



Foreign and Commonwealth Office

London SW1A 2AH

(1)

18 February 1980

Dear Michael,

Prime Minister

Yes no

Apex new list? I attach the
A. ✓
18/2

OVERSEAS AID POLICY

At its meeting on 12 February, OD considered the report of the inter-departmental group which was set up last year to review aid policy, together with the report of the Aid and Trade Working Party. The Foreign and Commonwealth Secretary also circulated to OD the draft of a Parliamentary statement, with the recommendation that an announcement on the Government's aid policy should be made as an oral statement in the week beginning 18 February. That draft has been revised in the light of the OD discussion and of comments made by other departments; and the Foreign and Commonwealth Secretary would be grateful for the Prime Minister's agreement that an oral statement, as in the revised draft attached, should be made in the Lords on 20 February and repeated in the Commons on the same day by the Minister for Overseas Development.

There has been considerable Parliamentary interest in the Government's review of aid policy and Mr Marten has indicated on several occasions that a statement would be made once the review was complete. Furthermore, the Select Committee on Foreign Affairs and the Sub-Committee on Overseas Development have enquired about the timing of an announcement on aid policy in connection with its work.

I am sending copies of this letter to the Private Secretaries to all members of OD and to the Secretary of State for Industry; the Government Chief Whips in the Commons and the Lords; the Chief Secretary to the Treasury; the Paymaster General; Lord Ferrers; the Secretary to the Cabinet; and to the Chief Press Secretary at No 10. Comments (if any) should reach me by mid-day on Tuesday, 19 February.

Yours ever
G G H Walden

(G G H Walden)
Private Secretary

M O'D B Alexander Esq
10 Downing Street

~~Michael~~

It does not reflect the
conclusions of the Committee

I fear - but there are no
known reasons for that.

DRAFT PARLIAMENTARY STATEMENT

1. My Lords, with your Lordships' permission, 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. Official aid continues to be essential especially for the poorest countries. Within the limits of our resources we must seek to relieve poverty in the world; to create conditions for greater peace and stability in the developing world; and to contribute to the growth of world trade on which Britain so critically depends.
4. Trade is of the greatest importance for the developing countries. If the free world were to slide towards protectionism we would all suffer, but the consequences for the developing countries would be particularly serious. We ourselves provide a substantial market for their products [We intend to continue to do so] and will encourage others to do the same. *This is crucial for the under areas.*
5. Private investment can and should play a greater part in development, and our relaxation of exchange controls should encourage the flow of investment overseas by British firms.
6. We believe that it is right at the present time to give greater weight to political and commercial considerations alongside our basic developmental objectives.
7. 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.

8. 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. We are examining means by which they might get a greater share of this business.

9. Since 1978 about 5% of the bilateral aid programme has been made available for sound development projects which are also of commercial and industrial importance for British firms, in countries where there is no bilateral aid programme or where the allocation for this programme is already committed. In order to maintain the value of this provision in real terms its share of the bilateral aid programme will now be increased.

10. The unallocated margin in the aid programme will be increased so that we can respond more effectively to new political requirements and attractive commercial opportunities.

11. Inter-departmental arrangements will ensure that all these considerations are brought together.

12. Our contractual commitments, particularly to international agencies and bodies, will absorb a larger proportion of the aid programme over the next few years. As we need more room for manoeuvre in bilateral aid we shall need to look further at our expenditure on multilateral aid programmes.

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 continues to be managed effectively and economically.

14. Much can be done with our aid programme which is to the mutual advantage of the developing countries and ourselves and we shall therefore concentrate on using it in that way.



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