

CHAPTER 1

FRAMEWORK AND ASSESSMENT

This report on the Flow of Intra-Commonwealth Aid for 1969 is the fourth of the series giving a comprehensive statement of official aid flows within the Commonwealth. From the inception of this new series of reports on the flow of official aid, the Secretariat has continued to collect and compile the data on a programme basis thus making available aggregate information for individual programmes, such as the Special Commonwealth African Assistance Plan. This information is not elsewhere available on a Commonwealth basis, the Colombo Plan is the only programme for which an annual report is presented.

In view of the importance of reverse financial flows from developing countries and their growing burden of debt some Commonwealth governments suggested that information on interest and capital repayments made to donor countries on official loans and investments should be included in the report. Such data were first collected for 1968, and in the report for that year and in this report the flows are shown on both a gross and net basis.

General World Situation

While there are special Commonwealth programmes the Commonwealth is in no sense an exclusive aid group and substantial amounts of assistance from non-Commonwealth donors and international development agencies are received by Commonwealth developing countries. It is therefore relevant to review Commonwealth co-operation for development against the background of the wider international scene.

World production expanded in 1969 but at a slightly lower rate than in the preceding twelve months. Preliminary estimates put the rate of growth at just over 5 per cent, about the average for the decade. As the rate of growth in several of the larger developing countries was higher than in 1968, the growth rate for the developing countries as a whole increased to about $6\frac{1}{2}$ per cent. This meant that for the third year in succession the rate of growth of total output of developing countries was higher than that of the developed countries. However, there was no closing of the gap in levels of per capita income between the two groups of countries as population continued to grow at a much higher rate in the developing world than in the developed countries. In the former, population grew by nearly $2\frac{1}{2}$ per cent, whereas in the latter the rate was only 1 per cent.

When the Sixties were designated "A Development Decade" the target of a 5 per cent annual rate of increase in total production of developing countries by the end of the decade appeared to many people overly ambitious. However, largely because of the effort of developing countries in gathering together and effectively employing domestic resources, the target appears to have been broadly attained. According to United Nations figures, by the end of 1968 over two-fifths of the developing countries for which data were available had exceeded the 5 per cent target and a further one-quarter of these countries were achieving growth rates within the range of 4 to 5 per cent. This rate of growth was achieved in spite of the levelling off of the transfer of resources from the developed to the developing world although it must be borne in mind that there were

extremely favourable factors operating during this period. For example world trade has been expanding rapidly: the average growth rate of international trade during the past two decades has probably exceeded 6 per cent per annum. During 1969 however, the rate of increase in value terms approximated 14 per cent and exports from developing countries went up by about 9 per cent.

In spite of the rapidly increasing level of world trade it has become increasingly clear to developing countries that they cannot continue to rely on their traditional exports, mainly primary commodities, to provide the foreign exchange necessary to sustain development as demand for these products by developed countries has been growing too slowly. In addition they have found that increased production of their traditional products does not provide employment for a rapidly growing labour force. Accordingly developing countries have diversified their exports into manufactured and semi-manufactured goods. In most developing countries the manufacturing sector has been growing at a much higher rate than the economy as a whole; indeed the success of developing countries in establishing industrial activities has been a feature of the past two decades. But the continued success of the developing world in industrialisation, and their hope thereby to earn additional foreign exchange to sustain development, is coming to depend to a greater and greater extent on the willingness of developed countries to open their markets to manufactured products from the developing world. Over the past decade the export of manufacturers from developing countries has grown substantially, but much of the industrialisation has resulted from import substitution. It is now being increasingly realised that industrialisation needs to be based on export markets, as import substitution may otherwise prove a developmental cul-de-sac.

Although the bulk of the development which has taken place over the past decade has resulted from the efforts of the developing countries themselves there are areas, apart from programmes to expand trade, where international action and co-operation continues to be needed if the gap in per capita incomes between the rich and the poor is to be closed. Developing countries continue to require capital from developed countries on conditions they can afford, and a number will require assistance to meet the repayment of past capital inflows. In addition many developing countries require accelerated additions to their skills not only through technical assistance but also through a rapid increase in the rate at which the fruits of science and technology are transferred to them and more widely utilised in their productive processes.

Another area in which international co-operation and assistance is needed is in meeting population problems. A number of developing countries have seen much of the results of their substantial efforts to raise average income levels nullified by increases in population. A number of countries with high rates of population growth are placing more and more emphasis on programmes to limit such growth and in some cases results of such programmes are beginning to emerge.

