Foreign and Commonwealth Office

London SWIA 2AH

2 June 1988

No 10

Jean Vijer.

TORONTO SUMMIT: AID TARGETS

- 1. I am sending separately to you our brief No 2 on the revised Canadian Thematic paper. It incorporates comments from other Departments concerned. We have kept an eye out for awkward wording, as you requested, but one or two unacceptable sentences may have slipped through our net.
- 2. We have not briefed you on aid targetry because the present Canadian wording is uncontentious:

"Developed countries to provide adequate concessional assistance" in paragraph 41, and in the following paragraph:

"An increase in concessional resource flows will be necessary to help those (poor) countries resume sustained growth"

which is acceptable in the context of this paragraph on interest rate relief. But I can already foresee a re-run of Venice. The Japanese will make great play with their new 0.35% target (as a percentage of GNP); the French will get irritable and say they already reached the UN target of 0.7% in 1986; and there will be a last minute scramble to find acceptable language on aid targetry.

In the time available, I have not been able to comb through all recent references to aid targetry in international economic communiques. We got off lightly at Venice, which in paragraph 21 "recalled" the 0.7% target and at the end of that paragraph "the different contributions of our countries mentioned to official development assistance", without saying what should be done about this. We were pushed further at UNCTAD VII last summer:

"Developed countries should renew and make more effective their efforts to achieve, as quickly as possible, the internationally agreed target ... ", and

"Developed countries are requested to attain the internationally agreed targets ... as soon as possible".



- 4. There is no reason to acquiesce except as a last resort in the "as early/soon as possible" formula at Toronto, where unlike UNCTAD VII developing country pressures are absent. And it is not easy to defend this wording, because UK aid as a proportion of GNP declined in 1986 and again in 1987. By way of background I attach draft ODA briefing for a PQ from Lord Hatch. There may be some slight tinkering with the text. But the general message is clear.
- 5. Silence is clearly the best policy. If the French press for the inclusion of wording on aid targetry at this weekend's meeting, I think we should reserve our position until the Summit itself unless the proposed language is so anodyne ("when circumstances permit") as not to cause us any serious difficulty.

Your ever.

T L Richardson Economic Relations Department

cc Mr Braithwaite (with spare copy for Sir G Littler) Mr Ireton ODA

FROM:

C P RALEIGH

X0182

DATE:

31 MAY 1988

cc:

PS/Mr Caines Mr Ainscow Mr Richardson.

ERD/FCO

Miss O'Connor,

Stats

Mr David, APD

1. Mr Ireton

2. PS/Mr Patten

PQ FROM THE LORD HATCH OF LUSBY: AID AS A PROPORTION OF GNP

I submit a draft answer, supplementaries and background note for this PQ. I shall be in Washington for most of the week, but Mr David will be available to brief Lord Glenarthur.

1.5. 500

A C P Raleigh
Aid Policy Department

This paper MUST be kept on top of the right-hand side of this file File No. O.D.A. Notes for Further Action PARLIAMENTARY QUESTION Oral For Answer on Thurs 9. June Welten Copies of Question and Answer [and Supplementaries] to be placed on files: LABOULmember for... House of Lords Minister House of Commons †*The Lord Hatch of Lusby—To ask Her Majesty's Government what proportion of the Gross National Product of each Member State in the European Community is devoted to official overseas aid.

NOTES FOR SUPPLEMENTARIES SHOULD BE PROVIDED FOR ALL ORAL QUESTIONS

DRAFT ANSWER

My Lords

Precise figures are only available for the eight European Community countries that belong to the OECD Development Assistance Committee. The most recent year for which figures for all eight are available is 1986. I shall arrange for a list to be published in the Officia Report.

Net official development assistance (oda) 1986

As percentage of GNP

Belgium Denmark	0.49 0.89
France	0.72
Germany	0.43
Ireland . Italy	0.40
Netherlands	1.01
United Kingdom	0.31

NOTES FOR SUPPLEMENTARIES UN TARGET FOR AID AS A PROPORTION OF GNP

Q.1 What are the comparative figures for aid as a proportion of GNP in 1987 likely to be?

Figures for the other European Community member countries of DAC will be available about the end of June. Net British official development assistance in 1987 as defined internationally, was estimated to be ± 1151 million, equivalent to 0.28% of GNP.

