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Overseas Aid



Foreign and Commonwealth Office

London SW1A 2AH

20 May 1983

Dear Sir,

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Renegotiation of Lomé Convention

In your letter of 25 April, you asked for comments on the Prime Minister's suggestion that in the forthcoming negotiations on a successor to the Lomé Convention we should insist that aid should be tied to purchases from the relevant donor.

So far, the only aid under the Lomé Convention which has been tied is one particular type of contract work, ie consultancy contracts. We have been pressing hard for the untying of this kind of aid because it did not work to our benefit. British consultants felt strongly that the tying of consultancy contracts curtailed the success they would otherwise have had. We have just succeeded in securing the untying of some such contracts for a trial period of two years. Our efforts were considerably helped by a recent opinion by the EC Council Legal Advisers that the operation of quotas is in principle incompatible with the current Lomé Convention.

One option open to us during the negotiations with our EC partners would be to argue that unless contracts for consultancy work are completely and permanently untied, all aid disbursed under the EDF should also be tied. We could maintain, with conviction, that the present mixed arrangements discriminate against the UK, and that the only way to operate the EDF in a non-discriminatory way would be to apply the same provisions across the board.

We do, however, have serious reservations about asking for aid to be tied, for the following reasons:

- (i) so far as the UK is concerned, the trend of recent figures for EDF disbursement is encouraging (see enclosure). Our share of

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all EDF contracts from 1978-1982 rose from 9 per cent to 14 per cent. Now that consultancy work is partly untied, and provided British firms tender more vigorously (and we are encouraging them to improve a disappointing performance in this) there is no reason why we should not aim at least to break even under the next Lomé Convention;

- (ii) multilateral aid is normally untied. We do well out of this commercially. In the Asian Development Fund, for example, we get in procurement £2.41 for every £1 we pay in. We benefit similarly in the UNDP (£2.32:£1) and the World Bank (£1.41:£1). It would not be in our overall interests to argue for a regime under Lomé which we would wish strongly to oppose in other fora where the benefits to the UK are substantial.

If the Prime Minister agrees, we would propose to be guided by the above in the renegotiation of the Lomé Convention.

(R B Bone)
Private Secretary

Overseas Aid

: Long Convention Pt 2.

UK BUSINESS FROM EDF IV

	<u>At 31.12.78.</u>	<u>At 31.12.82.</u>
<u>EDF IV (UK share 18.7%)</u>		
Share of contracts let to Member States only	9.07%	13.86%
Of which, share of works contracts	3.95%	7.45%
" " supply contracts	21.22%	21.62%
" " consultancy contracts	11.98%	17.37%
Share of all contracts let, including to ACP	6.44%	9.41%
Of which, share of works contracts	2.51%	4.08%
" " supply contracts	16.65%	18.35%
" " consultancy contracts	10.39%	15.22%

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