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35/23

Confidential

Commonwealth Development Corporation
Annual Report 1979

Appointment of Financial Advisers to
the Commonwealth Development Corporation

COMMONWEALTH

May 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
8-5-80							
6-1-81							
26-1-81							
3-4-81							
6-4-81							
15-4-81							
21-5-81							
12-6-81							
15-11-81							
24-11-81							
22-4-82							
28-9-82							
21-4-83							
24-4-84							
15-7-85							
22-4-86							
2-5-89							

PREM 19/2605

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

House of Commons

Foreign Affairs Committee

(Overseas Development Sub-Committee)

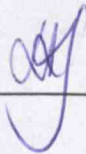
Session 1981-82

The Work of the Commonwealth Development Corporation

Minutes of Evidence, Tuesday 8 December 1981

ISBN 0 10 280782 5 Published by HMSO

Signed



Date

9/7/2016.

PREM Records Team



BRIEF FOR THE PRIME MINISTER

COMMONWEALTH DEVELOPMENT CORPORATION (CDC) REPORT AND ACCOUNTS 1988

LINE TO TAKE

1. The CDC continues to make an effective contribution to the development of overseas countries, including the poorest countries. It does so by making sound and profitable investments, especially in private sector enterprises, in which it can invest directly.
2. The 1988 Report and Accounts show a post-tax surplus of £12.8 million. The CDC has always fulfilled its statutory obligation to break even taking one year with another.
3. CDC makes a significant contribution to development in poorer countries. New commitments in 1988 totalled £147.8m of which 54% were in poorer countries (ie those with a gross national product per head of less than US\$800 in 1983.) 54% - not an identical 54% - of new commitments were for private sector investments. CDC also takes full account of environmental considerations in appraising investments and seeks to invest in forestry projects.

BACKGROUND

4. The CDC is a public corporation whose operations are governed by the Commonwealth Development Corporation Acts 1978 to 1986. The Corporation is required to assist overseas countries in the development of their economies. It does this by making equity investment and loans in specified sectors in countries (including non-Commonwealth countries) in which it has been authorised by the Secretary of State to operate.
5. The Secretary of State, who appoints the CDC's Board, may give the Corporation general directions as to the exercise and performance of its functions. The ODA, CDC's sponsor Department, does not interfere with the day-to-day management of the CDC's affairs, but there are regular exchanges for planning and monitoring purposes. The Acts provide that the Secretary of State shall place the CDC annual reports and accounts before Parliament.
6. The CDC funds its investments mainly by borrowing at concessional rates from the aid programme and by using the excess of receipts from investments over its debt servicing obligations and running costs. During 1988 the CDC received £64.0 million as aid programme loans, and some £104.3 million became available from investment sales, redemptions and revenue receipts. At the end of 1988 the CDC had £1,099.8 million of investments and undisbursed commitments spread over 250 projects in 51 countries.

Investment and Crown Agents Department
Overseas Development Administration
2 May 1989



Told OK
NR 23/4.

OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

From the Minister

22 April 1986

Ms Nicky Roche
Prime Minister's Office
10 Downing Street
LONDON SW1

Dear Nicky,

COMMONWEALTH DEVELOPMENT CORPORATION : ANNUAL REPORT 1985

In accordance with the practice followed since 1972, the Commonwealth Development Corporation's Annual Report and Accounts for 1985 are to be published as a non-Parliamentary paper. There is a statutory requirement that the Report and Accounts should be laid before Parliament.

The Corporation wishes to publish the 1985 Report and Accounts on Thursday 22 May. We therefore propose that the Report and Accounts should be laid before Parliament on Wednesday 21 May and that at the same time the House should be informed of the publication by a Question for Written Answer.

It is a requirement that plans for the publication of CDC's Annual Report and Accounts are approved by the Prime Minister's Office and accordingly I should be grateful if you would let me know as soon as possible whether you have any objection to the proposals outlined above.

I am sending a copy of this letter to Murdo MacLean (Chief Whip's Office), Joan MacNaughton (Lord President's Office), Robert Barnett (APS/Lady Young, FCO), John Rice (FCO Parliamentary Unit), and Brian Dyer (HM Treasury).

Yours,

BB

(R Carlisle)
Parliamentary Clerk

Govt Machinery: announcements.

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

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NR/SH
Miss Roche
rise
OK
this

DR
15/4

From the Minister

15 April 1985

T J Flesher Esq
Prime Minister's Office
10 Downing Street
LONDON SW1

Dear Tim,

COMMONWEALTH DEVELOPMENT CORPORATION: ANNUAL REPORT 1984

In accordance with the practice followed since 1972, the Commonwealth Development Corporation's Annual Report and Accounts for 1984 are to be published as a non-Parliamentary paper. There is a statutory requirement that the Report and Accounts should be laid before Parliament.

The Corporation wishes to publish the 1984 Report and Accounts on Thursday 23 May and Lord Kindersley, the Chairman, plans to hold a press conference at 11.30 am on that day. We therefore propose that the Report and Accounts should be laid before Parliament on Wednesday 22 May and that at the same time the House should be informed of the publication by a Question for Written Answer.

It is a requirement that plans for the publication of CDC's Annual Report and Accounts are approved by the Prime Minister's Office and accordingly I should be grateful if you would let me know as soon as possible whether you have any objection to the proposals outlined above.

I am sending a copy of this letter to Murdo MacLean (Chief Whip's Office), Miss J Lewis-Jones (Lord President's Office), Anthony Cary (FCO), P Johnson (FCO Parliamentary Unit) and John Salveson (Treasury).

Yours sincerely

Nan Andrew

(Miss N Andrew)
Parliamentary Clerk



CF pa

OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

From the Minister

24 April 1984

T Flesher Esq
10 Downing Street
Whitehall
LONDON SW1

~~Miss Jewell~~ - CS 26/4
see full ODA
this is acceptable

Dear Mr. Flesher,

COMMONWEALTH DEVELOPMENT CORPORATION: ANNUAL REPORT 1983

A 24/4

In accordance with the practice followed since 1972, the Commonwealth Development Corporation's Annual Report and Accounts for 1983 is to be published as a non-Parliamentary paper. There is a statutory requirement that the Report should be laid before Parliament.

The Corporation wishes to publish the 1983 Report on Thursday, 31 May, and Lord Kindersley, the Chairman, plans to hold a press conference at 11.30 am on that day. It seems likely that Parliament will be in recess at this time. However, there is no statutory requirement that the report be laid whilst Parliament is actually sitting and since the Report and Accounts, as seen in draft, contain nothing contentious, we do not foresee any problems arising from publication on 31 May. To avoid any charge of discourtesy to Parliament, we propose that the House of Commons should be informed of the intended publication date by a Question for written answer before the House rises.

I should be grateful if you would let me know as soon as possible whether you have any objections to these proposals.

I am sending a copy of this letter to Murdo MacLean (Chief Whip's Office), Miss J Lewis Jones (Lord President's Office), Anthony Cary (FCO), Mr P Johnson (FCO Parliamentary Unit) and John Salveson (Treasury).

Yours sincerely
Nan Andrew

(Miss N Andrew)
Parliamentary Clerk

MJ

Commonwealth

21 April 1983

Commonwealth Development Corporation:
Annual Report 1982

Thank you for your letter of 21 April.
We have no objection to the proposal that
this report should be published on 25 May
and laid before Parliament on the same day
accompanied by a written statement.

WR

Miss N Andrew
Overseas Development Administration.

B



OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

From the Minister

21 April 1983

Dear Willie,

COMMONWEALTH DEVELOPMENT CORPORATION: ANNUAL REPORT 1982

In accordance with the practice followed since 1972, the Commonwealth Development Corporation's Annual Report and Accounts for 1982 is to be published as a non-Parliamentary paper. There is a statutory requirement that the Report should be laid before Parliament.

The Corporation wishes to publish the 1982 Report on Wednesday 25 May and Lord Kindersley, the Chairman, plans to hold a press conference at 11.30 am on that day. We therefore propose that the Report should be laid before Parliament on 25 May and that the House of Commons should be informed of its publication by a Question for Written Answer.

I should be grateful if you would let me know as soon as possible whether you have any objection to these proposals.

I am sending a copy of this letter to Murdo MacLean (Chief Whip's Office), David Heyhoe (Lord President's Office), Stephen Lamport (FCO), Philip Johnson (FCO Parliamentary Unit) and John Salveson (Treasury).

Yours sincerely

Nan Andrew

(Miss N Andrew)
Private Secretary

W Rickett Esq
Prime Minister's Office
10 Downing Street
LONDON SW1



CC LPO

HL

Commonwealth

10 DOWNING STREET

From the Private Secretary

7 April 1983

Reply to the House of Commons' Foreign Affairs
Committee's Report on the work of the Commonwealth
Development Corporation (CDC)

Thank you for your letter of 7 April. We
have no objection to your publishing the Govern-
ment's reply to this report as a Command Paper
in the week beginning 18 April.

I am copying this letter to Nick Huxtable
(Lord President's Office).

W. F. S. RICKETT

Ms. Pamela Hilton,
Overseas Development Administration.



OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

From the Minister

7 April 1983

Dear Mr Rickett,

REPLY TO THE HOUSE OF COMMONS' FOREIGN AFFAIRS COMMITTEE'S REPORT
ON THE WORK OF THE COMMONWEALTH DEVELOPMENT CORPORATION (CDC)

I am writing to seek agreement to publication of the Government's
reply to the above Report (HC 71 of 1981-82).