Aid and Aid Prospects

In examining the actual flows of assistance for a particular year it must be borne in mind that the disbursements reflect to a large extent policy decisions and commitments made in preceding years and the rate of drawing against these commitments. Notwithstanding the economic difficulties experienced by several major donors in recent years and the

growing dissatisfaction and disenchantment with the international development effort in both donor and recipient countries over the same period, the net resource flows (i.e. net of amortization) to developing countries from all sources increased slightly in 1969 to reach, according to preliminary estimates by DAC, about \$US 13,600 million. This figure is estimated to be equivalent to about a quarter of the gross fixed asset formation in the developing countries, or over a quarter of the value of their imports on a f.o.b. basis. Virtually all of the additional flow in 1969 was due to higher disbursements by the multilateral agencies. Even so, these disbursements were lower than the official and private capital provided to these agencies.

Many developing countries have clearly demonstrated that they could make effective use of more assistance if it were available. The short-term outlook for assistance is not clear but the longer-term prospects are more favourable than they have been for some time. In 1969 and so far in 1970 inflationary pressures have been general and powerful in the developed countries. In many countries there was acceleration in the rate of price rises in 1969 and a quickening in the rate of increase in wages. Thus, restraints on demand became common, interest rates rose, credit was restricted and fiscal policy became more disinflationary. Those countries which were also experiencing balance of payments difficulties at the same time gave even greater attention to policies of restraint. Such factors tend to affect the short-term outlook for aid and, because of its dominant position in the provision of assistance, the attitude of the United States is crucial. The attitude in that country has been that federal expenditures must be curtailed, wherever reasonably possible, as part of the moves to control budget and balance of payments deficits and inflation. Even with the present arguments for more expansionary policies on the domestic front it seems certain that appropriations by the United States for foreign economic assistance during 1970-71 will be the lowest since World War II. The President originally requested some \$ US 2,200 million to cover that year but the House of Representatives have voted for a total of around \$ US 1,645 million, of which about \$ US 1,276 million would be for economic assistance. However, this figure still has to be agreed by the Senate which may impose further cuts. In 1969 when the President requested some \$ US 2,700 million for economic and military assistance, the amount ultimately appropriated was only \$ US 1,812 million. The immediate picture is not quite so black as it would appear since the pipeline in the U.S. development account (i.e. commitments authorised but not yet disbursed) at the end of June 1970 is put at over \$ US 1,200 million. Similarly the outstanding commitments of the main Commonwealth donors at the beginning of 1970 totalled around £400 million, about £75 million more than a year earlier, and commitments entered into by the multilateral agencies in 1969, some \$ US 2,800 million, were more than double the actual disbursements in that year.

The activities with regard to the replenishment of IDA are to be greatly welcomed. The IDA programme of providing finance, on very soft terms, for development projects in the developing countries is one of the most important and valuable aspects of international development co-operation. The Second Replenishment of IDA, amounting to \$ US 1,200 million over a three-year period, after considerable delays due to the hold-up in passing legislation in the United States, came into effect in July 1969. The Pearson Commission report, which is considered in some detail in a later section of this chapter, recommended that contributions to IDA should be of the order of \$ US 1,000 million annually in 1972 and \$ US 1,500 million by 1975. During the recent negotiations on the Third Replenishment several of the

major donors, among them Britain and the United States, suggested that the figure should be \$ US 1,000 million annually but agreement was reached for a \$ 2,439 million replenishment from the 21 member countries over the three-year period, i.e. about \$ 813 million per annum. In addition, Switzerland, a non-member, will make a loan to IDA. Thus IDA's funds will be more than doubled compared with the current three-year period. Also on the multilateral side, the President of the World Bank has stated that it is planned during the five years 1969-73 to increase the Bank's lending by 100 per cent over the previous five years. However, World Bank loans, the money for which is largely raised through the issue of bonds on the world's capital markets, carry relatively high rates of interest.

The policy intentions of the individual donor countries would also seem to indicate a better outlook for assistance. The picture for official flows from Commonwealth countries is encouraging. Both Canada and Australia are planning to increase their assistance significantly while New Zealand is also anticipating expanding its aid programme. Britain has announced an annual increase in its economic aid programme up to 1974-75.

As far as non-Commonwealth countries are concerned, Germany, now the world's second largest donor, has announced a planned rate of increase in its aid programme of about 11 per cent per annum while the Netherlands and the Scandinavian countries, although comparatively small donors, are advocates of increased aid. Japan has also committed itself to increase its assistance substantially, but it is to be hoped that Japan will find it possible to soften the terms of its assistance. On the other hand, the attitude of France towards aid is not clear but it seems unlikely there will be any major change in its programme in the near future. The two major areas of uncertainty, however, relate to the size of the United States programme and the activities of the centrally planned economies, particularly the U.S.S.R. Because of the overwhelming contribution to international financial flows from the United States, a comparatively small reduction in its programme could offset increases from other donors. And there is little evidence available on the potential level of assistance from the centrally planned economies.

