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CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

AID POLICY REVIEW: PARLIAMENTARY STATEMENT

Memorandum by the Secretary of State for
Foreign and Commonwealth Affairs

1. As foreshadowed in my Memorandum OD(80) 8 "Aid Policy Review" I circulate herewith the draft of a Parliamentary announcement which I consider should be made as a Statement after Questions at the earliest convenient opportunity.
2. In principle, there are three possible options:-
 - (a) An oral statement.
 - (b) An oral answer on "Top for Questions" day.
 - (c) A written reply.
3. Three material considerations are:-
 - (a) On Wednesday 13 February Commons Questions to the FCO on aid matters fall to be taken orally;
 - (b) Mr Brocklebank-Fowler (a member of the relevant Select Committee) has put down a Question for oral answer on that day asking for a statement on aid policy;
 - (c) Following the issue of advance copies to the Press on Friday 8th, the Brandt Report will be "launched"

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at a Press Conference given in London by Mr Heath at Noon on Tuesday 12 February (and by Herr Brandt in the USA on the same day).

4. On 13th February our Statement will be very much in the shadow of Brandt. We shall eventually have to give our reactions to the latter but it goes far wider than aid.
5. I believe that we should have a better chance of a favourable reception for our Statement if it was deferred until the following week.
6. I conclude in favour of an Oral Statement in the week beginning 18th February.

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Foreign and Commonwealth Office

8 February 1980

DRAFT PARLIAMENTARY STATEMENT

1. With permission Mr Speaker I should like to make a statement on overseas aid.
2. Soon after assuming office the Government instituted a review of the overseas aid programme. This review is now complete.
3. The Government will continue to provide aid to the developing countries on a substantial scale. The central purpose of the aid programme has been and will continue to be to promote the social and economic development of the developing countries. There are broadly three reasons for doing this. First to relieve poverty in a world where some 600 million people live at or below the level of minimum subsistence. Secondly to create the conditions for greater peace and stability in the developing world. And thirdly to contribute to the growth of world trade on which we so critically depend.
4. The Government believes that within the limits of our resources it is right for Britain to play her full part with other Western countries in the collective international effort of giving aid to the developing world.
5. Private investment can and should play a greater part in this process but official aid will continue to be essential especially for the poorest countries. We intend to continue to devote a substantial part of our bilateral aid to helping the poorest countries.
6. In addition to these broad aims there are specific British interests which can legitimately be pursued within our aid programme. There are political interests. We need to strengthen our ties with the Commonwealth to which some three-quarters of our bilateral aid

now goes, and to fulfil our obligations to our remaining dependencies. We must also be able, when necessary, to offer help and encouragement to other friendly countries especially when they run into serious difficulties, or feel threatened from without.

7. Then there are commercial and industrial interests. The greater part of our bilateral aid is tied to procurement in the United Kingdom and so provides valuable orders for British firms. I might add that our contributions to multilateral institutions also enable British firms to compete for very substantial business financed by them all over the world.

8. We believe that it is right at the present time to give greater weight to these important political and commercial considerations alongside the basic developmental objectives.

9. In particular we shall for the time being retain at a level consistent with constraints on the aid programme as a whole provision for projects of commercial and industrial significance, but which are also developmentally sound, in countries where there is no bilateral capital aid programme or where the allocation of this programme is fully committed.

10. In addition the unallocated margin in the aid programme will be enlarged, to enable us to respond more effectively to new political requirements and attractive commercial opportunities.

11. Our contractual commitments, particularly to international agencies and bodies, will account for a large proportion of the aid programme over the years immediately ahead. Multilateral aid will grow as a proportion of the total, so that the burden of adjustment will fall particularly on bilateral programmes. We shall therefore do what we realistically can do to reduce the United Kingdom share in multilateral aid programmes and to restrain

the growth of some of them. But we cannot hope to bring about an early change in the pattern.

12. The exchange of information between the Foreign and Commonwealth Office and the Departments of Trade and Industry will be expanded to make certain that industrial and commercial priorities are taken fully into account.

13. The administration of the aid programme is being examined in a thorough-going Management Review of the Overseas Development Administration to ensure that the programme is managed effectively and economically.

14. It has not been possible to exempt the aid programme from the reductions in public expenditure. We believe however that the changes I have referred to will enable the aid programme to be used more effectively in support of a broad range of purposes - developmental, political, commercial and industrial in our external policy.