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Prime Minister

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FCS/80/66

CHANCELLOR OF THE EXCHEQUER

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Aid for Zimbabwe

1. We discussed with Christopher Soames on 19 March the financial and economic measures which he considered essential to consolidate our political settlement in Rhodesia.
2. The political case for aid to Zimbabwe is a strong one and was set out by Christopher Soames in Cabinet. It is in our wider interests to consolidate the settlement and ensure stability. We want to win a major share of the Rhodesian market for British industry.
3. Our political interest in the success of the settlement and its implications for the future of Southern Africa is shared by other Western countries. I have already instructed HM Ambassadors in all the leading donor countries to represent to Governments the need to give development aid. The multilateral institutions will undoubtedly contribute when the independent government is able to join them. The Governor is to suggest to Mugabe that a full donors' conference be called in Salisbury as soon as the new Ministers are briefed and ready to receive it.
4. But we shall need to make a major contribution, though this need not become a longer-term burden given Zimbabwe's basic wealth. Christopher Soames has told Mugabe that we shall make a grant, with no limitation as to local costs, of £7 million (Rhodesian dollars 10 million), for reconstruction of schools, hospitals, and other assets destroyed or damaged during the years of war. He has also said that we shall give "substantial" assistance for Zimbabwe's development needs in the medium-term.
5. We agreed on Wednesday that, subject to tactical considerations in regard to other donors and to the timing of a UK aid mission to Salisbury at present scheduled for the week following independence, we should offer a total of £75m in aid to the independent State from 1980/81 to 1983/84, for commitment over the first three of
/these years

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these years and disbursement over the four: this sum will include the assistance of £7m for reconstruction in 1980/81 and will cover whatever proposals both for capital aid and technical co-operation are subsequently agreed with the new Government. (The terms of capital aid can be discussed by officials later). The proposed pattern of spending (at present estimated, but in our negotiations in Salisbury we shall secure that it is closely adhered to) is as follows:

	1980/81	1981/82	1982/83	1983/84
Reconstruction grant	7			
Other assistance	8	17	19	24
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Total £75m				

The sums proposed for "other assistance" will include both contributions to an Agricultural Development Corporation for rural development (including land settlement) which was an undertaking given at the Lancaster House Conference and an essential part of the Rhodesian settlement, and the financing, in whole or in part, of programmes or projects designed to enable our industries to regain a foothold in an independent Zimbabwe. The essential commercial and banking connections are already there.

6. The detailed allocations of our aid programme up to 1984 are still being worked out. It is already quite clear that the cuts we have agreed on will force us to slow down the implementation of commitments we have made since we assumed office as well as those of our predecessors which we should rightly honour. I believe, however, that provided Keith Joseph and John Nott agree, I can accommodate the sums set out above by drawing on the prospective contingency provisions for each year in the aid programme up to and including 1983/84 save for the first two years. For these, I propose that sums of £3m for 1980/81 and £7m for 1981/82 be provided from the central contingency reserve. This will mean that the total provision for the aid programme in our projections for public expenditure will be increased by these cash amounts for the two financial years in question, and for these only. Our strategic, political and commercial interests in the region demand no less. I hope that you

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/and our



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and our colleagues will be able to agree.

7. This minute is copied to the Prime Minister and to the Secretaries of State for Trade and for Industry.

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(CARRINGTON)

Foreign and Commonwealth Office
24 March 1980

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