Q.2 Is not the UK figure shamefully low?

The net official development assistance figure for the calendar year 1987 compares with a net public expenditure provision for overseas aid of £1247 million in the financial year 1987-88. The figure of net official development assistance as a proportion of GNP for 1987 reflects the strong growth in the United Kingdom economy last year and the fact that expenditure in the calendar year 1987 was lower than expected as a result of an unusually high proportion of financial year 1987-88 expenditure falling in the quarter ending 31 March 1988.

Q.3 Are not these figures misleading as indicators of aid performance?

They can be. There is official development assistance and there is the net aid programme; there are calendar years and financial years; there are different UN targets for different categories of assistance. Together with exogenous factors, all this can make it difficult to draw meaningful comparisons from year to year.

Q.4 Aid falling as percentage of GNP (0.52 per cent in 1979 to 0.32 per cent in 1986). Not consistent with commitment to UN target?

We have a substantial and effective aid programme - in 1986 it was the sixth largest amongst Western donors - and one geared to the needs of the poorest countries. The aid programme is now planned to grow in real terms - in 1990/91 it will be some £115 million larger than in the current financial year.

In 1986, the last year for which we have finalised figures, four countries had achieved the 0.7 per cent target - and only one of these had an aid programme larger than ours.

Q.5 What is the Government's policy towards the UN target for aid of U.7% of GNP-?

The Government accepts the target in principle but, like previous administrations, is not able to set a date for achieving it. But the aid programme is now growing in real terms and its quality is high.

Q.6. What percentage of GNP will aid be in 1991?

I leave economic forecasting to my right honourable and learned Friend the Chancellor. My concern is to ensure that a growing aid programme is used to greatest effect.

Q.7 How has UK economic growth affected the GNP target?

Since 1980 the UK has grown by more than any other major EC country. Over the previous two decades the UK was bottom of the growth league. In 1987 it is provisionally estimated to have grown by nearly 4½ per cent - faster than any other major industrial country.

We are about to enter our eighth successive year of steady growth at an annual average rate of 3 per cent. This would be the longest period of steady growth at a satisfactory/healthy rate for half a century.

AID VOLUME

Q.8 Size of the aid programme?

We have a substantial aid programme, amounting to £1305 million in the current financial year. It is planned to grow by £70 million in 1989/90 and £115 million in 1990/91, an increase of 1% in real terms over the figure for 1987/88.

Q.9 Do not OECD figures show that UK aid fell by 32 per cent in real terms in 1979-86?

Aid programme spending, which is what counts, fell by only 15 per cent. Since 1982/83 its real value has been more than maintained. It is now planned to grow in real terms.

AID SHARE OF TOTAL PUBLIC EXPENDITURE

Q.10 Restore aid share of total public expenditure to 1979/80 level of 1.1 per cent?

There is no merit in fixing aid in terms of a particular share of total public expenditure. We now have an aid programme that is growing in real terms. We must ensure that it is as effective as possible.

Q.11 Why has aid share of public expenditure fallen?

When the Government took office in 1979 priority was to control public expenditure. Other commitments and demand-led programmes meant some programmes had to be cut more than average. Since 1982/83 aid share of total public expenditure has remained broadly consistent. It is now planned to grow.

EFFECTIVENESS/QUALITY

Q.12 What grounds do you have for satisfaction over effectiveness?

The quality of our aid programme was recognised by the OECD at the 1986 British Aid Review - and also by the Foreign Affairs Committee's Report last year on Bilateral Aid. We support sound projects and programmes geared to the real needs of developing countries. Some 80 per cent of British aid goes to low-income countries: a higher proportion than for OECD donors generally. Aid to the poorest countries is given on grant terms.

INTERNATIONAL INITIATIVES

Q.13 Chancellor's Debt Initiative

A three point plan. First, conversion of aid loans to grants; second, extension of repayment and grace periods; and third, lower interest rates on official debt rescheduled through the Paris Club. The UK has already written off £263 million of aid loans for 14 African countries. More creditors are now following our example. Ten debtor countries have also negotiated rescheduling of official debt over periods of 15 to 20 years in the Paris Club. Discussions with other creditors on interest rate reductions continue. We continue to take every opportunity to press other creditors to accept interest-rate concessions, as specifically recommended by the Wass report.