One disquietening feature during the last decade from the developing countries point of view is the declining proportion of the total flows of assistance provided by the developed countries as grants and grant-like flows. Such official flows from the DAC countries, together with their contribution to multilateral institutions, accounted for almost 55 per cent of the total flows (official plus private) in 1960 but by 1969 the proportion had dropped to under 33 per cent (although in absolute terms this meant little change). But, more importantly, this has meant that developing countries have had to borrow considerable amounts, either through official loans or from the overseas private sector, to meet their requirements for sustained development. Over the years official loans have tended to become more concessional in terms, but private export credits are mainly at market rates.

Thus, as the years have passed the debt burden on developing countries has grown heavier and the indebtedness of many countries has given rise to concern. By the end of 1968 the external public debt of 81 developing countries reporting to the IBRD had reached \$ US 53,400 million. However, it is not the size of the total debt which matters as much as the amount of foreign exchange which has to be obtained to service the debt. The United Nations has calculated that in 1967 payments on account of investment income and amortization of debt by developing countries

amounted to about \$ US 8,000 million (of which debt servicing payments accounted for \$ US 4,200 million) while the gross capital inflow in that year was probably of the order of \$ US 13,000 million. The position has undoubtedly worsened since then; in fact the figure projected by the World Bank for servicing payments on the external public debt alone is \$ US 5,260 million for 1970. Looking at the problem in a slightly different way, service payments on external official debt are equivalent to a high proportion of the value of exports of goods for many developing countries; for example, World Bank estimates for 1968 put the proportion at over a fifth for India, even when suppliers' credits are excluded, and just under a fifth for Pakistan.

It seems likely that the debt servicing problems of the developing countries could become even more serious in the years immediately ahead. It is to be hoped that the developed countries will continue to find it possible to soften the terms of their loan assistance and that multilateral assistance, on concessional terms, will play a greater role in international assistance. This would, at least, help to contain the situation but would not solve the problem arising from debts incurred in the past. Some developed countries have already helped to ease the problem through debt rescheduling and the provision of refinancing loans on softer terms. The Pearson Commission supported such actions since it considered that debt relief is a legitimate form of assistance and that there is a case for allowing developing countries to use new loans for refinancing debt payments.

The "Aid Debate" and the Second Development Decade

The discussion of the position of the developing countries and of the attitude of the developed countries towards aid and development has intensified in the last year. This discussion took place in an atmosphere which is described in the following terms by the Pearson Commission: "However, international support for development is now flagging. In some of the rich countries its feasibility, even its very purpose, is in question. The climate surrounding foreign aid programs is heavy with disillusion and distrust. This is not true everywhere. Indeed, there are countries in which the opposite is true. Nevertheless, we have reached a point of crisis". Apart from the need to reconsider attitudes towards development, it was necessary for the international community to plan the development strategy for the next development decade since the first development decade was drawing to a close. The debate on these two inter-related topics was intensified by the publication, within a short space of time, of a number of important documents - the Pearson Commission Report on International Development, the Study of the Capacity of the UN Development System by Sir Robert Jackson, the Report dealing with the Second Development Decade by the UN Committee for Development Planning under Professor Tinbergen, and the Draft Strategy for the Second Development Decade submitted by a Preparatory Committee to the ECOSOC. Apart from these international reports, another important document was published in March by a Task Force on International Development (under the chairmanship of Rudolph Peterson) which had been commissioned by President Nixon to consider a new approach for United States foreign assistance in the 1970's.

1. The Pearson Report

The Commission on International Development, under the Chairmanship of Lester Pearson, a former Prime Minister of Canada, was established by the World Bank to study the effects of development assistance over the

past twenty years, and to "propose the policies which will work better in the future". The Report points out that development assistance has played a substantial role in the considerable economic progress achieved over the past two decades by the developing countries, and that their rate of growth which reached 5 per cent per annum in the 1960s, is far better than generally realised. However, there is at present an atmosphere of disillusionment with aid performance in several developed and developing countries, and international support for development is waning. The Commission attributes this dissatisfaction in part to unrealistic assumptions that aid would lead to "instant development", in part to a lack of understanding of the problems involved, and in part to a failure to maximise the contribution which assistance could make.

In its view, aid should continue to be extended, both for reasons of social justice in closing the gap between rich and poor, and for constructive self-interest in bringing about the fullest utilisation of the world's resources, to the benefit of all. Accordingly, the Commission makes a number of major proposals for revitalising the development effort by integrating aid, trade and investment policies in a single strategy. The Commission's views and recommendations are summarised below.

