

a MASTER P

*file RM
cc to*



10 DOWNING STREET

THE PRIME MINISTER

PRIME MINISTER'S

13 September 1983

PERSONAL MESSAGE

SERIAL No. T 131/83

Dear Mr. President,

Thank you for your letter about the funding of the International Development Association.

I agree with you that the IDA's concessional finance makes an important contribution to the economic and social advancement of the developing countries; I also agree that it is important to maintain concessional flows to the world's poorest countries, and especially to those in Africa. The Association's Management does, of course, accord sub-Saharan Africa high priority for IDA resources, including technical assistance.

As you know, our own bilateral aid programme is second to none in directing assistance to the poorest. About two-thirds of our funds go to them, almost all in the form of grants.

I am sure you will agree that aid by itself is not enough and that the severe economic difficulties which face governments can often only be solved through the application of imaginative and new domestic policies. Like you, I acknowledge the IDA's unique and useful role in providing policy advice in this difficult area.

At Williamsburg, we re-affirmed the need to implement commitments to the multilateral aid agencies. The United States Government are now on course to complete their contribution to the Sixth Replenishment of IDA during fiscal year 1984. All other donors, including the UK, are providing additional resources to alleviate the shortfall in IDA's commitment authority in that year.

AB

Negotiations about the size of the next Replenishment (IDA 7) are now under way. All participating governments have accepted that IDA 7 must command full international support, with contributions based on the principle of fair burden-sharing among donors. But I should not disguise from you our view that the World Bank President's target of \$16 billion is likely to prove unrealistically high in the context of the current budgetary problems of those many donors, including the United Kingdom, which feel obliged to exercise strict control over public expenditure as part of their measures to deal with their own economic problems.

While I cannot predict the eventual outcome of the negotiations, I assure you that Britain stands ready to support the next Replenishment within the limits of what donors can afford; but our percentage share will have to be more in line with our relative economic strength among donors, and therefore much less than the 10.1% which we contributed to IDA 6.

Finally, may I say how much I value the personal contact represented by this correspondence between us. I very much hope that we shall continue to exchange views in this way and that the warm and friendly relations between our two countries will be further strengthened.

Kind regards,

Yours sincerely

Margaret Thatcher

His Excellency The Honourable Daniel Arap Moi, CGH, EBS, MP.

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Foreign and Commonwealth Office

London SW1A 2AH

9 September 1983

Dear Michael,

International Development Association

/ I submit a draft reply to the enclosed letter (just
/ received) to the Prime Minister from President Moi.

/ The background to the negotiations on the Seventh
Replenishment of IDA is contained in the Secretary of State's
minute of 2 September to the Chancellor, copied to the
/ Prime Minister (copy enclosed).

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

Yours ever

A handwritten signature in dark ink, appearing to read 'John Holmes'.

(J E Holmes)
Private Secretary

M C Scholar Esq
10 Downing Street

CONFIDENTIAL

gk/ Please type letter

DRAFT: ~~memo~~/letter/teletype/despatch/note

TYPE: Draft/Final 1+

FROM:
The Prime Minister

M/S a/g

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

TO:

Your Reference

HE Daniel T Arap Moi
President of the Republic of Kenya

Copies to:

PRIVACY MARKING

.....In Confidence

SUBJECT:

Thank you for your letter about the funding of the International Development Association..

CAVEAT.....

I share your assessment of the contribution which IDA's concessional finance makes to the economic and social advancement of the development countries; and I agree that it is important to maintain concessional flows to the world's poorest countries, and especially to those in Africa. The Association's Management does, of course, accord sub-Saharan Africa high priority for IDA resources, including technical assistance.

As you know, our own bilateral aid programme is second to none in directing assistance to the poorest. About two-thirds of our funds go to them, almost all in the form of grants.

Enclosures—flag(s).....

Of course, aid by itself is not enough. Severe economic difficulties facing governments can often only be solved through the application of imaginative and new domestic policies. Like you, I acknowledge IDA's unique and useful role in providing policy advice in /this

this difficult area.

At Williamsburg, we reaffirmed the need to implement commitments to the multilateral aid agencies, and the United States Government are now on course to complete their contribution to the Sixth Replenishment of IDA during fiscal year 1984. All other donors, including the UK, are providing additional resources to alleviate the shortfall in IDA's commitment authority in that year.

Negotiations about the size of the next Replenishment (IDA 7) are now under way. All participating governments have accepted that IDA 7 must command full international support, with contributions based on the principle of fair burden-sharing among donors. I should not disguise from you, however, our view that the World Bank President's target of \$16 billion is likely to prove unrealistically high in the context of the current budgetary problems of those many donors, including the United Kingdom, which feel obliged to exercise strict control over public expenditure as part of their measures to deal with their own economic problems.

Whilst I cannot predict the eventual outcome of the negotiations, I can assure you that Britain stands ready to support the next Replenishment within the limits of what donors can afford; but our percentage share will have to be more in line with our relative economic strength among donors, and therefore much less than the 10.1% which we contributed to IDA 6.