Q.14 IMF's Enhanced Structural Adjustment Facility?

We are making the largest single contribution to the subsidy account for the IMF's Enhanced Structural Adjustment Facility, by providing an interest subsidy sufficient - at present interest and exchange rates - to subsidise new lending of up to about £750 million.

Q.15 What has the Government done to help the poorest and most heavily indebted countries?

A great deal. The Chancellor's initiative launched in April 1987, and commended by the Wass report, is directly aimed at relieving the debt burden of the poorest, most heavily indebted countries in sub-Saharan Africa, which are pursuing sound economic policies. His proposals have attracted considerable support. The Government is making a very substantial contribution to the IMF's Enhanced Structural Adjustment Facility. It has also committed resources to the World Bank's special programme of assistance for low income debt distressed countries in sub-Saharan Africa following agreed adjustment programmes.

PO FROM THE LORD HATCH OF LUSBY: AID AS A PROPORTION OF GNP

Background Note

A

Aid as a percentage of GNP is a standard yardstick for measuring the size of an aid programme against a country's economic strength. The 1970 UN General Assembly adopted a Development Strategy for the Second UN Development Decade (1971-80) which inter alia called for aid flows, classified as net official development assistance, to be at least 0.7% of the gross national product (GNP) at market prices of the donor country. Britain accepted the UN target in principle but has never set a timetable for achieving it.

- 2. Lord Hatch probably intends to draw public attention to Britain's aid/GNP figure for 1987 and to compare it unfavourably with those of European Community countries. The Minister for Overseas Development announced the former in the House of Commons on 23 May in a written reply to a Question from Ms Lestor. It was strikingly low, comparing with 0.31% in 1986, 0.35% in 1980 and 0.52% in 1979. However, as Mr Patten explained, it reflected the strong growth in the UK economy last year and the fact that expenditure in the calendar year 1987 was lower than expected as a result of an unusually high proportion of financial year 1987-88 expenditure falling in the quarter ending 31 March 1988.
- 3. Exact aid/GNP figures for all EC countries are not available. Those EC members which belong to the OECD's DAC are responsible for the annual submission of such figures for subsequent publication by the DAC. We have just informed the DAC of our aid/GNP figure for 1987. Other DAC members are doing the same, but DAC will not publish a complete set, including those for EC members, until the end of June. The most recent year for which aid/GNP figures for all eight EC members of DAC are available is therefore 1986.
- B 4. Dr Thomas, MP tabled a similar Question in the Commons on 9 May, but also asked for the aid/GNP average for EC countries as a whole. Since then, Britain's aid/GNP figure for 1986 has been revised downwards from 0.32% to 0.31% following an upward revision of that year's GNP (and the House of Commons has been informed). This does not however affect the answer that Mr Patten gave Dr Thomas on this point.
 - 5. The run of aid/GNP figures since 1979 shows a marked decline. But it is in one sense misleading. The aid/GNP figure for 1979 took account of much higher than usual deposits of promissory notes. In terms of expenditure, aid in 1979 represented only 0.42% of GNP. British aid expenditure did, it is true, fall by some 17% in real terms between 1978-79 and 1982-83, when the priority was to control public expenditure, get inflation down and put the economy on the road to recovery. But between 1982-83 and 1987-88 our aid more than maintained its real value and it is now planned to grow in real terms.

	and the same							
	1930	1887	- rys/2	79.63	1444	\$4.45	7,91040	
Marandajar Swardoni Fragatia Zambia Zimbabwi	1,475 11,60 1,300 4,240 3,410 1,560	150 150 150 150 1,90 4,00 510	2,600 270 380 4,643 5,740 1,340	3.43 3.43 3.43 1.340 1,340	1,014 1,014 1,014 1,015 1,740 2,740 5,120	2,130 4,940 290 5,520 5,630 760	111111	
Total	17,200	17,040	18,390	14,910	29,090	23,050	21,000	

Note: Figures for 1970 are not available: 1986 figures are not yet available in detail finance: ODA estimates based on OECD statistics using 1987 GDP deflator.

Miss Lester: To ask the Secretary of State for Foreign and Commonwealth Affairs what was the level of official development assistance in 1987.