Trade

A continued vigorous expansion of world trade is a first requirement for development and in order that the developing countries may take advantage of this expansion, trade policies of the advanced countries should be less restrictive. The Commission recommends that import duties and excise taxes on non-competing agricultural products from developing countries, which discourage the growth of consumption, should be abolished, and an increasing share of the market for competing agricultural products should be supplied by imports from developing countries. Quantitative restrictions against manufactures from developing countries should be abolished during the 1970's, and a system of general non-reciprocal preferences should be implemented before the end of 1970.

The developing countries themselves should become more competitive and outward-looking, and should greatly expand trade among themselves by agreements for mutual tariff concessions. Regional development banks should help the financing of exports by granting credits to developing countries. In general, these banks, and other institutions designed to promote regional trade and integration, deserve greater financial support.

Foreign investment

Many developing countries would welcome a larger flow of private foreign investment, and should therefore improve their investment climate. They could do this by removing disincentives to private activity, where this is consistent with national goals, and by improving administrative procedures for dealing with foreign investment. Programmes to offset the special risks of investment, such as tax credits and guarantees, should be strengthened, and policies should be pursued which maximise the contribution of such investment to manpower training, local industry and national growth. At the same time excessive protection and tax concessions should be avoided. Acute debt crises have arisen in some developing countries as a result of too great an extension of export credits, and the Commission recommends a strengthening of the "early warning system" based on external debt reporting which is being evolved by the OECD and

the World Bank.

Aid

A primary objective of aid is to help the developing countries reach a path of self-sustained growth at reasonable levels. An annual target of 6 per cent growth in national product is recommended for the 1970's, as countries growing at this rate will be able gradually to raise their rate of capital formation. Such a rate should allow developing countries to be free of the need for foreign capital on concessional terms before the end of this century, if adequate attention is also given to export growth. This objective cannot be achieved unless there is considerable effort by the developing countries and a steady commitment of resources by the developed countries. Increases in development aid should in future be closely linked to the economic objectives and development performance of the aid-receivers. Multilateral groupings should provide for annual reviews of the development performance of recipients and the discharge of aid and related commitments by donors, and the World Bank and regional development banks should institute discussions aimed at establishing such groups.

Studies of development requirements indicate that 1 per cent of the GNP of the wealthy countries is consistent with the external resource requirements of the developing countries if they are to achieve an annual growth rate of 6 per cent, and is in line with the absorptive capacity of the developing world. The Report therefore endorses the 1 per cent target established by UNCTAD II and recommends that it be met by 1975 at the latest. It also recommends a substantial increase in official aid flows (i.e. grants or loans on soft terms), which should be raised to 0.7 per cent of donor GNP by 1975, and in no case later than 1980.

Debt servicing difficulties have arisen because loans became a much higher proportion of total aid during the 1960's, the increased cost of money on private capital markets forced up the interest on World Bank loans and other borrowings, and there was an expansion in the use of export credits. Apart from these factors, the accumulation of excessive debt is usually the combined result of errors of borrowing governments and of their foreign creditors. Debt relief operations should try to avoid the need for repeated reschedulings, by taking a longer term view and seeking a better balance between growth and stability. Where it is necessary to limit new export credits, attention should be given to the need for concessional external assistance, so that the pace of development is sustained. Debt relief should be recognised as a legitimate form of aid. In future, development assistance loans should be on softer and more uniform terms, and the Report recommends interest of no more than 2 per cent with a maturity of 25-40 years and a grace period of 7-10 years.

An increase in the volume of aid should be accompanied by an increase in its effectiveness. More flexibility is needed in both the administration of aid and in the type of aid given. The plethora of regulations and administrative procedures which exist at present in both donor and recipient countries is hindering the effective implementation of aid, and DAC should sponsor a meeting of the parties concerned in 1970 to find ways of simplifying procedures. In order to give the developing countries continuity of aid to allow them to adopt longer-term plans and programmes, aid appropriation periods should be extended to at least three years.

The most serious limitation on aid flexibility is the system of tying, which spread during the 1960's. This system places a strain on administrative resources and harms competitive buying and pricing. A sequence of actions is recommended to reduce this problem. Firstly, tying procedures should not be intensified; secondly, a study should be made of the principal balance of payments effects of untying; and finally a conference of major donors should be called to consider the progressive untying of aid. It is of particular importance that aid givers should permit aid-financed procurements in other developing countries. In the meantime, multilateral agencies can mitigate the effects of tying by extending the practice of joint or parallel financing of projects, since they have the opportunity to combine funds to buy in the most favourable markets. Provisions in aid agreements which limit the right of recipients to invite competitive tenders should also be suspended immediately. Where tying takes the form of food aid, export markets are being pre-empted from those developing countries which are beginning to produce exportable surpluses of foodgrains. Concessional food sales programmes should be redesigned so that they do not hamper trade between low-income countries, but any decrease in food aid should be compensated by an increase in general development assistance.