.... I enclose a note on the Report; also the proposed reply which is
in 'Recommendation and Observation' format. The report, published
on 7 December 1982, generally supports the work of CDC and makes
no radical criticisms or recommendations. The reply responds
sympathetically to the great majority of the 44 recommendations
and conclusions. We are hopeful that HMSO will be able to publish
the reply as a Command Paper (for presentation formally by the
Secretary of State for Foreign and Commonwealth Affairs) in week
commencing 18 April if clearance is given early enough.

I am sending copies of this letter and enclosures to your Chief
Press Secretary and to the Private Secretaries to the Chancellor
of the Exchequer, the Lord President of the Council, the Chief
Whip and the Secretary of the Cabinet.

Subject to any comments by these recipients, I should be grateful
for your agreement to publication as proposed.

Yours Sincerely

Pamela Hilton

P J Hilton
Private Secretary

W F S Rickett Esq

FOURTH REPORT FROM THE FOREIGN AFFAIRS COMMITTEE, SESSION 1981-82

The Work of the Commonwealth Development Corporation

1. The Government welcomes the Report's helpful analysis of the work of the Commonwealth Development Corporation (CDC) and general endorsement of its value, and has the following comments on the conclusions and recommendations, taken seriatim.

Funding

2. "132. We recommend that the ODA should not use the CDC's self-generated funds or commercial borrowing as an excuse for reducing concessional financing (para 20)."

The level of concessional lending to CDC from the aid programme has to take account of a number of factors, including the overall priority within that programme which can be given to CDC when set alongside the many other claims for aid funds as well as the level of CDC's self-generated funds and commercial borrowing. The latter counts as public expenditure just as much as expenditure on votes.

3. "133. We recommend that the ODA seek to ensure that there is always a positive flow of funds, year by year, from the Government to the CDC (para 21)."

The Government cannot accept as a principle that there should always be a positive flow of funds from the Government to CDC, though its view is that a negative flow has been, and is likely to continue to be, the product of exceptional circumstances.

4. "134. We question whether advance repayment to the Government of borrowing is justifiable for a development institution (para 22)."

The facility for premature repayment of Government borrowing was intended to provide CDC with a measure of flexibility in the drawing of loans from the aid programme. It is no longer appropriate now that the Corporation has been given permission to borrow commercially and has therefore been withdrawn.

/5. "135. We recommend

5. "135. We recommend that consideration be given to providing the CDC, at least three years in advance, with a formal rolling programme. This should state the minimum level of advances from the aid budget, and authorized commercial borrowing which the CDC can expect, and should indicate the maximum level of funding on which it is likely to be able to draw from these two sources in those years (para 24)."

The desirability of providing CDC, three years in advance, with a rolling programme of likely Government funding is accepted. CDC has already been provided with firm figures, subject to Parliamentary approval, of loans from the aid programme for 1983/84 and indicative planning figures for 1984/85 and 1985/86, ie up to the end of the present Public Expenditure Survey period. It has also been told that it may borrow commercially up to £15 million in each of these years. The Government does not, however, accept that it should guarantee a particular level of aid advances for three years ahead, nor does it feel that an indication of minimum and maximum levels of funding would necessarily be more helpful to CDC than the present practice of giving indicative planning figures.

6. "136. We believe that, despite the importance of self-generated finance in the CDC's funding and investment programme, the CDC should continue to give priority to financing developmentally sound projects in the poorer countries, even though the return received on investments in these projects frequently may not provide the level of self-generated funds that could be obtained from the same scale of investment in middle income developing countries (para 26)."

This reflects present policy.

7. "137. We recommend that the CDC ascertain that its own funds are to be used in full before borrowing commercially, so that the amount borrowed in this way can be kept to a minimum. We further recommend that the full commercial rate of borrowing be not charged to projects in the poorer developing countries (para 29)."

The Government agrees that CDC should aim to use funds available from the aid programme and self-generated funds before borrowing commercially. As to the on-lending rate for commercially borrowed funds, it is CDC's intention to average the costs of commercial borrowings and those from the aid programme. The question of charging projects, especially in the poorer countries, by reference to the commercial rate would therefore not arise.

Relationship with Government

8. "138. We hope that it will be possible, in future, to prevent advances to the CDC from being held down below the sum originally promised by the ODA (para 33)."

The Government will do its best to see that aid advances to CDC are not reduced below the level provided in the annual Estimates, while observing that circumstances can arise in which this might not always be possible.

9. "139. We welcome the fact that the ODA does not intervene in the day-to-day operation and management of the CDC and trust that this state of affairs will continue (para 34)."

Noted. This remains the policy of ODA.

10. "140. We believe that the ODA should ensure that there is a strong case before giving the CDC permission to operate in any additional non-Commonwealth countries (para 35)."

CDC has authority to operate in 53 countries of which 14 are not in the Commonwealth and the Government believes that a strong case is needed before adding to this list. Of the 5 new countries in which CDC has been authorised to operate since the beginning of 1979 4 are in the Commonwealth.

11. "141. We recommend that the ODA examine what part the CDC should play in discharging its developmental responsibilities in Britain's remaining dependencies (para 36)."

The Government welcomes the support which CDC can give to the Foreign & Commonwealth Office in discharging its responsibilities, while recognising that the small size of the economies of the remaining dependencies, and their small populations, limit the scope for CDC participation.

12. "142. We accept that the CDC already represents wider British interests very effectively, and we see no reason to disturb the existing pattern. We see no need for the CDC to form a closer relationship with the Department of Trade; however, we should like the CDC and its work to be better known to Parliament and the public at large, and in particular to British industry, so that British businesses may be fully informed of the opportunities for co-financing, tendering, and otherwise becoming involved with the Corporation (para 38)."

CDC finances project entities overseas and not supply contracts in the UK, but it has nevertheless sought to make British companies aware of opportunities on projects with which it was likely to become involved by disseminating information through the DoT's Export Intelligence Service. Information on CDC's existence and the services it offers to co-investors has been made available through the same channel. In addition, CDC makes regular direct approaches to companies for these purposes and ensures that the appropriate trade and specialist press carries articles and information about its activities so as to engage their attention. CDC publishes a comprehensive and informative annual report which is laid before Parliament.

13. "143. We recommend that use be made of the CDC's experience and expertise in international consultations on the behaviour of transnational corporations and on relationships between such corporations and the governments of developing countries (para 39)."

The Department of Industry and CDC are holding exploratory discussions to gauge the relevance of the latter's experience in collaborating with TNCs, as well as that gained by CDC as an international investment body bridging the public and private sectors.

14. "144. We think it important that the Government should ensure that the ODA has the resources to monitor the CDC's finances adequately (para 40)."

Accepted. A professionally qualified accountant was added to the staff of the ODA department concerned in January 1982 and the department can also, where necessary and appropriate, call on the advice of the Government Accountancy Service and of the Treasury.

CDC Operations: general

15. "145. We recommend that the CDC try to negotiate a formal, comprehensive investment agreement with every country in which it operates. Such an agreement should include World Bank terms for loan or equity servicing, provisions for separate overseas foreign currency bank accounts and corporate tax freedom for the CDC in the host country (para 48)."

CDC endeavours to negotiate mutually satisfactory operating agreements with the countries in which it operates. The World Bank occupies a special position with governments by reason of the member relationship which they enjoy, whereas operating agreements with CDC are of a bilateral character.

/16. "146. We recommend

16. "146. We recommend that the CDC be made exempt from UK corporation tax, provided a reasonable degree of reciprocity could be achieved as envisaged in para 48. In so far as additional funds accrue to the CDC from the taxation relief following the reciprocal arrangements, those funds could be used by way of priority to the further advantage of the country concerned (para 49)."

The 1978 Act, which consolidated previous legislation relating to CDC, expressly provides that it is not exempt from tax liability. There are other state corporations and state-owned companies, and private sector bodies whose overseas activities parallel CDC's in many respects. Exemption would require complex legislation and would be technically and practically difficult to administer. The Inland Revenue keeps CDC's interests in mind when negotiating double taxation agreements. These agreements would become more difficult to secure if separate arrangements were made for individual bodies. The Government does not therefore accept that giving special exemption from UK corporation tax would, in a broader view, be to the UK's advantage.

CDC Operations: Administrative Considerations & Investment Strategy

17. "147. We recommend that a small sum of money be available to regional controllers to be used for pilot trials for new initiatives (para 58)."

Regional Controllers have considerable latitude in the preliminary steps they recommend. Where CDC is asked to develop a major project jointly with or on behalf of an overseas government, or others, a very substantial investigations budget can be set up to prove the project prior to any CDC investment being committed. Even on smaller projects, however, the sums required for crop trials and other pilot schemes, which by their nature have to be conducted over a period of years, are substantial and CDC would not wish Regional Controllers to act without specific Head Office approval, the more so since their top agricultural experts are based in London and their advice would constitute a vital element in any trial or pilot project.

18. "148. We recommend that the Government seek ways of progressively and substantially increasing the finance available to the CDC for investment (para 60)."

The Government attaches considerable importance to the work of CDC and will continue to give it the highest priority it can within the limits of the aid programme and of public expenditure generally.

/19. "149. We suggest

19. "149. We suggest that the CDC should look at ways of financing more small projects, particularly in areas where it is not already involved in appropriate development finance companies. We believe that there might be scope for delegating more responsibility to the regional controllers (para 61)."