Mr. Chris Patten: We have today informed the development assistance committee of the Organisation for Economic Co-operation and Development that in 1987 net official development assistance as defined internationally was estimated to be £1,151 million. As a proportion of GNP it was equivalent to 0-28 per cent.

The net official development assistance figure for the calendar year 1987 compares with a net public expenditure provision for overseas aid of £1,247 million in the financial year 1987-88. The figure of net official development assistance as a proportion of GNP for 1987 reflects the strong growth in the United Kingdom economy last year and the fact that expenditure in the calendar year 1987 was lower than expected as a result of an unusually high proportion of financial year 1987-88 expenditure falling in the quarter ending 31 March 1988.

Increases in the aid programme announced in this year's public expenditure White Paper mean that aid is now planned to grow in real terms. The aid budget for this financial year is £70 million higher than for last year—an increase of 5-7 per cent, which is considerably in excess of the expected rate of inflation. The planned aid budgets for 1989-90 and 1990-91 provide for increases of £140 million and £135 million respectively over the budget for last year.

ENERGY

Nuclear Power

Or, Thomas: To ask the Secretary of State for Energy if he will make a statement on his policy towards the development of nuclear power in the light of the report and recommendations of the Trades Union Congress review committee on nuclear power, published on 3 May, a copy of which has been sent to him.

Mr. Michael Spicer: The Government's policy on the development of nuclear power is as stated in the reply given by my right hon. Friend to the hon, Member for Wells (Mr. Heathcoat-Amory) on 17 December 1987 and in the White Paper "Privatising Electricity" (Cin. 322). I welcome the recognition given by the Trades Union Congress review committee to the importance of nuclear power.

Cranium

Dr. Thomas: To ask the Secretary of State for Energy of he has given persons for the United Kingdom Atomic Loergy Authority for the import of Namilian uranium since May 1979.

Mr. Michael Spicer: The United Kingdom Atomic Energy Authority has imported no uranium from Namibia during this period.

Dr. Thomas: To ask the Secretary of State for Energy whether (a) the Central Electricity Generating Board, (b) the South of Sectland Electricity Board, (c) British Nuclear Fuels Ltd. or (d) the United Kingdom Atomic Energy Authority has sought permission and safeguards arrangements for the import of uranium from (i) Namibia and (ii) the Republic of South-Africa, either directly or through a second or third country, since May 1979.

Mr. Michael Spicer: Uranium for the United Kingdom's civil nuclear programme has not been imported from South Africa since 1973 or from Namibia since 1984 British Nuclear Fuels ple receives uranium ore concentrate from overseas customers for processing and re-export. The origin of such uranium is a matter for its customers who remain the owners of the material.

All urantum imported into the United Kingdom for these purposes is subject to Euratom safeguards and to the terms of the UK/Euratom/IAEA-safeguards agreement.

Mersey Barrage Co. Ltd.

Mr. Wareing: To ask the Secretary of State for Energy if he will make a statement on the visit by the Parliamentary Under-Secretary of State, the hon. Member for Worcestershire, South (Mr. Spicer), to Liverpool to hold talks with the Mersey Barrage Co. Ltd.

Mr. Michael Spicer: I visited Liverpool on Tuesday, 17 May, to make a joint announcement with the Mersey Barrage Company of a £1-3 million extension to studies of a possible Mersey barrage. The money will be used to finance further work on the engineering, economic and environmental aspects of the proposed barrage. Funding will be on a 50/50 basis between the Government and the Mersey Barrage Company.—

Whilst in Liverpool I also took the opportunity to meet members of the Mersey Enterprise Forum and representatives of the shipping and environmental groups whose interests are likely to be affected by a barrage construction.

Advanced Gas-enoled Reactors

Mr. Jack: To ask the Secretary of State for Energy if he will list in the Official Report the designed generating capacity for each advanced gas-cooled reactor, the actual matputs currently being achieved, the reasons for any differences and details of the innetables and actions planned to receify current operating difficulties.