Most aid covers only the foreign exchange costs of projects, but this often encourages an uneconomic bias towards capital intensive projects with a large import content. Meeting local costs can create budgetary problems in recipient countries. Inflexible regulations which limit aid contributions to local costs should be removed, and a greater effort should be made to encourage local procurement.

As recipient countries develop, the need for programme rather than project aid increases, since growth is more dependent on imported raw materials, spare parts etc. and lack of foreign exchange can be a major constraint. The forms of aid should be adapted to the needs and level of development of receiving countries, and the value of more programme aid should be recognised. IDA should seek statutory change, if necessary, to undertake more programme aid, and development banks and similar institutions in developing countries should be given more help to finance smaller investment projects, modernisation schemes etc.

Technical Assistance

Technical assistance is often an integral part of a project, and can be necessary on a continuous basis before project selection, throughout the construction stage and well beyond, in order to ensure the effectiveness of an investment. It should therefore be more closely integrated with capital assistance, and the technical component should be included in all negotiations of investment programmes. This process would be assisted if developing countries spell out their technical assistance needs as part of their overall requirements. Continuity would also be ensured if donors were to extend budgetary commitments for technical assistance programmes to at least three years.

In low income countries, technical assistance can represent a considerable cost to the recipient, and the Report recommends that aid should be given for local recurring costs and for equipment, transport and other supplies connected with technical assistance programmes. Alternatively, it may in some cases be more economic for developing countries to pay for the capital and technical assistance involved in a

particular project by borrowing on concessional terms, and loans for projects should therefore include a larger share for technical assistance.

The scarcity of competent people in donor countries available for this type of work has led to some deterioration in the quality of personnel recruited. In addition to better selection and training of technical assistance personnel, donor countries should also give them institutional support, and prospects of career continuity. International technical assistance could be strengthened by the creation of national or international corps of technical assistance personnel with adequate career opportunities, and further study should also be made of ways of making better use of the private sector by establishing an international volunteer corps.

Population

Rapid population growth has slowed down economic and social advance in many developing countries. Assistance to bring down birth rates could come particularly from international organisations, which should extend their training of population and family planning specialists. The report endorses the proposal to appoint a Commissioner of Population in the UN. At the same time the World Bank and WHO should launch an international programme for the mobilisation of research resources in the field of fertility control.

Education and Research

Traditional teaching methods are not necessarily suited or adapted to the needs of developing countries, and greater resources should be made available for educational research and experimentation. On the basis of this research, educational institutes should be established in developing countries. The "brain-drain" which so often results from foreign training could be avoided to some extent if local institutions were strengthened and scholarships given for attendance at them.

More emphasis in research programmes should be given to problems of direct relevance to developing countries. Donors could assist by giving additional aid to appropriate research and development bodies in the developing countries themselves, by allocating a larger share of their own research resources to the study of such problems, and by helping to establish international and regional centres for research and development in fields of general relevance, such as tropical agriculture.

Multilateral Aid

Aid distribution by international organisations is free of many of the tensions inherent in the bilateral aid relationship. International bodies can take the initiative in assessing country performance and co-ordinating aid strategy, they can ensure better geographical distribution to offset any distortions caused by bilateral allocation criteria, and are in a position to facilitate regional integration. The Report sees a strong case for shifting the balance of international aid in favour of a larger multilateral component, and recommends that the share of multilateral aid should be raised from its present level of 10 per cent of total official development assistance to a minimum of 20 per cent by 1975.

An increased multilateral component of aid, combined with greater demand for concessional finance, will place IDA in a key position.

Contributions to IDA should be increased to \$ 1.0 billion annually in 1972 and to \$ 1.5 billion by 1975, and a more regular system of funding than the present triennial replenishment would be helpful. Measures should also be taken to subsidise the interest on some World Bank loans, and the Report recommends a fund for this purpose, financed by donor countries allocating 50 per cent of the interest due to them on official bilateral loans from developing countries.

If multilateral aid is to be increased, the international organisations must be capable of assuming expanded functions. The World Bank should undertake a review of the need for organisational changes in IDA to assist it in expanding its operations, and IDA needs to formulate explicit principles and criteria for allocating aid, and seek to offset the larger inequalities in aid distribution.

A serious effort is needed to co-ordinate the activities of the profusion of multilateral and bilateral aid agencies as well as those of aid receivers. There should be consistent reviews of performance and assessments of requirements. The Report recommends that, during 1970, the President of the World Bank should organise a conference of representatives from multilateral agencies, bilateral aid-givers and developing countries, to consider creating machinery essential to the efficiency and co-ordination of the international aid system.

