



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

13 June, 1979

MBM
1. *Mr Carrington*
2. *Mr* *14/6*

Mr Pele

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14/6

PUBLIC EXPENDITURE CUTS: THE AID PROGRAMME

I have been looking with interest at the table of aid commitments which Neil Marten's Private Secretary sent to No.10 with his letter of 30th May.

We shall of course be considering future plans for the Aid Programme, as for other programmes, in the course of this year's public expenditure survey; and I look forward to receiving your ideas, which John Nott will also no doubt wish to consider, as to the distribution of the £50 million cut we have just agreed, and the allocation of the reduced aid programme between the recipients summarised in the attachment to the ODA letter. But several thoughts struck me in looking at the table of commitments which I think it would be useful to mention now.

The first concerns the high level of forward commitment which the ODA have undertaken. I understand that the aid programme for 1978-79 is likely to prove to have been overspent by a small margin. This is unfortunate, and I imagine that you and Neil Marten will be taking steps to see to it that there will be no repetition. I very much hope that you will at the same time take action to ensure that the aid programme is far less heavily committed at the beginning of future years than it is at present. We must preserve greater room for manoeuvre.

My second suggestion is about the areas in which to look for specific reductions in implementing the £50 million cut. India has already been mentioned as a likely target for reductions and I assume that you will be looking hard at future plans for aid to that country.

/I hope you will

The Rt. Hon. the Lord Carrington, KCMG, MC.



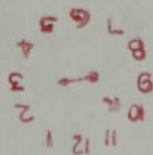
I hope you will also look at what are described as "functional technical co-operation activities". I suspect that, on examination, a number of these activities will prove to be ones which we would not wish to continue supporting in any event. Clearly this will need to be looked at thoroughly before conclusions can be reached, but examples which have come to my notice are the so-called "development education" programme and Government support for the politically dubious Institute of Development Studies.

We need to reconstitute an adequate margin for contingencies during the remainder of 1979-80. We have already within the past month had to provide for special aid for Uganda and Turkey; and there will no doubt be some other such compelling contingencies to be faced in coming months. I believe therefore that other parts of the programme should be cut back far enough to allow this.

If you agree, I am content to leave our officials to pursue these points and to report back to us in due course. I am sending copies of this letter to the Prime Minister, the Secretary of State for Trade and to Neil Marten.

A handwritten signature in black ink, appearing to read "Geoffrey Howe".

(GEOFFREY HOWE)



14 JUN 1979