replenishment and continuing in the Fifth Replenishment, contributions have been expressed in a stated amount of each members' own currency without any maintenance of value obligation.

39. The question of whether some form of maintenance of value obligation, for example, in terms of the SDR, should be reintroduced was reviewed again in the Sixth Replenishment negotiations. It was clear from the discussion that such a proposal would have created budgetary complications for many contributors. Accordingly, it has been agreed that the obligations could again be expressed in terms of stated amounts of the national currency of each contributor. 1/ The table of contributions so provides. 2/

40. At the same time, in line with its growing use in the international monetary system, Deputies also agreed that individual contributors could define their obligation under the Sixth Replenishment in terms of the SDR. This alternative is also provided for in the table of contributions and Germany is expressing its obligation in terms of SDR. Certain other contributors wish to use, instead of their own currency, the US dollar for expressing their commitment and the table of contributions so provides. 2/

1/ At exchange rates of October 5, 1979.

2/ In the case of Part I members, the contribution has to be paid in "freely convertible" currency as defined in Article II, Section 2(f) of the Articles of Agreement, while for Part II contributors the contribution is payable in "usable form". Resources are deemed to be in usable form if they are provided in freely convertible currency or in local currency available for financing purchases in the donor country, provided there is a reasonable expectation that they will be fully used for procurement in that country during the respective replenishment disbursement period.

The table of contributions specifies the obligation of each contributor in terms of its respective national currency, the US dollar or the SDR. In a case where a contributor's obligation is in terms of national currency or the US dollar, notes (para. 45) would be denominated and payable in the specified currency. In a case where a contributor's obligation is in terms of SDR, notes would be payable in national currency equivalent to the stated amount of SDR and conversion for purposes of actual cash payments would be made on the basis of the value of that currency in terms of the SDR as published by the IMF on the date a call on a note is made, or, for purposes of cash payments without prior deposit of notes, shortly before the due date.

IDA's Commitment Practices

41. The Association's credits to borrowers remain, to date, expressed in terms of current US dollars. Because since the Fourth Replenishment, the value of IDA's resources has been subject to change (expressed in US dollars) as a result of exchange rate changes, IDA's commitment authority and capacity to disburse against its commitments have been commensurately affected. During the Sixth Replenishment negotiations, Deputies again reviewed the way in which IDA is managing the exchange risk by adjusting commitment levels during the commitment period.

42. The analysis provided to the Deputies pointed out that IDA's financial position would be largely stabilized, if IDA shifted to the SDR as the unit of account for its credit commitments. Deputies requested that the Executive Directors review, before the start of the Sixth Replenishment commitment period, whether the practice of denominating credit commitments of the Association in US dollars should be continued or whether the SDR should be adopted.

43. Replenishments of IDA's resources are negotiated at three year intervals and, because of the need to take into account inflation, there can be a large jump in the nominal dollar value of these resources between the last year of one replenishment commitment period and the first year of the next if they are committed in equal annual amounts. Furthermore during any replenishment period, a level rate of annual lending in nominal terms would represent a declining rate in real terms. Deputies therefore agreed in the Fifth Replenishment negotiations that it would facilitate the orderly planning of IDA operations if IDA's commitments in FY78-80 were made on an ascending scale. It is similarly suggested that it would be appropriate for IDA6 resources to be committed on an ascending scale over FY81-83.

44. With respect to commitments in FY81-83 from member contributions under this replenishment (and excluding any other resources IDA may have available for commitment in this period) Deputies further suggest that the following proportions would represent an appropriate scale of commitments from the negotiated level of IDA6 resources. 1/

Percentages

FY81	FY82	FY83	Total
29%	33%	38%	100%

1/ Actual proportions may vary as a result of exchange rate changes affecting the value of IDA6 resources.

Timing, Amounts and Form of Payments 1/

45. As mentioned earlier, IDA will need fresh commitment authority from July 1, 1980 and it is hoped that sufficient countries will have made their formal commitments for the Replenishment to enter into effect at that time. As described in paragraph 16 above, IDA will draw on these commitments only as disbursements take place on credits entered into under the Replenishment. However, as an intermediate step between notifying IDA of their commitments to the Replenishment and the actual drawdown of their contribution, most contributors deposit notes in three equal annual installments as evidence of their obligation. The draft Resolution attached provides, as in the past, that members have the right to substitute (in lieu of actual cash payments) notes or similar obligations which would be encashed when needed to meet IDA's disbursements. 2/ The date of the first deposit of notes for subscriptions and contributions to the Sixth Replenishment would be November 8, 1980. The second and third installments would be due on November 8, 1981 and 1982, respectively.

1/ The payment arrangements which are described in this section are separate from the provisions under which IDA obtains commitment authority and can start making credits (these latter provisions are described in Section E).

2/ Under previous replenishments some members have made resources available to the Association in currencies which can be invested pending disbursement. These cash payments are welcome to the Association since they add flexibility to the management of its resources and enable it to derive some income from the investment of such funds prior to their being disbursed on credits. In recognition of the advantage to the Association of receiving these payments, the draft Resolution provides, as did the Third, Fourth and Fifth Replenishment Resolutions, that any member which agrees to make payment of its subscription and contribution without substituting notes or similar obligations therefor, would be able to make such payment in amounts and on dates other than those specified above and in paragraph 46 below, provided that the terms of such payments would be no less favorable to the Association than if notes or similar obligations had been deposited instead.

In addition, the draft Resolution would also permit contributors to pay their installments in a combination of notes and cash. One member (Canada) has requested this option, since such a combination would provide more flexibility for scheduling its payments in a way which would accommodate its budgetary constraints. Any such arrangement would be subject to the conditions specified above and in paragraph 46 below, i.e., (a) total payments (in notes or in cash) would at all times have to be sufficient to cover the estimated cash requirements from the contributor concerned up to the due date of the next installment payment; and (b) the terms of the cash payments included in such a combination could be no less favorable than if notes or similar obligations had been deposited instead.

46. As a general principle, notes deposited on the dates given above would be in three equal amounts. Under the Fourth and Fifth Replenishments, members were also given certain options for alternative schedules. For example, subject to certain conditions, they could make note deposits in ascending, rather than equal amounts, or in four, rather than three installments, or postpone deposit of any installment by up to one year. A number of contributors have availed themselves of these options which give them a measure of flexibility for responding to procedural or budgetary constraints in meeting their obligations. As the Association's cash needs are quite small at the beginning of a replenishment period, these accommodations do not affect its operations. It has therefore been agreed that flexibility, within limits, should also be provided under the Sixth Replenishment. In order to provide scope for the details of such adjustments which are needed in situations that cannot be foreseen precisely, it has been decided that the Association may agree, at the request of a contributor, to note deposits in amounts and on dates other than those specified above, provided that (a) no deposit of notes or part thereof shall be deferred for more than one year; and (b) each note deposited by any contributor must be sufficient to enable drawdowns to cover (together with any unused balance of any previous note or cash payment) the total estimated cash requirements from that contributor up to the due date of the next installment (see Section B, paragraph 4(d), draft Resolution).

Procedures for Drawing Down Contributions

47. Under Article IV, Section 1(e) of its Articles of Agreement which has been made applicable to previous replenishments and would again apply to resources contributed to the Sixth Replenishment (see Section B, paragraph 4(f) and Section D, paragraph 8(c), draft Resolution), the Association is required "to ensure that, over reasonable intervals of time," the contributions be used "on an approximately pro rata basis". Consistent with this provision, IDA draws down the contributions made to a replenishment in equal proportions from all contributors as needed to meet disbursements under the replenishment. Moreover, in the past the practice has been followed of making these drawings (calls) on a quarterly basis. At the same time, the Association's cash requirements have been subject to rather frequent changes for reasons such as revisions of disbursement forecasts and fluctuations in exchange rates. Consequently the calls have been subject to frequent and significant revisions and certain contributors have found it difficult to accommodate the resulting adjustments in cash calls by the Association, against earlier estimates, within their budgetary procedures.

48. Deputies have therefore reviewed the procedures used by IDA and have agreed that the Association should in the future administer the pro rata encashment arrangements with more flexibility. Therefore, for purposes of future cash drawings on notes deposited under the Sixth Replenishment, as well as previous replenishments, the Association is prepared to agree, at the request of any contributor (a) to increase or decrease drawings on the notes of that contributor by up to 10% of the pro rata amount during any fiscal year of the Association, provided this difference is made up within six months after such fiscal year, or (b) to make drawings on the notes of that contributor, during that contributor's fiscal year, in accordance with a firm

schedule prepared in advance on the basis of estimated pro rata requirements, provided that any difference from actual pro rata amounts is made up within six months after such fiscal year. 1/

Voting Rights

49. Countries contributing to IDA receive votes. Following a comprehensive adjustment of the voting rights of members at the time of the Third Replenishment, the arrangements in place since then are, in summary, as follows:

(a) The voting power of Part I members reflects their respective relative shares in total financial contributions to the Association.

(b) To enable Part II members to maintain their relative voting power and exercise preemptive rights under the Articles at little cost, the Part II countries are authorized to make subscriptions carrying votes, payable entirely in local currency.

(c) In addition, Part II members making contributions "in usable form" are given votes in the same number as would be accorded to a Part I member increasing its contribution to the replenishment concerned by the same amount.

(d) To avoid dilution of the relative voting power of the smaller members of the Association and thus to help preserve the relative voting power of Part II members as a group, additional membership votes are also accorded with the making of additional subscriptions so that the total of each country's membership votes is maintained at .25% of the total of potential subscription votes.

50. In their report on the Fifth Replenishment, the Deputies agreed to review the general question of voting rights in IDA before the start of the Sixth Replenishment. A discussion on this subject was held at the special meeting of Deputies in June 1978 when it was clear that there was substantial opposition to any alterations involving a change in the Articles of Agreement. Subsequently, it has been decided that the present method of adjusting voting rights should also be followed in respect of the Sixth Replenishment.

1/ With the understanding of the other contributors, an exception in the case of the United Kingdom is being made by agreement between IDA and the United Kingdom.

51. The voting power table attached to the draft Resolution reflects the votes to be accorded to members following the principles outlined above. Thus, Part I members are accorded additional subscription votes so that the proportion of total cumulative subscription votes of each Part I member is equal to its proportionate share of total Part I cumulative contributions. All Part II members will continue to be accorded additional subscription votes at the price of $25 per vote payable entirely in local currency so that the voting power of Part II countries as a group can be maintained, while Part II members contributing resources in "usable form" will further be accorded votes in the same number as would have been accorded a Part I country increasing its contribution in the same amount. Finally, to avoid dilution of the relative voting power of the smaller members of the Association 2600 additional membership votes will be given in connection with the making of additional subscriptions so that the total membership votes continues to be .25% of total potential subscription votes.

52. As to the timing of such additional voting rights allocations, the Fifth Replenishment provided for votes to be conferred on the basis of unqualified commitments. 1/ This meant that the United States which deposited a Qualified Instrument of Commitment received its subscription votes in three installments corresponding to the successive tranches of its contribution which were from time to time covered by an unqualified commitment, whereas the other members were given all their additional votes once they had deposited their unqualified Instruments of Commitment. Following a proposal by the United States, it has been agreed that in the Sixth Replenishment additional voting rights for all members would be accorded basically in three installments. It is therefore provided that each member participating in the Replenishment would receive, subject to adjustment as described below, one third of its total additional subscription votes on November 8, 1980, 2/ November 8, 1981 and November 8, 1982, respectively, on condition that it has deposited a notification (either an Instrument of Commitment or a Qualified Instrument of Commitment) by that time. In the case of qualified commitments, however, the subscription votes so to be accorded would be given only to the extent that payment of the corresponding contribution installment has been made. 3/ Likewise, the subscription votes given or to be given to other donors would be proportionately reduced if they fail to make any payment 3/ on account of their contributions when due (whether on a regularly scheduled date or on a date postponed as permitted by the draft Resolution). Any votes affected by such an adjustment would be accorded as and to the extent that the shortfall in payments causing such adjustment is made up. The additional membership votes in the number specified above would continue to be accorded at the same time as subscription votes are first accorded to any member. (See Section G, draft Resolution.)

1/ The distinction between unqualified and qualified commitments relates to the effectiveness arrangements and is described in paras. 56 and 58 below.

2/ Or, if the date for the payment of the first installment of subscriptions and contributions is postponed because of a delay in effectiveness, on the rescheduled date.

3/ Either in the form of notes or cash.

53. The making of the arrangements described above required (under the provisions of Article III, Section 1(c) of the Articles of Agreement), the unanimous agreement of the Part I members. The Part I members have so agreed. As concerns the votes to be accorded to certain Part II countries on account of their contributions in "usable form", the other Part II members have waived their preemptive rights under Article III, Section 1(c) of the Articles of Agreement with respect to the subscriptions included in such contributions in "usable form".

E. EFFECTIVENESS AND GENERAL CONSIDERATIONS

Effective Date of the Sixth Replenishment

54. All replenishments of IDA's resources have been subject to certain conditions which have to be met before contributors are obliged to make their payments and IDA can start making credits to borrowers (generally referred to as the 'conditions of effectiveness'). Their general purpose has been to provide contributors with a mutual assurance that the funds for a replenishment will be made available within the multilateral framework agreed on in the course of the negotiations (in particular in accord with the burden sharing arrangements). At the same time, the conditions have been framed to take into account IDA's need for timely and continuous commitment authority for the three year period covered by each replenishment agreement so that IDA and its borrowers could plan operations ahead on a reasonably assured basis.

55. Up to and including the Fourth Replenishment, the effectiveness requirement had been that members (including at least 12 Part I members) whose contributions 1/ aggregated an amount equivalent to 80% of the total replenishment had formally notified the Association that they would make the contributions authorized for them. These notifications constituted a legally binding commitment that payment of contributions would be made when due in accordance with the applicable replenishment resolution. Once they had been obtained, the Association could start making credit commitments, over the three-year replenishment period, up to the total amount of contributions for which notifications had been received. This requirement meant in practice that notifications had to be received from major donors, in particular the United States.

1/ The term 'contribution' is used in this section to include the subscription element.

56. Under the Fifth Replenishment, these traditional effectiveness requirements were changed in one basic aspect: At the request of one contributor (the United States), it was provided that notifications could be qualified, in respect of the second and third installments, as being subject to appropriate legislative action. 1/ This meant that such qualified notifications only constituted a binding commitment to pay the first one third of a contribution, whereas payment of the second and/or third installments was subject to the necessary appropriations. Until unqualified commitments covering in the aggregate at least 80% of the total amount of these two further installments, respectively, had been received, the Association could not draw upon the second or third installment of the contributions of members that had made an unqualified commitment.