2. The Tinbergen Report

The UN Committee for Development Planning under Professor Tinbergen, which was set up in 1965 to advise the UN Secretary-General, ECOSOC, and the General Assembly on matters of development plan formulation and implementation, was asked to consider strategy during the next development decade. The Tinbergen Report laid considerable emphasis on the social side of development and considered that any policy of development is not only a question of physical investment and money but also of training, and of co-operation between many types of people and between governments.

The Planning Committee and the Pearson Commission came to almost identical recommendations. Both emphasised the need for a resumption of an active policy of development co-operation with the central theme of adherence, some time in the near future, to the transfer of 1 per cent of GNP (of which 0.7 per cent should be the transfer of official resources), with easier conditions and fewer ties on aid.

The Committee accepted a general development target of between 6 and 7 per cent average annual increase in the net output of developing countries for the second development decade. To meet this it suggested agricultural production would need to rise by almost 4 per cent and the non-agricultural sectors by 8-9 per cent per annum. Among other things, the Committee advocated an increase in expenditure on health in the developing countries and put forward a target for enrolment figures for secondary education of some 30 per cent of the age group of 15 to 19 years.

Both the Pearson Commission and the Tinbergen Committee stressed the need for a regular evaluation of development policies and a link between evaluation and future assistance. The Committee suggested a hierarchy of evaluation processes: first, at national level internally, second, in consortium or other similar groups of donor countries together

with the recipient country, third at regional level and fourth at world level. To make this practicable, it considered the number of consortia, consultative groups or similar bodies should be increased and that they should cover groupings of smaller countries, preferably neighbouring ones, considering sub-regional co-operation among themselves.

3. Draft Development Strategy for the 1970's - UN Preparatory Committee

The Preparatory Committee, comprising representatives of 49 countries, was set up in December 1968 to draw up a draft strategy for the 1970's to carry forward the aims of the first Development Decade. While the Committee made a wide range of recommendations in its Report to ECOSOC, there was no agreement on some and representatives had reservations to this effect written into the introduction to the report itself and in footnotes to the text.

In recommending at least 6 per cent as the target for the overall growth rate of the gross product of the developing countries, the Committee proposed that provision be made for efforts to attain, in the second half of the decade, a higher rate of growth to be specified on the basis of a review in 1975. The Committee also set $3\frac{1}{2}$ per cent as the proposed objective for the annual growth of per capita gross product of the developing countries on the assumption that the population of these countries would increase at no more than $2\frac{1}{2}$ per cent annually; again it was suggested a higher per capita growth rate should be aimed at in the second half of the Decade. Sectoral growth rates to meet the 6 per cent overall growth rate were established.

An attempt was made in the report to recommend specific measures to which governments would commit themselves in the fields of financial resources for development, international trade, trade expansion among developing countries, invisibles, science and technology, human development, expansion and diversification of production, plan formulation and implementation. An attempt was made also to set target dates for the implementation of some of these measures but again some governments had reservations about the measures involved and the target dates. The government of each economically advanced country was asked to provide the developing countries annually with financial aid amounting, by December 1972, to 1 per cent of its GNP, and 0.75 of this amount should be net official aid, (the target date was earlier and the official share higher than the goals suggested by the Pearson Commission). Agreement was not reached within the Committee on a proposal that developed countries consider measures to soften the terms and conditions of their aid and that they should implement, by 1980, specific suggestions made at UNCTAD II in this field.

Governments of developed countries were expected to help developing countries increase their share of international trade in a number of ways, including the opening up of markets to the primary and manufactured commodities of developing countries.

As far as science and technology was concerned, the Committee proposed that developing countries devote 0.5 per cent of their GNP to scientific and technological research and development by 1980. Consideration was given, without full agreement, to a recommendation that developed countries devote the equivalent of 0.05 per cent of their GNP to aid in direct support of science and technology in developing countries during the

1970's. Under another proposal, on which agreement was not reached in the Committee, developed countries would be asked to devote, by 1980, 5 per cent of their research and development expenditure to specific problems of the developing countries.

The Committee proposed that the goals and objectives of the Decade should be reviewed and appraised regularly. These reviews which would recommend positive measures to meet any shortfalls that might occur would be carried out at various levels and involve both developed and developing countries. An overall appraisal of progress and performance should be undertaken by ECOSOC every two years.

