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Overseas Aid: Policy Review:
PE-7.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 58/83.

10 DOWNING STREET

THE PRIME MINISTER

6 May 1983

Dear Prime Minister,

Thank you for your letter of 16 April about the Sixth and Seventh Replenishments of the International Development Association (IDA).

I share your concern that the continuity of IDA's programme is threatened by the shortfall in the appropriation made by the United States Congress for their fiscal year 1983. The British Government is doing everything possible, in co-operation with our European partners, to encourage the US Administration to press for a supplementary appropriation, in the hope that IDA 7 may still begin on 1 July 1984. I have been much encouraged to see the firm statements made recently by senior members of the Administration to Congress in support of the full appropriation of the US contribution by then.

I also fully share your concern at the plight of low income countries and understand how important the size of IDA 7 will be in helping to alleviate their problems. But I am sure you will agree that this time the replenishment must be based on realistic expectations that commitments will be met promptly and in full. We do not want a repeat of the IDA 6 story.

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Any discussion of IDA at Williamsburg will clearly need to focus on these issues. I would expect to see some support for maximising the size of IDA 7 within the limits of what donors can afford, and I would certainly want to argue for that approach myself. We shall do all we can to ensure that IDA continues to play its vital role in the development of the poorest countries.

Every good wish

Yours sincerely

James D. Sheltzer

Her Excellency Shrimati Indira Gandhi.



cc: J Kerr, HKU

10 DOWNING STREET

From the Private Secretary

6 May 1983

IDA: Letter from Mrs. Gandhi

Thank you for your letter of 3 May. I enclose a reply from the Prime Minister to Mrs. Gandhi's letter of 16 April. I should be grateful if you would arrange for its despatch.

A J COLES

John Holmes, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTER
INDIA

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T47c/83.

New Delhi
April 16, 1983

Dear Prime Minister,

I am writing about the continuing problems of International Development Assistance-VI and the prospects for IDA-VII which have become matters of great concern to developing countries, particularly the low income ones.

At the Toronto Meeting of the World Bank and International Monetary Fund, donor countries recognised the crucial role of multi-lateral concessional flows in the development programmes of low income countries, and agreed to provide a reasonable level of commitment authority for the fiscal years 1983 and 1984. It was then hoped that over the four years of IDA-VI (Fiscal years 1981-84) the aggregate commitment authority would slightly exceed the originally stipulated level of \$ 12 billion for the three year period, FY - 1981-83. The stretch out of IDA-VI over a four year period, resulting in smaller annual appropriations was unfortunate but, considering the circumstances, the action of donor countries in preventing a hiatus in IDA's commitment authority was a step forward.

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This gain is now threatened by a shortfall in the appropriation made by the United States Congress and the possibility that IDA-VI could be further stretched out into a fifth year. I should like to share with you the serious concern of developing countries over these developments. In the present uncertain international economic environment, low income oil importing countries suffer from severe resource constraints. So every possible effort has to be made to maintain an orderly and adequate flow of concessional funds to such countries.

The Seventh Conference of Heads of State/Government of Non-aligned Countries held in March 1983 in New Delhi called, among other measures, for a substantial increase in the seventh replenishment of IDA. We are concerned at reports that in the current negotiations on the replenishment of IDA-VII, a low level of replenishment is being considered. We are disturbed that far from securing an increase in real terms, even modest proposals to maintain the level of IDA-VI in real terms appear to be encountering resistance in some donor countries.

I need hardly stress the consequences on low income countries of a reduction in concessional flows in the eighties. Their situation is already grave and it cannot but worsen. We are aware of the budgetary and other constraints in several IDA donor countries, but we hope there will be sympathetic understanding of the rapidly deteriorating economic situation of the low income countries. The amounts involved in raising the size of IDA-VII are relatively small, but in terms of improving prospects of low income countries and of generally strengthening the climate for international cooperation, the gains would be substantial.

May I hope that in the forthcoming deliberations at Williamsburg, it would be possible for the leaders of the major industrial countries to focus on these issues? We look to you for a lead in this matter as you have always supported multi-lateral development assistance and could bring your undoubtedly great influence to bear on other major donors to maintain the level of IDA-VI in real terms and raise the size of IDA-VII.