57. In discussing the effectiveness arrangements for the Sixth Replenishment, the Deputies again emphasized the need to preserve the principle of multi-year replenishment exercises so as to ensure continuity in the Association's operations. However, at the request of the United States, some changes have been introduced in the effectiveness requirements as compared with the Fifth Replenishment. The arrangements agreed upon are as follows:

58. The Replenishment would become effective when Instruments of Commitment and Qualified Instruments of Commitment (hereinafter defined) are deposited for about 80% 2/ of the total replenishment. An Instrument of Commitment is a formal notification to IDA that the donor country will pay, in accordance with the terms of the Sixth Replenishment Resolution, the full amount of its contribution (including the subscription element). A Qualified Instrument of Commitment is a formal notification to IDA that the donor country will pay a part of its contribution in accordance with the terms of the Sixth Replenishment Resolution and without qualification but that payment of the remainder of the contribution is subject to obtaining the necessary appropriations. There is no requirement, as there was in the Fifth Replenishment, that a donor country give notification to pay at least the full amount of its first installment. Countries depositing Qualified Instruments of Commitment will notify IDA from time to time when appropriate legislative action has been taken to permit payment of all or a part of their qualified contributions. The 80% requirement means in practice that for the replenishment to become effective the commitment instruments deposited must include an instrument (which may be qualified) from the United States.

1/ For this purpose any government's total contribution was divided into three equal parts.

2/ The practice has been to choose a round amount (in US dollars) approximately 80% of the total. The figure for IDA6 is $9,600 million.

Credit Commitments by IDA

59. It is anticipated that a donor country depositing a Qualified Instrument of Commitment will provide IDA with unqualified commitments with respect to its contribution in three installments as follows: a first installment equal to at least 29% of its contribution to be notified to IDA by October 8, 1980; a second installment equal to at least 33% of its contribution to be notified to IDA by October 8, 1981; and a third installment equal to 38% of its contribution (or the balance remaining) to be notified to IDA by October 8, 1982. In order to assure that qualifications on payment do not seriously affect the burden sharing arrangements, IDA's ability to enter into new credits will be curtailed, subject to the provisions of paragraphs 60 and 62, if a Major Donor Country (a country contributing 20% or more of the amount of the replenishment) depositing a Qualified Instrument of Commitment has not provided unqualified commitments in these installments.

60. If a Major Donor Country does not provide an unqualified commitment for the minimum amount of any installment (as specified in the preceding paragraph), IDA may make credits to borrowers only up to the sum of (i) the cumulative unqualified commitments of the Major Donor Country responsible for the shortfall and (ii) a proportion of the contributions of other donors providing unqualified commitments equal to the ratio of unqualified commitments to total contribution of the member responsible for the shortfall.

61. If any such shortfall in an installment is not made up (i.e., by an unqualified commitment for the full amount of the shortfall) by December 31 of IDA's fiscal year during which the installment was to be provided, or if IDA is precluded from entering into new unqualified credits, IDA will call a meeting of the Deputies in order to review the situation and in particular to consider what steps might be taken to obtain the necessary unqualified commitments.

62. IDA at any time may enter into qualified credits, which are qualified in the sense that such credits will become effective and binding on IDA to finance disbursements thereunder only when a Major Donor Country has provided unqualified commitments in an amount sufficient to permit IDA to enter into regular credits.

63. As mentioned earlier, the effectiveness and commitment arrangements described above would not affect the procedures regarding the actual payment of contributions, as distinguished from the making of commitments to pay.

Other Additional Supplementary Resources

64. In accordance with the principles followed for the Third, Fourth and Fifth Replenishments, it is the view of the Executive Directors that any additional supplementary resources made available to the Association after the Sixth Replenishment should also carry votes in an appropriate amount. A decision as to when and on what basis votes would be accorded, however, would be taken by the Association at the time it takes action to accept such resources.

General Consideration

65. The Executive Directors consider that arrangements under the Sixth Replenishment should be regarded as without prejudice to any arrangements in connection with subsequent replenishments.

F. RECOMMENDATION

66. The Executive Directors recommend that the Board of Governors adopt the draft Resolution attached as Annex A to this report.

Attachment

ANNEX A

INTERNATIONAL DEVELOPMENT ASSOCIATION

(DRAFT)

Resolution No. _____

Additions to Resources: Sixth Replenishment

Section A. Introduction

1. WHEREAS

(a) The Executive Directors of the International Development Association have considered its prospective financial requirements and have concluded that additional resources should be made available to the Association for new commitments for the period extending from July 1, 1980 to June 30, 1983 in the amounts and on the basis described in the Report of the Executive Directors dated January 15, 1980 submitted to the Board of Governors;

(b) The Part I members and certain Part II members of the Association believe that there is a need to increase the resources of the Association, that the amounts and conditions described in this Resolution form an appropriate basis for recommendation to legislatures, and consequently they intend to request, where necessary, their legislatures to approve these arrangements with a view to obtaining approval to commit the amounts listed in Table 1 attached hereto, it being understood that no commitment by a member government can be made until such approval has, where necessary, been obtained from its legislature;

(c) In view of the resource requirements of the least developed and other poorest countries, member countries have recognized the desirability of

obtaining additional resources which would be provided by way of additional voluntary contributions; such additional contributions would be accepted by the Association on terms to be agreed with the contributing members;

2. NOW THEREFORE the Board of Governors resolves that the said Report of the Executive Directors is accepted by the Board of Governors and its conclusions adopted.

Section B. Additional Resources Provided by Part I Members

3. WHEREAS

(a) The resources proposed to be made available by Part I members, in accordance with Section A of this Resolution, would be made available partly in the form of subscriptions carrying voting rights and partly in the form of contributions not carrying voting rights;

(b) The respective portions of the total amount proposed to be made available by each such member by way of subscriptions have been calculated in such a way as to result in the adjustment of each member's relative share in the aggregate voting power of the Part I members (not counting votes given in respect of membership) so as to correspond to the relative share in the total amount of resources which has been and is proposed to be made available by such member to the Association on the basis set forth in the said Report of the Executive Directors;

(c) Each Part I member of the Association has agreed to the foregoing arrangements to the extent that such arrangements require its agreement under Article III, Section 1(c) of the Articles of Agreement of the Association;

4. NOW THEREFORE the Board of Governors resolves that

(a) The Association is authorized to accept additional resources from the Part I members of the Association in the amounts set forth for each such member, respectively, in the attached Table 1, such amounts being divided into amounts for subscriptions carrying voting rights and contributions not carrying voting rights as specified in Table 2 attached hereto.

(b) Each member shall, in respect of such subscriptions, have the voting rights specified for it in said Table 2, columns (B-4) and (B-5), calculated on the basis of 2,600 votes plus one additional vote per $25 of such subscription, and to be accorded as provided in Section G hereof.

(c) Payment of each such subscription and contribution shall, except as provided below, be made in three equal annual instalments on or before November 8, 1980, November 8, 1981 and November 8, 1982, provided, however, that if the Replenishment authorized by this Resolution shall not have become effective in accordance with Section E below by October 8, 1980, payment of such instalments may be postponed until not later than 30 days after the date when the Replenishment shall have become effective. Such payment shall be made at the option of the member either (i) in the currency of the member if it is a freely convertible currency (as that term is defined in Article II, Section 2(f) of the Articles of Agreement of the Association), or (ii) with the approval of the Association, in the freely convertible currency of another member.

(d) A member may at its option make payments in amounts and on dates other than those specified in subparagraph (c) above, provided that (i) no payment of an instalment, or part thereof, shall be postponed by more than one

year, and (ii) each payment, together with any unused balance of previous payments of that member, shall at least be equal to the amount estimated by the Association to be required from that member, up to the due date of the next instalment, for purposes of disbursements on account of credits under the Replenishment authorized by this Resolution.

(e) Notwithstanding the foregoing, any member which agrees to make payment of its subscription and contribution, or any part thereof, without exercising its right to substitute notes or similar obligations therefor may make such payment in amounts and on dates other than those specified pursuant to subparagraphs (c) and (d) above, provided that (i) in the judgment of the Association the terms of such payment shall be no less favorable to the Association than if notes or similar obligations had been deposited instead, and (ii) the requirement specified in subparagraph (d)(ii) above shall be satisfied.

(f) The rights and obligations of the Association and the members in regard to the subscriptions and contributions 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 subscriptions and contributions of a member payable in a currency other than the currency of that member, and (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 the subscriptions

and contributions.

(g) If any member shall deposit an Instrument of Commitment (as referred to in paragraph 58 of the Report of the Executive Directors) after the date when the first instalment shall be payable including any postponement thereof (as provided in subparagraph (c) above), payment of any instalment, or part thereof, payable up to such date pursuant to the provisions of this Resolution by such member shall be made within 30 days after the date of such deposit. If a Qualified Instrument of Commitment (as defined in paragraph 58 of said Report) shall have been deposited and thereafter a notification of an unqualified commitment for an instalment or part thereof is deposited after the date when such instalment or part thereof shall be payable pursuant to the provisions of this Resolution, then payment of such instalment or part thereof shall be made by the member within 30 days after the date of such deposit.

Section C. Additional Resources Provided by Certain Part II Members

5. WHEREAS

(a) 8 Part II members (Argentina, Brazil, Greece, Korea, Mexico, Saudi Arabia, Spain and Yugoslavia) have expressed their intention to seek legislative approval to make available additional resources to the Association in usable form, partly in the form of subscriptions carrying voting rights and partly in the form of contributions not carrying voting rights on the basis set forth in the said Report of the Executive Directors;

(b) With respect to such subscriptions carrying voting rights, the remaining Part II members have waived their right to subscribe under the provisions of Article III, Section 1(c) an amount which would enable each of them to maintain its relative voting power;

6. NOW THEREFORE the Board of Governors resolves that

(a) The Association is authorized to accept additional resources from the members listed in subparagraph 5 (a) above in the amounts set forth for each such member, respectively, in the attached Table 2, column (C-5), such amounts being divided into amounts for subscriptions carrying voting rights and contributions not carrying voting rights as specified in said Table 2.

(b) Each member shall, in respect of such subscription, have the voting rights specified for it in said Table 2, column (C-8), calculated on the basis of one vote per $25 of such subscription, and to be accorded as provided in Section G hereof.

(c) Payment of each such subscription and contribution shall be made in usable form but otherwise shall be made on the same basis, and the rights and obligations of the Association and the member concerned with respect to such subscription and contribution shall be on the same terms and conditions, as provided in Section B of this Resolution for the subscriptions and contributions of Part I members.

Section D. Part II Subscriptions; Article III, Section 1(c)

7. WHEREAS proposed additional subscriptions are being authorized for Part I members under Section B of this Resolution and, therefore, under the provisions of Article III, Section 1(c) of the Articles of Agreement of the Association, each Part II member shall be given an opportunity to subscribe, under such conditions as shall be reasonably determined by the Association, an amount which will enable it to maintain its relative voting power;

8. NOW THEREFORE the Board of Governors resolves that

(a) The Association is authorized to accept additional subscriptions from the Part II members of the Association in the amounts and carrying the voting rights as set forth for each such member, respectively, in the attached Table 2, columns (C-1), (C-2) and (C-3), calculated on the basis of 2,600 votes plus one additional vote per $25 of such subscription, and to be accorded as provided in Section G hereof.

(b) Payment of each such subscription shall be made in the currency of the subscribing member but otherwise on the same terms and conditions as those provided in Section B of this Resolution for the subscriptions of the Part I members.

(c) The rights and obligations of the Association and the members in regard to such subscriptions 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 II of Schedule A of the Articles, provided, however, that the provisions of Article IV, Section 2 of the Articles of Agreement shall not be applicable to such subscriptions.

Section E. Effectiveness

9. The Board of Governors hereby resolves that

(a) None of the subscriptions and contributions authorized hereunder shall become payable unless the following condition has been satisfied:

Members, including at least 12 Part I members, whose subscriptions and contributions aggregate not less than the equivalent, determined as in the attached Table 1, of $9,600 million shall have given the Association, on or before June 30, 1980 or such later date as the Executive Directors may determine, formal notification, in the terms permitted under paragraph 58 of the Report of the Executive Directors, that they will make the total subscription and the total contribution authorized hereunder for each such member in accordance with the terms of this Resolution; provided that for the purpose of determining whether the condition set forth in this subparagraph with respect to the aggregate amount of subscriptions and contributions has been satisfied, account shall also be taken of any additional subscription and contribution authorized for any member of the Association to cover the amount remaining unallocated in the attached Table 1.

(b) The Replenishment authorized by this Resolution shall become effective on the date when the condition specified in subparagraph (a) above shall have been satisfied; provided, however, that no member shall be obligated to make the subscription and contribution, or any part thereof, authorized hereunder for such member unless it shall have notified the Association without qualification that it will do so.

Section F. Commitment of the Replenishment Resources

10. WHEREAS any member depositing a Qualified Instrument of Commitment (as defined in paragraph 58 of the Report of the Executive Directors) is expected to include in such Instrument a partial unconditional commitment, not subject to qualification, to pay a portion equivalent to at least 29% of its subscription and contribution authorized hereunder and, not later than October 8, 1981, and October 8, 1982, respectively, to deposit notifications of such unqualified commitments to pay a second and third portion equivalent to at least 33% and 38% (or the remaining balance), respectively, of such subscription and contribution;

11. NOW THEREFORE the Board of Governors resolves that

(a) For purposes of credit commitments by the Association, all the subscriptions and contributions authorized hereunder shall be divided into three successive tranches of at least 29%, at least 33% and 38% (or the remaining balance), respectively, of the total amount of each such subscription and contribution. Unless notifications of unqualified commitments in these minimum amounts shall have been deposited by any member whose subscription and contribution to the Replenishment authorized by this Resolution represent more than 20% of the total amount thereof, the Association shall not enter into new credits, disbursements for which would be drawn from the respective tranche of subscriptions and contributions, except as provided in the following subparagraphs of this paragraph 11.

(b) If such member has deposited a notification of an unqualified commitment covering only part of any of said tranches of its subscription and contribution by the time such tranche is to be used for purposes of credit commitment by the Association, the Association is authorized to enter into new credits, disbursements for which would be drawn from such tranche, up to the aggregate at any time of: (i) the amount of unqualified commitments in respect of such tranche by the member responsible for such shortfall, and (ii) a proportion of the unqualified commitments in respect of such tranche by all other members which is equal to the ratio of the unqualified commitments in respect of that tranche of the member responsible for the shortfall to the total minimum amount of such tranche of the subscription and contribution of that member.

(c) The foregoing provisions of this paragraph, however, shall not preclude the Association from entering into qualified credits, qualified in a manner whereby such credits would become effective and binding on the Association to finance disbursements thereunder, as and when the Association has received sufficient unqualified commitments to permit new credit commitments under subparagraphs (a) or (b) hereof.