CDC's Regional Controllers in areas such as the Caribbean where smaller projects need to be considered, already have discretion to put forward proposals involving considerably less than CDC's normal minimum investment. Even so, the difficulties of identifying suitable smaller projects in those areas tend to be virtually the same as for larger ones. CDC is also pursuing its policy of assisting this sector through the creation of further local development finance companies such as those recently formed in Bangladesh and the Sudan and currently under discussion in Zimbabwe. Insofar as delegating more responsibility to Regional Controllers is concerned, CDC's Board reserves to itself all investment decisions as part of its accountability.

CDC Operations: Staff

20. "150. We emphasize the importance of the CDC being able to offer a long term career structure to its staff (para 63)."

The Government and CDC recognise the importance of this factor to the Corporation's successful operation.

21. "151. We recommend that the possibility of the secondment of staff between the CDC and suitable organisations in the public and private sectors be considered (para 64)."

CDC has traditionally made some of its staff members available to institutions in developing countries, even where these are not directly associated with CDC's projects. The Government and CDC are sympathetic to the proposal and will keep the possibility of exchanges of staff in mind, having regard to the limitations imposed by CDC's relatively small establishment.

22. "152. We think that, in return for the training which is given to nationals of host countries by the CDC on its projects, the CDC should seek agreements with host countries for permission to train its staff on the job, irrespective of whether the type of CDC involvement be direct project, subsidiary or otherwise. The FCO and the ODA should assist the CDC to negotiate such arrangements and the Government in the UK should express its willingness to reciprocate this facility to those from developing countries who seek similar experience in the UK and who are sponsored by the CDC (para 65)."

The problems associated with training CDC's expatriate staff on projects are both political and financial. The desire of host governments to limit the number of expatriates on projects so as to increase opportunities for their own nationals often means that CDC trainees would need to be supernumeraries, which has financial implications either for the project or for CDC. Nevertheless,

just as CDC trains nationals of host countries on its projects, so it needs to train its own people in similar conditions. CDC will explore all ways of dealing with this problem, including the possibility of agreements with host governments. The Government would be willing to consider doing what it could to facilitate on-the-job training in Britain - for example by responding to requests put forward by overseas governments for awards under technical cooperation training schemes.

23. "153. We recommend that the CDC re-examine its recruitment policy, (as well as the flexibility of its career structure and the opportunities that it offers to its staff), with a view to ensuring that there are no serious impediments to the appointment of more women and people from ethnic minorities to its staff and to postings overseas (para 67)."

The appointment and advancement of women and people from ethnic minorities in CDC's Head Office is subject to no impediments other than the availability of appropriate candidates. As for the posting of such staff overseas, the inhibiting factor lies not with CDC but with host country governments or projects to which people from ethnic minorities are not always acceptable.

CDC Operations: Relations with UK Industry

24. "154. We think that there may be more scope for project identification to help UK industry to invest in some of the more developmentally important areas of the economies of developing countries, and we suggest that the CDC examine whether it would be possible to put more energy into this type of activity (para 70)."

CDC regularly advises British companies of the opportunities it identifies. This policy has had satisfactory results in obtaining contracts for the supply of goods and services but has had less effect on British private investment other than by way of token contributions required by project sponsors in support of management contracts. The experience has been similar in attempts to attract joint venture partners for projects which CDC's local development finance companies are anxious to launch. CDC will continue its efforts to encourage investment by British industry in developing countries.

25. "155. We recommend that, when investigating a project with private industry, the CDC always endeavour to give a lead in ensuring that as wide a section of the population as possible benefit from the project and that social conditions are acceptable (para 71)."

CDC has these points strongly in mind in the investigation of any new project.

33. "163. We hope that the CDC will not allow the dispute over the Grenada Electricity Company to discourage it from seeking to assist the development of the Grenadian economy (para 84)."

Now that the dispute has been settled CDC sees no obstacle to examining proposals in Grenada provided these were economically sound and had the full backing of the Grenada Government.

34. "164. We recommend that the CDC make a special effort in the more needy dependencies such as Anguilla, St Helena, the Turks and Caicos Islands and the British Virgin Islands, and that the responsible departments of the ODA, and of the FCO generally, assist the CDC in every possible way (para 87)."

The comments in reply to paras 141 and 162 are relevant. CDC will nevertheless remain open to any possibilities for assisting or indeed promoting useful development in any of these territories.

35. "165. We think that there is a strong argument for permitting and encouraging the CDC to operate in Mozambique (para 88)."

This possibility would be considered should suitable opportunities for CDC operations present themselves, for example in the context of cooperation within the Southern African Development Coordination Conference.

Sectoral Distribution of Operations

36. "166. We suggest that successful smallholder schemes, such as those seen by the Sub-Committee in East and Central Africa, should be replicated elsewhere as local conditions permit. We recommend that the CDC give particular attention to the development of cooperatives (para 92)."

CDC welcomes the Committee's support for CDC's continuing efforts in this direction which, as already shown under para 156, constitutes CDC's main priority in all regions. In some smallholder schemes the development of cooperatives can play a useful supporting role and is therefore encouraged by CDC wherever appropriate.

37. "167. We recommend that the CDC experiment with local food production schemes. We also recommend that the CDC experiment with some of the less usual crops, especially those which may flourish in arid or semi-arid conditions (para 95)."

Wherever possible CDC ensures that its agricultural schemes are at least self-sufficient in food supplies. Many of the older established projects in fact produce very substantial surpluses for sale on local markets. Despite problems of commercial viability it is deliberate policy both in Head Office and amongst Regional Controllers to seek out opportunities for

/organising local

organising local food production schemes based on annual rather than multi-annual crops. Food production for the local market has to be governed by local tastes and needs (and prices) but several of CDC's established projects carry out trials of new and especially food crops as a matter of routine. Few of the countries in which CDC operates are arid or semi-arid. Where there is a possibility for such varieties to be developed, CDC would carry out trials such as that currently being done with the cereal triticale on a CDC estate in Tanzania.

38. "168. We recommend that the Corporation vigorously explore other investment opportunities in the energy field, especially in those countries which lack indigenous hydrocarbon resources (para 98)."

CDC has tried to assist not only hydro-electric schemes but those based on a variety of other resources such as geothermal and dendro-thermal projects, and notes that the Committee supports the continuance of these efforts. CDC has recently formed a special working group on this subject within the Interact Group of European development financing corporations in order to pool experience and concentrate resources.

39. "169. We agree that it is right for the CDC to give the tourist industry low priority, but we hope that the Corporation will continue to make its expertise and resources in this area available in countries where there is a sound developmental case (para 99)."

CDC has effectively limited its activities in the tourist industry to the support of existing projects where this is necessary, although it seeks to assist wherever it can by other than financial means. It would not, however, entirely rule out financial assistance in very exceptional cases.

Financial Management and Accounting

40. "170. We would not wish to see the developmental criteria for project selection sacrificed in favour of potential earnings, with the objective of increasing the CDC's funds available for investment. In particular, we trust that pressures to increase CDC's income will not lead it to employ its funds in projects which could obtain equivalent finance from commercial sources without prejudice to their prospects of success (para 107)."

Subject to the comments on paragraphs 136 and 161 above, CDC fully intends to continue to attach the main priority in project selection to developmental criteria.

/41. "171. We

41. "171. We recommend that the CDC's investment funds should be recycled, to the projects of highest development priority, irrespective of whether those funds derive from Government advances or are self-generated (para 108)."

This recommendation is broadly accepted. Nearly 70% of CDC's existing commitments is in the two priority sectors defined by the Committee, renewable natural resources and energy.

42. "172. We recommend that the CDC review its policy, with a view to providing itself with the option of requiring its host country partners to purchase its shares in a joint project after a stated period and at a fair valuation allowing for dividends foregone during the development period (para 111)."

CDC normally wishes to retain its equity until the bulk of its loans to the enterprise concerned have been repaid. Especially in the more developmentally important projects, this is normally a substantial number of years. It is difficult to make predictions about the purchasing power of CDC's partners so far ahead, and CDC believes that the sale of equity involves a complex of questions which are best left until the occasion arises and the circumstances can be fully gauged, in particular the effect on CDC's cashflow and on the host country's foreign exchange situation.

43. "173. We recommend that consideration be given to deriving a statement which consolidates the financial picture of CDC activities as a whole (para 116)."

"174. We consider that some overall measurement or assessment of the value of the CDC's investment would be helpful, in order to permit a more comprehensive view of the effects of its past investment policies, and to indicate the potential accumulated resources available for further redeployment (para 116). We recommend that the idea of devising some evaluation of development induced, compared with funds invested, be further investigated (para 118)."

"175. We recommend that the CDC, in preparing its Annual Report and Accounts, should reconsider the form and content of those statements in the light of our comments, with a view to providing their readers with more information, and in particular should consider, subject to the Secretary of State's direction on the preparation of the Financial Report and Statement of Accounts, which items of further information might be included in the audited financial statements and which should be presented elsewhere in the Annual Report (para 119)."

The Government and CDC are sympathetic to the general thrust of these recommendations and will consider them carefully in relation both to CDC's 1982 Annual Report and Accounts and subsequent Reports.

