



FCS/82/199

CHIEF SECRETARY, TREASURYFalkland Islands: Aid Expenditure

1. OD(FAF) instructed me to agree with you the funding of both development expenditure and further civilian rehabilitation expenditure in the Falklands. The general view of the meeting was that as the sums involved were relatively small compared to our overall Falklands commitments, undue difficulties about this should be avoided.

2. It was agreed that a development programme costing £31m should be funded and that a further £5m for civilian rehabilitation needs should also be found. I understand that the Treasury expect certain items under rehabilitation to fall on MOD votes, thus reducing my commitment to £4m. Of the £35m which will have to be met from FCO votes, I am ready, after a very searching look at my programmes, to absorb £7.3m. But I expect to need the following additional sums in the current Public Expenditure Survey period:

£m	£m	£m	£m
1982/3	1983/4	1984/5	1985/6
3.7	11	9	4

3. OD(FAF) agreed that there should be an early statement on our response to the Shackleton Report (I shall be circulating a draft separately). I cannot make this until the principle of the funding issue is settled. Although I will not have to deal with this issue in the statement itself, it is certain to be raised in supplementaries.

/The Foreign

Argentina

Await reply from Chief Secretary.

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The Foreign Affairs Committee have already given notice of Parliamentary concern to ensure that Falklands commitments are not met at the expense of programmes in other developing countries. I must therefore settle the question before I go to the House.

4. I said in my minute to you of 20 October that I would have to bid for additional funds both for further rehabilitation and in respect of the Shackleton proposals. I should therefore be grateful if you could agree, as a matter of urgency, to add to my public expenditure provision the sums set out in paragraph 2 above. This would not of course affect the usual careful scrutiny by our officials of the individual proposals of both development and rehabilitation programmes as they arise, although the decisions will have to be based on the special criteria agreed by OD(FAF). It is in any case agreed that there should be a report on the progress of the development programme in twelve months' time.

5. I am sending copies of this minute to the Prime Minister, other members of OD(FAF) and to Sir Robert Armstrong.

(FRANCIS PYM)

Foreign and Commonwealth Office
1 December 1982

Argentina: Bahia

PT 31



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A.S.C. 7/12

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Francis Pym MC MP
Secretary of State
Foreign & Commonwealth Office
Downing Street
London SW1A 2AL

6 December 1982

2 Francis

FALKLANDS AND GIBRALTAR ADDITIONS TO AID PROGRAMME

Thank you for your minute of 1 December about the funding of the further expenditure in the Falklands agreed by OD(FAF). Our officials have also been discussing the funding of the commercialisation of the Gibraltar dockyard agreed at OD on 5 November. It is convenient to deal with the two items together.

It was accepted at the OD(FAF) discussion that some part of the Falklands expenditure should come from the existing aid programme. I must ask you to make a slightly greater contribution than that suggested in your minute. Your proposal would involve an ODA contribution of only £1.8 million over the whole three years of the PES period taken together.

With regard to 1982-83, you have already had two cash limit increases this year on the aid programme. Moreover, my understanding is that it would in fact be possible for you to absorb the £3.7 million required this year. I do not therefore think any increase for 1982-83 should be agreed. For Gibraltar dockyard I accept that the bulk of the expenditure has to be additional, but again I think the aid programme should make some contribution.

I suggest therefore that, taking the Falklands and Gibraltar together, there should be additions to the aid programme of £21 million (of which £7.7 million would be a "carry-over" of the 1981-82 underspend) in 1983-84; £15 million in 1984-85; and £4 million in 1985-86.

This addition of £40 million to the aid programme over a 3 year period must be regarded as wholly exceptional. I am prepared to go as far as this because of the quite special considerations applying to the Falklands and Gibraltar and because of the other pressures on the aid programme which I know you face.

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It is in both our interests that these figures should be regarded as firm, even if the phasing of the expenditure fluctuates. This will give you a solid basis on which to plan the aid framework. My only slight caveat is that in the unlikely event of a major development preventing the commercialisation of the Gibraltar dockyard going ahead at all, we should then need to reconsider the figures.

I am copying this minute to the Prime Minister, other members of OD(FAF) and to Sir Robert Armstrong.


LEON BRITTAN

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Argentina, Relations, Pt 31

6 DEC 1982





Argentina
FCS/82/203

CHIEF SECRETARY TO THE TREASURY

N.B.P.R.

AR 2/12

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Falklands and Gibraltar: Additions to Aid Programme

1. Thank you for your minute of 6 December. Your counter-proposition will involve the Aid Programme finding a further £18.7m, of which £13m falls in the PES period, towards these items. That is a substantial contribution towards these two items, for both of which very special factors apply. Furthermore, £7.7m of the £21m which you are offering is, as you say, merely the rolling over underspending on EC attributions in 1981/82.
2. However, I do not think we should prolong the debate on this matter and I will therefore accept your offer on the basis set out in your minute. My only caveat is the obverse of yours: should the cost of commercialisation in Gibraltar exceed the figures at present contemplated, I should need to discuss the position with you again.
3. I am copying this minute to the Prime Minister, members of OD(FAF) and Sir R Armstrong.

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(FRANCIS PYM)

Foreign and Commonwealth Office
 7 December 1982

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Falkland Islands: Rehabilitation

The Prime Minister has noted the latest progress report annexed to your letter of 29 November.

JOHN COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.