(d) If a shortfall in the unqualified commitments of a member as referred to in subparagraph (b) above is not made up by December 31 of the Association's fiscal year during which unqualified commitments for the tranche of subscriptions and contributions affected by such shortfall are scheduled, or if the Association, because of the provisions of subparagraph (a) or (b) above,

is or may shortly be precluded otherwise from entering into new unqualified credits, the Association will thereupon request the Deputies to meet as soon as practicable thereafter in order to review the situation and in particular to consider what steps might be taken to obtain the necessary unqualified commitments.

12. Section G. Voting Rights

The Board of Governors hereby resolves that voting rights in respect of the subscriptions authorized hereunder shall be accorded as follows:

(a) As of November 8, 1980 (or, if the date for the payment of the first instalment of such subscriptions and of the contributions relating thereto is postponed in accordance with the provisions of subparagraph 4(c) hereof, such rescheduled date), November 8, 1981 and November 8, 1982, respectively, each member which has deposited an Instrument of Commitment or a Qualified Instrument of Commitment (as defined in paragraph 58 of the Report of the Executive Directors) shall be given, subject to the provisions of subparagraphs (b) and (c) below, one third of the subscription votes provided for it in the attached Table 2. Any member which deposits such Instrument after any of said dates shall be given, as of the date of such deposit and subject to the provisions of subparagraphs (b) and (c) below, the subscription votes to which it would have been entitled pursuant to the foregoing, if it had deposited such Instrument prior to the first of said dates.

(b) Any member which has deposited a Qualified Instrument of Commitment shall only be given subscription votes as provided in the foregoing subparagraph to the extent of payments made in respect of its subscription (and of the contribution, if any, relating thereto).

(c) If any member which has deposited an Instrument of Commitment fails to make any payment on account of its subscription (and of the contribution, if any, relating thereto) as and when due in accordance with the arrangements set forth or referred to in subparagraphs (c), (d) and (e) of paragraph 4, subparagraph 6(c) and subparagraph 8(b) hereof, the number of subscription votes given or to be given from time to time to such member pursuant to subparagraph (a) above shall be reduced in proportion to such shortfall in payments.

(d) Any member whose subscription votes have been adjusted pursuant to subparagraph (b) or (c) above shall be given the votes so affected as and to the extent that the shortfall in payments causing such adjustment is made up.

(e) Each member shall be entitled to the additional membership votes in respect of its subscription authorized hereunder as of the date subscription votes are first given to such member in accordance with the foregoing provisions.

Annex A
Table 1

CONTRIBUTIONS TO THE SIXTH REPLENISHMENT 1/
(In millions)

Country		National Currency	US$ Equivalent	SDR Equivalent	Unit of Obligation
Argentina		37087.50	25.00	19.07	US Dollar
Australia		203.53	229.20	174.83	Nat'l Curr.
Austria		1034.20	81.60	62.25	Nat'l Curr.
Belgium		5743.58	201.60	153.78	Nat'l Curr.
Brazil 2/		1484.25	50.00	38.14	US Dollar
Canada		601.81	516.00	393.61	Nat'l Curr.
Denmark		743.04	144.00	109.85	Nat'l Curr.
Finland		268.34	72.00	54.92	Nat'l Curr.
France		2672.78	645.60	492.47	Nat'l Curr.
Germany	Ordinary	2535.41	1440.00	1098.46	SDR
	Extra	105.64	60.00	45.77	SDR
Greece		220.85	6.00	4.58	Nat'l Curr.
(Iceland 3/		1373.76	3.60	2.75	Nat'l Curr.)
Ireland		6.23	13.20	10.07	Nat'l Curr.
Italy		377223.00	462.00	352.42	Nat'l Curr.
Japan	Ordinary	322992.00	1440.00	1098.46	Nat'l Curr.
	Extra	71224.22	317.54	242.22	Nat'l Curr.
Korea		1452.00	3.00	2.29	Nat'l Curr.
Kuwait		55.20	200.00	152.56	Nat'l Curr.
Luxembourg		170.94	6.00	4.58	Nat'l Curr.
Mexico		455.85	20.00	15.26	Nat'l Curr.
Netherlands		704.16	360.00	274.61	Nat'l Curr.
New Zealand		10.00	10.02	7.65	Nat'l Curr.
Norway		708.84	144.00	109.85	Nat'l Curr.
(Portugal 3/4/		343.71	7.00	5.33	Nat'l Curr.)
Romania 4/		*	*	*	
Saudi Arabia		1304.55	390.00	297.50	US Dollar
South Africa		8.26	10.00	7.63	Nat'l Curr.
Spain		3303.90	50.00	38.14	Nat'l Curr.
Sweden		1497.24	360.00	274.61	Nat'l Curr.
UAE		300.96	79.20	60.42	Nat'l Curr.
United Kingdom		554.97	1212.00	924.58	Nat'l Curr.
United States		3240.00	3240.00	2471.53	Nat'l Curr.
Venezuela 4/		85.85	20.00	15.26	Nat'l Curr.
Yugoslavia		381.14	20.00	15.26	Nat'l Curr.
Sub-Total			11838.56	9030.71	
Unallocated			161.44	123.15	
GRAND TOTAL			12000.00	9153.86	

1/ This table is based on IMF representative exchange rates and the SDR value of currencies published by the IMF, on October 5, 1979.

2/ Brazil intends to pay US$20.44 million equivalent of its contribution to IDA6 through release in usable form of the 90% portion of its initial subscription in the Association; since this amount does not represent a new subscription, it is not included in the figures for Brazil in columns (C-4), (C-5), (C-6) and (C-7) in Table 2 to the Resolution, and no additional votes are provided in respect thereof.

3/ Tentative figures, since as of December 12, 1979, Iceland and Portugal were not in a position to take a decision on these amounts.

4/ Portugal, Romania and Venezuela are not yet members of IDA, but are considering membership in connection with the Sixth Replenishment; documents for that purpose would be circulated separately.

* Romania has previously stated its intention to participate.

ADDITIONAL SUBSCRIPTIONS, CONTRIBUTIONS AND VOTES*

(AMOUNTS IN CURRENT DOLLARS EQUIVALENT)

	SUBSCRIPTIONS AND CONTRIBUTIONS THROUGH IDA 5 A/		ADDITIONAL RESOURCES AND VOTES UNDER IDA 6					SUBSCRIPTIONS AND CONTRIBUTIONS REFLECTING IDA 6	
PART I MEMBERS	SUBSCRIPTIONS	CONTRIBUTIONS CARRYING NO VOTES	ADDITIONAL RESOURCES B/	ADDIT SUBSC'S	CONTRIB'S CARRYING NO VOTES	ADDIT SUBSC'S VOTES	ADDIT M'SHIP VOTES	SUBSCRIPTIONS	CONTRIBUTIONS CARRYING NO VOTES
	(A-1)	(A-2)	(B-1)	(B-2)	(B-3)	(B-4)	(B-5)	(D-1)	(D-2)
AUSTRALIA	25871776	346115297	229200000	346575	228853425	13863	2600	26218351	574968722
AUSTRIA	6594765	115396691	81600000	130875	81469125	5235	2600	6725640	196865816
BELGIUM	11231698	283601697	201600000	326975	201273025	13079	2600	11558673	484874722
CANADA	50345462	1039424303	516000000	652625	515347375	26105	2600	50998087	1554771678
DENMARK	11563983	215693851	144000000	224375	143775625	8975	2600	11788358	359469476
FINLAND	4987534	88292611	72000000	123375	71876625	4935	2600	5110909	160169236
FRANCE	68762782	1034819522	645600000	959475	644640525	38379	2600	69722257	1679460047
GERMANY	72045609	1856152547	1500000000	2578875	1497421125	103155	2600	74624484	3353573672
ICELAND	135259	4078233	3600000	6400	3593600	256	2600	141659	7671833
IRELAND	3846292	20725849	13200000	17725	13182275	709	2600	3864017	33908124
ITALY	25064443	685300631	462000000	730250	461269750	29210	2600	25794693	1146570381
JAPAN	46786143	1584409639	1757540000	3367000	1754173000	134680	2600	50153143	3338582639
KUWAIT	4854040	229795502	200000000	345200	199654800	13808	2600	5199240	429450302
LUXEMBOURG	490310	8435882	6000000	9625	5990375	385	2600	499935	14426257
NETHERLANDS	35493375	484148483	360000000	582900	359417100	23316	2600	36076275	843565583
NEW ZEALAND	77825	19313575	10020000	9925	10010075	397	2600	87750	29323650
NORWAY	8897943	180699238	144000000	242375	143757625	9695	2600	9140318	324456853
SOUTH AFRICA	12250890	30972618	10000000	500	9999500	20	2600	12251390	40972118
SWEDEN	15614202	706965327	360000000	476075	359523925	19043	2600	16090277	1066489252
UNITED ARAB EMIRATES	151050	50603930	79200000	164250	79035750	6570	2600	315300	129639680
UNITED KINGDOM	167085164	1984238641	1212000000	1756600	1210243400	70264	2600	168841764	3194482041
UNITED STATES	414203536	5985703506	3240000000	4341400	3235658600	173656	2600	418544936	9221362106
SUBTOTAL PT I	986354081	16954887573	11247560000	17393375	11230166625	695735	57200	1003747456	28185054198

For footnotes refer to page 3 of 3.

PT II MEMBERS	SUBSCRIPTIONS AND CONTRIBUTIONS THROUGH IDA 5 C/		ADDITIONAL SUBSCRIPTIONS, CONTRIBUTIONS AND VOTES UNDER IDA 6								SUBSCRIPTIONS AND CONTRIBUTIONS REFLECTING IDA 6	
			SUBSC'S AND VOTES ACCORDED FOR EXERCISE OF PREEMPTIVE RIGHTS			RESOURCES IN USABLE FORM FROM PT II MEM'S E/	SUB'S, CONT'S & VOTES FOR RES'S IN USABLE FORM IN EXCESS OF SUBSC'S FOR EXERCISE OF PREEMPTIVE RIGHTS					
	SUBSC'S	CONTRIB'S CARRYING NO VOTES	ADDIT SUBSC'S D/	ADDIT SUBS VOTES	ADDIT M'SHIP VOTES		ADDIT RESOURCES F/	ADDIT SUBSC'S	CONTRIB'S CARRYING NO VOTES	ADDIT SUBS VOTES	SUBSC'S	CONTRIB'S CARRYING NO VOTES
	(A-1)	(A-2)	(C-1)	(C-2)	(C-3)	(C-4)	(C-5)	(C-6)	(C-7)	(C-8)	(D-1)	(D-2)
AFGHANISTAN	1317645	0	21825	873	2600	.	.	.	.	.	1339470	0
ALGERIA	5260692	0	87625	3505	2600	.	.	.	.	.	5348317	0
ARGENTINA	24585380	491173	410300	16412	2600	25000000	24589700	59650	24530050	2586	25055330	25021223
BANGLADESH	7023946	0	117075	4683	2600	.	.	.	.	.	7141021	0
BENIN	629300	0	10875	435	2600	.	.	.	.	.	640175	0
BOLIVIA	1383222	0	22950	918	2600	.	.	.	.	.	1406172	0
BOTSWANA	208697	0	3500	140	2600	.	.	.	.	.	212397	0
BRAZIL **	24585380	491173	410300	16412	2600	29560000	29149700	70725	29078975	2829	25066405	29570148
BURMA	2637641	0	44050	1762	2600	.	.	.	.	.	2681691	0
BURUNDI	992230	0	16500	660	2600	.	.	.	.	.	1008730	0
CAMEROON	1317645	0	21825	873	2600	.	.	.	.	.	1339470	0
CAPE VERDE	104447	0	1750	70	2600	.	.	.	.	.	106197	0
CENTRAL AFRICAN REP	652751	0	10875	435	2600	.	.	.	.	.	663626	0
CHAD	652751	0	10875	435	2600	.	.	.	.	.	663626	0
CHILE	4608512	0	76900	3076	2600	.	.	.	.	.	4685412	0
CHINA	39504365	0	658375	26335	2600	.	.	.	.	.	40162740	0
COLOMBIA	4609345	142665	77050	3082	2600	.	.	.	.	.	4686395	142665
COMOROS	104447	0	1750	70	2600	.	.	.	.	.	106197	0
CONGO	652751	0	10875	435	2600	.	.	.	.	.	663626	0
COSTA RICA	261164	0	4275	171	2600	.	.	.	.	.	265439	0
CYPRUS	992230	0	16500	660	2600	.	.	.	.	.	1008730	0
DOMINICAN REPUBLIC	522563	68614	8825	353	2600	.	.	.	.	.	531388	68614
ECUADOR	848935	0	14150	566	2600	.	.	.	.	.	863085	0
EGYPT	6631700	0	110525	4421	2600	.	.	.	.	.	6742225	0
EL SALVADOR	391281	23707	6475	259	2600	.	.	.	.	.	397756	23707
EQUATORIAL GUINEA	417673	0	7000	280	2600	.	.	.	.	.	424673	0
ETHIOPIA	652969	23707	10900	436	2600	.	.	.	.	.	663869	23707
FIJI	730970	0	12250	490	2600	.	.	.	.	.	743220	0
GABON	652751	0	10875	435	2600	.	.	.	.	.	663626	0
GAMBIA, THE	348523	0	5825	233	2600	.	.	.	.	.	354348	0
GHANA	3080995	0	51275	2051	2600	.	.	.	.	.	3132270	0
GREECE	3289771	0	54775	2191	2600	6000000	5945225	14425	5930800	577	3358971	5930800
GRENADA	117193	0	1850	74	2600	.	.	.	.	.	119043	0
GUATEMALA	522195	0	8750	350	2600	.	.	.	.	.	530945	0
GUINEA	1317645	0	21825	873	2600	.	.	.	.	.	1339470	0
GUINEA-BISSAU	182115	0	2925	117	2600	.	.	.	.	.	185040	0
GUYANA	1057736	0	17650	706	2600	.	.	.	.	.	1075386	0
HAITI	992230	0	16500	660	2600	.	.	.	.	.	1008730	0
HONDURAS	391088	0	6450	258	2600	.	.	.	.	.	397538	0
INDIA	52678333	0	878325	35133	2600	.	.	.	.	.	53556658	0
INDONESIA	14491113	0	241600	9664	2600	.	.	.	.	.	14732713	0
IRAN	5927437	0	98825	3953	2600	.	.	.	.	.	6026262	0
IRAQ	992230	0	16500	660	2600	.	.	.	.	.	1008730	0
ISRAEL	2196937	934200	37675	1507	2600	.	.	.	.	.	2234612	934200
IVORY COAST	1317645	0	21825	873	2600	.	.	.	.	.	1339470	0
JORDAN	391088	0	6450	258	2600	.	.	.	.	.	397538	0
KAMPUCHEA DEMOCRATIC	1332113	0	22300	892	2600	.	.	.	.	.	1354413	0
KENYA	2193262	0	36525	1461	2600	.	.	.	.	.	2229787	0
KOREA	1648335	977950	28475	1139	2600	3000000	2971525	7200	2964325	288	1684010	3942275
LAO PEOPLE'S DEM REP	652751	0	10875	435	2600	.	.	.	.	.	663626	0
LEBANON	587675	0	9900	396	2600	.	.	.	.	.	597575	0
LESOTHO	208697	0	3500	140	2600	.	.	.	.	.	212397	0
LIBERIA	992230	0	16500	660	2600	.	.	.	.	.	1008730	0
LIBYA	1317645	0	21825	873	2600	.	.	.	.	.	1339470	0
MADAGASCAR	1270839	0	21825	873	2600	.	.	.	.	.	1292664	0
MALAWI	992230	0	16500	660	2600	.	.	.	.	.	1008730	0
MALAYSIA	3289771	0	54775	2191	2600	.	.	.	.	.	3344546	0
MALDIVES	39092	0	650	26	2600	.	.	.	.	.	39742	0
MALI	1135526	0	18875	755	2600	.	.	.	.	.	1154401	0
MAURITANIA	652751	0	10875	435	2600	.	.	.	.	.	663626	0
MAURITIUS	1123602	35560	18825	753	2600	.	.	.	.	.	1142427	35560
MEXICO	11000949	0	190425	7617	2600	20000000	19809575	48050	19761525	1922	11239424	19761525
MOROCCO	4608512	0	76900	3076	2600	.	.	.	.	.	4685412	0
NEPAL	652751	0	10875	435	2600	.	.	.	.	.	663626	0
NICARAGUA	391088	0	6450	258	2600	.	.	.	.	.	397538	0
NIGER	652751	0	10875	435	2600	.	.	.	.	.	663626	0
NIGERIA	4386427	0	73025	2921	2600	.	.	.	.	.	4459452	0
OMAN	391281	23707	6475	259	2600	.	.	.	.	.	397756	23707
PAKISTAN	13174458	118533	219875	8795	2600	.	.	.	.	.	13394333	118533
PANAMA	26682	0	550	22	2600	.	.	.	.	.	27232	0

