

SECRET

PRIME MINISTER

FCO BID FOR INCREASED AID PROGRAMME

In your bilateral with the Foreign Secretary I suggest you take as an absolute sticking point that the aid programme be not increased. You may well agree with the Foreign Secretary that bilateral aid should be restored to its 1982/83 level. But this should only be done if at the same time multilateral aid is reduced.

At present, our commitments to multilateral aid, such as IDA and LOME, are increasing and will continue to grow. If we held the aid programme constant then eventually all aid would be multilateral. There would be no bilateral at all.

It is very difficult to withdraw from our commitments under LOME, but there is at present an opportunity to reduce our commitments to IDA. Contrary to what has been alleged by Mr. Clausen, we do not get a good deal from IDA. See flag A. The opportunity to revise our commitments to IDA 7 arise because the Americans have not yet contributed their IDA 6. It is unlikely that they will complete IDA 6, without attaching clauses which IDA cannot accept. Similarly, it is very unlikely that the Americans will contribute anything to IDA 7. Congress would not appropriate the cash. I suggest, therefore, we use this as our opportunity for reducing multilateral aid and correspondingly increasing our bilateral component.

See A Parsons  
view is at  
Flag B

You may, however, believe that you have committed the United Kingdom to new IDA replenishments. Your letters to President Mabutu and Mrs. Gandhi made it clear that you supported the principle of IDA. We have, in good faith, made special contributions to IDA for the fiscal year 1984, providing an additional grant of £105 million for that period. There is a good case for going no further with grants of this kind while the principal contributor is not meeting the commitment. It would be extraordinarily quixotic for us, one of the poorer nations in the developed world, to continue with IDA contributions when the richest nation has ceased to do so.

The latest  
standard  
letter is  
at Flag C  
T152/83

ALAN WALTERS  
18 October 1983

SECRET



10 DOWNING STREET

Prime Minister <sup>(2)</sup>

To note Alan Walker's  
views on aid for your  
bilateral with Sir  
Geoffrey Howe.

AT  
18/10