/Finally,

Finally, I should like to add how much I value
the personal contact which ^{represented by this} correspondence ^{between us} of ~~this~~
~~nature affords~~. I very much hope that you will ^{continue} (not to
hesitate ^{to} ~~to continue~~ to write about matters of mutual
~~interest~~, and that the warm and friendly relations
between our two countries will be further strengthened
by this means.

a MASTER
GPS

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T123/83

RESTRICTED

GR 500
RESTRICTED
FM NAIROBI 291047Z AUG 83
TO IMMEDIATE FCO
TEL NO 443 OF 29 AUGUST 1983

FOLLOWING IS TEXT OF LETTER TO THE PRIME MINISTER FROM PRESIDENT
MOI CONCERNING THE I.D.A. BEGINS:-

unable to
trace here
have asked
FCO - no
trace but
will prepare
a draft reply

IN MARCH, 1982 I WROTE TO YOU REGARDING THE SITUATION OF IDA, I AM
ONCE AGAIN COMPELLED TO WRITE ON THIS MATTER WHICH IS OF CRITICAL
IMPORTANCE FOR THE DEVELOPING COUNTRIES, AND FOR THOSE IN AFRICA,
IN PARTICULAR.

AS YOU KNOW, IDA IS THE PRIMARY SOURCE OF CONCESSIONAL FINANC-
ING FOR THE WORLD'S POOREST COUNTRIES AND IS A KEY ELEMENT IN THE
MULTILATERAL ASSISTANCE FRAMEWORK, ESPECIALLY IN AFRICA WHERE IT
IS THE MAJOR SOURCE OF SUCH FINANCING AND AN INDISPENSABLE FACTOR
FOR STABILITY AND PROGRESS IN THE REGION, FURTHER MORE, IDA
HAS DEMONSTRATED A UNIQUE ABILITY TO PROVIDE POLICY ADVICE AND TO
PROMOTE MORE EFFICIENT SECTOR AND PROJECT MANAGEMENT IN THE RECEIP-
IENT COUNTRIES.

THE PROLONGED GLOBAL RECESSION HAS CAUSED COMMODITY PRICES TO
FALL TO THEIR LOWEST LEVEL IN THIRTY YEARS, OVERSEAS DEVELOPMENT
AID FLOWS TO STAGNATE AND EXPORT VOLUMES TO CONTRACT. THESE
FACTORS HAVE SERIOUSLY DAMAGED THE ECONOMIES OF THE IDA RECIPIENTS,
IT IS, INDEED, A STARK FACT THAT REAL PER CAPITA INCOMES IN MANY
COUNTRIES OF AFRICA IN 1982 WERE BELOW THE LEVEL OF THE EARLY 1960S.

THE GROWTH PROSPECTS FOR THE POOREST COUNTRIES ARE NOT FAVOURABLE
FOR THE REST OF THE EIGHTIES, BUT, UNLESS ADDITIONAL CONCESSIONAL
FINANCING SUCH AS IDA PROVIDES COULD BE SECURED, IT COULD WELL BE
THAT THERE WOULD BE NO GROWTH, NO PROGRESS WHATSOEVER IN THE 1982S.
SUCH A CONSEQUENCE WOULD BE TRAGIC AND WOULD INVOLVE HIGHT COSTS IN
TERMS OF ECONOMIC AND POLITICAL DEVELOPMENTS AND OF HUMAN SUFFERING.

IT IS ESSENTIAL, THEREFORE, THEAT IDA'S SIXTH REPLENISHMENT,
WHICH HAS BEEN EXTENDED FROM THE PLANNED THREE YEARS TO FOUR, BE
COMPLETED AS SCHEDULED, SO THAT THE SEVENTH REPLENISHMENT BEGINS IN

RESTRICTED

/ JULY 1984.

RESTRICTED

JULY 1984, AND THAT THE REPLENISHMENT LEVEL BE SET AT A MINIMUM OF US DOLLARS 16 BILLION. THIS WOULD REPRESENT A SLIGHT INCREASE IN REAL TERMS AS COMPARED WITH THE U K DOLLARS 12 BILLION AGREED TO IN 1979 FOR THE SIXTH REPLENISHMENT. IT WOULD, HOWEVER, ENTAIL A 44 PERCENT REDUCTION IN REAL PER CAPITA LENDING COMPARED WITH 1980.

THE CASE FOR CONCESSIONAL LENDING AT THE LEVELS INDICATED IS CLEAR. THE CONSEQUENCES OF NOT ACHIEVING THESE LEVELS ARE BOTH OBVIOUS AND HORRENDOUS. IT IS ONLY THROUGH YOUR COOPERATION AND COMMITMENT THAT THESE CONSEQUENCES COULD BE AVERTED.

I AM THEREFORE APPEALING TO YOUR EXCELLENCY FOR YOUR GOVERNMENT'S ADDITIONAL SUPPORT FOR THIS PROGRAMME, WHICH MEANS SO MUCH TO THE POOR COUNTRIES OF THE WORLD.

