

SIR ALAN WALTERS

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bcc lw

RAINFOREST PROTECTION

The Prime Minister was most grateful for your note of 12 July. She is very pleased to note that the proposal you described is being pursued and looks forward to a further report in September.

PAUL GRAY

27 July 1989

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DOMINIC MORRIS *com*

19 July 1989

UK POSITION ON AN INTERNATIONAL CLIMATE FUND

I note that in the covering letter this "position" has been agreed by Treasury, Environment and DTI.

The paper is, in effect, a claim for additional aid to be channelled through existing multilaterals - presumably the World Bank or perhaps OECD. It wants the aid to be "truly additional" and a "re-examination" of donor country's restrictions on administrative budgets (of the World Bank). This would mean a bigger international bureaucracy in Washington, outside the control of Westminster, which would administer these additional funds using their own criteria.

It is not clear how such funds would fit into the existing IFI arrangements. Would they be soft loans (such as IDA credits) or would they be grants of one form or another with no consequential repayment or would they be payment for specific annual 'services' (such as maintenance of tropical hardwood forest).

The paper does assume that "additionality" is unequivocally good and does not entertain the idea of financing the environmental effort by reducing non-environmental or even environmental-damaging aid. One would have thought that the Chief Secretary would ask for such an option to be explored. This is important because there is likely to be an enormous clamour for more than doubling aid to Africa (as a fraction of their GNP from a net 5 to a net 10 per cent, according to a World Bank report), and it is at least unlikely that aid to Latin America and Asia will be programmed to decline. There is much more "additionality" (eg Special Africa Fund) in the pipeline. It is also difficult to see any major countries "graduating" so that they are ineligible for aid.

The language of the declaration in paragraph 3 leaves much to be desired. What do we mean by accepting "in principle that developing countries do not have sufficient resources to solve their own local and regional environmental problems". Does any country, even the USA, have such a plenitude? It is the rulers who command these resources and, although they may have sufficient, they may not want to. Mr Mobutu, for example, has rather different uses for Zaire's resources. It also must be borne in mind that World Bank and IDA loans to countries such as Zaire are used primarily according to the desires of the rulers, not the donors.

The paper does not consider the case for unilateral or perhaps bilateral action such as the British Government simply buying the services of virgin forest (as suggested by Sir James Goldsmith). With all the disadvantages of such a policy, it may well be best to retain control by Westminster rather than cede it to some mixture of multilateral bureaucracy and Third World ruler.



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