

CONFIDENTIAL

PRIME MINISTER

LA. [unclear] 2/9

EFFECT ON RHODESIA POLICY OF AID CUTS

?
? You are of course correct in noting on the Foreign and Commonwealth Secretary's minute (attached) that there will be a 2% increase in real terms in our aid programme in this financial year. The difficulty in cutting the current aid programme below a certain point is that so much of it is the subject of inter-governmental agreements or is tied up in programmes (capital, educational, etc.) which are half-way to completion. The process of cutting future aid programmes and commitments where this factor is less of a problem, i.e. those for the next financial year and beyond, is, as you know, well launched.

I am assured that we have arrived at the point for this year's programme where further cuts would involve us in abrogating agreements, sending students in this country home, and the like. (I understand that the hurricane disaster in the Caribbean has put the aid programme under even a greater strain than before.) There are no cuts which can be made elsewhere to create room for the continuation of programmes in Southern Africa at a level which would enable us to avoid having to face countries in the region with an overt reduction in our programmes to them. Hence Lord Carrington's minute: he is asking for contingency cover for the maintenance of planned programmes to a number of countries whose support is important for the achievement of the Government's Rhodesia policy. (The request is only for contingency cover at this stage in case some unforeseen saving becomes possible before the end of the financial year.)

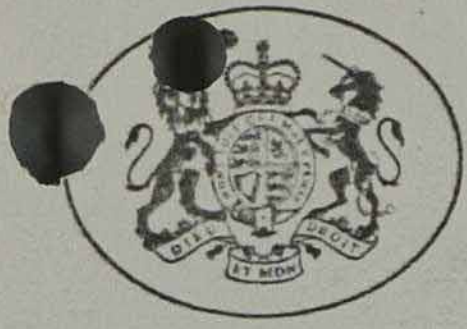
I imagine that the Chancellor may well see difficulties in agreeing to the Foreign and Commonwealth Secretary's request and that Lord Carrington may seek your views. If the request for contingency cover seems ~~to~~ excessive, would you be prepared to agree that contingency cover should, at least, be provided for the aid programmes to the three Front Line States involved (Tanzania, Zambia and Botswana)? The sum involved would be £5.9 m.

A wait Chancellor's views. not

[Signature]

6 September 1979

CONFIDENTIAL



FCS/79/147

CHANCELLOR OF THE EXCHEQUER

CONFIDENTIAL

Lord Carrington has clearly made this request² with some reluctance. But it would very damaging to have to ask the front line states to accept aid with such news.

Prime Minister

Cuts? but we agreed we've

has been an increase

2% in need

cut

3/9

Effect on Rhodesia Policy of Cuts in the 1979/1980 Aid Programme

1. On 9 August Ian Gilmour sent you revised outline figures for the Aid Programme in 1979-80; these were agreed by Nigel Lawson's letter of 14 August. These figures were further reduced from the levels which I had sent you earlier (my minute of 17 July). This was because we had found that spending in the first part of the financial year was running at an excessively high level because of the commitments previously accepted. As a result, we had to make cuts in the previously planned figures going deeper than originally indicated to meet the £50m reduction in the programme which we had agreed.

2. Officials have since been examining the detailed implications, and these give me great concern, with particular respect to our policies for a settlement in Southern Africa. As you know, the Prime Minister made the point that leverage in our aid programmes would be a factor in keeping relevant Commonwealth countries in line over Rhodesia (her Private Secretary's letter of 9 August), but the reply from my Private Secretary had to say that the scope of this was extremely limited because of the cuts, and that sharp reductions in programmes for countries of importance in this context would be needed.

2% increase!

3. I have considered this most carefully, but I am forced to the conclusion that the kind of reductions now envisaged could seriously jeopardize our wider political objective in the area. Such cuts entail asking the governments of a number of countries, whose support for our Rhodesia policy as it emerged from the Lusaka Commonwealth Heads of Government meeting is essential, for consultations with them about reductions in their aid programmes which will undoubtedly strike them as very harsh. We will have to do this within the next week or two, if we are to get levels of expenditure reduced before it is too late; since this is the period leading up to the Rhodesian Conference,

/the

CONFIDENTIAL



the timing could hardly be worse.

4. I therefore think we should restore to the programmes for the key countries (i.e. those including the Front Line States and Bangladesh (Security Council), whose support is vital to the success of our strategy) at least that element which will suffice to avoid the need for such consultations. It is relevant that the Lusaka communique spoke of the need for increased aid to such countries. I also think we should avoid sharply reducing the number of Rhodesian African students accepted for training in Britain this autumn; to go back on the commitment of the previous Administration, on the very eve of the Rhodesia Conference, would undoubtedly cause serious and unnecessary difficulties. I attach a schedule of the minimum amounts necessary to achieve the above.

5. I have, of course, looked at the possibility of making yet more severe cuts on other parts of the programme during 1979/80. But, as the table attached to the Lord Privy Seal's minute of 9 August shows, the two-stage cuts between April and August removed £127m from the bilateral programme alone. As a result, we are now down to firm commitments which we cannot break. In addition, the contingencies allocation is now fully earmarked for firmly foreseen needs.

6. My proposal furthermore means that cuts will still be made for the key countries where this is possible without consultations, and in other, less crucial, African countries even when consultations are necessary. For example, even if the amounts in the attached schedule are restored, cuts from planned aid levels will include Sudan £1m, Somalia £0.7m, Seychelles and Mauritius £1.1m, Malawi £1m, Mozambique £1.2m, Ghana £1m, Nigeria £0.3m, Bangladesh £3.9m.

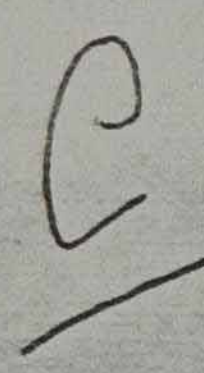
7. I am not asking you at this stage to restore part of the £50m cut in the programme. It is impossible to foretell the actual out-turn with complete accuracy and of course it



may be that not all of the expenditure we now foresee will materialise to the full. But I do conclude that we cannot do what I regard as necessary in the Rhodesia context without the risk of going over the presently agreed figure for the reduced aid programme. I must therefore seek your agreement that, should our present forecasts prove accurate, up to £16.6m would be made available from Central Contingencies later in the year; and that we should take the necessary Supplementary Estimate in the Spring. I do not think we should need to announce now that we had adopted this fallback position.

8. You will appreciate that I am asking you for this because of the enormous political interests we have in a settlement.

9. I am sending a copy of this minute to the Prime Minister and to Sir John Hunt.


(CARRINGTON)

Foreign and Commonwealth Office

31 August 1979

LIST OF COUNTRIES AND AMOUNTS NEEDED TO AVOID
SUBSTANTIAL CUTS REQUIRING CONSULTATION

	£m
. Tanzania	2.1
. Zambia	2.8
. Botswana	1.0
Sudan	1.5
Lesotho and Swaziland	1.0
Malawi	1.1
Kenya	2.2
Bangladesh	2.0
Rhodesia Training Programme	1.4
Overall training provision (divided between various countries)	1.5
	<hr/>
	£16.6m

- 3 SEP 1979