Mr. Michael Spicer: These are operational matters for the Central Electricity Generating Board, and I have asked the charman to write to my bon. Friend,

OVERSEAS DEVELOPMENT

(3) what representations he made to the United States, South African, Augulan and Cuban Governments before or during the recently concluded meeting in London about the signation in Augula;

(4) what assessment he has made of the implications for United Kingdom policy on the maintenance of stability in southern Africa of the South African Government's reaction to the recently concluded meeting in London about the situation in Angola;

(5) what is Her Majesty's Government's policy on proposals to link the search for a solution in Angola with an internal settlement in Namibia;

(6) what assessment he has made of the implications for United Kingdom policy on the maintenance of stability in southern Africa of the non-involvement of SWAPO in the recently concluded meeting in London about the situation in Angola; and if he will make a statement;

(7) what is Her Majesty's Government's policy towards the revival at the recent London meeting of the 1978. United Nations' plan for a solution in Angola, and if he will make a statement;

(8) what assessment he has made of the implications for United Kingdom policy on the maintenance of stability in southern Africa of the differing timetables for Cuban withdrawal from Angola envisaged by the South-African and Cuban Governments;

(9) what representations he proposes to make to the Governments of the United States, South Africa, Cuba and Angola before their next meeting about the situation in Angola.

Mrs. Chalker: We were not directly involved in the talks held in London on 3-4 May, and it is not for us to comment on the details of them? However, we are encouraged by the progress made and the agreement by all parties on a further meeting in Africa. My right hon, and learned Friend, my hon. Friend the Parliamentary Under-Secretary and senior officials held bilateral meetings with members of all delegations. We support the US-led process designed to secure the withdrawal of Cuban troops from Angola and the implementation of the UN plan for Namibian independence. Withdrawal of all foreign troops from Angola, together with implementation of UN Security Council resolution 435, would contribute substantially to the stability of the region. We encourage all those involved in the search for peace to continue their cillorts.

Mr. Hunter: To ask the Secretary of State for Foreign and Commonwealth Affairs what representations he has made, or proposes to make, to the Soviet Union following the recently concluded meeting in London about the situation in Angola.

Mrs. Chalker: We would expect the subject to arise in our regular contacts with the Soviet Union.

PRIME MINISTER

Michael Tighe

Mr. Daiyell: To ask the Prime Minister what steps she has taken to satisfy herself of the existence and validity of the legal authority under which a bug was placed in the hay where Michael Tighe was killed, and if she will make a statement.

The Prime Minister: It is not the practice to comment on security matters.

Overseas Development (GDP)

Dr. Thomas: To ask the Secretary of State for Foreign and Commonwealth Affairs what information he has as to what proportion of gress domestic product ratch of the member countries of the European Community devotes to overseas development; and what is the average for the European Community Countries as a whole.

Mr. Chris Patten: Precise figures are only available for the eight European Community countries which belong to the OECD development assistance commutee (DAC) and in respect to gross national product (GNP). According to the DAC chairman's 1987 report—"Development Cooperation" the figures for 1986 are as follows:

Net official development assistance (oda)

		As percentage of GNP	
	Belgium	0.49	
	Denmark	0-39	7/
	France	0-72	
	Germany	0.43	
	ireland	0.23	
	Italy 7	0.40	
	Netherlands	1.01	+ 11
166	United Kingdom	0.32	

The net overseas development assistance of these eight countries regresents 0.51 per cent; of their combined GNP.

Southern Africa (Aid)

Mr. Anderson: To ask the Secretary of State for Foreign and Commonwealth Affairs what were the levels of United Kingdom aid to (a) Mozambique and (b) Angola in the last year.

Mr. Chris Patten: Figures for 1987 are still provisional, but gross British bilateral aid to Mozambique was about £23 million and to Angola about £250,000.

Ethiopia

Mr. Barry Field: To ask the Secretary of State for Foreign and Commonwealth Affairs if he has any current plans to visit Ethiopia.

Mr. Chris Patten: I have no current plans to make a further visit to Ehiopia. I had hoped to do so last month, but the Ethiopian Government told me that this would not be convenient as present. They expressed the hope, which I share, that I would be able to visit at a mutually convenient time in the future.

Mazambique

Mr. John Franci To ask the Secretary of State for Foreign and Commonwealth Affairs if he will make a statement on the effectiveness of Britain's aid allocation to Mozambique

Mr. Daris l'atten: Our sod programme is welcomed and highly regarded by the Geovernment of Mozambique. Aid from Britain and other donors in support of the Government's economic reform programme has been a factor in Mozambique's extinated 4 per cent, growth in GDP in 1987 and in helping Mozambique to limit the worst effects of the energywes. have also decided, subject to the satisfactory examplement of the improvements to the Tate's prefive storage accommodation, to allocate the archives of the he Lord Clark to the Tate gallery.