YOURS SINCERELY,

ENDS

2. ORIGINAL FOLLOWS BY BAG.

ALLINSON

LIMITED
EAD
APD
NEWS D
PROTOCOL D
OADS
PS
PS/MR RIFKIND
PS/MR RAISON
PS/PUS
SIR J LEAHY
MR SQUIRE

COPIES SENT TO
No. 10 DOWNING STREET

²
RESTRICTED



CC MATTER
OPS

STATE HOUSE

P. O. BOX 40530

NAIROBI, KENYA

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T118c/83

22ND AUGUST, 1983

DEAR MADAM PRIME MINISTER,

THE CURRENT SITUATION FACING IDA

IN MARCH, 1982 I WROTE TO YOU REGARDING THE SITUATION OF IDA. I AM ONCE AGAIN COMPELLED TO WRITE ON THIS MATTER WHICH IS OF CRITICAL IMPORTANCE FOR THE DEVELOPING COUNTRIES, AND FOR THOSE IN AFRICA, IN PARTICULAR,

AS YOU KNOW, IDA IS THE PRIMARY SOURCE OF CONCESSIONAL FINANCING FOR THE WORLD'S POOREST COUNTRIES AND IS A KEY ELEMENT IN THE MULTILATERAL ASSISTANCE FRAMEWORK, ESPECIALLY IN AFRICA WHERE IT IS THE MAJOR SOURCE OF SUCH FINANCING AND AN INDISPENSABLE FACTOR FOR STABILITY AND PROGRESS IN THE REGION. FURTHERMORE, IDA HAS DEMONSTRATED A UNIQUE ABILITY TO PROVIDE POLICY ADVICE AND TO PROMOTE MORE EFFICIENT SECTOR AND PROJECT MANAGEMENT IN THE RECIPIENT COUNTRIES,

THE PROLONGED GLOBAL RECESSION HAS CAUSED COMMODITY PRICES TO FALL TO THEIR LOWEST LEVEL IN THIRTY YEARS, OVERSEAS DEVELOPMENT AID FLOWS TO STAGNATE AND EXPORT VOLUMES TO CONTRACT. THESE FACTORS HAVE SERIOUSLY DAMAGED THE ECONOMIES OF THE IDA RECIPIENTS. IT IS, INDEED, A STARK FACT THAT REAL PER CAPITA INCOMES IN MANY COUNTRIES OF AFRICA IN 1982 WERE BELOW THE LEVEL OF THE EARLY 1960s.

THE GROWTH PROPECTS FOR THE POOREST COUNTRIES ARE NOT FAVOURABLE FOR THE REST OF THE EIGHTIES, BUT, UNLESS ADDITIONAL CONCESSIONAL FINANCING SUCH AS IDA PROVIDES COULD BE SECURED, IT COULD WELL BE THAT THERE WOULD BE NO GROWTH, NO PROGRESS WHATSOEVER IN THE 1980s. SUCH A CONSEQUENCE WOULD BE TRAGIC AND WOULD INVOLVE HIGH COSTS IN TERMS OF ECONOMIC AND POLITICAL DEVELOPMENTS AND OF HUMAN SUFFERING.



STATE HOUSE

P. O. BOX 40530

NAIROBI, KENYA

- 2 -

22ND AUGUST, 1983

IT IS ESSENTIAL, THEREFORE, THAT IDA'S SIXTH REPLENISHMENT, WHICH HAS BEEN EXTENDED FROM THE PLANNED THREE YEARS TO FOUR, BE COMPLETED AS SCHEDULED, SO THAT THE SEVENTH REPLENISHMENT BEGINS IN JULY 1984, AND THAT THE REPLENISHMENT LEVEL BE SET AT A MINIMUM OF US\$16 BILLION. THIS WOULD REPRESENT A SLIGHT INCREASE IN REAL TERMS AS COMPARED WITH THE US\$12 BILLION AGREED TO IN 1979 FOR THE SIXTH REPLENISHMENT. IT WOULD, HOWEVER, ENTAIL A 44 PERCENT REDUCTION IN REAL PER CAPITA LENDING COMPARED WITH 1980.

THE CASE FOR CONCESSIONAL LENDING AT THE LEVELS INDICATED IS CLEAR, THE CONSEQUENCES OF NOT ACHIEVING THESE LEVELS ARE BOTH OBVIOUS AND HORRENDOUS. IT IS ONLY THROUGH YOUR COOPERATION AND COMMITMENT THAT THESE CONSEQUENCES COULD BE AVERTED.

I AM THEREFORE APPEALING TO YOUR EXCELLENCY FOR YOUR GOVERNMENT'S ADDITIONAL SUPPORT FOR THIS PROGRAMME, WHICH MEANS SO MUCH TO THE POOR COUNTRIES OF THE WORLD.

YOURS SINCERELY,

(DANIEL T. ARAP MOI)
PRESIDENT OF THE REPUBLIC OF KENYA

RT. HON. MARGARET THATCHER, M.P.,
PRIME MINISTER OF GREAT BRITAIN
AND NORTHERN IRELAND,
10 DOWNING STREET,
LONDON S.W.1