



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

You enquired about this following your talk with Sir Anthony Parsons about handling Rhodesia in the Security Council. 22 August 1979

Dear Bryan, The problem is clearly less one of exerting leverage or offering inducements than of damage limitation. JHM 23/8

Rhodesia and the Security Council

Thank you for your letter of 9 August in which you said that the Prime Minister would like the maximum advantage to be taken of such leverage as our aid programmes may give us towards keeping relevant Commonwealth countries in line over Rhodesia.

The Foreign and Commonwealth Secretary has asked me to let you know that in the case of some key African countries there is no scope within present financial ceilings for encouraging their support through the 1979/1980 aid allocation. On the contrary, we may soon be faced with criticism arising from cuts in this year's allocations.

We have had to reduce allocations sharply this year because of the cuts and the high level of commitments. We have reached agreement with the Treasury on the reduced allocations by programme and it has now become essential to take the steps required to ensure that, programme by programme and overall, expenditure is contained within these figures. The cuts as they will be perceived by many of the recipient countries will be more severe than the figure of £50 million against an Aid Programme of over £800 million would imply. This is because of the high degree of commitment at the beginning of the year (reported to you in a note dated 30 May) and consequently high rate of expenditure during the first months of the present Financial Year: great stringency is needed to bring things back into balance in the remainder of the year.

Annex 1 lists illustratively recipient countries which are either of major intrinsic importance, or of particular significance (eg as Front Line States, prominent in the Non-Aligned Group, or members of the Security Council) in relation to Rhodesia, with an indication of the nature of the cuts about which they are now being approached and informed. The very large cuts for India, for example, are being explained by a special mission from the ODA now in Delhi.

There is now virtually no free money left within the Aid Programme this year. The contingency reserve with which we started the year has been virtually fully committed on such things as the emergency or balance of payments aid for Kenya, Uganda, Turkey, the Vietnam refugees etc: only sums of £2 million or £3 million in total could possibly be found from this source.

/You



You may also wish to see (Annex 2) cases where signatures of Aid Agreements are pending. In most cases (Kenya is the main exception) signature of the agreement will not entail cash expenditure for this year and would not, therefore, worsen the problems described above. We are considering urgently whether there is any way of minimising the adverse impact which would be caused by the cuts set out in Annex I.

Lord Carrington will also shortly be considering the 1980/1981 Aid Programme as a whole, which will be a little smaller in real terms (though larger in money terms) than this year. Lord Carrington will be considering bilateral aid allocations but clearly disappointments lie ahead. Compensation for hardship this year can be offered to very few and only at the expense of others.

Yours ever,

Stephen

(J S Wall)
Private Secretary

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① Am I not right in thinking that in spite of "cuts" the Aid programme is 2% more this year (or is it next) than last year?

② The day before we left Zambia I was told a further £10m had been agreed for Agricultural Aid to Zambia. I refused to say so

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would we see how the Rhodesia talks go. What has happened to the £10m? not

1979-80 AID ALLOCATIONS FOR SELECTED COUNTRIES AND POTENTIAL FOR 'LEVERAGE'

	<u>£ million</u>		<u>Comments</u>
	<u>Aid Framework as at</u>		
	<u>April</u>	<u>August</u>	
KENYA	20.6	18.4	Kenya fully supports HMG's approach to a Rhodesia settlement, and no question of leverage arises. The object in providing programme aid was to <u>speed</u> disbursements in 1979-80. We are, however, reducing project aid expenditure by £2.2m.
ZAMBIA	30.2	27.4	Reductions being applied this year total £2.8m. A new aid agreement is due for signature (see Annex II). There is also a strong probability of an allocation of food aid, to delay which would lay us open to charges of inhumanity.
LESOTHO	6.9	6.0	Expenditure under existing agreements can be delayed by administrative means, but the local Governments may complain very loudly at the slowing-down of disbursements. Reductions are £0.9m for Lesotho and £1.0m for Botswana.
BOTSWANA	7.1	6.1	
NIGERIA	4.6	4.3	Curbs on supplementing expatriate staff can be applied now, but savings from this will be small.
TANZANIA	20.5	18.0	The start of some important projects already agreed is being delayed. This will reduce expenditure by £2.5m this year. But a new request for aid will be coming forward in the autumn, although that would not involve expenditure before 1980-81.

/JAMAICA

	<u>Aid Framework as at</u>		<u>£ million</u>
	<u>April</u>	<u>August</u>	<u>Comments</u>
	JAMAICA	6.8	4.6
BANGLADESH	46.4	40.5	Under existing agreements the Bangladesh Government had expected up to £66m. A revised expenditure figure of £40.5m had been set to take account of reduction in the aid programme but, following the Prime Minister's meeting with President Zia we are examining programmes urgently to see whether another £2m can be provided.
INDIA	177.1	140.3	The Government of India had expected to receive some £200m in UK aid in 1979-80. The original ODA planning figure of £177m has had to be reduced to £140m to take account of reduction of the aid programme and other pressures within it. Officials are flying to New Delhi on 20 August to discuss this revision. The Indians will obviously be badly disappointed at the figure. There is a formal agreement to be signed covering debt relief measures this year (£31m, included in the £140m total) to which we are already committed.

(i) KENYA

Aid agreements covering the new tranche of £65m project aid over the next three years and £15m programme aid will be ready for signature shortly. The Prime Minister herself agreed this aid with President Moi, and any delay in signing the agreements would be likely to cause adverse reactions.

(ii) BOLIVIA

We are ready to conclude an agreement to provide £17.5m over 4-5 years to re-equip tin mines owned by the Bolivian mining corporation, COMIBOL. All equipment would be British. The project was postponed on human rights grounds in 1977, but reconsidered in February 1979 following improvements in human rights. The Bolivians have been led to expect that the project would go ahead following the installation of a civilian government. Such a government was installed earlier this month, and Lord Trefgarne attended the inauguration ceremony. The NUM has always taken a strong interest in the project and following a recent visit to Bolivia will be urging that the project be implemented. Bolivia currently has the Latin American seat on the UN Security Council.

(iii) CYPRUS

A £7.5m project aid loan has been offered and an agreement is due to be signed shortly. No expenditure would occur before 1980-81 at the earliest. To delay or withdraw it would be likely to stimulate the Cypriots to press more vigorously their claims for over £200m in connection with facilities provided for the Sovereign Base Areas.

(iv) SRI LANKA

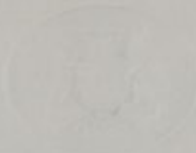
In Lusaka the Prime Minister offered aid totalling £100m over 6 years to Mr Premadasa in support of the Victoria project. We must now conclude an agreement with the Sri Lanka Government, although costs in the first year of the project (probably 1980-81) may amount to £17m.

(v) JAMAICA

A further £5m of programme assistance was pledged at the World Bank's Caribbean Group meeting in June this year. An agreement implementing this pledge has yet to be signed.

(vi) ZAMBIA

The new £10m tranche of project aid for agricultural development due for signature is expected by President Kaunda. To withhold signature at this time would cause serious misunderstanding in our relations with Zambia.



23 AUG 1979