NOTE ON THE FOURTH REPORT OF THE FOREIGN AFFAIRS
COMMITTEE OF THE HOUSE OF COMMONS, SESSION 1981-82

The Work of the Commonwealth Development Corporation (CDC)

1. The purpose of the CDC, set out in the Commonwealth Development Corporation Act 1978, is to assist Overseas Countries in the development of their economies. It does this chiefly by investing in and undertaking a wide range of operations and activities of a commercial nature. It has no Share capital and depends on loans for new captial resources, principally from the Government.
2. The Sub Committee on Overseas Development carried out the inquiry for two main reasons. It was felt that an examination of the CDC's role should be conducted in the light of the Government's policy, announced in February 1980, of giving greater weight in aid allocations to political, industrial and commercial considerations. It was also believed at the time that the CDC's financial future and very existance was in doubt and that an investigation of its role and potential would assist Parliament in assessing its value and the Government in planning for its future.
3. The Sub Committee visited Paris, Malawi, Tanzania and Kenya in conducting its inquiry.
4. The report generally warmly welcomes and supports the work of CDC and makes no radical criticisms or recommendations. Many of its conclusions and recommendations (contained in 44 separate paragraphs) are on detailed matters and are directed at CDC itself. The draft reply has been prepared in consultation with CDC and the Treasury. Only two recommendations of substance attract negative or unforthcoming replies - one (paragraph 16) rejects a recommendation that CDC should be exempted from UK Corporation tax and the other (paragraph 18) refuses to promise making a substantive increase in finance available to CDC.

Bf



Await reply from Foreign

Secretary.

A.J.C. ^{20.}/₉

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Francis Pym MC MP
Secretary of State
Foreign & Commonwealth Office
Downing Street
London SW1A 2AL

h-a.
M 14/10.

30 September 1982

Dear Secretary of State,
COMMONWEALTH DEVELOPMENT CORPORATION

Thank you for your minute of 24 September.

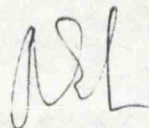
I did not seek to imply that your predecessor had agreed that CDC's commercial borrowing up to 1984-85 should be a transitional measure; merely that this was, and is, my own view. Equally, there was no implication in the earlier exchanges that there would necessarily be any such borrowing after 1984-85. The figure of £15.6 million in this year's Survey was arrived at merely by the conventional application of the Survey rules. The Survey text, agreed with your officials, made it clear that Ministers had not yet considered whether borrowing would be allowed in 1985-86 and that in the meantime neither ODA nor the Treasury were committed to the figure shown.

In my view, it is too early to assess whether there is a case for commercial borrowing in 1985-86. I suggest that we should first see how the 1982-83 borrowing operation goes; and that our officials should also examine, without commitment, what the effect would be on the CDC's operations of different levels of commercial borrowing in 1985-86 ranging from zero to your proposed £18 million. We should then be able to take a decision in time for next year's Survey. This would mean showing no provision for 1985-86 in the coming Public Expenditure White Paper, but this could easily be explained on grounds that a decision whether there should be further commercial borrowing had not been reached.

You also referred to the "options for reductions" of 2 per cent and 3 per cent for 1983-84 and 1984-85 respectively included in my letter of 6 August. I was frankly disappointed at our meeting at your response to my suggestions for making progress and I am therefore bound in general to maintain my position as set out in my letter. However, in the particular case of the CDC, in an effort to be helpful, I agree that we should not pursue the possibility of reductions in the announced borrowing ceilings. I very much hope that in the same spirit you can agree to my proposal above for dealing with 1985-86.

I am copying this letter to the Prime Minister and to the Lord President.

yours sincerely



for LEON BRITTAN

(approved by the Chief Secretary
& signed in his absence).

Commonwealth, May '80

Commonwealth Development Corp.



29 SEP 1982

D
24/9.FCS/82/138CHIEF SECRETARY, HM TREASURYCommonwealth Development Corporation

1. During our meeting on 15 September, in response to your suggestion that the arrangements for CDC's commercial borrowing up to 1984 - 85 were agreed only as a transitional measure to allow the Corporation to reduce the level of its activity in an orderly way, I said I would need to look at the papers myself as this was not my Department's understanding of the agreement. I have looked into the matter and can find no suggestion in the papers that the agreement was on the basis you suggested.

2. I note that following some strong Parliamentary pressure, the Chancellor agreed in his letter of 22 October last year that CDC might borrow abroad commercially over the three year period then covered by the Public Expenditure Survey, ie up to 1984 - 85. Agreement of the amount of this borrowing was reached in a meeting at 10 Downing Street on 19 November 1981. I understand it was the Treasury's very strong view at that time that the decision to allow any commercial borrowing by CDC could only be taken in the context of the general public expenditure situation and PSBR considerations. Agreement to borrowing over the three years period to 1984 - 85 was thus directly linked to the then current PESC period.

3. In line with this I note that in this year's PESC documents CDC borrowing of £15.6m in 1985 - 86 is shown as a baseline figure not as an additional bid.

4. The case for allowing CDC to continue commercial borrowing remains very strong. The Parliamentary pressure that led to the Chancellor's concession of the principle is still there. CDC do an excellent job and in our plans for allocating aid funds, which the Chancellor recently agreed as part of the Aid Framework up to 1985 - 86, I have treated CDC as favourably



as possible, aiming to make available

1983 - 84	1984 - 85	1985 - 86
£37m	£39m	£41m

This cash increase is better than can be managed for bilateral aid in general and is the best I can do given pressing claims on funds. Commercial borrowing will thus need to continue if they are to maintain the lower level of activity which we have now obliged them to accept. They are certainly not being exempted from the constraints on the public sector but to push them even further down would be a mistaken waste of a valuable capacity which serves our own interests as well as those of the developing countries in which they operate.

5. So I very much hope that you will now agree that the commercial borrowing limit for 1985 - 86 already allowed for at £15.6m should not be eliminated or reduced. As I explained in my minute of 10 September I would like the ceiling for 1985 - 86 to be set at £18m.

6. I also hope that, given the parliamentary interest in this matter and the fact that we announced a borrowing ceiling of £15m in the House last year, you will not pursue any proposals for a reduction in the borrowing ceiling for 1983 - 84 and 1984 - 85.

7. I am copying this minute to the recipients of your letter.

(FRANCIS PYM)

Foreign and Commonwealth Office
24 September 1982



Commonwealth

cc: Press

Office

10 DOWNING STREET

From the Private Secretary

22 April 1982

COMMONWEALTH DEVELOPMENT CORPORATION: ANNUAL
REPORT 1981

Thank you for your letter of 22 April about publication of the CDC Annual Report for 1981. We have no objection to the arrangements you propose.

MAP

Miss N. Andrew,
Overseas Development Administration.



OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

From the Minister

22 April 1982

Dear Mike,

COMMONWEALTH DEVELOPMENT CORPORATION : ANNUAL REPORT 1981

In accordance with the practice introduced in 1972, the Commonwealth Development Corporation's Annual Report and Accounts for 1981 is to be published as a non-Parliamentary paper. There is a statutory requirement that the Report should be laid before Parliament.

The Corporation wishes to publish the 1981 Report at 11.30 am on Wednesday 26 May and Lord Kindersley, the Chairman, plans to hold a Press Conference at that time. We therefore propose that the Report should be laid before Parliament on 26 May and that the House of Commons should be informed of its publication by a Question for Written Answer.

I should be grateful if you would let me know as soon as possible whether you have any objections to these proposals.

I am sending a copy of this letter to Mr Murdo MacLean (Chief Whip's Office), Mr D Heyhoe (Lord President's Office), Mr Lamport, Private Secretary to Mr Hurd, Mr Salveson (Treasury) and Mr Bowley (FCO Parliamentary Unit).

Yours sincerely

N. Andrew

(Miss N Andrew)
Private Secretary

M Pattison Esq
Prime Minister's Office



10 DOWNING STREET

Note for file.

Meeting cancelled.

Dunk

Dy Clerk

24/11

CAROLINE

To consider whether a meeting
might be possible

MA

23 September 1981

~~Make~~
✓
Society who
sd I invite
to the meeting.
EJ.

FCS
Chancellor
SofS Trade [perhaps not
essential]
MAD

*Mu Alexander (ov)**B/F 9/11*

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

22 October 1981

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

*B.F. with FCO reply
or on 9 Nov - whichever is
sooner -*

And

Dear Pat

COMMONWEALTH DEVELOPMENT CORPORATION

I have been thinking about your minute of 18 September to the Prime Minister about whether we should allow the Commonwealth Development Corporation to do some commercial borrowing. Like you, I think it's high time we settled this matter, and I have been looking for a solution which might permit us to do so.

I don't think that we can find the basis of an agreement by taking up the suggestion, implicit in the Prime Minister's question reported in Alexander's letter of 23 September, that the CDC could be permitted to borrow without a Government guarantee. The problem is that whether or not we had given a specific Government guarantee, we could not let the CDC default on a loan because, as a public sector body set up by statute, we would have a strong moral obligation to stand behind them, just as we do in the case of the nationalised industries. The Government's credit would thus still be engaged, but without a specific guarantee the cost of borrowing to the CDC would almost certainly be increased. It can moreover do harm to our credit rating if public bodies are seen to borrow on less than the finest terms. The PAC have drawn attention to the additional costs that can arise in this way, and the general rule now is that Government guarantees should be used to achieve the finest rates. So no joy down that route, I'm afraid.

That means, of course, that there is no way in which extra lending by the CDC, even if financed by commercial borrowing, could be excluded from the public expenditure figures. We simply can't change long standing definitions of public expenditure to suit our book in individual cases.

Now I am, as you know, very concerned that we should hold down the public expenditure totals. But I am impressed by your "housemaid's baby" defence of some CDC commercial borrowing, and I realise that you have accepted that any such borrowing should be kept within strictly controlled limits. Under the circumstances, I am prepared to agree that we should now allow the CDC to borrow commercially abroad for the next 3 financial years, up to a limit



of £10m a year; Leon Brittan accordingly put that figure into his Cabinet paper on public expenditure.