For footnotes refer to page 3 of 3.

PT II MEMBERS	SUBSCRIPTIONS AND CONTRIBUTIONS THROUGH IDA 5 C/		ADDITIONAL SUBSCRIPTIONS, CONTRIBUTIONS AND VOTES UNDER IDA 6								SUBSCRIPTIONS AND CONTRIBUTIONS REFLECTING IDA 6	
			SUBSC'S AND VOTES ACCORDED FOR EXERCISE OF PREEMPTIVE RIGHTS			RESOURCES IN USABLE FORM FROM PT II MEM'S E/	SUB'S, CONT'S & VOTES FOR RES'S IN USABLE FORM IN EXCESS OF SUBSC'S FOR EXERCISE OF PREEMPTIVE RIGHTS					
	SUBSC'S	CONTRIB'S CARRYING NO VOTES	ADDIT SUBSC'S D/	ADDIT SUBS VOTES	ADDIT M'SHIP VOTES		ADDIT RESOURCES F/	ADDIT SUBSC'S	CONTRIB'S CARRYING NO VOTES	ADDIT SUBS VOTES	SUBSC'S	CONTRIB'S CARRYING NO VOTES
	(A-1)	(A-2)	(C-1)	(C-2)	(C-3)	(C-4)	(C-5)	(C-6)	(C-7)	(C-8)	(D-1)	(D-2)
PAPUA NEW GUINEA	1123287	0	18800	752	2600	.	.	.	.	.	1142087	0
PARAGUAY	391088	0	6450	258	2600	.	.	.	.	.	397538	0
PERU	2228265	0	38650	1546	2600	.	.	.	.	.	2266915	0
PHILIPPINES	6551717	180180	110050	4402	2600	.	.	.	.	.	6691767	180180
RWANDA	992230	0	16500	660	2600	.	.	.	.	.	1008730	0
SAO TOME & PRINCIPE	91401	0	1525	61	2600	.	.	.	.	.	92926	0
SAUDI ARABIA	5872231	348902425	407025	16281	2600	390000000	389592975	945200	388647775	37808	7224456	737550200
SENEGAL	2193262	0	36525	1461	2600	.	.	.	.	.	2229787	0
SIERRA LEONE	992230	0	16500	660	2600	.	.	.	.	.	1008730	0
SOMALIA	992230	0	16500	660	2600	.	.	.	.	.	1008730	0
SPAIN	13307199	33691800	256925	10277	2600	50000000	49743075	120675	49622400	4827	13684799	83314200
SRI LANKA	3955261	2521947	65875	2635	2600	.	.	.	.	.	4021136	2521947
SUDAN	1317645	0	21825	873	2600	.	.	.	.	.	1339470	0
SWAZILAND	417769	0	7000	280	2600	.	.	.	.	.	424769	0
SYRIAN ARAB REPUBLIC	1239851	0	20600	824	2600	.	.	.	.	.	1260451	0
TANZANIA	2193262	0	36525	1461	2600	.	.	.	.	.	2229787	0
THAILAND	3955261	0	65875	2635	2600	.	.	.	.	.	4021136	0
TOGO	992230	0	16500	660	2600	.	.	.	.	.	1008730	0
TRINIDAD & TOBAGO	1699173	0	29400	1176	2600	.	.	.	.	.	1728573	0
TUNISIA	1972176	0	32950	1318	2600	.	.	.	.	.	2005126	0
TURKEY	7573876	186596	126575	5063	2600	.	.	.	.	.	7700451	186596
UGANDA	2193262	0	36525	1461	2600	.	.	.	.	.	2229787	0
UPPER VOLTA	652751	0	10875	435	2600	.	.	.	.	.	663626	0
VIET NAM	1972176	0	32950	1318	2600	.	.	.	.	.	2005126	0
WESTERN SAMOA	117193	0	1850	74	2600	.	.	.	.	.	119043	0
YEMEN ARAB REPUBLIC	561090	0	9350	374	2600	.	.	.	.	.	570440	0
YEMEN, PDR	1540985	0	25800	1032	2600	.	.	.	.	.	1566785	0
YUGOSLAVIA	5357416	17489892	105100	4204	2600	20000000	19894900	48275	19846625	1931	5510791	37336517
ZAIRE	3943047	0	65800	2632	2600	.	.	.	.	.	4008847	0
ZAMBIA	3386157	0	58650	2346	2600	.	.	.	.	.	3444807	0
SUB-TOTAL PT II	354755196	406303829	6289225	251569	260000	543560000	541696675	1314200	540382475	52568	362358621	946686304
GRAND TOTAL	1341109277	17361191402				11791120000					1366106077	29131740502

A/ Assuming all members give (unqualified) formal notification under the Third, Fourth and Fifth Replenishments. These amounts have been calculated, for purposes of the voting rights adjustment among Part I members, by multiplying the subscriptions and contributions up to and including the Third Replenishment (which were expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960) by 1.20635 and adding thereto the dollar equivalents of the subscriptions and contributions under the Fourth and Fifth Replenishments, as of September 27, 1973 and March 14, 1977, respectively.

B/ Equivalent in current dollars at IMF representative exchange rates as of October 5, 1979. These resources are divided into subscriptions carrying votes as shown in column (B-2) and contributions carrying no votes as shown in column (B-3).

C/ Assuming all members give formal notification under the Third, Fourth and Fifth Replenishments and calculated as explained in footnote A/.

D/ Equivalent in current dollars at IMF representative exchange rates as of October 5, 1979.

E/ Equivalent in current dollars at IMF representative exchange rates as of October 5, 1979. These resources are payable in usable form, in amounts to be determined on the basis of the respective units of obligation specified in Table 1 to this Resolution.

F/ Equivalent in current dollars at IMF representative exchange rates as of October 5, 1979. The amounts shown in column (C-5) represent the total subscriptions and contributions of Part II members making available resources in usable form under the Sixth Replenishment, as shown in column (C-4), minus the additional subscriptions for the exercise of preemptive rights, as shown in column (C-1). The amounts in column (C-5) are divided into subscriptions carrying votes as shown in column (C-6) and contributions carrying no votes as shown in column (C-7).

* Note: The voting power adjustment reflecting the Sixth Replenishment has been computed based on the assumption that the unallocated amount specified in Table 1 is covered by additional subscriptions and contributions of members for which votes would be accorded.

** See Table 1 to this Resolution, footnote 2/.

Annex B

STATISTICAL TABLES

Annex B
Table 1

IDA Membership as of June 30, 1979 and Calendar Year in which Country Became Member*

Country	Year	Country	Year
PART I MEMBERS			
Australia	1960	Japan	1960
Austria	1961	Kuwait	1962
Belgium	1964	Luxembourg	1964
Canada	1960	Netherlands	1961
Denmark	1960	New Zealand	1975
Finland	1960	Norway	1960
France	1960	South Africa	1960
Germany, Federal Republic of	1960	Sweden	1960
Iceland 1/	1961	United Arab Emirates 3/	1979
Ireland 2/	1960	United Kingdom	1960
Italy	1960	United States	1960
PART II MEMBERS			
Afghanistan	1961	Lebanon	1962
Algeria	1963	Lesotho	1968
Argentina	1962	Liberia	1962
Bangladesh	1972	Libya	1961
Benin	1963	Madagascar	1963
Bolivia	1961	Malawi	1965
Botswana	1968	Malaysia	1960
Brazil	1963	Maldives	1978
Burma	1962	Mali	1963
Burundi	1963	Mauritania	1963
Cameroon	1964	Mauritius	1968
Cape Verde	1978	Mexico	1961
Central African Republic	1963	Morocco	1960
Chad	1963	Nepal	1963
Chile	1960	Nicaragua	1960
China, Republic of	1960	Niger	1963
Colombia	1961	Nigeria	1961
Comoros	1977	Oman	1973
Congo, People's Republic of the	1963	Pakistan	1960
Costa Rica	1961	Panama	1961
Cyprus	1962	Papua New Guinea	1975
Dominican Republic	1962	Paraguay	1961
Ecuador	1961	Peru	1961
Egypt, Arab Republic of	1960	Philippines	1960
El Salvador	1962	Rwanda	1963
Equatorial Guinea	1972	Sao Tome and Principe	1977
Ethiopia	1961	Saudi Arabia	1960
Fiji	1972	Senegal	1962
Gabon	1963	Sierra Leone	1962
Gambia, The	1967	Somalia	1962
Ghana	1960	Spain	1960
Greece	1962	Sri Lanka	1961
Grenada	1975	Sudan	1960
Guatemala	1961	Swaziland	1969
Guinea	1969	Syrian Arab Republic	1962
Guinea-Bissau	1977	Tanzania	1962
Guyana	1967	Thailand	1960
Haiti	1961	Togo	1962
Honduras	1960	Trinidad and Tobago	1972
India	1960	Tunisia	1960
Indonesia	1968	Turkey	1960
Iran	1960	Uganda	1963
Iraq	1960	Upper Volta	1963
Israel	1960	Viet Nam	1960
Ivory Coast	1963	Western Samoa	1974
Jordan	1960	Yemen Arab Republic	1970
Kampuchea, Democratic	1970	Yemen, People's Democratic Republic of	1970
Kenya	1964	Yugoslavia	1960
Korea, Republic of	1961	Zaire	1963
Lao People's Democratic Republic	1963	Zambia	1965

* As of July 1, 1979, membership for Djibouti, Dominica, and Solomon Islands was pending.

1/ Was a Part II member from 1961 to 1971.

2/ Was a Part II member from 1960 to 1974.

3/ The resolution for the United Arab Emirates membership was approved by the Board of Governors on June 21, 1979.

SVP
12/18/79

Annex B
Table 2

IDA LENDING BY COUNTRY
(US$ millions)

