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10 DOWNING STREET

THE PRIME MINISTER

19 May 1982

Y
Youn Hussainy

Thank you for your letter of 20 April about the reduction in the funds available to the International Development Association.

We are concerned about the shortfall in the Association's resources, in particular because of the serious consequences that this has for countries such as Bangladesh. This is why Her Majesty's Government acted as it did in authorising IDA to commit the whole of the UK's second instalment of £185 million. The President of the World Bank has advised me that ten or so other countries are likely to follow our lead. This would substantially augment IDA's commitment authority for this year.

We are working closely with other donor countries and Bank Management and will do what we can during the remainder of the IDA Sixth Replenishment to ease the Association's difficulties.

Y
Youn Hussainy
Nagendra Shetty

Lieutenant General Hussain Muhammad Ershad

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BR



Foreign and Commonwealth Office

London SW1A 2AH

17 May, 1982

Type letter pl.

R 9/5.

Dear John,

/ I enclose a copy of a letter to the Prime Minister from
/ Lt General Hussain Muhammad Ershad, Chief Martial Law Administrator,
/ Bangladesh, together with a draft reply.

Both are along the lines of correspondence between the Prime Minister and the Presidents of Zambia, Zimbabwe, Pakistan and Tanzania.

We will forward the signed copy of the Prime Minister's letter by bag, if you agree.

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
Private Secretary
No 10 Downing Street

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ



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

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

20 April 1982.

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.

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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.



Bangladesh
Foreign and Commonwealth Office

London SW1A 2AH

12 May 1982

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America
AD
Anmit draft reply.

Dear John,

Bangladesh

The Bangladesh High Commission have just delivered the enclosed letter to Mrs Thatcher from General Ershad, the Chief Martial Law Administrator of Bangladesh, about IDA 6.

I am copying this to Mike Power (ODA) for the preparation of a draft reply in due course.

Your ever

(J E Holmes)
Private Secretary

J Holmes

A J Coles Esq
10 Downing Street

dated A.S.C. 13
20/4/82 /5.