It is of course lower than the CDC would wish, and would not permit them to continue with approvals of new projects at the peak rate of 1980. But it would allow a level of project approvals close to that of the mid-1970s, at no extra cost to the aid programme. (This is a distinct improvement on the approach discussed between officials in the summer which would have involved an extra contribution of £5m a year from the aid programme to help finance this level of activity.) And I think, quite frankly, that it would not be reasonable for the CDC to expect to be exempt from the constraints on the whole of the public sector which was inevitable in present circumstances.

I hope that you agree that this is a sensible compromise solution. It is not on all fours with our policy of reducing overseas debt; others may seek to use my concession as a precedent in advancing the claims of organisations less deserving than the CDC; and it increases the upward pressure on public expenditure, though only marginally: but I can live with all that, provided that the baby really is a very small one!

I am copying this letter to the Prime Minister and to John Biffen.

GEOFFREY HOWE

A handwritten signature in dark ink, appearing to read 'G. Howe', with a horizontal line underneath.



Foreign and Commonwealth Office

London SW1A 2AH

15 October 1981

*Dear Mike,*Commonwealth Development Corporation

/ I attach a draft reply for the Prime Minister to send to Mr Bowen Wells's letter of 2 October. It has been agreed with the Treasury.

/ The background to this was explained in Lord Carrington's minute PM/81/44 of 18 September, a copy of which is enclosed for ease of reference. Our discussions with the Treasury on the question of commercial borrowing by CDC have not yet reached a conclusion which we can pass on to Mr Wells.

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

*yours ever**Roderic Lyne*

(R. M. J. Lyne)
Private Secretary

M Pattison Esq
10 Downing Street
LONDON SW 1

DRAFT: ~~minute~~/letter/teletype/despatch/note
XXXXXXXXXXXXXXXXXXXX

TYPE: Draft/Final 1+

FROM:
PRIME MINISTER

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Bowen Wells Esq MP
House of Commons
LONDON SW1A 0AA

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 2 October about the Commonwealth Development Corporation.

CAVEAT.....

I am aware of the problem of financing CDC given the restraints imposed by the need to reduce public expenditure and the limits this is bound to place both on the aid programme and the PSBR.

I recognise the urgency of reaching a solution. However, as you will appreciate, it is not an easy problem and, much as I should like to do so, I cannot guarantee a decision before Cancun. I will bear your suggestion in mind but I fear that even if it were possible to restore this year's cut in the aid programme there are many claims on it which we have to consider alongside that of the CDC.

Enclosures—flag(s).....

Sir P. Preston

293

E 629
p.5. CDC Review
H6.
C. Re. v. J
21/9

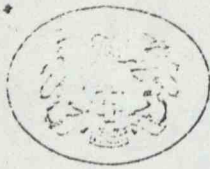
cc PS
PS/Mr Markan
Lord Bridges
Mr Anslow
Mr Raleigh ODA

PM/81/44

PRIME MINISTERCommonwealth Development Corporation

1. I am writing to express my concern over the position of the CDC. I believe very strongly that we should let the CDC borrow commercially (within strictly controlled limits) to help them finance their investment programme. Geoffrey Howe disagrees. You have seen copies of the exchanges we have had on this point over the last few months.
2. I am myself sceptical about the force of the arguments against allowing CDC to borrow commercially. I am quite convinced that CDC advocates in Parliament, including a number of our own party, as well as our supporters generally would find our case for rejecting CDC borrowing quite unconvincing.
3. I recognise that there is a wider problem about commercial borrowing by public sector bodies: but the Chancellor has acknowledged that for the kind of commercial borrowing envisaged for CDC (non-sterling borrowed abroad to lend abroad) it is very doubtful if there would be any short-term effect on the sterling money supply. Also the amounts involved are relatively so small (£15m-£20m or so per year) as to be swamped by the estimating errors in the figures of public spending and borrowing. If we do reject commercial borrowing I am afraid we will be very vulnerable to the charge that we have blocked a sensible, though modest, policy proposal.

/4. The CDC



4. The CDC is doing an excellent job and we all agree they play a most useful role in the aid programme. The borrowing envisaged would allow them to play a helpful, though relatively tiny role in recycling financing to some of the poorer countries. I think we should all be very keen on enabling CDC to maintain its investment programme at the level they have recently achieved and which they are geared to sustain. ODA and Treasury officials have been looking at possible ways of providing more aid finance for CDC but it is clear to me that other pressures on the declining aid programme severely limit the funds I can make available so that without commercial borrowing CDC's investment programme will need to fall by about a third in real terms from the present level. I am sure that the Chairman, Lord Kindersley, whom we appointed last year, will feel bound to make a public fuss if this happens and that this will attract a good deal of backing in Parliament of the kind that has caused us so much trouble over the BBC external services.

5. It is now eight months since the CDC Review reported and we are under growing and justified pressure for a decision. I would like a decision now in favour of commercial borrowing so that it could be announced early in the next Parliament and before the Foreign Affairs Subcommittee begins the examination of CDC which it has decided to undertake.

6. I am copying this minute to Geoffrey Howe and John Biffen.

C
/

(CARRINGTON)

Foreign and Commonwealth Office
18 September 1981

CONFIDENTIAL

MR B. WELLS, MR ^{Trip}

5 October 1981

I enclose a copy of a letter to the Prime Minister from Mr. Bowen Wells, M.P., about the Commonwealth Development Corporation.

I should be grateful if you could let me have a suitable draft reply by Friday, 16 October.

M. A. PATTISON

F.N. Richards, Esq.,
Foreign and Commonwealth Office.

B

Sub

5 October 1981

In the absence of the Prime Minister in Melbourne, I am writing on her behalf to thank you for your letter of 2 October about the Commonwealth Development Corporation. I shall place this before her on her return.

M. A. PATTISON

Bowen Wells, Esq., M.P.

B

CONFIDENTIAL

CC DOT
HMT

HL



1
10 DOWNING STREET

From the Private Secretary

23 September 1981

Commonwealth Development Corporation

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute to her of 18 September about the question of whether or not the Commonwealth Development Corporation should be allowed to borrow commercially. She has asked whether it would be possible for the CDC to proceed as the Foreign and Commonwealth Secretary proposes without any kind of Government guarantee.

Clearly a Ministerial meeting will be necessary in order to resolve the disagreement between the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer on the question of the CDC's borrowing policy. It will, I fear, not be possible to arrange such a meeting until late next month, or, more probably, early in November. We shall get in touch with you nearer the time.

I am sending copies of this letter to John Kerr (H.M. Treasury) and John Rhodes (Department of Trade).

M. O'D. B. ALEXANDER

Francis Richards, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



CONFIDENTIAL

Can we do it without any
guarantee of any kind by us?
not (2)

PM/81/44

Ronnie Minister

PRIME MINISTER

And

Commonwealth Development Corporation

1. I am writing to express my concern over the position of the CDC. I believe very strongly that we should let the CDC borrow commercially (within strictly controlled limits) to help them finance their investment programme. Geoffrey Howe disagrees. You have seen copies of the exchanges we have had on this point over the last few months.
2. I am myself sceptical about the force of the arguments against allowing CDC to borrow commercially. I am quite convinced that CDC advocates in Parliament, including a number of our own party, as well as our supporters generally would find our case for rejecting CDC borrowing quite unconvincing.
3. I recognise that there is a wider problem about commercial borrowing by public sector bodies: but the Chancellor has acknowledged that for the kind of commercial borrowing envisaged for CDC (non-sterling borrowed abroad to lend abroad) it is very doubtful if there would be any short-term effect on the sterling money supply. Also the amounts involved are relatively so small (£15m-£20m or so per year) as to be swamped by the estimating errors in the figures of public spending and borrowing. If we do reject commercial borrowing I am afraid we will be very vulnerable to the charge that we have blocked a sensible, though modest, policy proposal.

/4. The CDC

CONFIDENTIAL



4. The CDC is doing an excellent job and we all agree they play a most useful role in the aid programme. The borrowing envisaged would allow them to play a helpful, though relatively tiny role in recycling financing to some of the poorer countries. I think we should all be very keen on enabling CDC to maintain its investment programme at the level they have recently achieved and which they are geared to sustain. ODA and Treasury officials have been looking at possible ways of providing more aid finance for CDC but it is clear to me that other pressures on the declining aid programme severely limit the funds I can make available so that without commercial borrowing CDC's investment programme will need to fall by about a third in real terms from the present level. I am sure that the Chairman, Lord Kindersley, whom we appointed last year, will feel bound to make a public fuss if this happens and that this will attract a good deal of backing in Parliament of the kind that has caused us so much trouble over the BBC external services.

5. It is now eight months since the CDC Review reported and we are under growing and justified pressure for a decision. I would like a decision now in favour of commercial borrowing so that it could be announced early in the next Parliament and before the Foreign Affairs Sub-Committee begins the examination of CDC which it has decided to undertake.

