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See RM  
cc to

SUBJECT: OVERSEAS AID  
Policy A3



10 DOWNING STREET

THE PRIME MINISTER

13 September 1983

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T.131/83

Dear Mr. President,

Thank you for your letter about the funding of the International Development Association.

I agree with you that the IDA's concessional finance makes an important contribution to the economic and social advancement of the developing countries; I also agree that it is important to maintain concessional flows to the world's poorest countries, and especially to those in Africa. The Association's Management does, of course, accord sub-Saharan Africa high priority for IDA resources, including technical assistance.

As you know, our own bilateral aid programme is second to none in directing assistance to the poorest. About two-thirds of our funds go to them, almost all in the form of grants.

I am sure you will agree that aid by itself is not enough and that the severe economic difficulties which face governments can often only be solved through the application of imaginative and new domestic policies. Like you, I acknowledge the IDA's unique and useful role in providing policy advice in this difficult area.

At Williamsburg, we re-affirmed the need to implement commitments to the multilateral aid agencies. The United States Government are now on course to complete their contribution to the Sixth Replenishment of IDA during fiscal year 1984. All other donors, including the UK, are providing additional resources to alleviate the shortfall in IDA's commitment authority in that year.

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Negotiations about the size of the next Replenishment (IDA 7) are now under way. All participating governments have accepted that IDA 7 must command full international support, with contributions based on the principle of fair burden-sharing among donors. But I should not disguise from you our view that the World Bank President's target of \$16 billion is likely to prove unrealistically high in the context of the current budgetary problems of those many donors, including the United Kingdom, which feel obliged to exercise strict control over public expenditure as part of their measures to deal with their own economic problems.

While I cannot predict the eventual outcome of the negotiations, I assure you that Britain stands ready to support the next Replenishment within the limits of what donors can afford; but our percentage share will have to be more in line with our relative economic strength among donors, and therefore much less than the 10.1% which we contributed to IDA 6.

Finally, may I say how much I value the personal contact represented by this correspondence between us. I very much hope that we shall continue to exchange views in this way and that the warm and friendly relations between our two countries will be further strengthened.

*Kind regards,*

*Yours sincerely*

*James D. White*

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His Excellency The Honourable Daniel Arap Moi, CGH, EBS, MP.