	1977 Per Capita GNP a/ (US$)	Mid-1977 Population (millions) a/	Initial Subscription (FY61-64)	Replenishment First (FY65-68)	Second (FY69-71)	Third (FY72-74)	Fourth (FY75-77)	Fifth (FY78-80) b/
Primarily Rural/Agricultural								
* Maldives	80	0.1	-	-	-	-	-	3
* Lao P.D.R.	90	3.2	-	-	-	-	-	32
* Ethiopia	110	30.2	13.5	14.9	16.1	135.1	164.5	92
* Nepal	110	13.3	-	-	4.2	29.5	62.0	177
* Mali	120	6.1	-	9.1	7.7	42.2	60.2	74
* Somalia	120	3.7	-	8.5	3.9	32.6	43.2	60
* Burundi	130	4.2	-	1.1	2.2	5.0	22.7	54
* Chad	130	4.2	-	-	8.1	16.1	25.0	50
* Upper Volta	140	5.5	-	-	7.0	23.8	49.5	70
** Burma	140	31.5	-	-	-	50.0	108.5	208
* Malawi	150	5.6	-	28.0	12.6	26.6	45.1	71
* Rwanda	160	4.4	-	-	9.3	13.1	37.3	46
** Viet Nam	160	50.6	-	-	-	-	-	60
** Guinea-Bissau	n.a.	0.7	-	-	-	-	-	9
* Comoros	180	0.4	-	-	-	-	-	5
* Niger	190	4.9	1.5	-	12.4	8.3	31.5	77
* Guinea	200	5.0	-	-	-	-	21.0	43
* Afghanistan	200	14.3	-	3.5	15.0	25.0	75.0	187
** Sierra Leone	200	3.2	-	-	6.5	4.3	12.3	11
* Benin	210	3.2	-	-	8.1	18.5	20.2	39
* Gambia, The	210	0.6	-	-	2.1	3.7	8.1	13
* Tanzania	210	16.4	18.6	8.0	34.1	69.6	121.9	292
* Haiti	230	4.7	0.4	-	-	10.0	51.5	51
** Madagascar	230	8.1	-	10.0	19.1	38.1	58.0	105
* Central African Republic	240	1.9	-	-	8.5	3.9	-	18
* Lesotho	250	1.3	-	4.1	-	5.6	12.0	32
** Mauritania	270	1.5	-	6.7	3.0	11.6	17.2	20
Togo	280	2.4	-	-	3.7	8.7	25.5	36
** Kenya	290	14.6	-	39.0	22.3	61.5	65.5	180
* Sudan	330	16.9	13.0	8.5	-	99.0	98.0	209
* Yemen, P.D.R. of	350	1.7	-	-	1.6	4.1	32.7	42
Senegal	380	5.2	-	9.0	15.2	34.9	35.5	67
Cameroon	420	7.9	-	11.6	19.0	36.7	59.7	95
Honduras	420	3.3	9.0	7.5	8.1	9.6	19.0	25
* Yemen A.R.	510	5.0	-	-	-	38.2	71.6	90
Sub-Total		285.6	56.0	169.5	249.8	865.3	1454.2	2783
As % of Grand Total			7.2	16.1	15.9	25.1	32.0	31.3
Duslistic								
* Bangladesh	80	81.2	103.4	124.4	68.8	142.2	459.1	606
** India	160	631.7	390.0	501.0	623.4	1296.2	1796.1	3585
** Sri Lanka	160	14.1	-	2.0	21.9	6.0	86.7	226
** Pakistan	200	74.9	75.6	61.4	104.4	164.0	267.6	422
Indonesia	320	133.5	-	-	227.4	334.4	-	350
Sub-Total		935.4	569.0	688.8	1045.9	1942.8	2609.5	5189
As % of Grand Total			73.1	65.4	66.4	56.3	57.5	58.4
Better Resource Base								
** Zaire	210	25.7	-	-	18.0	54.0	120.5	86
Egypt	350	37.8	-	-	26.0	125.1	182.0	403
* Western Samoa	n.a.	0.2	-	-	-	-	4.4	8
Ghana	370	10.6	-	10.0	21.9	41.0	32.6	77
Thailand	430	43.3	-	-	-	32.0	-	93
Liberia	430	1.7	-	-	-	11.0	13.0	26
Philippines	460	44.5	-	-	-	32.2	-	90
Zambia	460	5.1	-	-	-	-	-	38
Bolivia	480	5.2	-	17.0	15.6	20.2	7.5	28
Congo, P.R. of the	500	1.4	-	-	5.6	16.5	0.5	-
Grenada	510	0.1	-	-	-	-	-	-
Papua New Guinea	510	2.9	-	-	11.0	14.2	23.0	33
Guyana	520	0.8	-	-	5.1	4.4	4.0	15
Jordan	940	2.1	8.5	3.0	6.0	24.3	29.5	14
Sub-Total		181.4	8.5	30.0	109.2	374.9	417.0	911
As % of Grand Total			1.1	2.9	6.9	10.9	9.2	10.2
Other c/			144.7	165.1	169.9	269.2	58.3	7
As % of Grand Total			18.6	15.7	10.8	7.8	1.3	0.1
GRAND TOTAL			778.2	1053.4	1574.8	3452.2	4539.0	8890
Of Which:								
* Least Developed Countries d/			150.4	210.1	221.7	752.1	1516.5	2436
** Other Poorest Countries e/			465.6	620.1	818.6	1685.7	2532.4	5052
Total			616.0	830.2	1040.3	2437.8	4048.9	7488
As % of Grand Total			79.1	78.8	66.1	70.6	89.2	84.2

a/ Population and GNP per capita data are based on the World Bank Atlas methodology.
b/ Data include actual FY78 and FY79 figures and partial estimates for the current FY80. Numbers are subject to change as individual operations firm up and also to reflect changes in the dollar value of IDA's commitment authority and therefore details may not add
c/ Countries not receiving IDA credits during the IDA5 commitment period. Figure shown under IDA5 is for the Caribbean Development Bank.
d/ Thirty countries named by UN General Assembly with a per capita GNP up to $510 in 1977 dollars.
e/ Eleven countries with a per capita GNP up to $290 in 1977 dollars not included in the UN General Assembly list of "Least Developed" countries.

NOTE:

Groupings - The "Primarily Rural/Agricultural" countries are economies whose productive structure is principally based on agriculture. The "Better Resource Base" group is a heterogeneous grouping of 14 countries which are separated from other IDA recipients by such advantages as rich mineral endowment, more developed infrastructure and/or better industrial base. The countries of the "Dualistic" group have elements of both of the other groups. Their populations are primarily rural, and their agricultural sectors are large, but they have some modern industry.

Eligibility - Since IDA credits are designed to assist the poorest countries, the poverty of the country (as measured by per capita GNP) is an important factor in determining eligibility for IDA funds. The current IDA cutoff stands at $580 at 1977 prices.

SVP
12/18/79

Annex B
Table 3

IDA LENDING BY SECTOR

	Initial Subscription (FY61-64)		Replenishment First (FY65-68)		Second (FY69-71)		Third (FY72-74)		Fourth (FY75-77)		Fifth (FY78-80) 1/	
						Amount						
	$m	%	$m	%	$m	%	$m	%	$m	%	$m	%
Agriculture & Rural Dev.	132.6	17.0	172.8	16.4	556.0	35.3	1058.1	30.6	1724.6	38.0	4129	46.4
Basic Infrastructure	453.6	58.3	378.1	35.9	611.7	38.8	1063.3	30.8	1163.3	25.6	2153	24.2
Power	57.7	7.4	76.0	7.2	143.9	9.1	217.5	6.3	454.0	10.0	1035	11.6
Telecommunications	42.0	5.4	33.0	3.1	151.8	9.6	135.0	3.9	108.2	2.4	228	2.6
Transportation	353.9	45.5	269.1	25.6	316.0	20.1	710.8	20.6	601.1	13.2	890	10.0
Industry & Urbanization	16.5	2.1	30.0	2.9	60.5	3.9	394.9	11.4	422.5	9.3	845	9.5
IDF	10.0	1.3	30.0	2.9	25.0	1.6	112.7	3.3	124.0	2.7	281	3.2
Industry	6.5	0.8	-	-	35.5	2.3	206.9	5.9	246.0	5.4	316	3.5
Urbanization	-	-	-	-	-	-	75.3	2.2	52.5	1.2	248	2.8
Other Sector	85.5	11.0	107.5	10.2	121.6	7.7	374.3	10.9	459.6	10.1	1473	16.6
Population	-	-	-	-	4.8	0.3	51.4	1.5	19.8	0.4	240	2.7
Water Supply & Sewerage	62.9	8.1	2.9	0.3	17.0	1.1	103.2	3.0	143.4	3.2	582	6.6
Energy	-	-	-	-	-	-	-	-	-	-	123	1.4
Other 2/	22.6	2.9	104.6	9.9	99.8	6.3	219.7	6.4	296.4	6.5	528	5.9
Non-Project	90.0	11.6	365.0	34.7	225.0	14.3	561.6	16.3	769.0	17.0	290	3.3
TOTAL	778.2	100.0	1053.4	100.0	1574.8	100.0	3452.2 3/	100.0	4539.0	100.0	8890	100.0
						Operations						
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Agriculture & Rural Dev.	15	26.3	17	24.2	58	39.5	86	37.9	104	44.1	151	45.2
Basic Infrastructure	28	49.1	32	45.7	57	38.8	66	29.1	53	22.5	63	18.9
Power	4	7.0	6	8.6	8	5.4	9	4.0	10	4.3	15	4.5
Telecommunications	1	1.8	1	1.4	7	4.8	6	2.6	5	2.1	7	2.1
Transportation	23	40.3	25	35.7	42	28.6	51	22.5	38	16.1	41	12.3
Industry & Urbanization	3	5.3	3	4.3	5	3.4	31	13.6	22	9.3	41	12.3
IDF	2	3.5	3	4.3	2	1.4	12	5.3	12	5.1	23	6.9
Industry	1	1.8	-	-	3	2.0	13	5.7	5	2.1	10	3.0
Urbanization	-	-	-	-	-	-	6	2.6	5	2.1	8	2.4
Other Sector	10	17.5	13	18.6	24	16.3	36	15.9	47	19.9	72	21.6
Population	-	-	-	-	1	0.7	4	1.8	1	0.4	7	2.1
Water Supply & Sewerage	6	10.5	2	2.9	3	2.0	6	2.6	9	3.8	22	6.6
Energy	-	-	-	-	-	-	-	-	-	-	4	1.2
Other 2/	4	7.0	11	15.7	20	13.6	26	11.5	37	15.7	39	11.7
Non-Project	1	1.8	5	7.2	3	2.0	8	3.5	10	4.2	7	2.1
TOTAL	57	100.0	70	100.0	147	100.0	227 4/	100.0	236	100.0	334	100.0

1/ Data include actual FY79 figures, partial estimates for the current FY80. Numbers are subject to change as individual operations firm up and also to reflect changes in the dollar value of IDA's commitment authority.
2/ Education, Tourism, Technical Assistance.
3/ The total includes the increase, totalling $6.6 million over the original amount of credits previously made to Pakistan.
4/ This includes the drought relief operation in the Western Africa Region.

Note: Joint Bank/IDA projects are considered as IDA projects.
Total may not add due to rounding.

SVP
12/18/79

Annex B
Table 4

SOCIAL AND ECONOMIC INDICATORS FOR COUNTRIES RECEIVING IDA

	Mid-1977 Population (millions)	Ave. Annual Growth of Population 1970-77	Percentage of Population in Urban Areas 1975	Life Expectancy at Birth 1977	Population per Physician 1976	Adult Literacy Rate 1975	GNP p.c. 1977 (US$)	GNP p.c. Ave. Annual Growth 1960-77	GDP Ave. Annual Growth 1970-77	Agriculture % of GDP 1977	Primary Commodities % of Exports 1976	Exports Ave. Annual Growth 1970-77	Food Share of Imports 1976	Savings % of GDP 1977	Investment % of GDP 1977
Primarily Rural/Agriculture															
Maldives	0.1	-	-	-	-	-	80	-	-	-	-	-	-	-	-
Lao P.D.R.	3.2	1.1	11	42	-	-	90	-	-	63	-	-	-	21	40
Ethiopia	30.2	2.6	12	39	84850	10	110	1.7	2.5	52	98	-3.8	6	9	10
Nepal	13.3	2.2	4	45	38650	19	110	0.2	2.8	68	-	-	-	5	10
Mali	6.1	2.5	17	42	32460	10	120	1.0	3.5	38	99	7.4	19	8	19
Somalia	3.7	2.3	27	43	-	50	120	-0.4	1.2	-	-	10.0	-	-	-
Burundi	4.2	2.0	2	45	45430	10	130	2.2	1.4	64	-	-	19	9	11
Chad	4.2	2.2	14	43	41160	15	130	-1.0	0.8	52	-	-2.0	-	-3	15
Upper Volta	5.5	1.6	8	42	61800	5	140	0.6	3.3	37	-	9.2	-	-24	17
Burma	31.5	2.2	25	52	5410	67	140	0.9	3.7	47	86	0.6	-	9	13
Malawi	5.6	3.1	20	46	48500	25	150	3.0	6.3	47	96	3.0	10	10	16
Rwanda	4.4	2.9	4	46	39350	23	160	1.0	3.9	-	-	4.3	-	-	-
Viet Nam	50.6	3.1	20	62	5340	87	160	-	-	-	-	-	-	-	-
Guinea-Bissau	0.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comoros	0.4	-	-	-	-	-	180	-	-	-	-	-	-	-	-
Niger	4.9	2.8	10	42	42970	8	190	-1.4	1.8	47	-	15.0	-	-	-
Guinea	5.0	3.0	16	44	15500	-	200	1.3	5.3	-	-	-	-	-	-
Afghanistan	14.3	2.2	13	42	28290	12	200	0.2	4.5	-	-	3.3	-	11	13
Sierra Leone	3.2	2.5	21	46	-	15	200	1.3	1.9	40	-	-6.8	-	6	14
Benin	3.2	2.9	23	46	34380	11	210	0.2	2.0	38	-	-4.2	17	5	17
Gambia, The	0.6	-	-	-	-	-	210	-	-	-	-	-	-	-	-
Tanzania	16.4	3.0	9	51	18490	66	210	2.6	4.5	45	86	-7.2	10	17	20
Haiti	4.7	1.7	22	51	11170	23	230	0.1	3.8	-	47	-	31	9	18
Madagascar	8.1	2.5	16	46	10780	50	230	-0.2	-0.3	40	-	-0.8	-	12	15
Central African Republic	1.9	2.2	36	46	29410	-	240	0.2	0.9	37	82	-1.3	17	-	-
Lesotho	1.3	2.4	4	50	17800	40	250	5.8	5.2	30	-	-	-	-	-
Mauritania	1.5	2.7	23	42	14140	17	270	3.6	2.3	26	-	2.5	-	7	44
Togo	2.4	2.7	15	46	18360	16	280	3.8	3.1	23	-	-3.9	13	1	32
Kenya	14.6	3.8	12	53	8840	40	290	2.5	6.2	35	70	1.2	7	25	21
Sudan	16.9	2.6	20	46	9760	20	330	0.1	5.0	-	-	-4.9	-	-	-
Yemen, P.D.R. of	1.7	1.9	34	47	9210	27	350	-4.8	5.1	24	-	-	-	-	-
Senegal	5.2	2.6	24	42	16450	10	380	-0.3	2.8	28	-	7.2	-	0	16
Cameroon	7.9	2.2	27	46	13980	-	420	2.9	3.4	32	84	0.6	10	19	22
Honduras	3.3	3.3	32	57	3300	57	420	1.5	3.5	32	81	0.6	10	18	24
Yemen A.R.	5.0	1.9	8	47	18770	13	510	-	7.8	35	86	-	28	0	2
Dualistic															
Bangladesh	81.2	2.5	9	47	11350	22	80	-0.4	2.3	55	39	-7.3	42	-1	6
India	631.7	2.1	21	51	3140	36	160	1.3	3.0	37	35	6.4	28	22	21
Sri Lanka	14.1	1.7	24	69	6230	-	160	2.0	3.1	39	79	-5.3	36	20	17
Pakistan	74.9	3.1	26	51	3780	21	200	3.0	3.6	33	40	-3.0	21	8	19
Indonesia	133.5	1.8	18	48	16430	62	320	3.3	7.7	31	24	7.5	15	22	21
Better Resource Base															
Zaire	25.7	2.7	35	46	-	-	210	1.1	1.9	25	-	-3.2	-	20	26
Egypt	37.8	2.2	44	54	1190	44	350	2.1	7.9	28	48	-3.3	28	15	24
Western Samoa	0.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ghana	10.6	3.0	32	48	10200	30	370	-0.3	0.4	39	88	-1.9	-	5	6
Thailand	43.3	2.9	14	61	8460	82	430	4.5	7.1	27	74	12.1	5	21	26
Liberia	1.7	3.4	30	48	10050	-	430	1.8	2.7	30	-	0.9	-	31	27
Philippines	44.5	2.7	34	60	3150	87	460	2.5	6.4	29	58	5.0	10	25	30
Zambia	5.1	3.1	34	48	10370	39	460	1.5	2.8	14	-	-2.3	-	21	26
Bolivia	5.2	2.9	30	52	2120	63	480	2.3	6.0	17	-	3.5	-	17	20
Congo, P.R. of the	1.4	2.5	36	46	7320	50	500	1.1	5.6	11	10	13.7	17	-	21
Grenada	0.1	-	-	-	-	-	510	-	-	-	-	-	-	-	-
Papua New Guinea	2.9	2.4	13	48	11990	32	510	3.4	5.0	33	38	-	23	19	18
Guyana	0.8	-	-	-	-	-	520	-	-	-	-	-	-	-	-
Jordan	2.1	3.3	53	56	2250	59	940	1.8	7.0	12	38	20.8	26	-	-

- Not available.