6. I am copying this minute to Geoffrey Howe and John Biffen.

(CARRINGTON)

Foreign and Commonwealth Office
18 September 1981



FCS/81/72

NKDN

Rush

CHANCELLOR OF THE EXCHEQUERCommonwealth Development Corporation

1. Thank you for your letter of 21 May.
2. I am afraid that I am still not convinced that the Government could not justify the relatively small (and strictly controlled) borrowing which CDC wishes to undertake. As I said in my previous minute, it is doubtful whether this borrowing would have any effect on the sterling money supply. I think we should have considerable difficulty in sustaining with informed opinion in Parliament and elsewhere an argument on the lines set out in your letter under reference.
3. I am sorry that you feel that it would not be appropriate for you to join me in discussing the matter with Lord Kindersley. I naturally hope that the further discussions that we are now setting in train will lead to a solution which Lord Kindersley and his Board will accept, but if they do not I think I must ask for the support of a Treasury Minister in explaining the position fully to Lord Kindersley.
4. I am sending a copy of this minute to the Prime Minister and to John Biffen.

C
/

(CARRINGTON)

Foreign and Commonwealth Office
12 June 1981

Commonwealth



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

21 May 1981

NR/M.

M
W.

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

Dear Foreign Secretary,

COMMONWEALTH DEVELOPMENT CORPORATION

In the light of your minute of 15 April I have looked again at the proposal that part of the CDC's programme might be financed by foreign currency borrowing.

I think we are in danger of concentrating too much on niceties of definition and losing sight of the real issues. We have decided that the Aid Programme which consists of a mixture of grants and soft loans should be cut back somewhat. I don't see how it can be consistent with that policy now in effect to restore some part of that reduction justifying it on the grounds that it is being financed in a special way. The same argument if we were to accept it could apply to any Government expenditure abroad - the main Aid Programme, BAUR and so on. It is true that while we have North Sea oil it makes good sense for us to build up a stock of income producing assets overseas; but the CDC's "assets" cannot realistically be regarded in that category. So far as the Government is concerned the best way of improving the UK net overseas position is to reduce our official indebtedness, not increase it.

However, I want to be as helpful as I can. I think the primary test of the importance we attach to CDC activity as against other aid expenditure has got to be the priority we are ready to give it within the agreed aid programme. But in an effort to help I made my suggestion about considering lending back certain interest payments to the CDC. I made some other suggestions and I understand the CDC may themselves have some further ideas. I suggest that our officials should now look again at the figures, including the level of advances from the aid programme, and see what might be possible to achieve a reasonable level of commitments by the CDC, taking account of all these suggestions.

/I do not



I do not think it would be appropriate for me to join you in discussing the matter further with Lord Kindersley. Let us however see what conclusions we can form about the level of activity which he could maintain, in the light of the discussions by officials.

I am copying this letter to the Prime Minister and to John Biffen.

*Yours sincerely
Peter Jenkins*

pp GEOFFREY HOWE
(Approved by the Chancellor and signed in his absence).

FCS/81/45*NRPA yet*CHANCELLOR OF THE EXCHEQUER*Ans*Commonwealth Development Corporation

1. Thank you for your letter of 31 March and for a copy of your letter of 3 April to John Biffen.

2. I am glad that you agree that CDC plays a useful role in the aid programme and that the type of investment it undertakes is in line with the Government's approach and makes very good development sense. In these circumstances I am all the more disappointed that you are not prepared to allow it to supplement what I can provide from a diminishing aid programme by a very modest amount of commercial borrowing; especially as it would be borrowing abroad to lend abroad.

3. Of course I readily appreciate the importance of our general policies to contain public expenditure and borrowing. However, I gather from what you say in your letter to John Biffen of 3 April that for the kind of commercial borrowing envisaged for CDC (non-sterling borrowed abroad to lend abroad) it is very doubtful if there would be any effect on the sterling money supply. The economic reasons for rejecting CDC commercial borrowing thus appear to be problems of definition rather than of any real effect on the domestic economy. I wonder whether we should allow ourselves to be bound so strictly by our own definitions as to disregard the underlying realities? Moreover I would expect that the amounts involved in this case are relatively so small (£15-25m or so per year) as presumably to be well within the estimating errors in the total figures of public spending and borrowing.

/4.

- 2 -

4. As far as advance to CDC from the aid programme, I can see little or no possibility of providing for CDC more than the figures mentioned in the sixth paragraph of your letter. It is clear that we shall not be able to meet from the bilateral part of the aid programme all the claims on it which are at present foreseen.

5. I confess that at first sight I find it difficult to see that the offer in the seventh paragraph of your letter is of significant value in meeting CDC's long term financial commitments. I have not of course felt able to discuss it with Lord Kindersley, and I have no firm idea what help - or problems - it would give him, but I as I understand it, it would be purely transitional and intended to operate only if CDC had cash flow difficulties in a particular year in the course of adjusting to a lower level of financing. In those terms it could no doubt be of some help, but it would not serve to maintain CDC's high quality contribution to development overseas which I think we all wish to see.


6. As you see, I find myself somewhat sceptical about the force of the argument in your letters. I am also concerned about CDC's advocates in Parliament, including a number in our own party, may find our case unconvincing. I certainly agree, as you note in your letter, that we could expect public protest. In this situation, before proceeding to further consideration of the issues I think it would be sensible if you and I together were to talk with Lord Kindersley, who I know has already written to you direct. I am sure it is important that he should feel he has been given the fullest opportunity to present CDC's case to Government and I should also like to feel

/sure

- 3 -

sure that your own views were not inadvertently given the wrong weight or emphasis by being passed on to him indirectly. If you agree I will ask my office to try to find a time which suits Kindersley and ourselves.

7. I am copying this minute to the Prime Minister (with a copy of my earlier minute to you) and to John Biffen.



(CARRINGTON)

Foreign and Commonwealth Office

15 April 1981

C/O ICA 212/207/01

W. R. B. B. B.
F. F. B. B. B.

25/12

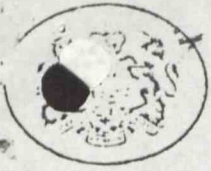
12/30 1. 11. 11. 11.
PS 241.
PS/LPS
PS/Mr Martin
Mr Pearson
Mr Porter
Mr Fogarty
Mr Amis
Mr Redwell
Mr Sandersby
CCDFCS/81/24CHANCELLOR OF THE EXCHEQUERCommonwealth Development Corporation

1. I enclose a copy of the recently completed inter-departmental Review of the CDC. I have no doubt that your officials will already have shown it to you but I delayed writing to you about it myself until I had been able to consult Lord Kindersley, the Chairman of CDC and to obtain the views of the Board. When I appointed him to be Chairman of the Corporation last July, I promised that I would discuss the conclusions of the Review with him before putting my own proposals to my colleagues. This I have now been able to do.

2. I shall not summarise the report since there is a useful summary at the front of it and the main issues for Ministers to consider are examined briefly in Chapters 5 and 6. I hope that it can be agreed at once that CDC plays a valuable role in our overseas development programme and that it could play a greater part in assisting UK's political and commercial interests. The guidelines for its future operations set out in Chapter 6 seem to me acceptable and I propose therefore to concentrate on the future financing of CDC.

/3.

CONFIDENTIAL

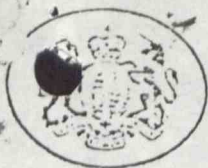


3. My view is that CDC plays a valuable and special developmental role, especially through the provision of management for projects in which it invests, and that its record of achievement is good. It invests in productive enterprises and works with and through both the public and private sectors in developing countries. Its approach is therefore wholly in tune with this government's approach to development and it is right that CDC should remain an important arm of the aid programme and continue to draw funds from it. The scope for it further assisting our commercial interests if it has sufficient resources has also been identified. For all these very positive reasons we should give CDC high priority and I believe we should do all we can to enable it to come as close as possible to maintaining the £90 million (in 1980 prices) per year programme of new approvals which CDC seeks and which it has equipped itself in recent years to undertake effectively and economically. We should take advantage of this capacity.

4. We cannot however finance this wholly from the aid programme. To do so would require aid advances in 1981-82 and the two subsequent years of something in the region of £60m, £66m and £72m (all in estimated cash prices) respectively. Against this we have agreed in the current aid framework cash provisions of £30m, £34m and £37.3m for those years. Commercial borrowing is therefore essential; even if it were possible to increase somewhat the aid provision, which I would like to try to do, commercial borrowing would remain necessary. I can do nothing at this stage to add to the aid provision for 1981-82. Aid programme allocations have been made and as you know I am

/not

CONFIDENTIAL

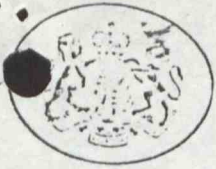


not prepared at present to reduce the contingency allocation. Fortunately CDC look like beginning the 1981-82 financial year with reserves which should just about enable them to get through the year on a not unreasonable basis. For the later years the CDC Board need some reasonable assurances about the likely level of funding as a basis for forward planning. During the course of this year we will be revising the aid framework for 1982-83 and beyond; there will be conflicting claims for the limited resources available. But I have a high opinion of CDC and I would be prepared to do my utmost to find additional cash of £10m or so in those years from the aid programme provided commercial borrowing is also possible. I would like therefore to urge very strongly that we should accept in principle that CDC should be permitted to borrow.

5. Establishing the precise appropriate amounts of commercial borrowing requires further detailed work by CDC, ODA and Treasury officials. However, as order of magnitude guidance, it seems probable that CDC could delay any borrowing until mid 1982 when up to about £25m (cash) would be required with subsequent borrowing at an annual average level of about £15-20m (cash). This schedule of commercial borrowing and aid advances would enable them over the next year or so to move back towards an approvals rate of about £90m per year (in 1980 prices). These are very modest amounts of commercial borrowing and we should remember in this context that each year CDC pays to HMG some £20m (roughly £8m in capital repayments which go to the aid programme and £12m in interest which goes to the Exchequer) in service on previous loans.