4. Forty-ninth session of ECOSOC, July 1970

Notwithstanding all the reservations on particular recommendations the report of the Preparatory Committee, which is summarised above, was presented to the 49th session of ECOSOC. Many days were spent discussing the report but little agreement could be reached on the contents of the report. The lack of progress was apparent from the terms of the resolution which was adopted. The Council noted that a draft strategy for the Second Development Decade "has not yet been completed" and that "there are still certain difficulties in the choice of an agreed basis to ensure the participation of all member countries in the preparation of such a strategy". In transmitting the report of the Preparatory Committee to the General Assembly, the Council stated that completion of a draft strategy required solutions to disagreements arising from proposals on the following items, among others: target dates for the transfer of resources from developed to developing countries; the target for the official component of such transfers; target dates concerning terms and conditions of assistance; the question of a link between the allocation of SDRs and the provision of additional development finance to developing countries; target dates in the field of international trade; assistance by developed countries to developing countries in the field of science and technology; and the contribution of the centrally planned economies to the decade. The Council urged governments to give consideration to the issues mentioned and recommended that the General Assembly Second Committee (Economic and Financial) at the twenty-fifth session should take up the question of a draft strategy as the only priority item. Further, the Council urged governments to consider representation at a high political level during the final phase of the Assembly's work on a draft strategy so the Second Development Decade could be launched on 24 October, 1970.

5. Twenty-fifth session of the UN General Assembly, October 1970

As mentioned in the preceding paragraph, ECOSOC transmitted its report on a draft strategy for the Second Development Decade to the General Assembly together with a list of problems which remained to be solved. Following considerable discussions in its Second Committee, the Assembly was able to adopt a Declaration on 24th October, as part of the ceremony commemorating the 25th anniversary of the U.N.

In summary, the Declaration stated that the average annual rate of growth in the GNP of developing countries as a whole during the decade should be at least 6 per cent with the possibility of attaining a higher rate in the second half of the decade and that the average annual rate of growth in GNP per head in developing countries as a whole should be about

3½ per cent with a possible acceleration in the second half of the decade. These targets imply that the average increase in population would be at the rate of 2½ per cent per annum, that agricultural output and manufacturing production would rise, on average, by 4 per cent and 8 per cent per annum respectively, and that the increase in imports would be somewhat less than 7 per cent per annum while exports rise by somewhat more than 7 per cent. The Declaration also enumerated a number of objectives aimed at improving social conditions.

With these goals and objectives in mind, governments, individually and jointly, resolved to adopt a number of policy measures. The cornerstone of these measures is that each developed country should endeavour to provide by 1972 annually to developing countries financial resource transfers of a minimum net amount of 1 per cent of its GNP at market prices in terms of actual disbursements, having regard to the special position of those countries which are net importers of capital; countries unable to meet the target by 1972 will endeavour to attain it not later than 1975. It was also declared that each developed country would exert its best efforts to transfer a minimum net amount of 0.7 per cent of its GNP at market prices in the form of official development assistance by the middle of the decade. Developed countries will consider measures aimed at the further softening of the terms and conditions of assistance to developing countries and will rapidly and progressively take what measures they can to reduce the extent of aid-tying and to mitigate any harmful effects of tying. The volume of resources made available through multilateral institutions will be increased to the fullest extent possible.

There were many other proposals in the 84-paragraph Declaration covering such topics as international trade, trade expansion, economic co-operation and regional integration, invisibles, least developed among the developing countries, land-locked developing countries, science and technology, human development, expansion and diversification of production, plan formulation and mechanism, and mobilization of published information.

It was agreed that an overall appraisal of the progress in implementing the International Development Strategy will be made biennially, the second biennial appraisal being in the nature of a mid-term review.

6. Jackson Capacity Study

Much of the effort leading towards the attainment of the targets agreed for the Second Development Decade will fall upon the UN system itself. Sir Robert Jackson was asked by the Governing Council of the UN Development Programme to assess the capacity of the UN system to provide an effective programme of technical co-operation for developing countries, firstly, at the present level of resources and secondly, on the assumption that those resources might be doubled within five years. His report must be considered as complementary to that of the Pearson Commission.

Sir Robert found that difficulties had developed because the structure had not been designed for development co-operation on its present scale, because of the excessive autonomy and proliferation of agencies, and because of the reluctance of governments to endow the system with capital for the developing countries. The study found the system was too slow and that programming procedures did not reflect the real needs of the developing countries nor was there an integrated approach

to the problems of each country. Many specific recommendations are made in the study to meet the identified weaknesses but the central theme is the proposal for centralising the planning and all major policy decisions while decentralising as much operational authority as possible to the country level, based on a Resident Director.

The Governing Council of UNDP, after considering the Jackson Study, adopted a wide-ranging series of principles and guidelines for strengthening the UNDP system. They centre on the introduction of "country programming" of UN development co-operation, linking UN activity more closely with the objectives of each developing country; more fully co-ordinating UN development efforts in regard to each country; increasing responsibilities for UNDP field offices; and streamlining project procedures to avoid 'pipeline' delays. At its 49th session, ECOSOC endorsed this country-oriented approach to UN development co-operation activities and the new procedures will come into effect in January 1971.