Source: Population and GNP per capita data are based on the World Bank Atlas methodology. The remaining data appear in the World Development Report 1979. The basis of the country groupings is noted on Table 2.

SVP
12/18/79

Annex B
Table 5

IDA REPLENISHMENT
Increases in Real Purchasing Power

	Initial Subscriptions (FY61-64)	First (FY65-68)	Second (FY69-71)	Third (FY72-74)	Fourth (FY75-77)	Fifth (FY78-80)	Sixth (FY81-83)
Replenishment Levels							
As Negotiated	757	745	1272	2441	4501	7732	12000
Annual Average	252	248	424	814	1500	2577	4000
Constant FY79 $ 1/	3178	2824	3333	4333	5808	7732	9822
Annual Average	1059	941	1111	1444	1936	2577	3274
Percent Increases							
As Negotiated	-	-1.6	70.7	91.9	84.4	71.8	55.2
% Per Annum 2/		-0.5	19.5	24.0	23.0	19.7	15.8
Real Increase	-	-11.1	18.0	30.0	34.0	33.1	27.0
% Per Annum 2/		-4.0	5.7	9.2	10.3	10.0	8.3

1/ The commitment deflator used is as follows:

FY61	23.4	FY67	26.5	FY73	56.3	FY79	100.0
FY62	23.7	FY68	29.2	FY74	63.1	FY80	107.2
FY63	24.0	FY69	33.2	FY75	69.8	FY81	114.6
FY64	24.2	FY70	37.9	FY76	77.4	FY82	122.1
FY65	24.6	FY71	43.4	FY77	85.3	FY83	129.8
FY66	25.2	FY72	49.6	FY78	92.8		

2/ Calculated as compound rates over three year periods.

Note:
This table has been based on simplifying assumptions to show the growth of IDA resources in real terms over successive replenishments. Among these assumptions are the following:- the adoption of the negotiated levels of IDA resources; the treatment of replenishments as covering three year periods (including the initial subscriptions and the first replenishment). It should be noted that through the Third Replenishment the amounts are expressed in 1960 US dollars; for IDA4 at US dollars of 9/27/73; for IDA5 at US dollars of 3/14/77 and for IDA6 at US dollars of 10/5/79. It should also be noted that because of exchange rate fluctuations IDA's actual commitment authority might differ (expressed in current US dollars) from the agreed level at the time of the negotiation with consequential effects on the calculations of real growth.

SVP
12/18/79

FLOW OF OFFICIAL DEVELOPMENT ASSISTANCE FROM DEVELOPMENT ASSISTANCE COMMITTEE MEMBERS
MEASURED AS A PERCENTAGE OF GROSS NATIONAL PRODUCT a/

	1965	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Australia	.53	.59	.60	.42	.45	.54	.50	.51	.50	.50	.53	.52	.52
Austria	.11	.07	.17	.12	.24	.29	.29	.30	.31	.31	.31	.33	.33
Belgium	.60	.46	.59	.51	.46	.55	.54	.58	.60	.62	.65	.67	.70
Canada	.19	.42	.55	.46	.50	.52	.46	.47	.47	.48	.50	.50	.50
Denmark	.13	.38	.58	.56	.60	.75	.72	.75	.74	.75	.77	.76	.76
Finland b/	.02	.07	.18	.18	.17	.17	.20	.21	.21	.22	.23	.24	.25
France	.76	.66	.62	.62	.60	.57	.57	.57	.58	.58	.59	.60	.61
Germany	.40	.32	.40	.31	.27	.38	.34	.39	.37	.37	.38	.38	.37
Italy	.10	.16	.11	.13	.10	.07	.10	.10	.09	.13	.11	.10	.11
Japan	.27	.23	.23	.20	.21	.23	.25	.26	.26	.27	.28	.28	.28
Netherlands	.36	.61	.75	.82	.85	.82	.97	1.04	.96	.95	.96	.98	.99
New Zealand c/		.23	.52	.41	.39	.34	.30	.28	.27	.29	.31	.34	.35
Norway	.16	.32	.66	.70	.83	.90	.92	.94	.96	.97	.98	.99	1.00
Sweden	.19	.38	.82	.82	.99	.90	.93	.94	.95	.96	.98	.98	1.00
Switzerland	.09	.15	.19	.19	.19	.20	.21	.21	.22	.23	.23	.24	.25
United Kingdom	.47	.36	.37	.38	.37	.48	.46	.46	.44	.43	.45	.44	.43
United States d/	.49	.31	.26	.25	.22	.27	.25	.24	.24	.23	.24	.24	.23
ODA ($b-Nominal Prices)	5.9	6.8	13.6	13.7	14.7	19.9	22.0	24.7	26.9	29.9	34.3	38.2	42.5
ODA ($b-Constant 1978 Prices)	15.1	14.5	17.7	17.1	17.1	19.9	20.2	21.3	21.6	22.5	24.1	25.0	26.0
GNP ($t-Nominal Prices)	1.3	2.0	3.8	4.2	4.7	5.6	6.3	7.0	7.7	8.6	9.5	10.6	11.9
ODA as % GNP	.44	.34	.35	.33	.31	.35	.35	.36	.35	.34	.36	.36	.36
Price Deflator e/	.39	.47	.77	.80	.86	1.00	1.09	1.16	1.25	1.33	1.43	1.53	1.64

a/ Historical figures through 1978 are from OECD. Those for 1979-85 are based on OECD and World Bank estimates of growth of GNP, on information on budget appropriations for aid, and on aid policy statements by governments. They are projections, not predictions, of what will occur unless action not now planned takes place.
b/ Finland became a member of DAC in January 1975.
c/ New Zealand became a member of DAC in 1973. ODA figures for New Zealand are not available for 1965.
d/ In 1949, at the beginning of the Marshall Plan, US Official Development Assistance amounted to 2.79% of GNP.
e/ The deflator is the US$ GNP deflator which includes the effects of changes in exchange rates.

NOTE:
Figures for 1978 and for future years are based on the new reporting system which was accepted in practice by DAC members in early 1979. Under the new reporting system, capital subscription payments are recorded on a note-deposit basis by all DAC members. However, revised historical figures based on the new reporting system are not available. Caution should be used in comparing historical figures prior to 1978 with those for 1978-85.

SVP
12/18/79

CONTRIBUTORS TO IDA: BY COUNTRY AND BY REPLENISHMENT

	Initial Subscription a/		First Replenishment a/		Second Replenishment a/		Special Contributions a/		Third Replenishment a/		Fourth Replenishment b/		Fifth Replenishment c/		Special Contributions c/		Sixth Replenishment d/		Total* e/		Total** e/	
	$m	% Total	$m	% Total	$m	% Total	$m	% Total	$m	% Total	$m	% Total	$m	% Total	$m	% Total	$m	% Total	$m	% Total	$m	% Total
Argentina																	25.00	0.21	25.00	0.09	25.00	0.08
Australia	20.18	2.67	19.80	2.66	24.00	2.00		1.89	48.00	1.97	90.00	2.00	146.90	1.91	9.00	2.02	229.20	1.91	578.08	1.97	587.08	1.99
Austria	5.04	0.67	5.04	0.68	8.16	0.68		0.64	16.32	0.67	30.00	0.68	49.70	0.65		0.64	81.60	0.68	196.46	0.67	196.46	0.67
Belgium f/	8.25	1.09	8.25	1.11	20.40	1.70		1.60	40.80	1.67	76.50	1.70	124.60	1.62		1.61	201.60	1.68	480.40	1.64	480.40	1.53
Brazil																	50.00	0.42	50.00	0.17	50.00	0.17
Canada	37.83	5.00	41.70	5.60	75.00	6.25		5.90	150.00	6.15	274.50	6.10	447.90	5.83		5.79	516.00	4.30	1542.93	5.26	1542.93	5.24
Denmark	8.74	1.16	7.50	1.01	13.20	1.10	15.00	2.22	26.40	1.08	54.00	1.20	87.80	1.14		1.14	144.00	1.20	341.64	1.16	356.64	1.21
Finland	3.83	0.51	2.30	0.31	4.08	0.34		0.32	12.24	0.50	25.20	0.56	41.00	0.53		0.53	72.00	0.60	160.65	0.55	160.65	0.55
France	52.96	7.00	61.87	8.31	97.20	8.10		7.64	150.00	6.15	253.55	5.63	413.30	5.38		5.35	645.60	5.38	1674.48	5.71	1674.48	5.69
Germany	52.96	7.00	72.60	9.75	117.00	9.75		9.20	234.00	9.59	514.50	11.43	838.80	10.91		10.85	1500.00 i/	12.50	3329.86	11.35	3329.86	11.31
Greece																	6.00	0.05	6.00	0.02	6.00	0.02
Iceland g/	0.10	0.01							0.45	0.02	1.35	0.03	2.20	0.03		0.03	3.60	0.03	7.70	0.03	7.70	0.03
Ireland h/	3.03	0.40							4.00	0.16	7.50	0.17	8.59	0.11	1.41	0.13	13.20	0.11	36.32	0.12	37.73	0.13
Israel	0.17	0.02									1.00	0.02							1.17	-	1.17	-
Italy	18.16	2.40	30.00	4.03	48.36	4.03		3.80	96.72	3.96	181.35	4.03	295.90	3.85		3.83	462.00	3.85	1132.49	3.86	1132.49	3.85
Japan	33.59	4.44	41.25	5.54	66.48	5.54		5.23	144.00	5.90	495.00	11.00	792.00 i/	10.30 i/		10.24	1757.54 j/	14.65	3329.86	11.35	3329.86	11.31
Korea	0.13	0.02											1.00	0.01		0.01	3.00	0.03	4.13	0.01	4.13	0.01
Kuwait	3.36	0.44	3.36	0.45	5.40	0.45		0.42	10.80	0.44	27.00	0.60	180.00 i/	2.34 i/	20.00	2.59	200.00	1.67	429.92	1.47	449.92	1.53
Luxembourg f/	0.38	0.05	0.37	0.05	0.60	0.05		0.05	1.20	0.05	2.25	0.05	3.60	0.05		0.05	6.00	0.05	14.40	0.05	14.40	0.05
Mexico																	20.00	0.17	20.00	0.07	20.00	0.07
Netherlands	27.74	3.67	16.50	2.22	29.28	2.44		2.30	67.56	2.77	132.75	2.95	216.70	2.82	8.60	2.91	360.00	3.00	850.53	2.90	859.13	2.92
New Zealand k/							5.60	0.44			11.74	0.26	7.65	0.10		0.10	10.02	0.08	29.41	0.10	35.01	0.12
Norway	6.72	0.89	6.60	0.89	10.68	0.89	1.32	0.94	24.00	0.98	49.50	1.10	80.60	1.05	5.00	1.11	144.00	1.20	322.10	1.10	328.42	1.12
Portugal																	7.00	0.06	7.00	0.02	7.00	0.02
Romania																	+	+				
Saudi Arabia	0.37	0.05											350.00	4.56		4.53	390.00	3.25	740.37	2.52	740.37	2.51
South Africa	10.09	1.33	3.99	0.54	3.00	0.25		0.24	3.00	0.12	9.00	0.20	10.00	0.13		0.13	10.00	0.08	49.08	0.17	49.08	0.17
Spain	1.01	0.13							2.50	0.10	13.33	0.30	21.00	0.27		0.27	50.00	0.42	87.84	0.30	87.84	0.30
Sweden	10.09	1.33	15.00	2.01	29.64	2.47	49.50 l/	6.22	102.00	4.18	180.00 k	4.00	293.80	3.82		3.80	360.00	3.00	990.53	3.38	1040.03	3.53
Switzerland	-				12.10	1.01		0.95	31.80	1.30	[66.18m/]	[1.47]							110.08	0.38	110.08	0.37
UAE													50.75	0.66		0.66	79.20	0.66	129.95	0.44	129.95	0.44
United Kingdom	131.14	17.33	96.60	12.97	155.52	12.96		12.23	311.04	12.74	499.50	11.10	814.30	10.60	1.50	10.55	1212.00	10.10	3220.10	10.98	3221.60	10.94
United States	320.29	42.34	312.00	41.89	480.00	40.00		37.75	960.00	39.33	1500.00	33.32	2400.00	31.22		31.04	3240.00	27.00	9212.29	31.41	9212.29	31.28
Venezuela																	20.00	0.17	20.00	0.07	20.00	0.07
Yugoslavia	0.40	0.05							4.04	0.17	5.00	0.11	8.10	0.11		0.10	20.00	0.17	37.54	0.13	37.54	0.13
Unallocated																	161.44	1.35	161.44	0.55	161.44	0.55
TOTAL	756.56	100.00	744.73	100.00	1200.10	100.00	71.42	100.00	2440.87	100.00	4501.30	100.00	7686.19	100.00	45.51	100.00	12000.00	100.00	29329.75	100.00	29446.68	100.00

Note: * Excludes special contributions.
** Includes special contributions.
- Less than 0.005%.
+ Romania has previously stated its intention to participate.

a/ Contributions are shown in 1960 US dollars.
b/ Contributions are expressed in US dollar equivalents as of September 27, 1973.
c/ Amounts are shown in US dollar equivalents as of March 14, 1977. Includes Saudi Arabia's increased contribution from $250 million at Vienna to $350 million in April 1978.
d/ Contributions are expressed in US dollar equivalents as of October 5, 1979.
e/ This column combines the 1960 dollar amounts for initial subscription through Third Replenishment together with the amounts for the Fourth, Fifth and Sixth Replenishment dollars as of the date when the agreement was concluded.
f/ Belgium and Luxembourg joined IDA in 1964. At that time, it was agreed that their contributions would be divided equally between an initial subscription and a contribution to the First Replenishment.
g/ Iceland was a Part II member of IDA from 1961 to 1971, and became a Part I member thereafter. The initial subscription shown in Table I was that fixed for Iceland as a Part II member.
h/ Ireland was a Part II member of IDA for 1960 to 1974, and became a Part I member thereafter. The initial subscription shown in Table I was that fixed for Ireland as a Part II member.
i/ Includes "extra" contributions of Japan and Kuwait to the Fifth Replenishment of $144 million (1.8% of the total) and $136.1 million (1.77% of the total) respectively.
j/ Includes "extra" contributions of Japan and Germany to the Sixth Replenishment of $317.54 million (2.65% of the total) and $60 million (0.5% of the total) respectively.
k/ New Zeland became a Part I member of IDA in 1975.
l/ This includes supplementary contributions made by Sweden over the period 1962-69.

