

Ref: B06640

PRIME MINISTER

c Sir Robert Armstrong

OD(FAF): Falkland Islands - Civilian Rehabilitation

BACKGROUND

Ministers agreed on 6th July (OD(FAF)(82) 2nd Meeting) to make available an initial allocation of up to £10 million on a special account for rehabilitation in the Falklands. It was agreed that the money should be found where possible from the existing Aid programme, but that the bulk of it should come if necessary from the Contingency Reserve. Arrangements to this effect were subsequently agreed between the Foreign and Commonwealth Secretary and the Chief Secretary, Treasury.

2. In his minute to you of 22nd November, the Foreign and Commonwealth Secretary explains that the £10 million are now fully committed; the main categories of expenditure are set out in paragraph 2 of his minute. He proposes that an additional £5 million should be allocated for further rehabilitation work, the major element of which would be repair work on public utilities (water supply, sewage, roads, telephones, hangars and electricity supplies). The remainder would comprise a number of smaller projects including the replacement of facilities at Port Stanley needed to meet military requirements in the medium term (the school hostel and part of the school, some of the hospital accommodation and public meeting halls).
3. The Foreign and Commonwealth Secretary makes no specific proposals as to how this additional expenditure (which will fall in this and the next two financial years) might be funded, but says that he will wish to take account of it in discussing the funding of other Falklands commitments—
 ✓ i.e. the development aid package outlined in OD(FAF)(82) 22. Allowance has been made for it in the consolidated statement of future expenditure on the
 ✓ Falklands contained in OD(FAF)(82) 23.

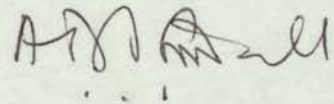
HANDLING

4. You could invite the Foreign and Commonwealth Secretary to speak to his minute. He may ask Mr Onslow to comment on the rehabilitation programme as a whole in the light of his visit to the Islands. It will be important to establish how far the additional rehabilitation work

proposed (and hence its funding) should take priority over the economic development measures recommended in OD(FAF)(82) 22. (The Foreign and Commonwealth Secretary is likely to argue that rehabilitation should be a first charge on whatever funds may be available.)

CONCLUSIONS

5. Subject to the discussion, the Sub-Committee could be guided to agree that a further £5 million should be allocated on special account to civilian rehabilitation on the Falkland Islands, over and above the amount approved for economic development under the preceding item; that the funding of the £5 million for rehabilitation should be agreed between the Foreign and Commonwealth Secretary and the Chief Secretary, Treasury, in the context of their discussion of the funding arrangements for the development aid package discussed under the previous item; and that the same principle should apply as in the case of the initial £10 million, namely that the money should be found from the Contingency Reserve to the extent that it cannot be met from savings in the Aid programme.



23rd November 1982

A D S GOODALL