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10 DOWNING STREET

28 January 1985

From the Private Secretary

WORLD BANK'S SPECIAL FACILITY FOR AFRICA

The Prime Minister has seen a copy of the Foreign Secretary's minute of 24 January to the Chancellor in which he proposes that we should associate a specific amount of non-project bilateral aid directed to African countries with the World Bank's Special Facility for Africa.

The Prime Minister would be content with this, subject to the views of colleagues.

I am copying this letter to Rachel Lomax (HM Treasury) and Callum McCarthy (Department of Trade and Industry).

(Charles Powell)

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

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FCS/85/15

CHANCELLOR OF THE EXCHEQUER

COP ①

World Bank's Special Facility for Africa

- Prime Minister
- Clearly we cannot contribute directly to the World Bank's Special Facility.
- But this is quite an ingenious idea - of Crispin Tickell's - for associating some of our bilateral aid with it.
- It would remain our aid, but we would get the benefit of World Bank muscle on conditionality.
- Yes Mr Agree? COP 25/i
1. You will have heard about the latest World Bank attempt to generate additional funds for the development problems of Africa.
 2. The proposal, which derives from the Bank's Joint Programme of Action for sub-Saharan Africa, is for a one-off voluntary fund, with no formal burden-sharing, to be committed over a period of three years. The Bank has set a target of US\$1 billion, and hopes that we might match the French offer of a contribution of \$150m. We have been subject to considerable pressure to contribute. Tom Clausen, President of the Bank, has been to see me about it, you and Tim Raison have been lobbied by the French, as we have received letters from Sonny Ramphal, Kenneth Kaunda and the President of Togo. Moi of Kenya and Mugabe both urged me to contribute during my recent visit to their countries. As we understand it, most OECD countries will contribute except the major donors: the United States and Germany will certainly not do so and Japan and Canada are hesitating. There is to be a meeting of possible donors in Paris on 31 January/1 February, and we need to agree on a negotiating position for our delegation to take on that occasion.
 3. The importance of such a special Facility for Africa,

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which would be used with specific conditionality to try to induce structural change in selected African countries, is very clear. If we had the resources, I should like to support the initiative with a British contribution. To do so would yield a good political and developmental return; and the World Bank argue that it would have a considerable influence on others (notably Japan) to follow our example. But any contribution to the Facility could only be made at the direct expense of our bilateral aid, including that to African countries. If there is no hope of the Aid Programme being increased on this account, I do not think that we can do other than to decline to participate.

4. A simple refusal to contribute to the Facility would be badly received by recipients and other donors alike. ODA officials have therefore had discussions with their World Bank colleagues about a possible alternative approach under which the United Kingdom would play its part by associating with the Facility a specific amount of the non-project bilateral aid which we have had in mind to make available to African countries. We would discuss and agree with the Bank how the money should be allocated to particular countries, and the conditions to be sought from each. The World Bank would be responsible for the negotiations, and our aid would be available subject to acceptance by the recipient of the Bank's conditionality (as indeed would money from the Bank's fund). We share the Bank's wish that aid should be used to secure structural change, and I am satisfied that the necessary adjustments to our usual way of making bilateral aid available would be justified in this wider interest. It would to some extent limit our freedom of action but in my view that is a price worth paying.



5. Clausen made it clear that this approach would be a second best in the Bank's eyes. He would much prefer it if we were able to make a direct contribution to the Special Facility. Some other donor countries and recipients may take the same view, and argue that what we are offering should be additional to what we would otherwise have given. But we can put up a reasonable defence of what we are proposing, and would not claim that it was equivalent to a contribution to the Facility. The Bank would, I think, accept it in this spirit.

6. One question certain to be discussed at the meeting is that of procurement from the Facility. The Working Paper which the Bank has prepared for the donors' meeting recommends that the usual IDA international competitive bidding rules should apply (which would imply no tying), but Clausen told me that those donors which had indicated an intention to participate had for the most part urged that procurement should be restricted to those contributing on a significant scale. We could not, of course, hope to secure access to the Facility while at the same time tying our own associated bilateral aid, but I think there is likely to be little difference in terms of British procurement between the alternatives: tying our aid and not having access to the fund, and untying our aid and securing access. As some Bank officials have urged the latter course on us to make our arrangement look more like an ordinary contribution (for the sake of encouraging the Japanese etc), I suggest we leave it to our delegation to accept either alternative, depending on which seems more helpful to our cause.

7. If we untied our aid, it could be argued that there would be no great difference between what we were proposing and a direct British contribution to the Facility. But from the point of view of our bilateral relations, there is advantage in the arrangement we propose. We would retain control over

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which countries received our aid and we would obtain some credit in every case by signing bilateral aid agreements in respect of each allocation. If, without any increase in the Aid Programme we were simply to hand over the money to the World Bank, it would become part of their initiative; we could be left having to defend the resulting cuts in our bilateral programmes to the countries concerned.

8. The problems of sub-Saharan Africa are on the agenda of the Development Committee meeting which you will be attending in April; and the Germans have shown some interest in having them raised at the Bonn Summit as well. I should be surprised if we did not come under pressure for us to change our position; but wider economic preoccupations may obscure purely African considerations.

9. I hope that you will be able to support the line which I should like to authorise officials to take at the meeting on 31 January/1 February.

10. I am copying this minute to the Prime Minister and the Secretary of State for Trade and Industry.

Foreign and Commonwealth Office
24 January 1985