6. I also believe strongly that we should allow CDC to borrow direct with a government guarantee, as the simplest

/and



for aid advances if you are able to agree in principle that CDC should be allowed to borrow from the private capital market; the likely amounts are very small indeed in the PSBR context and probably need not commence until mid 1982. If you agree then, taken together with the resources CDC generates internally from its operations, we will have provided the funding to take advantage of the capacity which CDC offers; I believe strongly that we should do so.

10. I am copying this minute to John Biffen.

C
/

(CARRINGTON)

Foreign and Commonwealth Office

25 February 1981



CC LWO
LPO
LPS
HMT
PU, FCO
PRESS

HS

10 DOWNING STREET

From the Private Secretary

6 April 1981

C/Heath

Commonwealth Development Corporation
Annual Report 1980

Thank you for your letter of 6 April.
We have no objection to the proposals you
make in it.

I am sending copies of this letter to
Murdo Maclean (Chief Whip's Office), Jim
Buckley (Lord President's Office), Adam Wood
(Lord Privy Seal's Office), Mr. Dyer (H.M.
Treasury) and Mr. Worsnop (FCO Parliamentary
Unit).

N. J. SANDERS

Miss N. Andrew,
Overseas Development Administration

ds



OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

From the Minister

6 April 1981

Dear Nick

COMMONWEALTH DEVELOPMENT CORPORATION ANNUAL REPORT 1980

In accordance with the practice introduced in 1972, the Commonwealth Development Corporation's Annual Report and Accounts for 1980 is to be published as a non-Parliamentary paper. There is a statutory requirement that the Report should be laid before Parliament.

The Corporation would like to publish the 1980 report at 11.30 am on Thursday 28 May and Lord Kindersley, the Chairman, plans to hold a Press Conference at that time. We therefore propose that the Report should be laid before Parliament on 28 May and that the House should be informed of its publication by a Question for Written Answer after the Whitsun recess.

I should be grateful if you would let me know whether you have any objections to these proposals.

I am sending a copy of this letter to Mr Murdo MacLean (Chief Whip's office), Mr Jim Buckley (Lord President's office), Mr Adam Wood (Lord Privy Seal's office), Mr Dyer (Treasury) and Mr Worsnop (FCO Parliamentary Unit).

Yours sincerely
Nan Andrew

(Miss N Andrew)
Parliamentary Clerk

N Sanders Esq
Prime Minister's Office



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

3 April 1981

The Rt. Hon. John Biffen, MP
Secretary of State for Trade

Dear Secretary of State,

COMMONWEALTH DEVELOPMENT CORPORATION

I think it might be helpful if I explained in rather more detail the public expenditure background to my letter of 31 March to Peter Carrington about the CDC, of which you will have seen a copy.

The proposition which the CDC, through Lord Kindersley, have been urging on Peter Carrington is that their expenditure overseas (which takes the form of soft loans) should be sustained by CDC borrowing overseas, necessarily undertaken with a UK Government guarantee. This would shelter their activities from the effects of the cuts in the aid programme. They argue that because they would be borrowing in foreign currency and lending in foreign currency, the part of their programme supported in this way would have no impact on the sterling money supply or on the sterling exchange rate. They suggest that because of this, expenditure so financed should be defined out of public expenditure and borrowing for such expenditure should be defined out of public sector borrowing. If however this redefining is not possible, the borrowing and the expenditure should nevertheless be accepted because it does not add to the sterling money supply.

The first answer to this is that public expenditure and public borrowing are what they say they are: namely, expenditure and borrowing by UK public bodies, of which the CDC is (by statute) one. Different components of public expenditure have very different effects on the money supply. At one end of the spectrum social benefit and other transfer payments, and public service pay, have a high degree of impact on £M3. At the other extreme acquisition of financial and other assets can have a much smaller impact.

/Similarly,



Similarly, different forms of public borrowing at home have different effects on £M3, directly and indirectly, initially and subsequently; while public borrowing abroad in foreign currencies has no direct impact initially, but may have effects on £M3 later. We cannot redefine public expenditure or public borrowing by reference to these different effects. The definitions have to rest on whether what is done is done by public bodies or private ones, and that has also to be the basis of any effective control. Other countries of course also define what is public expenditure or borrowing by reference to the body undertaking the expenditure or borrowing.

The second answer is that our policy as a Government has been to reduce our official overseas debt, not to add to it in order to facilitate a larger total of public expenditure. It is certainly not our view that overseas borrowing on UK Government credit does not matter because it does not add to the money supply. On the contrary, we see the reduction of these official debts, incurred for the most part during the last Government, as one way of securing an improvement in our external balance sheet during the period when North Sea oil is flowing strongly. It is true that if the CDC mixed overseas borrowing with aid funds and then re-lent them for developmental projects, they would acquire an overseas asset. But it is going rather far to regard investments at below market rates in developmental projects in LDCs as building up our external balance sheet in the sense I have described, especially when their financing involves a contingent liability on the Government.

A number of public bodies with much larger operations than the CDC could find it attractive to be released from public expenditure constraints, provided they arranged to borrow the necessary finance overseas with a UK Government guarantee. This would apply to some of the nationalised industries. There is indeed £60 million a year of soft lending in the aid programme itself, apart from the CDC. The proposal for CDC overseas borrowing was not large in itself, though it would have cumulated from year to year and been a tempting area for expansion if outside public expenditure controls. But others could argue as good, or a better, case.

I have explained this at some length because the CDC have been lobbying in Parliament and there is the possibility of public protest. I believe however that the proposals I have made in my letter to Peter Carrington are very fair in the circumstances; indeed, they envisage a public

/expenditure



expenditure concession I would have preferred not to make. What they do not concede is the soft option of overseas borrowing with its open-ended implications.

I am copying this letter to the Prime Minister and to the Foreign and Commonwealth Secretary.

yours sincerely

John Wiggins

for GEOFFREY HOWE

(Approved by the Chancellor & signed in his absence)

cc CSI
FST
Sir D Wass
Sir A Rawlinson
Mr [redacted]
Mr Lavelle
Miss Brown
Mr Mountfield o.r
Mr Peretz
Mr St Clair o.r
Miss Dick
Mr Barratt
Mr Gilhooly

CONFIDENTIAL



*cc Ingham
Walters*

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

31 March 1981

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

Dr Pelt

COMMONWEALTH DEVELOPMENT CORPORATION

Thank you for your minute of 25 February.

I agree that the CDC plays a useful part as the "soft lending" element in our aid programme and that there are advantages in managing this revolving fund part of the programme through a statutory agency like the Corporation rather than directly through a Government Department. I agree too that if, within the total aid programme we are able to afford, we give higher priority to this type of aid, that is in line with this Government's approach, makes very good development sense and it is a sensible way of making our scarce resources go further. Your proposal to do your utmost to find an extra £10 million for the CDC in 1982/83 and 1983/84 from the aid programme to add to the amounts so far agreed in the aid framework is in line with that.

I am afraid however that the other part of your proposal is not about switching priorities within the aid programme but would add something like £20 million a year to it from 1982/83 onwards and finance that by extra public borrowing. There is no avoiding the fact that this would be extra public expenditure and that the borrowing to finance it would be extra public borrowing. The CDC is a public corporation and there really is no significant difference between the CDC borrowing on Government credit and the Government borrowing on its own account.

/I understand your



I understand your wish to enable the CDC to maintain a substantial programme of new approvals, and their wish to keep their staff and organisation fully employed. But I cannot give an assurance that the level of public expenditure of the CDC will be maintained year in year out at a certain level by borrowing abroad on what is, inevitably, UK Government credit. None of us can know now whether circumstances would permit this. So I do not see how we can authorise the CDC to enter into commitments on this assumption. In any case, as a general proposition, I could not agree to overseas borrowing as a means of increasing public expenditure, whether that expenditure is at home, or (like much public expenditure) abroad. So having considered carefully this question of overseas borrowing, I must tell you that it does not offer an acceptable way out of your difficulty.

I do not need to enlarge on the difficulty of adding to public expenditure in 1982/83 and later years. If we are to have any chance of reducing taxation we need to reduce it, not to increase it. So I really cannot enter into an immediate commitment to increase the aid programme.

The approach which I propose is the following. First, the CDC will have to face the need to reduce its rate of approvals significantly below £90 million a year. As the Review document shows, this is after all a high rate compared with most of the mid-1970's, or with the whole period of the last Government. Secondly, I suggest the CDC must consider whether it can increase the flow of its internally generated funds in the next year or two, for example by some disposals of existing assets. I understand that in 1982/83 in particular the flow of internally generated funds to help meet cash requirements will be especially low compared with recent and subsequent years. Thirdly, given the priority you attach to the CDC, I think we have to look to the aid programme to provide rather more than the £44 million for 1982/83 and £47.3 million for 1983/84 proposed in your letter if that is necessary to sustain the programme of approvals which is finally agreed. I appreciate that it may be difficult to say far in advance whether the aid programme can do this but to that extent there is bound to be some uncertainty about the level of approvals which can be given.

