

SUBJECT

Master Ops

Overseas Ad  
SD

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 78/82



CFD

10 DOWNING STREET

THE PRIME MINISTER

21 April 1982

Dear President Zia

Thank you for your letter of 27 March about contributions to the Sixth Replenishment of the International Development Association (IDA).

The current difficulty arises because the United States has yet to appropriate in full the contribution it has pledged to IDA 6 and because the IDA Replenishment Agreement provides that IDA may commit the contributions of other members only in proportion to the commitment of the United States for which appropriations have been made. There has been no suggestion that donor countries might reduce their contributions as such.

However, following representations made to us about the consequences for the poorest countries of the application of the pro rata provision in the IDA 6 Agreement, and the serious difficulties it is causing countries such as yours, we agreed last month to waive the pro rata provision in respect of our second (current) instalment to IDA 6. This means that £370 million of Britain's grant contribution of £555 million to IDA 6 is now available for commitment. This is part of our policy of helping the poorest countries to the best of our ability.

I hope very much that other major donors will follow suit. They attach importance to the principle of burden-sharing and to IDA having a broad financial base but they have been told of our decision and the reason for it.

Every good wish,  
(SGD) MARGARET THATCHER

His Excellency General Mohammed Zia-ul-Haq

5





Lieutenant General  
Hussain Muhammad Ershad ndc,psc  
CHIEF MARTIAL LAW ADMINISTRATOR  
PEOPLE'S REPUBLIC OF BANGLADESH  
DACCA, BANGLADESH

20 April 1982.

NO.ERD-7(1)/IDA-8/80

Excellency,

As you are aware, Bangladesh has to depend extensively on the flow of external resources to support her development programme. In our effort to improve the condition of life of millions of suffering people, we gratefully recognise the generous assistance provided by friendly countries like yours and the multilateral development institutions. A substantial part of external assistance to Bangladesh comes from the World Bank through its constituent agency, the International Development Association (IDA), which provides interest free concessional loans to the poorest countries. IDA credits are highly important to Bangladesh since in our present condition we can not afford to have recourse to commercial borrowing or even IBRD loans. As one of the least developed countries of the World, our reliance on IDA for financing our development projects is critical to achieve the ultimate objective of self-reliance.

We are worried because of the recent developments with respect to replenishment of funds for IDA. As you may know, the whole situation has arisen due to delays in US legislation in committing its contribution to IDA-VI. The total contribution to IDA-VI that was negotiated and agreed to by all donors was \$ 12 billion. The US share was for a total of \$ 3.24 billion. According to the original agreement, the US Government was supposed to pay \$ 850 million in the first year (FY 81), \$ 1080 million in the second year (FY 82) and \$ 1310 million in the third year (FY 83). But, they made a contribution of only \$ 500 million in the first year and \$ 700 million during the current year.

Contd.....P/2





CHIEF MARTIAL LAW ADMINISTRATOR  
PEOPLE'S REPUBLIC OF BANGLADESH  
DACCA, BANGLADESH

We appreciate the flexibility shown by your Government last year in advancing the first part of IDA contribution which enabled the World Bank to maintain its programme in that year despite the shortfall in the US Contribution. However, I have been informed that the World Bank has been forced to plan a cut in its IDA credits in the current year by about 37% from \$ 4.1 billion to \$ 2.6 billion. This is because several IDA donors other than the United States indicated sometime ago that they would contribute on pro rata basis matching US contributions. The cut in IDA credits has affected the financing of our development programmes. The prospects for the future are likely to be even more disturbing if the US Legislation further delays the US contribution and if such actions were to be followed by other donor countries including your own.

There is a growing apprehension in the developing countries that US \$ 12 billion planned to be made available to the poorest countries through IDA-VI over the three year period from FY 1981 to FY 1983 may not now become fully available. I sincerely hope that this apprehension is proved unfounded as all of us can appreciate the adverse consequences of this for the very poor countries. It is in this light that we have received with deep satisfaction and gratitude the news that your Government has notified the IDA that it would release the balance of its full second instalment thus increasing IDA's FY 82 commitment authority by about US \$ 120 million.

