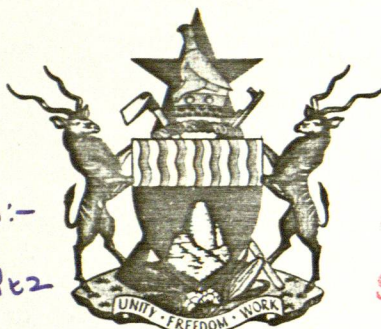


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PRIME MINISTER

SALISBURY



subject copy filed on:-
overseas Aid: Policy Review: Pt 2

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 43A/82

11th March, 1982

Dear Prime Minister,

I have been informed that the World Bank has been forced to cut its International Development Association (IDA) Credits - the non-interest bearing loans - which benefit the poorest countries - by as much as 37% for this Fiscal Year from US\$4.1 billion to US\$2.6 billion. I had the occasion also to be briefed by Mr. Wapenhans, World Bank Vice President for East and Southern Africa, on the situation, on his recent visit to Zimbabwe.

The cuts in resources for the IDA Credits are the result of delays in United States legislation to authorise the US contribution. They are also the result of the decision by the major contributors to IDA resources, including the United Kingdom, to link their own contribution to that of the United States. Whilst this decision may be understandable and may have been intended to influence the US in a positive way, the opposite has in fact been the case with very serious consequences especially to the poorest of the developing countries, the majority of which are in Africa.

I recognise that the British Government showed flexibility in this matter last year by advancing the first part of your IDA contribution, but the need for support from the United Kingdom, Germany, France, Canada, Japan, and other major donors is much greater now and will be even more so next year.

I should as well bring to your attention, Esteemed Prime Minister, the growing feeling in the developing countries - which I am sure is a mistaken impression - that your Government may be prepared 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 such as Britain, that have so strongly supported multilateral development assistance in the past.

As you are aware, there has been pressure on the World Bank for a long time to increase its assistance to Africa, especially the share of IDA Credits going to Africa. Following the issue of the recent World Bank report on an Action Programme for Sub-Saharan Africa, which I was pleased to note your Government had fully supported, a decision has been taken to increase the share of IDA resources 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 actions of countries such as yours which, as I have already noted above, have so strongly supported the need to increase assistance to Africa in the past and are themselves actively involved in assisting African countries. Indeed, as you will no doubt recall, the Commonwealth as a whole has taken a very strong position on issues related to this.

As you well know, this is a time of very severe economic and financial crisis for the poorest countries in Africa and elsewhere. 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 Governments to find a way of maintaining the level

of assistance that your Government and theirs had agreed upon in IDA6, and not follow the American lead in this matter.

Yours sincerely,

R. G. Mugabe

R.G. Mugabe.

Prime Minister.

PRIME MINISTER'S
OFFICE

15 MAR 1982

ZIMBABWE

The Right Hon. Mrs Margaret Thatcher, M.P.
Prime Minister
10 Downing Street
London.

RGM/gm.