Annex B
Table 8

SELECTED BURDEN SHARING INDICATORS

	GDP Indicators					Other Indicators					Memo						
											IBRD Capital Subscription f/			IMF Quotas f/			
	1977 GDP ($b) a/	Shares in GDP (%)	GDP p.c. b/	IDA5 as % GDP c/	IDA6 as % GDP	Trade with LDCs (%) d/	Real GDP Ave. Annual Growth Rate 1975-78	Exchange Rate Change (%) e/	1978 ODA % of GNP	Multilateral ODA % of Total ODA	Number of Shares	Shares as % of all Bank Members	Shares as % of Contributors to IDA5	SDRs m	Shares as % of all IMF Members	Shares as % of Contributors to IDA5	Shares in IDA6
Australia	101.1	2.0	7190	.042	.048	2.0	2.6	-7.7	0.45	14.66	12737	1.9	2.7	1185.0	2.0	2.9	1.91
Austria	48.0	1.0	6380	.032	.030	0.5	3.3	10.9	0.27	25.00	5469	0.8	1.1	495.0	0.8	1.2	0.68
Belgium	79.5	1.6	8080	.047	.045	2.3	3.3	11.5	0.55	42.06	14321	2.2	3.1	1335.0	2.3	3.3	1.68
Canada	198.1	4.0	8500	.064	.060	2.0	4.0	-26.9	0.52	38.84	21782	3.4	4.7	2035.5	3.5	5.0	4.30
Denmark	43.1	0.9	8470	.058	.063	0.8	2.7	2.4	0.75	43.78	5136	0.8	1.1	465.0	0.8	1.2	1.20
Finland	29.7	0.6	6270	.038	.050	0.4	0.2	-16.1	0.18	57.14	4393	0.6	0.9	393.0	0.7	1.0	0.60
France	377.7	7.6	7120	.031	.030	7.7	3.9	4.9	0.57	13.05	34260	5.3	7.4	2878.5	4.9	7.1	5.38
Germany	513.0	10.3	8360	.051	.052	9.1	3.6	13.5	0.31	21.57	34347	5.3	7.4	3234.5	5.5	8.0	12.50
Iceland	1.8	*	8140	.028	.067	-	3.6	-86.5	-	-	680	0.1	0.1	43.5	0.1	0.1	0.03
Ireland	9.2	0.2	2890	.026	.024	0.2	4.5	4.3	-	-	2701	0.4	0.5	232.5	0.4	0.6	0.11
Italy	193.8	3.9	3430	.042	.044	4.1	3.1	-5.4	0.06	86.50	19842	3.1	4.3	1860.0	3.2	4.6	3.85
Japan	684.9	13.7	6020	.035	.037	17.2	5.6	20.7	0.23	30.88	34206	5.3	7.4	2488.5	4.3	6.2	14.65
Korea	31.6	0.6	870	.001	.001	0.9	11.3	-10.9	-	-	2947	0.4	0.6	255.9	0.4	0.6	0.03
Kuwait	12.8	0.3	11640	.379	.276	1.4	1.0	-5.6	4.32	32.52	6451	0.9	1.3	393.3	0.7	1.0	1.67
Luxembourg	2.7	*	7580	.040	.039	-	2.7	11.5	-	-	825	0.1	0.1	46.5	0.1	0.1	0.05
Netherlands	106.0	2.1	7650	.061	.062	3.0	3.2	10.5	0.82	26.40	15117	2.3	3.2	1422.0	2.4	3.5	3.00
New Zealand	14.3	0.3	4550	.015	.015	0.4	0.1	-0.8	0.34	18.18	3903	0.6	0.8	348.0	0.6	0.9	0.08
Norway	35.8	0.7	8860	.062	.074	0.8	4.7	-8.0	0.90	45.63	4916	0.7	1.0	442.5	0.8	1.1	1.20
Saudi Arabia	82.9	1.6	9010	.103	.065	4.5	11.5	-5.3	2.17	30.35	11212	1.7	2.4	1040.1	1.8	2.6	3.25
South Africa	38.9	0.8	1420	.007	.005	0.8	1.3	-11.1	-	-	6954	1.0	1.5	636.0	1.1	1.6	0.08
Spain	115.8	2.3	3200	.004	.006	1.8	1.9	-12.9	-	-	9061	1.4	1.9	835.5	1.4	2.1	0.42
Sweden	78.4	1.6	9500	.103	.095	1.3	-0.1	-15.2	0.90	37.80	7367	1.1	1.5	675.0	1.2	1.7	3.00
UAE	15.8	0.3	22570	.086	.082	1.0	7.2	-8.2	5.36	16.26	2385	0.3	0.5	202.6	0.4	0.5	0.66
United Kingdom	244.4	4.9	4380	.094	.083	6.8	2.1	4.3	0.40	30.42	50586	7.8	10.9	4387.5	7.5	10.9	10.10
United States	1890.8	37.9	8720	.036	.036	30.3	4.9	-11.1	0.23	27.94	150745	23.4	32.7	12607.5	21.5	31.2	27.00
Yugoslavia	39.2	0.8	1810	.005	.008	0.6	5.7	-13.4	-	-	4631	0.7	0.9	415.5	0.7	1.0	0.17
TOTAL	4989.3	100.0	7390			100.0			0.37	27.84	466974	71.6	100.0	40353.9	68.9	100.0	97.60
Other											209413	28.4		18257.0	31.1		2.40 g/
GRAND TOTAL											676387	100.0		58610.9	100.0		100.00

a/ GDP at market prices converted into current US$ at average 1977 exchange rates.
b/ GDP at market prices converted to current US$ at average 1977 exchange rates divided by mid-1977 population estimates. The results have been rounded to the nearest ten.
c/ Contributions to the Fifth Replenishment (excluding special contributions) in national currencies expressed as a percent of the estimated or projected GDP of contributors in national currencies for the three years FY78-80. The median value is 0.041%.
d/ Defined to exclude members of OECD, oil-exporting countries (Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, United Arab Emirates, Venezuela), other Europe (Faeroe Islands, Finland, Gibraltar, Greece, Iceland, Ireland, Malta, Portugal, Romania, Spain, Turkey, Yugoslavia), Australia, New Zealand, South Africa, and the Centrally Planned Economies.
e/ Indicates exchange rate change from the end of the IDA5 negotiations to the beginning of the IDA6 negotiations.
f/ On the assumption that each country takes up the subscription/quota available to it in the IBRD General Capital Increase and the IMF Seventh Review of Quotas.
g/ Total share of seven new donor countries (Argentina, Brazil, Greece, Malaysia, Mexico, Portugal, Venezuela) and unallocated.
* Less [illegible] 0.1%.

SVP
12/18/79

Annex B
Table 9

SUMMARY OF IDA RESOURCES
(As of June 30, 1979)

Source	In Current $ ($ millions)
Initial Subscription (FY61-64)	991
First Replenishment (FY65-68)	900
Second Replenishment (FY69-71) a/	1464
Third Replenishment (FY72-74) a/	2999
Fourth Replenishment (FY75-77)	4394
Fifth Replenishment (FY78-80)	8534
Special Contributions b/	133
Transfers from IBRD Profits	1368
Other Sources c/	122
TOTAL	20905

a/ Includes Swiss loan.
b/ Total of Special Contributions for IDA2 and IDA5.
c/ This includes the IDA's net income, grant participations and repayments to IDA.

SVP
12/18/79

VOTING POWER OF PART I MEMBERS

MEMBER	FIFTH REPLENISHMENT CUMULATIVE RESOURCES ($TH)	FIFTH REPLENISHMENT SUBSCRIP VOTES NUMBER	FIFTH REPLENISHMENT SUBSCRIP VOTES % PT I	FIFTH REPLENISHMENT VOTING POWER NUMBER	FIFTH REPLENISHMENT VOTING POWER %	ADDITIONAL RESOURCES ($TH)	ADDIT SUBS VOTES	ADDIT TOTAL VOTES	SIXTH REPLENISHMENT CUMULATIVE RESOURCES ($TH)	SIXTH REPLENISHMENT SUBSCRIP VOTES NUMBER	SIXTH REPLENISHMENT SUBSCRIP VOTES % PT I	SIXTH REPLENISHMENT VOTING POWER NUMBER	SIXTH REPLENISHMENT VOTING POWER %
AUSTRALIA	380,988	45352	2.12	52652	1.37	229,200	13863	16463	610,188	59215	2.08	69115	1.34
AUSTRIA	121,992	14522	.68	21822	.57	81,600	5235	7835	203,592	19757	.69	29657	.57
BELGIUM	294,833	35097	1.64	42397	1.11	201,600	13079	15679	496,433	48176	1.69	58076	1.12
CANADA	1,089,771	129725	6.06	137025	3.57	516,000	26105	28705	1,605,771	155830	5.46	165730	3.21
DENMARK	227,258	27053	1.26	34353	.90	144,000	8975	11575	371,258	36028	1.26	45928	.89
FINLAND	93,280	11104	.52	18404	.48	72,000	4935	7535	165,280	16039	.56	25539	.50
FRANCE	1,103,583	131369	6.13	138669	3.62	645,600	38379	40979	1,749,183	169748	5.95	179648	3.48
GERMANY	1,928,201	229531	10.72	236831	6.18	1,500,000	103155	105755	3,428,201	332686	11.66	342586	6.63
ICELAND	4,214	502	.02	7802	.20	3,600	256	2856	7,814	758	.03	10658	.21
IRELAND	25,980	3093	.14	10393	.27	13,200	709	3309	39,180	3802	.13	13702	.27
ITALY	710,366	84561	3.95	91861	2.40	462,000	29210	31810	1,172,366	113771	3.99	123671	2.39
JAPAN	1,631,198	194176	9.07	201476	5.25	1,757,540	134680	137280	3,388,737	328856	11.53	338756	6.56
KUWAIT	254,650	30313	1.42	37613	.98	200,000	13808	16408	454,650	44121	1.55	54021	1.05
LUXEMBOURG	8,926	1063	.05	8363	.22	6,000	385	2985	14,926	1448	.05	11348	.22
NETHERLANDS	528,243	62882	2.94	70182	1.83	360,000	23316	25916	888,243	86198	3.02	96098	1.86
NEW ZEALAND	26,146	3113	.15	10413	.27	10,020	397	2997	36,166	3510	.12	13410	.26
NORWAY	194,598	23164	1.08	30464	.79	144,000	9695	12295	338,598	32859	1.15	42759	.83
SOUTH AFRICA	43,224	5145	.24	12445	.32	10,000	20	2620	53,224	5165	.18	15065	.29
SWEDEN	722,581	86015	4.02	93315	2.43	360,000	19043	21643	1,082,581	105058	3.68	114958	2.22
UNITED ARAB EMIRATES	50,755	6041	.28	13341	.35	79,200	6570	9170	129,955	12611	.44	22511	.44
UNITED KINGDOM	2,152,870	256276	11.96	263576	6.87	1,212,000	70264	72864	3,364,870	326540	11.44	336440	6.51
UNITED STATES	6,399,913	761839	35.57	769139	20.06	3,240,000	173656	176256	9,639,913	935495	32.79	945795	18.29
SUB-TOTAL PT I	17,993,568	2141936	100.00	2302536	60.04	11,247,560	695735	752935	29,241,128	2837671	99.45	3055471	59.13*