With warm regards,

Yours sincerely
Indira Gandhi

The Rt. Hon'ble Margaret Thatcher
Prime Minister of Britain
London.

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Foreign and Commonwealth Office

London SW1A 2AH

3 May, 1983

Please type reply.

Mr 5/5

Dear John,

/ I enclose a letter from Mrs Gandhi of 16 April to the Prime
/ Minister about the International Development Association (IDA),
/ together with a draft reply.

India receives a large proportion of its development aid from IDA and the World Bank, and the volume of those flows is determined to a significant extent by the size of the various replenishments of IDA. The level of those replenishments is, in turn, influenced greatly by the contribution of the United States Government, as the major donor, with burden sharing among other donors broadly reflecting their relative shares of the total of their gross national products (although the UK share has traditionally been considerably higher than its relative share of GNP).

The Prime Minister was briefed about the present situation on the replenishment of IDA in connection with the visit on 13 and 14 April of Mr Clausen, President of the World Bank. Broadly Mrs Gandhi's message is the same as Mr Clausen's: the US Administration should be urged to persuade Congress to appropriate its full appropriation of \$900m to IDA 6 as originally negotiated (about \$15-16 billion); and the IDA issues should be discussed between the leaders of the world's greatest industrial nations at the Williamsburg Summit. Recent reports from Washington indicate that both Mr Shultz and Mr Regan have made strong statements to Congressional Committees in support of the US's IDA 6 contributions, although it is not clear whether the issue has been brought to the attention of the President himself.

The UK gained great political credit last year, particularly in Indian eyes, for our forthcoming attitude on releasing our IDA 6 contributions. There would be advantage in maintaining a reasonably sympathetic stance on IDA 7 both at Williamsburg and thereafter at the UNCTAD Conference in Belgrade and at the Commonwealth Heads of Government Meeting. The attitudes of the other major donors, as expressed so far, leave little grounds for any expectation that the ambitions of Mrs Gandhi and Mr Clausen will be realised in practice; this may relieve us from the necessity of being in the van of those urging restraint. The draft reply thereafter attempts to stress that the best result is likely to be achieved by taking account of the realities of the situation and working for the biggest possible IDA 7 within the limits of what donors can afford.

A J Coles Esq
10 Downing Street

Yours ever
J E Holmes
Private Secretary

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DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM: Prime Minister

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO: Prime Minister of India

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

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SUBJECT:

.....In Confidence

Thank you for your letter of 16 April about the Sixth and Seventh Replenishments of the International Development Association (IDA).

CAVEAT.....

~~I was pleased to have your assessment of the value of the efforts made during last year by donor countries to prevent a hiatus in IDA's commitment authority in 1984.~~ I share your concern that the continuity of IDA's programme is now once again threatened by the shortfall in the appropriation made by the United States Congress for their fiscal year 1983. The British Government is doing everything possible, in co-operation with our European partners, to encourage the US Administration to press for a supplementary appropriation, in the hope that IDA 7 may still begin on 1 July 1984. I have been much encouraged to see the firm statements made recently by senior members of the Administration to Congress in support of the full appropriation of the US contribution by then.

Enclosures—flag(s).....

^{also}
I fully share your concern at the plight of low
/income

income countries and understand how important the size of IDA 7 will be in helping to alleviate their problems. But I am sure you will agree that this time the replenishment must be based on realistic expectations that commitments will be met promptly and in full. We ~~do not want a~~ ~~want no~~ repeat of the IDA 6 story.

~~discussion~~
Any ~~consideration~~ of IDA at Williamsburg will clearly need to focus on these issues. I would expect to see some support for maximising the size ~~of~~ IDA 7 within the limits of what donors can afford, and I would certainly want to ~~take that line~~ myself. ~~I can~~ ~~assure you that~~ ~~we shall do everything within our means~~ ~~to ensure that IDA continues to play its vital role in the development of the poorest countries.~~