Finally, 10 portrait initiatures accepted from the estate of the late right hon. Viscount Harmouri have been allocated; nine to the Victoria and Albert museum and one, a portrait of Mary Sidney, Countess of Pembroke, to the National portrait gallery.

OVERSEAS DEVELOPMENT

Fill

Miss Lester: To ask the Secretary of State for Foreign and Commonwealth Affairs what projects are run in Fiji by the Commonwealth Development Corporation, what money is involved in each of them; and what periods the commitments cover.

Mr. Mellor: The Commonwealth Development Corporation is now involved in seven projects in Fig. It has either provided loan money or taken up equities in each project. The companies or institutions involved, with the amounts, are as follows:

Position at 31 December 1987

	Equity— Fiji 3 million	Loca Local
Fili Citrus Products	0-23	- 0.52
Fin Development Co Ltd	-0-53	0.94
Fig. Slectricity Authority		13:15
File Pine Commission	- I	3.61
Fin Sugar Corporation		4-02
Tropic Wood Industries Ltd	2.00	J 4 15
Fiji Forest Industrier Ltd		1-55
TOTAL	1- 2.76	27.75

The equities are not held for any set term. The loans have agreed terms for payment of capital and interest to CDC over varying periods up to the year 2000. The CDC is also negotiating a loan of £5 million to the Fiji Development bank, for on-lending to small farmers and fishermen, to be disbursed by CDC between 1988 and 1991.

Miss Lestor: To ask the Secretary of State for Foreign and Commonwealth Affairs if there has been any new technical co-operation with Fiji since May 1987

Mr. Mellor: Technical co-operation with Fiji concentrates on manpower support and training. Since May 1987, 17 new awards for training in the United Kingdom have been made and the following new appointments in Fiji have been financed or supplemented from the bilateral country programme:

Financial Adviser to Posts and Telecommunications Director, Roads and Airfields Principal Utilisation Officer, Forestry Director, Water and Sewage.

Miss Lester: To ask the Secretary of State for Foreign and Commonwealth Affairs what has been the level of United Kingdom and to Fiji since May 1987; and if he will give figures for the equivalent period for 1986-87.

Mr. Mellor: Assistance to Fiji from the Overseas Development Administration from May 1987 to the end of March 1988 totalled £971,938, The amount for the

equivalent period in 1986-87 as a £1 (60) 971. This exchades expenditure by the Commonwealth Development Corporation.

Ethiopia

Miss Lestor: To ask the Secretary of State for Foreign and Commonwealth Affairs what development aid has been given to Ethiopia by the European Community in the last year; and what has been the United Kingdom contribution.

Mr. Mellar: In 1987 the European Community approved three development projects for Ethiopia under the third Lome convention, namely:

	2 million
Gross funding —Integrated training programme linked to the development of the rural sector	19
-North Shows rural development and land reclamation programme and land and	15-6
Risk capital (managed by the European Investment (Blink) —Development of an opencast gold mine and or treatment plant at Northern Lega Dambi, Sidamo Province	144
	36.0

The United Kingdom share of the total funding is about £6 million.

Miss Lestor: To ask the Secretary of State for Foreign and Commonwealth Affairs if he will list any new aid projects, and any new programme aid agreements for Fiji approved since May 1987.

Mr. Mellor: There have been no financial aid projects or programme aid commitments either from the bilateral country programme or by the Commonwealth Development Corporation. Our bilateral country programme now consits of technical co-operation alone.

UN Aid Target

Mr. Fam Clarke: To ask the Secretary of State for Foreign and Commonwealth Affairs if, pursuant to the answer of 6 May, Official Report, column 639, to the hon. Member for Epping Forest (Sir J. Biggs-Davison); he will tabulate progress made in 1979 in reaching the United Nations and target of 0-7 per cent, of gross national product

Mr. Mellor: The information is as follows:

New official development attistance percentage of great national product (GNP)

Eur cent	
0.52	1979
	1981
0.37	10%
0.33	90.4
0-33	1985 1986
	0-52 6-35 6-43 6-43 9-37 9-35 6-35

^{*} Respect from 0.72 per cent