VOTING POWER OF PART II MEMBERS

MEMBER	FIFTH REPLENISHMENT CUMULATIVE RESOURCES ($TH)	SUBSCRIP VOTES NUMBER	SUBSCRIP VOTES % P II	VOTING POWER NUMBER	VOTING POWER %	ADDIT SUBS VOTES	RESOURCES IN USABLE FORM($TH)	SPEC SUBS VOTES	ADDIT TOTAL VOTES	SIXTH REPLENISHMENT CUMULATIVE RESOURCES ($TH)	SUBSCRIP VOTES NUMBER	SUBSCRIP VOTES % P II	VOTING POWER NUMBER	VOTING POWER %
AFGHANISTAN	1,319	2784	.35	10084	.26	873	.	.	3473	1,340	3657	.33	13557	.26
ALGERIA	5,261	11181	1.39	18481	.48	3505	.	.	6105	5,349	14686	1.33	24586	.48
ARGENTINA	25,076	52355	6.52	59655	1.56	16412	25,000	2386	21398	50,076	71153	6.43	81053	1.57
BANGLADESH	7,025	14939	1.86	22239	.58	4683	.	.	7283	7,142	19622	1.77	29522	.57
BENIN	653	1388	.17	8688	.23	435	.	.	3035	664	1823	.16	11723	.23
BOLIVIA	1,382	2930	.37	10230	.27	918	.	.	3518	1,405	3848	.35	13748	.27
BOTSWANA	209	447	.06	7747	.20	140	.	.	2740	212	587	.05	10487	.20
BRAZIL	25,076	52355	6.52	59655	1.56	16412	29,360	2829	21841	54,636	71596	6.47	81496	1.58
BURMA	2,637	5622	.70	12922	.34	1762	.	.	4362	2,581	7384	.67	17284	.33
BURUNDI	993	2107	.26	9407	.25	660	.	.	3260	1,009	2767	.25	12667	.25
CAMEROON	1,319	2784	.35	10084	.26	873	.	.	3473	1,340	3657	.33	13557	.26
CAPE VERDE	105	222	.03	7522	.20	70	.	.	2670	107	292	.03	10192	.20
CENTRAL AFRICAN REP	653	1388	.17	8688	.23	435	.	.	3035	664	1823	.16	11723	.23
CHAD	653	1388	.17	8688	.23	435	.	.	3035	664	1823	.16	11723	.23
CHILE	4,608	9813	1.22	17113	.45	3076	.	.	5676	4,685	12889	1.16	22789	.44
CHINA	39,504	84011	10.47	91311	2.38	26335	.	.	28935	40,163	110346	9.97	120246	2.33
COLOMBIA	4,751	9832	1.23	17132	.45	3082	.	.	5682	4,828	12914	1.17	22814	.44
COMOROS	105	222	.03	7522	.20	70	.	.	2670	107	292	.03	10192	.20
CONGO*	653	1388	.17	8688	.23	435	.	.	3035	664	1823	.16	11723	.23
COSTA RICA	262	544	.07	7844	.20	171	.	.	2771	266	715	.06	10615	.21
CYPRUS	993	2107	.26	9407	.25	660	.	.	3260	1,009	2767	.25	12667	.25
DOMINICAN REPUBLIC	591	1126	.14	8426	.22	353	.	.	2953	600	1479	.13	11379	.22
ECUADOR	849	1807	.23	9107	.24	566	.	.	3166	863	2373	.21	12273	.24
EGYPT	6,631	14103	1.76	21403	.56	4421	.	.	7021	6,742	18524	1.67	28424	.55
EL SALVADOR	416	826	.10	8126	.21	259	.	.	2859	423	1085	.10	10985	.21
EQUATORIAL GUINEA	417	892	.11	8192	.21	280	.	.	2880	424	1172	.11	11072	.21
ETHIOPIA	677	1391	.17	8691	.23	436	.	.	3036	688	1827	.17	11727	.23
FIJI	731	1562	.19	8862	.23	490	.	.	3090	743	2052	.19	11952	.23
GABON	653	1388	.17	8688	.23	435	.	.	3035	664	1823	.16	11723	.23
GAMBIA, THE	349	744	.09	8044	.21	233	.	.	2833	354	977	.09	10877	.21
GHANA	3,081	6543	.82	13843	.36	2051	.	.	4651	3,132	8594	.78	18494	.36
GREECE	3,290	6988	.87	14288	.37	2191	6,000	577	5368	9,290	9756	.88	19656	.38
GRENADA	117	237	.03	7537	.20	74	.	.	2674	119	311	.03	10211	.20
GUATEMALA	522	1117	.14	8417	.22	350	.	.	2950	531	1467	.13	11367	.22
GUINEA	1,319	2784	.35	10084	.26	873	.	.	3473	1,340	3657	.33	13557	.26
GUINEA-BISSAU	182	374	.05	7674	.20	117	.	.	2717	185	491	.04	10391	.20
GUYANA	1,058	2253	.28	9553	.25	706	.	.	3306	1,076	2959	.27	12859	.25
HAITI	993	2107	.26	9407	.25	660	.	.	3260	1,009	2767	.25	12667	.25
HONDURAS	391	824	.10	8124	.21	258	.	.	2858	397	1082	.10	10982	.21
INDIA	52,678	112075	13.97	119375	3.11	35133	.	.	37733	53,556	147208	13.30	157108	3.04
INDONESIA	14,492	30828	3.84	38128	.99	9664	.	.	12264	14,733	40492	3.66	50392	.98
IRAN	5,927	12611	1.57	19911	.52	3953	.	.	6553	6,026	16564	1.50	26464	.51
IRAQ	993	2107	.26	9407	.25	660	.	.	3260	1,009	2767	.25	12667	.25
ISRAEL	3,130	4807	.60	12107	.32	1507	.	.	4107	3,168	6314	.57	16214	.31
IVORY COAST	1,319	2784	.35	10084	.26	873	.	.	3473	1,340	3657	.33	13557	.26
JORDAN	391	824	.10	8124	.21	258	.	.	2858	397	1082	.10	10982	.21
KAMPUCHEA DEMOCRATIC	1,332	2845	.35	10145	.26	892	.	.	3492	1,354	3737	.34	13637	.26
KENYA	2,193	4660	.58	11960	.31	1461	.	.	4061	2,230	6121	.55	16021	.31
KOREA	2,626	3632	.45	10932	.29	1139	3,000	288	4027	5,626	5059	.46	14959	.29
LAO PEOPLE'S DEM REP	653	1388	.17	8688	.23	435	.	.	3035	664	1823	.16	11723	.23
LEBANON	587	1262	.16	8562	.22	396	.	.	2996	597	1658	.15	11558	.22
LESOTHO	209	447	.06	7747	.20	140	.	.	2740	212	587	.05	10487	.20
LIBERIA	993	2107	.26	9407	.25	660	.	.	3260	1,009	2767	.25	12667	.25
LIBYA	1,319	2784	.35	10084	.26	873	.	.	3473	1,340	3657	.33	13557	.26
MADAGASCAR	1,319	2784	.35	10084	.26	873	.	.	3473	1,340	3657	.33	13557	.26
MALAWI	993	2107	.26	9407	.25	660	.	.	3260	1,009	2767	.25	12667	.25
MALAYSIA	3,290	6988	.87	14288	.37	2191	.	.	4791	3,344	9179	.83	19079	.37
MALDIVES	39	82	.01	7382	.19	26	.	.	2626	39	108	.01	10008	.19
MALI	1,135	2407	.30	9707	.25	755	.	.	3355	1,154	3162	.29	13062	.25
MAURITANIA	653	1388	.17	8688	.23	435	.	.	3035	664	1823	.16	11723	.23
MAURITIUS	1,159	2402	.30	9702	.25	753	.	.	3353	1,178	3155	.29	13055	.25
MEXICO	11,412	24299	3.03	31599	.82	7617	20,000	1922	12139	31,412	33838	3.06	43738	.85
MOROCCO	4,608	9813	1.22	17113	.45	3076	.	.	5676	4,685	12889	1.16	22789	.44
NEPAL	653	1388	.17	8688	.23	435	.	.	3035	664	1823	.16	11723	.23
NICARAGUA	391	824	.10	8124	.21	258	.	.	2858	397	1082	.10	10982	.21
NIGER	653	1388	.17	8688	.23	435	.	.	3035	664	1823	.16	11723	.23
NIGERIA	4,386	9319	1.16	16619	.43	2921	.	.	5521	4,459	12240	1.11	22140	.43
OMAN	416	826	.10	8126	.21	259	.	.	2859	423	1085	.10	10985	.21
PAKISTAN	13,293	28055	3.50	35355	.92	8795	.	.	11395	13,513	36850	3.33	46750	.90
PANAMA	27	69	.01	7369	.19	22	.	.	2622	27	91	.01	9981	.19

VOTING POWER OF PART II MEMBERS

MEMBER	FIFTH REPLENISHMENT CUMULATIVE RESOURCES ($TH)	SUBSCRIP VOTES NUMBER	SUBSCRIP VOTES % P II	VOTING POWER NUMBER	VOTING POWER %	ADDIT SUBS VOTES	RESOURCES IN USABLE FORM($TH)	SPEC SUBS VOTES	ADDIT TOTAL VOTES	SIXTH REPLENISHMENT CUMULATIVE RESOURCES ($TH)	SUBSCRIP VOTES NUMBER	SUBSCRIP VOTES % P II	VOTING POWER NUMBER	VOTING POWER %
PAPUA NEW GUINEA	1,123	2398	.30	9698	.25	752	.	.	3352	1,142	3150	.28	13050	.25
PARAGUAY	391	824	.10	8124	.21	258	.	.	2858	397	1082	.10	10982	.21
PERU	2,310	4931	.61	12231	.32	1546	.	.	4146	2,349	6477	.59	16377	.32
PHILIPPINES	6,760	14043	1.75	21343	.56	4402	.	.	7002	6,870	18445	1.67	28345	.55
RWANDA	993	2107	.26	9407	.25	660	.	.	3260	1,009	2767	.25	12667	.25
SAO TOME & PRINCIPE	105	195	.02	7495	.20	61	.	.	2661	106	256	.02	10156	.20
SAUDI ARABIA	354,775	51938	6.47	59238	1.54	16281	390,000	37808	56689	744,775	106027	9.58	115927	2.24
SENEGAL	2,193	4660	.58	11960	.31	1461	.	.	4061	2,230	6121	.55	16021	.31
SIERRA LEONE	993	2107	.26	9407	.25	660	.	.	3260	1,009	2767	.25	12667	.25
SOMALIA	993	2107	.26	9407	.25	660	.	.	3260	1,009	2767	.25	12667	.25
SPAIN	49,521	32784	4.09	40084	1.05	10277	50,000	4827	17704	99,521	47888	4.33	57788	1.12
SRI LANKA	3,956	8405	1.05	15705	.41	2635	.	.	5235	4,021	11040	1.00	20940	.41
SUDAN	1,319	2784	.35	10084	.26	873	.	.	3473	1,340	3657	.33	13557	.26
SWAZILAND	417	893	.11	8193	.21	280	.	.	2880	424	1173	.11	11073	.21
SYRIAN ARAB REPUBLIC	1,240	2627	.33	9927	.26	824	.	.	3424	1,261	3451	.31	13351	.26
TANZANIA	2,193	4660	.58	11960	.31	1461	.	.	4061	2,230	6121	.55	16021	.31
THAILAND	3,956	8405	1.05	15705	.41	2635	.	.	5235	4,021	11040	1.00	20940	.41
TOGO	993	2107	.26	9407	.25	660	.	.	3260	1,009	2767	.25	12667	.25
TRINIDAD & TOBAGO	1,762	3750	.47	11050	.29	1176	.	.	3776	1,792	4926	.45	14826	.29
TUNISIA	1,972	4206	.52	11506	.30	1318	.	.	3918	2,005	5524	.50	15424	.30
TURKEY	7,760	16150	2.01	23450	.61	5063	.	.	7663	7,887	21213	1.92	31113	.60
UGANDA	2,193	4660	.58	11960	.31	1461	.	.	4061	2,230	6121	.55	16021	.31
UPPER VOLTA	653	1388	.17	8688	.23	435	.	.	3035	664	1823	.16	11723	.23
VIET NAM	1,972	4206	.52	11506	.30	1318	.	.	3918	2,005	5524	.50	15424	.30
WESTERN SAMOA	117	237	.03	7537	.20	74	.	.	2674	119	311	.03	10211	.20
YEMEN ARAB REPUBLIC	561	1194	.15	8494	.22	374	.	.	2974	570	1568	.14	11468	.22
YEMEN, PDR	1,542	3291	.41	10591	.28	1032	.	.	3632	1,568	4323	.39	14223	.28
YUGOSLAVIA	22,847	13411	1.67	20711	.54	4204	20,000	1931	8735	42,847	19546	1.77	20446	.52
ZAIRE	3,944	8397	1.05	15697	.41	2632	.	.	5232	4,009	11029	1.00	20929	.40
ZAMBIA	3,512	7484	.93	14784	.39	2346	.	.	4946	3,570	9830	.89	19730	.38
SUB-TOTAL P II	761,833	802522	100.00	1532522	39.96	251569	543,560	52568	564137	1,305,393	1106659	100.00	2096659	40.57 *
GRAND-TOTAL	18,755,401	2944458		3835058	100.0		11,791,120		1317072	30,546,521	3944320		5152130	99.70 *

*Details may not add due to rounding.

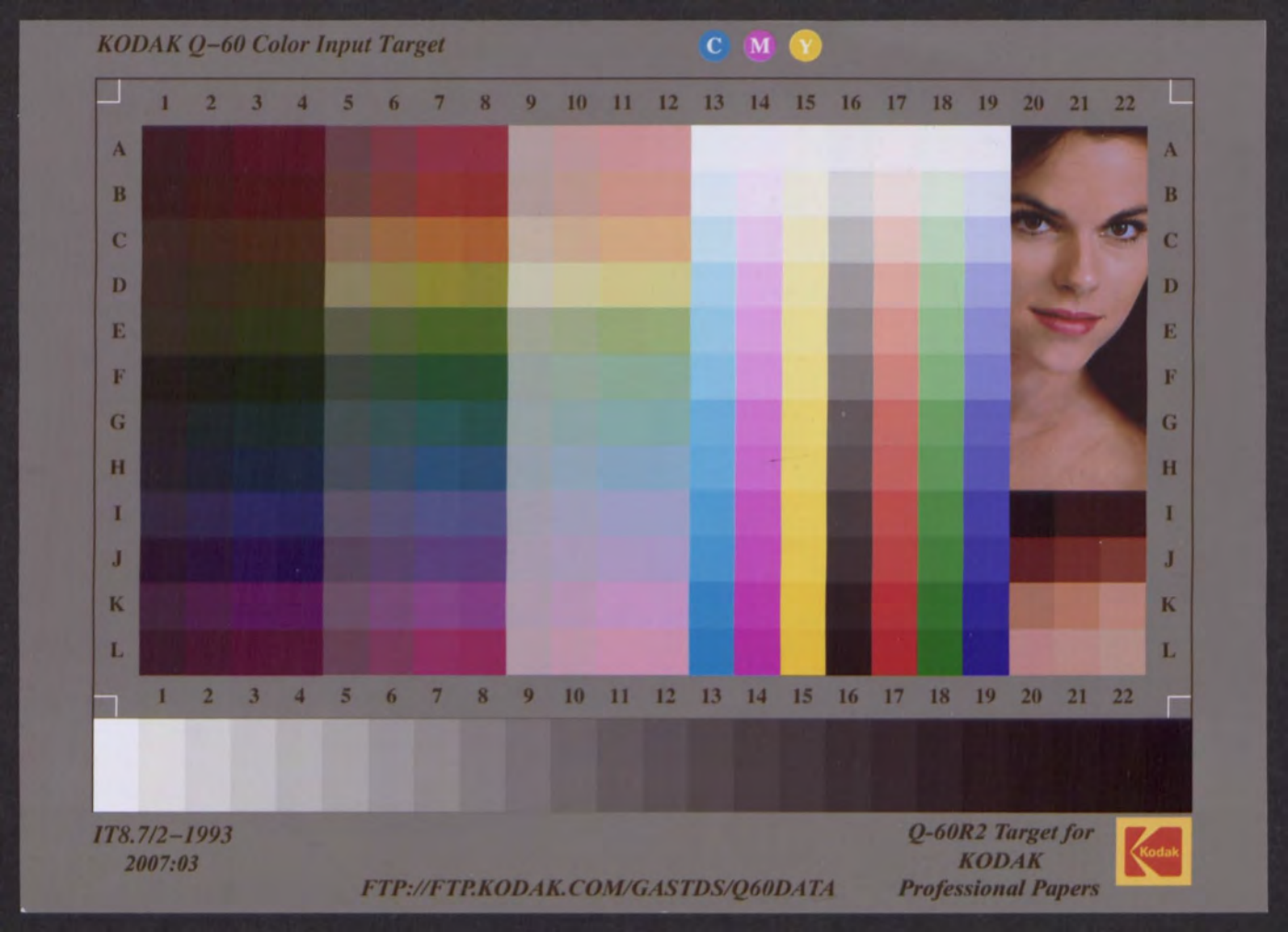
SVP
1/10/80

PART 1 ends:-

Hansard Extract 20.2.80

PART 2 begins:-

FCO to CDL Office 19.3.80.


KODAK Q-60 Color Input Target
C M Y
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22
A B C D E F G H I J K L
IT8.7/2-1993
2007:03
FTP://FTP.KODAK.COM/GASTDS/Q60DATA
Q-60R2 Target for
KODAK
Professional Papers
Kodak