



*Joe SAH*

*CR*

10 DOWNING STREET

*overseas policy*

THE PRIME MINISTER

26 September 1983

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T 140/83

*CC MASTER  
OPS*

*Dear Mr. President:*

Thank you for your letter of 26 July about the funding of the International Development Association. I must also apologise for taking an inexcusably long time to reply. Please forgive me.

I agree that IDA is an effective means of promoting development. Its concessional finance makes an important contribution to the economic and social advance 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.

At Williamsburg, we reaffirmed the need to implement commitments to the multilateral aid agencies. The United States Government is now on course to complete its contribution to the Sixth Replenishment of IDA during its 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.

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.

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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.

Whilst 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.

In addition to our support to IDA we have a substantial bilateral aid programme, with its concentration on assistance to the poorest countries; and we shall, of course, also continue to play our part in the various European Community programmes to help developing countries.

Yours sincerely  
Margaret Thatcher

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His Excellency Abdou Diouf,  
President of the Republic of Senegal

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Foreign and Commonwealth Office

London SW1A 2AH

23 September 1983

Re. Lynn letter.

AM 23/9

Dear Michael,

International Development Association

I enclose a draft reply to the enclosed copy of a letter to the Prime Minister from President Diouf. This is dated 26 July. It reached the FCO in mid-August from the Senegalese Embassy here. I am afraid that there was then an inexcusable delay in acknowledging receipt to the Senegalese (which was done in early September), and arranging a translation and drafting and clearing a reply. I can only apologise for this. The reasons are being investigated thoroughly.

The background to the negotiations on the Seventh Replenishment of IDA is contained in the Foreign and Commonwealth Secretary's minute of 2 September to the Chancellor of the Exchequer, copied to the Prime Minister.

In view of the delay, we shall telegraph the reply, if you agree.

Yours ever  
John Holmes

(J E Holmes)  
Private Secretary

M C Scholar Esq  
10 Downing Street

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DRAFT: ~~minute~~/letter/~~teletype~~/~~despatch~~/~~note~~x

TYPE: Draft/Final 1+

FROM: PRIME MINISTER

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

His Excellency Abdou Diouf  
President of the Republic of Senegal

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

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CAVEAT.....

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Enclosures—flag(s).....

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/shortfall



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E/333

Senegal  
Fr West  
At

Le Président de la République N°107/PR/SP.

CC MASTER  
OPS

Dakar, le 26 Juillet 1983.

**PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 111A/83**

Madame le Premier Ministre,

C'est en ma qualité de Chef d'Etat du pays qui exerce aujourd'hui la présidence du Groupe africain au sein des Institutions de Bretton Woods que j'interviens auprès de Vous pour souligner, encore une fois, l'importance, pour les pays africains au Sud du Sahara (et aussi pour les autres pays du Tiers-Monde bénéficiaires de ressources IDA), des consultations en cours en vue de la Septième Reconstitution, à un niveau suffisant, des ressources de l'IDA.

L'environnement économique international défavorable, la stagnation de l'assistance publique bilatérale, la détérioration des termes de l'échange ont infligé aux pays africains un choc sévère et imposent la mise à la disposition de ces pays de ressources concessionnelles que

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l'IDA seul peut et doit fournir. Je crains que la détérioration continue de cet environnement économique, accompagnée de surcroît d'une réduction des ressources de l'IDA pendant la période de la Septième Reconstitution, ne crée des conditions propices à la destabilisation économique, politique et sociale de ces pays. C'est Vous dire, Madame le Premier Ministre, que la conjoncture actuelle requiert, plus aujourd'hui qu'hier, que les pays donateurs de ressources IDA continuent à soutenir l'action de l'IDA en faveur des pays les plus pauvres.

Deux des questions principales qui ont été posées pendant la phase initiale de consultations pour la Septième Reconstitution concernent l'efficacité de l'IDA, en tant que source concessionnelle de financement, et le volume de l'assistance multilatérale en faveur des pays les moins avancés, pendant cette Reconstitution. Je voudrais Vous faire brièvement part de mes sentiments sur ces deux questions.

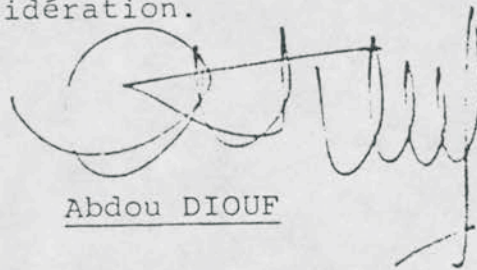
En ce qui concerne l'efficacité de l'IDA qui a fait l'objet d'études sérieuses au cours des deux dernières années, il est maintenant établi que l'IDA demeure la source principale d'assistance multilatérale. Le rapport du Département américain du Trésor sur les Institutions multilatérales de financement a reconnu l'efficacité des opérations de l'IDA et a noté, en particulier, que l'Association constituait un instrument privilégié du dialogue économique avec les pays emprunteurs. Quant à l'étude rétrospective des deux premières décennies de l'IDA, elle conclut que l'IDA constitue un moyen efficace de promouvoir le développement et a un rôle capital à jouer dans l'établissement des bases de développement à long terme des pays les plus pauvres du monde. Ces conclusions reflètent mon appréciation personnelle de la performance de l'IDA.



