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Overseas Aid & Policy Review:
Pt 3.



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
Wendell Ford*

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