As you well know, the poorest countries in Asia and Africa are passing through severe economic and financial crisis. In addition to Bangladesh, the poorest countries which rely significantly on IDA credits for financing their development programmes include countries





CHIEF MARTIAL LAW ADMINISTRATOR  
PEOPLE'S REPUBLIC OF BANGLADESH  
DACCA, BANGLADESH

with high population density in South Asia like Nepal, India, Pakistan and Srilanka and also the poorest Sub-Saharan countries in Africa. Any cut in IDA at this time will be highly disruptive to the economy of these countries. I hope, it will be possible for your country to continue to contribute to IDA-VI in accordance with your Government's original commitment without establishing a linkage to the level of contribution by the United States. I may also request you to use your influence to try to persuade other donors to maintain their original level of commitment for IDA-VI so that this can be preserved as a three year programme.

Please accept, Excellency, my renewed assurances of highest considerations.

Respectful regards.



( H M ERSHAD )

The Right Honourable  
Mrs. Margaret Thatcher  
Prime Minister of the  
United Kingdom of Great  
Britain and Northern Ireland.



10 DOWNING STREET

PRIME MINISTER

I apologise for asking you to sign the General Zia letter again - it was found to contain an error.

A.J.C.  $\frac{14}{4}$ .

20 April, 1982





Overseas  
Aid

Foreign and Commonwealth Office

London SW1A 2AH

15 April 1982

Type letter pl.

A.S.C. 1/4.

*A2* International Development Association (IDA) *A3*

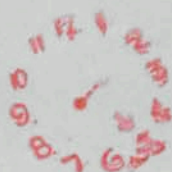
Thank you for your letter of 5 April enclosing a copy of a letter to the Prime Minister from the President of Pakistan.

/ I enclose a draft reply for the Prime Minister's signature: we will forward the signed copy by bag if you agree.

(J E Holmes)  
Private Secretary

A J Coles Esq  
10 Downing Street

15 APR 1962



1962 APR 15 11 12 AM  
U.S. AIR MAIL



DS-1 (Revised)

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM:

Reference

Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

General M Zia-ul-Haq  
President of Pakistan

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 27 March about contributions to the Sixth Replenishment of the International Development Association (IDA).

CAVEAT.....

The current difficulty arises because the United States has yet to appropriate in full the contribution it has pledged ~~to make~~ to IDA 6 and <sup>because</sup> the IDA Replenishment Agreement provides that IDA may <sup>h</sup> ~~only~~ commit the contributions of other members <sup>only</sup> in proportion to the commitment of the United States for which appropriations have been made. There has <sup>no</sup> ~~not~~ been ~~any~~ suggestion that ~~any~~ donor countries might reduce their contributions as such.

However, following representations made to us about the consequences for the poorest countries of the application of the pro rata provision in the IDA6 Agreement, and the serious difficulties it is causing countries such as yours, we agreed last month to waive the pro rata provision in respect of our second (current) instalment to IDA 6. This

Enclosures—flag(s).....

/means



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AR 15.  
4



*Handwritten initials: JH LB*

10 DOWNING STREET

From the Private Secretary

5 April 1982

INTERNATIONAL DEVELOPMENT ASSOCIATION

I enclose a copy of a letter which the Prime Minister has received from the President of Pakistan urging that we should maintain our IDA commitment at the level agreed to in the Sixth Replenishment, irrespective of any action on the part of the United States.

*on part 2 of file* (with arrow pointing to the word 'letter')

I should be grateful if you could let me have a draft reply for the Prime Minister's signature.

*BK //*

I am copying this letter to Michael Power (Overseas Development Administration).

A. J. COLES

John Holmes, Esq.,  
Foreign and Commonwealth Office.

*Handwritten initials: JH*