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21 July 1980

The Rt Hon Lord Carrington, KCMG, MC
Secretary of State for Foreign and Commonwealth
Affairs
Foreign and Commonwealth Office
King Charles Street
LONDON SW1A 2AH

Dear Peter,

THE INSTITUTE OF DEVELOPMENT STUDIES (IDS)

Thank you for sending me a copy of your minute of 11 July to Geoffrey Howe about the future funding of the Institute of Development Studies.

This is essentially a matter for you and Geoffrey to decide upon. My own Department's interest arises from the listing of the IDS in the Pliatzky Report as one of the 30 executive bodies to be abolished. As you know, a stay of execution was subsequently agreed and the IDS was, therefore, included in the list of bodies involved in the post-Pliatzky mopping-up exercise on which Paul Channon is to report to the Prime Minister in October. It was for this reason that officials suggested that if an earlier decision was required, the Prime Minister might be given a chance to comment on what you propose. The obvious point is that if the IDS is retained, that will reduce by one the number of executive quangos we have abolished; but I don't think that should disturb us if other factors point to keeping the IDS on the new basis.

I am copying this letter to the Prime Minister and the Chancellor of the Exchequer.

Yours ever

Christopher

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CHANCELLOR OF THE EXCHEQUER

The Institute of Development Studies (IDS)

1. In the context of last year's ("Pliatsky") review of non-departmental public bodies, it was originally proposed that financial support from the aid programme to the core budget of IDS should be reduced progressively during the quinquennium starting in August 1981 so that it would not be a charge on the aid programme after July 1986. Following representations made to me by the Governing Body, however, I agreed that a final decision on the future of the grant should be deferred until the Working Party established to review the role of IDS in the fourth quinquennium (Q4) had completed its work. With the Prime Minister's agreement, a footnote was included in Sir Leo Pliatsky's Report to the effect that the IDS had been given an opportunity to put forward alternative proposals for substantially reducing the level of support from the aid programme. You still thought that such support should in any event be discontinued by July 1986.
2. The Working Party was invited to produce a "least cost" solution.
3. Their report was completed in May. Their basic premise is that complete self-financing would be impossible and that a grant from public funds is essential if IDS is to continue a viable existence. Their proposals, therefore, relate to the minimum level of grant which in their judgement would permit such an existence. They propose more income earning activities through teaching and consultancy work, but Government support for 12 Fellows (counted in man years) as against 26 currently financed. Continued support for the IDS Library is proposed at about the present level.

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4. These changes could be achieved by the third year of Q4 (1983/84) when the grant would be £755,000 (at present prices) in that and subsequent academic years, as against nearly £1.2 million in 1980/81 - the last year of the present quinquennium. Allowing for an orderly reduction to this level by 1983/84, the total grant over the quinquennium would be £3.98m (at present prices) compared with nearly £6m had the level of support at the end of Q3 been maintained. The ODA estimate that the amount required in Q4 if the earlier decision to phase out the grant by July 1986 were implemented would be around £3m (in 1980 prices).

5. The Minister for Overseas Development and I have looked into the affairs of IDS very carefully. Neil has visited the Institute and both he and I have received a small group of the Governors on 30 June. I was very frank in my discussions with the Governors about our misgivings over some of the Institute's work. But I found their feet nearer the ground that I had thought. Moreover we must also recognise that a good deal of their work is very pragmatic and helps to ensure that our aid programme is well spent. It is undeniable that the Institute has a high reputation internationally.

6. Confirmation of the earlier decision would in fact mean the abolition of the Institute by a government decision. Politically, this would be the wrong signal at the wrong moment. It would come in the wake of the Brandt Report, whose impact will clearly be much more prolonged than we had supposed; and after the Venice Summit, which agreed that aid should be a principal subject of discussion at next year's meeting. By a decision to abolish the Institute, we could

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give further currency to the view which we are contesting at the moment with some success that we are both unsympathetic towards the developing countries and oblivious of our own long term interests in their welfare. Our aid record has in fact been excellent, and it is still good. But it is a fact that we are making substantial cuts in some areas, and are, therefore, inevitably vulnerable to criticism. Potential damage to our image by abolishing the Institute would be out of all proportion to the financial gains of less than £1 million a year.

7. I have, therefore, concluded that we should accept the Working Party's recommendations as the basis of Government support during Q4 and that grants from the aid programme at the level proposed should be made available during the period 1981-88. This can be done, we would make it clear, without detriment to other planned allocations. ODA will keep a close eye on its work to ensure that the money is spent sensibly. The Governing Body are well aware of the need for savings and a pragmatic approach to the Institute's work, and the drastic cuts in e.g. the number of fellows should help to concentrate minds on essentials.

8. I hope you will accept my conclusion. I will then have to obtain the Prime Minister's approval in accordance with the guide-lines the Civil Service Department have issued for follow-up action on the review of non-departmental bodies.

9. I am copying this minute to the Prime Minister and the Lord President of the Council.

(CARRINGTON)

Foreign and Commonwealth Office

11 July 1980

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