



CONFIDENTIAL

Overseas Aid
(2)

LS
Prime Minister
[Signature]

Paul
- 17/9

FCS/79/153

CHANCELLOR OF THE EXCHEQUER

Effect on Rhodesia Policy of Cuts in the 1979-80 Aid Programme

1. Thank you for your letter of 7 September in which you said that you did not feel able to consider the possibility of topping up the 1979-80 aid programme by up to £16.6 million if that should become necessary in the circumstances described in my minute of 31 August.
2. After the cuts we have now made to this year's aid programme, we have little room left for manoeuvre. The second set of cuts, about which Ian Gilmour wrote on 9 August, went deep into most of the allocations and important objectives have had to be sacrificed. We had to work these figures out quickly, since the longer we allowed the previous ones to stand, the greater the likelihood of overspending. It was incidentally for this reason that the ODA felt obliged to inform the Indian authorities without delay of the sharp reduction in their allocation, by some £37 million from our previous planning figure, and more than that from the Indians' own expectations.
3. Insufficient funds now remain in the 1979-80 programme for us to carry out our intentions to the full in respect of those governments whose support we need in working for a Rhodesia settlement. As I said in my previous minute, we could reduce their figures up to the point where consultation with them would be necessary; but at this critical juncture I do not wish to have to discuss with them reductions beyond that point.
4. I therefore propose to restore some of the cuts listed in the annex to my minute within the published cash limit, as you have agreed. This could mean overspending unless corrective

/action is

CONFIDENTIAL



CONFIDENTIAL

action is taken; this will depend very much on the rate of spending during the rest of the year. I have instructed ODA to monitor expenditure very closely over the rest of the financial year, and if the need arises to take emergency action towards the end of the year to defer payments on whatever scale and in whichever directions are necessary to stay within the cash limits. This is of course a thoroughly undesirable procedure; not only does it cause trouble with recipients, but it pushes problems forward into 1980-81 when we can already foresee that money will be as tight as this year. However, I consider it to be justified in the present exceptional circumstances.

5. I am copying this minute to the Prime Minister and to Sir John Hunt.

C
/

(CARRINGTON)

Foreign and Commonwealth Office

17 September 1979

CONFIDENTIAL



19 SEP 1979