/I realise,



I realise, of course, the difficulties implicit in all this from your point of view and have considered whether this is any other way in which I can help. One possibility has occurred to me, which could enable me to help along the following lines. As you say, the CDC pays the Exchequer £12 million in interest each year. If after all other possibilities were exhausted the CDC were unable in either of the years 1982/83 or 1983/84 to finance the payments flowing from the agreed level of approvals I would be prepared as an exceptional arrangement to relend part of the £12 million to the CDC at the Exchequer interest rates current at the time. The effect would be the reverse of some accelerated repayments which I see were made in 1978. This would however add to public expenditure and to public borrowing and I must therefore ask that every effort be made to avoid it. I would in any event regard it as a strictly transitional arrangement to enable the CDC to adjust to a level of expenditure which their own income and your aid programme subventions can support. I am afraid I really cannot do more.

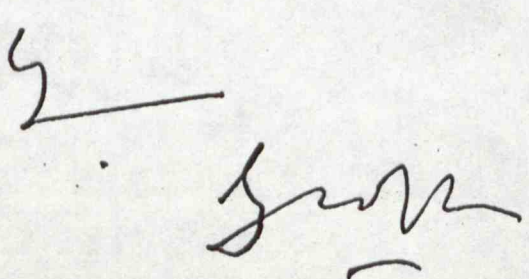
I should add that I would for my part be very happy to see a private sector body undertaking part of what the CDC now does and perhaps working in collaboration with it. But the precedent of the Commonwealth Development Finance Corporation is not encouraging and the CDC itself, borrowing as you say at a fraction of market interest rates, and preferring to lend without any specific tying to British exports, is much more nearly an aid organisation than a commercial body.

I am grateful to John Biffen for his minute of 19 March. I think he will appreciate the difficulty of adding to public expenditure by borrowing overseas. I think he will agree also that my suggestion in paragraph 7 is in fact a substitute, with a different time profile, for the proposal about CDC borrowing at minimal interest rates which you did not favour.

If you agree, I propose that Treasury and ODA officials meet to agree on the level of approvals which the CDC might be authorised to make in 1981/82 and the next 2 years, and on any other necessary details, in the light of what I have said above.

I am copying this letter to John Biffen.

GEOFFREY HOWE



Commonwealth

John later: Yours?



Foreign and Commonwealth Office

London SW1A 2AH

26 February 1981

Dear Mike, MR

Appointment of Financial Advisers to the Commonwealth Development Fund

With the agreement of the Prime Minister and the Foreign and Commonwealth Secretary, Mr Marten wrote on 16 January to the Chairman of the CDC, Lord Kindersley, pointing out that the proposal to appoint Lazards as financial advisers to the CDC could give rise to criticism in view of Lord Kindersley's long association with the firm (he remains an Executive Director of Lazards).

We now understand that the Board of the CDC, on the recommendation of the Chairman, has decided not to proceed with the appointment of Lazards as financial advisers.

I am copying this letter to John Wiggins (Office of the Chancellor of the Exchequer) and Edward Chaplin (Lord President's Office).

yours ever
Roderic Lyne

(R M J Lyne)
Private Secretary

Mike Pattison Esq
10 Downing Street
LONDON
SW1

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CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

15 January 1981

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 6 January about the appointment of Financial Advisers to the Commonwealth Development Corporation.

She has agreed that Mr. Marten should write as in the draft attached to the Foreign and Commonwealth Secretary's submission.

I am sending copies of this letter to Peter Jenkins (HM Treasury) and Jim Buckley (Lord President's Office).

M. A. PATTISON

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

M. A. P.



PM/81/1

PRIME MINISTER

Yes mb.

Commonwealth
 Prime Minister
 There is a serious issue
 of apparent conflict of
 interest in Lazard's proposed
 appointment as financial
 advisers to CDC.
 Agree that Mr Marten
 should write as proposed?

Appointment of Financial Advisers to Commonwealth Development
Corporation

MAD
 6/1

1. In July 1980 I appointed, with your approval, Lord Kindersley to be the part-time Chairman of the Commonwealth Development Corporation. He was at the time and remains an Executive Director of Lazard's.
2. In October Lord Kindersley wrote to Neil Marten to say that CDC proposed to appoint Lazard's as their financial advisers. Although under the Act the appointment of advisers is within the competence of the Board of CDC and Ministers have no statutory power to intervene, it seemed to Neil that there were grave doubts about the wisdom and propriety of a public sector body appointing as its financial advisers a bank of which its newly appointed part-time Chairman was an Executive Director and that this could give rise to political embarrassment. This appeared the more important since it is quite possible that, when we have considered the report on CDC's future now nearing completion, we would wish to allow CDC to borrow funds from the private capital market on a not insignificant scale. CDC would need financial advice on this, and the merchant bank appointed would normally be likely to act as the lead bank in arranging loans. Lazard's could therefore stand to benefit quite substantially from being appointed in this way - although Lord Kindersley would be ready, as shown below, to modify the arrangement to some extent.

/3.



3. Apart from the general issue, it also seemed to Neil that if the question of financial advisers had come up before Lord Kindersley's appointment as Chairman and the Board had decided to appoint Lazards, Ministers would probably not have offered the Chairmanship to an Executive Director of that firm.

4. After ODA officials had consulted with the Head of the Civil Service, the Governor of the Bank of England and the Treasury, Neil Marten put these points to Lord Kindersley who shows considerable reluctance to accept them, and has pointed out, inter alia, that he is having to give more of his time to the CDC than either he or Lazards had expected. He recognises, however, that the subject is a sensitive one and has suggested as compromise that Lazards should be retained on an annual basis on the understanding that they would help to prepare the ground for commercial borrowing by CDC and advise upon the alternatives, but would not take any public part in money raising operations. I should mention that in the case of the CDC there is no statutory prohibition on the Chairman participating in decisions of personal interest to himself.

5. I am sure that the compromise suggested by Lord Kindersley is intended to be helpful and I recognise the difficulties in persuading the private sector to release good people for public service (especially part-time) if that seems likely to deprive their firms of business opportunities or indeed to fail to offer business advantages. On balance, however, my views and Neil's remain that, even if Lazards did not undertake the more lucrative business of publicly arranging loans, the essential criticism and the potential political embarrassment of appointing them as paid financial advisers to the CDC would remain. This consideration is particularly delicate in relation to the CDC since the

/Prince



Prince of Wales is a member of the Board.

6. I propose therefore, if you agree, that Neil Marten should write to Lord Kindersley along the lines of the attached draft.

7. I am sending copies of this minute to Geoffrey Howe and Christopher Soames.

C
/

(CARRINGTON)

Foreign and Commonwealth Office

6 January 1981

DSR 11 (Revised)

DRAFT: ~~XXXX~~ letter/tele ~~XXXX~~ ~~XXXX~~ ~~XXXX~~

TYPE: Draft/Final 1+

FROM:

Reference

Neil Marten

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Lord Kindersley
 Chairman
 Commonwealth Development Corporation

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

You wrote to me on 9 October to inform me that the Board of the Commonwealth Development Corporation intended to appoint Lazards as financial advisers. Since then there have been a number of exchanges between us and I thought it best to let you have my considered views on this proposal.

I can understand that in present circumstances the Corporation feels the prospective need for some source of regular financial advice and that the Board thought it appropriate to obtain this through your long-standing connections with Lazards. It is evident, however, that the appointment of Lazards could give rise to criticism within Parliament and elsewhere in view of the fact that you remain an Executive Director of Lazards. It seems to me that such criticism could be damaging to the Corporation and possibly to Lazards also and embarrassing for you personally coming so soon after your appointment as Chairman. I appreciate that its force would be lessened if, as you have now suggested, Lazards' appointment as financial advisers was primarily directed to preparing the ground for commercial borrowing and advising on alternatives, without taking a public part in money raising operations. I think, however, and the Secretary of State agrees, that the essential point of the criticism and its potential political embarrassment would remain.

Enclosures—flag(s).....

/I

CONFIDENTIAL

I would be grateful if you would put these points
to your Board.

CONFIDENTIAL

Five

RH
Commonwealth

8 May 1980

Commonwealth Development Corporation :
Annual Report, 1979

Thank you for your letter of 7 May. We have no objection to the timetable you propose. It would, of course, be open to you to announce the date of publication of the CDC Report by a written answer before the House rises, but I cannot say that I think this is essential in this case.

I am copying this letter to Murdo Maclean (Chief Whip's Office), Jim Buckley (Lord President's Office), Michael Richardson (Lord Privy Seal's Office) and Brian Dyer (HM Treasury).

N J SANDERS

Miss N Andrews
Ministry of Overseas Development Tut Tut!

SC.



OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

From the Minister

7 May 1980

Dear Mr Saunders,

COMMONWEALTH DEVELOPMENT CORPORATION : ANNUAL REPORT 1979

In accordance with the practice introduced in 1972, the Commonwealth Development Corporation's Annual Report and Accounts for 1979 is to be published as a non-Parliamentary paper. There is a statutory requirement that the Report should be laid before Parliament.

The Corporation would like to publish the 1979 report at 11.30 am on Wednesday 28 May and Lord Grey of Naunton, the Chairman, plans to hold a Press Conference at that time. We therefore propose that the Report should be laid before Parliament on 28 May and that the House of Commons should be informed of its publication by a Question for Written Answer after the recess.

I should be grateful if you would let me know as soon as possible whether you have any objections to these proposals.

I am sending a copy of this letter to Mr Murdo MacLean (Chief Whip's Office), Mr Tom Buckley (Lord President's Office), Mr Miles Wickstead (FCO) and Mr Dyer (Treasury).

*Yours sincerely
Nan Andrew*

(Miss N Andrew)
Private Secretary

N Saunders Esq
Prime Minister's Office
10 Downing Street