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Subject: Overseas Aid.
Policy Pt 3.



10 DOWNING STREET

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OVERSEAS Policy

THE PRIME MINISTER

26 September 1983

PRIME MINISTER'S
PERSONAL MESSAGE

SERIAL No. T139/83

L-mullery.

Thank you for your letter about the funding of the International Development Association.

I agree with you that it is important to maintain concessional flows to the world's poorest countries. As you will know, our own bilateral aid programme is second to none in directing assistance to the poorest. About two-thirds of our funds go to them, almost all in the form of grants.

At Williamsburg, we re-affirmed the need to implement commitments to the multilateral aid agencies. The United States Government are now on course to complete their contribution to the Sixth Replenishment of IDA during its fiscal year 1984. All other donors, including the UK, are providing additional resources to alleviate the shortfall in IDA's commitment authority in that year.

All countries participating in the next Replenishment (IDA 7) have accepted that it must command full international support, with contributions based on the principle of fair

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burden-sharing among donors. But I should not disguise from you our view that the World Bank President's target of \$16 billion is likely to prove unrealistically high in the context of the current budgetary problems of those many donors, including the United Kingdom, which feel obliged to exercise strict control over public expenditure as part of their measures to deal with their own economic problems.

Whilst I cannot predict the eventual outcome of the negotiations, I assure you that Britain stands ready to support the next Replenishment within the limits of what donors can afford; but our percentage share will have to be more in line with our relative economic strength among donors, and therefore much less than the 10.1 per cent which we contributed to IDA 6. Our aim is to put the next Replenishment in place by July 1984, however, and we share your expectation that it will cover the usual three-year period.

I look forward to meeting you again soon at the Commonwealth Heads of Government Meeting in Delhi.

Yours sincerely
Raymond Hunt

His Excellency Lieutenant General H.M, Ershad ndc, psc.