S'agissant des moyens financiers à mobiliser pendant la période de la Septième Reconstitution, le niveau de 16 milliards de dollars recommandé par la Direction de l'IDA me paraît raisonnable, compte tenu de la situation particulièrement difficile des pays d'Afrique au Sud du Sahara dont le revenu réel par habitant a régressé en moyenne depuis 1973. Ce niveau me paraît d'autant plus raisonnable qu'il constitue en fait une réduction du volume réel des crédits de l'IDA par tête d'habitant par rapport au niveau atteint en 1980, compte tenu de l'admission de la République populaire de Chine au sein des Institutions de Bretton Woods. Je crains qu'une réduction de ce volume ne compromette sérieusement les efforts des Gouvernements africains à prendre les mesures de réforme structurelle recommandées par le Rapport sur le Développement accéléré en Afrique au Sud du Sahara, dont les conclusions ont été adoptées par la réunion des Gouverneurs africains tenue à Dakar en mars 1982.

Votre Gouvernement aura un rôle prépondérant à jouer pour déterminer le niveau et le calendrier de cette Septième Reconstitution dans l'intérêt de la relance des activités économiques aussi bien des pays les plus pauvres que des pays industrialisés, et de la stabilité économique, politique et sociale du monde entier.

Veillez agréer, Madame le Premier Ministre, les assurances de ma très haute considération.



Abdou DIOUF

Madame Margaret THATCHER  
Premier Ministre du Royaume  
de Grande Bretagne

L O N D R E S -



The President of the Republic

No. 107/PR/SP.

Dakar, 26 July 1983

Dear Prime Minister,

It is in my capacity as Head of State of the country at present holding the presidency of the African Group within the Institutions of Bretton Woods that I am writing to you to underline once more the importance of the current discussions on the Seventh Replenishment, at a sufficiently high level, of IDA's resources both for the African countries south of the Sahara (and also for the other Third World countries which are beneficiaries of IDA resources).

The unfavourable international economic environment, the stagnation of bilateral official aid and the deterioration in the terms of trade have had a severe impact on African countries and make it essential for concessionary funds, which IDA alone can and must provide, to be made available to these countries. I am afraid that the continued deterioration of the economic environment, accompanied, moreover, by a reduction in IDA's resources during the period of the Seventh Replenishment, will create conditions that will lead to economic, political and social instability in these countries. In other words, the present economic situation makes it essential, now more than ever, that those countries who donate resources to IDA should continue to support the work of IDA on behalf of the poorest countries of the world.

Two major questions which have been posed during the initial round of talks for the Seventh Replenishment concern the effectiveness of IDA as a concessionary source of finance and the volume of multilateral aid to be given to the least developed countries during this Replenishment. I would like briefly to put to you my view on these two questions.



As as the effectiveness of IDA is concerned, and this has been the subject of serious study over the past two years, it has now been established that IDA is still the principal source of multilateral aid. The report by the US Treasury on multilateral finance Institutions acknowledged the effectiveness of the work of IDA and noted in particular that the Association was a privileged instrument of economic dialogue with the borrowing countries. The retrospective study on the first twenty years of IDA concludes that IDA is an effective means of promoting development and that it has a major role to play in establishing long-term foundations for the development of the poorest countries of the world. These conclusions reflect my own assessment of the achievements of IDA.

As far as the financial resources to be made available during the period of the Seventh Replenishment are concerned, the level of 16 thousand million dollars recommended by the Directors of IDA seems to me to be reasonable, taking into account the particularly difficult situation in the African countries south of the Sahara where real per capita income has, on average, fallen since 1973. This level seems all the more reasonable to me because it in fact constitutes a reduction in the real volume, per capita, of IDA credits in comparison with the level reached in 1980, taking into account the admission of the People's Republic of China to the Institutions of Bretton Woods. I am afraid that a reduction in this volume would seriously jeopardise the African Governments in their efforts to take the measures of structural reform recommended by the Report on Accelerated Development in Africa south of the Sahara, the conclusions of which were adopted by the meeting of African Governors held in Dakar in March 1982.

Your Government will have a key role to play in determining the level and time-table of the Seventh Replenishment on the interests of the revival of economic activities in both the poorest countries and the industrialised countries as well as the economic, political and social stability of the whole world.

/Complimentary close/

sgd. Abdou DIOUF

Mrs Margaret THATCHER

Prime Minister of the Kingdom of Great Britain

LONDON