

SUBJECT

cc Master
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THE PRIME MINISTER



10 DOWNING STREET

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T 85/82 MFJ

cc: fco

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T85/82

26 April 1982

Dear Kenneth,

Thank you for your letter of 2 April about the reduction in the credits of the International Development Association (IDA) this fiscal year.

We are well aware of IDA's predicament and the serious difficulties that this is causing countries such as yours. In the circumstances we agreed last month to waive the pro rata provision in respect of our second (current) instalment to IDA 6. This means that £370 million of Britain's grant contribution of £555 million to IDA 6 is now available for commitment.

We had hoped very much that other donors would follow suit, despite the importance that they, like us, attach to the principle of burden-sharing and the desirability of IDA having a broad financial base. I am pleased to be able to say that the President of the World Bank has told me that it seems likely that as many as ten or so other countries may follow our lead. This would substantially augment IDA's commitment authority for this year.

Yours sincerely
Margaret

His Excellency Dr. Kenneth D. Kaunda

MS



Foreign and Commonwealth Office

London SW1A 2AH

23 April, 1982

Dear Idun,

Please type letter

APL 23/4

International Development Association

I enclose a letter to the Prime Minister from President Kaunda which has just been received from our High Commission in Lusaka, together with a draft reply.

Both are along the lines of correspondence between the Prime Minister and the Presidents of Zimbabwe and Pakistan. In her reply to Dr Kaunda, the Prime Minister can refer to the news in the letter of 13 April from the President of the World Bank that about ten or so other countries are following our lead in releasing in full our second instalment to IDA 6. (A copy of Mr Clausen's letter is attached).

We will forward the signed copy of the Prime Minister's letter by bag, if you agree.

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
Private Secretary
No 10 Downing Street

h.a.
APL 23/5

DRAFT: minute/letter/teleletter/despach/note

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: The Hon Dr Kenneth Kaunda
President of the Republic of
Zambia

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

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Enclosures—flag(s).....

SUBJECT



PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T58A/82

cc Madder
ops.

*State House
Lusaka, Republic of Zambia*

2nd April, 1982.

My Dear Prime Minister,

I have been informed that the World Bank has been forced to cut its IDA credits by about 37% for this fiscal year, from \$4.1 billion to \$2.6 billion. These cuts reflect a drop in IDA resources available to the Bank due to delays in US legislation, and the decision by other major donor countries to link the further release of their contributions to that of the United States. The prospects for the next year are likely to be even more disturbing due to possible further delays in the US legislation, which, if such action were to be followed by other IDA donor countries, would force the Bank to cut IDA credits even further.

I recognize that your Government showed flexibility in this matter last year by advancing the first part of your IDA contribution, but the need for support from you and other major donors is much greater now and it will be so next year. I know that your Government is not preparing to use the delays in the US as a basis for reducing the burden of its own commitments which were entered into as part of the IDA agreement to make a total of \$12 billion available to the poorest countries over the three years 1981-83. It would be disastrous if the difficulties resulting from US actions were to be compounded by the action of countries that have so strongly supported multilateral development assistance in the past.

/...

Rt. Hon. Mrs. Margaret Thatcher,
Prime Minister of Great Britain,
10 Downing Street,
LONDON.



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Secondly, as you are aware, we have been pressing the World Bank for a long time to increase its assistance to Africa and, in particular, to increase the share of IDA going to Africa. Following the issue of the recent World Bank report on an Action Programme for Subsaharan Africa, which I was pleased to note your Government had fully supported, a decision has been taken to increase the share of IDA going to the poorest African countries. It would be tragic if at this stage IDA was to be denied resources to move in this direction by the action of countries such as yours which have so strongly supported the need to increase assistance to Africa.

As you well know, this is a time of very severe economic and financial crisis for the poorest countries in Africa and Asia. IDA is very important to them, and cuts at this time will be severely disruptive. I hope it will be possible for your Government to review its position and also to see whether you can prevail upon other leaders of major IDA donor Government to find a way of maintaining the level of assistance that your Government and theirs had agreed upon in IDA6.

Yours sincerely,

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Kenneth D. Kaunda
PRESIDENT OF THE REPUBLIC OF ZAMBIA