It may be of interest to note in this context that the World Bank plans a new and expanded programme of Country Economic Missions whose mandate will be to assist governments to draw up an overall development strategy which will include every major sector of the economy and every relevant aspect of a nation's social framework. The teams will include representatives of UNDP and, where appropriate, representatives of the UN specialised agencies. For the larger developing countries the mission will be annual, for other countries every 2 - 3 years and an economic report will be prepared for every country visited. In this way the Bank hopes to provide a solid foundation for consultation and action by both developed and developing countries in the whole field of development strategy and administration of aid.

The multilateral assistance effort

The lending by multilateral agencies has been of a growing importance in the last decade. In the period 1960-64 the proportion of the total net inflows reaching developing countries consisting of disbursements by these agencies was about 5½ per cent but in the period 1965-69 it rose to 8 per cent. In 1969 alone it was almost 9 per cent and as mentioned in earlier sections it seems probable that disbursements by the multilateral agencies will continue to increase in the immediate future. The importance which governments place on this method of giving assistance is instanced by the increased annual contributions to IDA under the Third Replenishment and the higher pledges to UNDP.

The Pearson Commission specifically recommended that an increasing proportion of development assistance should be channelled through the multilateral agencies rather than through bilateral programmes and the terms of reference of the Jackson Study indicated a similar sentiment. President Nixon's Task Force on International Development recommended that the international lending institutions should become the main channel for assistance and that US bilateral aid should be provided largely within a framework set by the international organisations; this view has been accepted by the President. As far as individual governments are concerned, the Canadian Government's review of foreign policy recommends that 25 per cent of Canada's total aid be in the form of multilateral grants to international agencies and advances to development banks; this compares with the Pearson recommendation of 20 per cent. Successive British Governments too have consistently placed strong

emphasis on increasing aid through international agencies and many European governments have adopted similar positions.

Commonwealth Co-operation for Development

Although Commonwealth donor countries have tended to concentrate their assistance to Commonwealth developing countries directly through their bilateral programmes, they make significant contributions to international agencies and regional development banks. Also, Commonwealth countries have taken a number of multinational initiatives in the assistance field in the past twenty years. The most widely known of such initiatives was the establishment of the Colombo Plan followed by special programmes for Africa and the Caribbean. But while, at least in the first instance, these programmes were largely made up of Commonwealth donors and Commonwealth recipients, there have been no specifically multilateral Commonwealth programmes. There has been, for example, no common fund to which all or some contribute and which is jointly controlled by Commonwealth countries. But in 1967 a beginning was made on a Commonwealth Programme following a meeting of Commonwealth officials in Nairobi. The scheme worked out in Nairobi built on the clearing house functions of the Commonwealth Secretariat, set out in the Agreed Memorandum, by selecting areas in which it was believed the Commonwealth, because of similarity in administrative procedures and shared traditions, appeared to have a special competence. Briefly the scheme involved utilising the Commonwealth Secretariat to assist in formulating technical assistance requests in the broad areas of planning, public administration, sectoral analysis and project appraisal, and to find under bilateral programmes the experts to meet the needs so established. The availability of personnel under the bilateral programmes of Commonwealth donors was to be enlarged by the principle of third country financing under which personnel from developing Commonwealth countries could serve in other developing Commonwealth countries with one of the Commonwealth donor countries being responsible for all or part of the costs. In addition, to allow the Secretariat to carry out these functions, a headquarters group of experts was to be established, financed in the same way, who would be available to assist Commonwealth Governments in determining their technical assistance requirements and to carry out short-term assignments in their special fields. The programme was established by the end of 1968 with a headquarters group made up of four experts, and was reviewed at a meeting of Commonwealth officials in Barbados in September 1969.

The officials meeting in Barbados agreed that the Commonwealth Programme had demonstrated that it met a real need and should be expanded. However, administrative difficulties which were not foreseen in Nairobi had arisen, particularly in providing personnel under third country financing arrangements, and officials recommended that the scheme be centrally funded and enlarged on the basis of voluntary contributions by Commonwealth countries. There is thus a proposal before Commonwealth Governments which could lead to a multilateral Commonwealth Programme for Technical Co-operation. This proposal, and the machinery necessary to give it effect, is still the subject of discussion but the establishment of the Commonwealth Fund for Technical Co-operation is expected in the near future.

Conclusion

Looking back over the last decade, one is struck by the sub

stantial progress made by developing countries. Apart from increasing their stock of physical assets and educated manpower, they have shown a capacity to adapt and use modern technology, to make innovations in the political and administrative fields to more closely match their needs, to organise new industrial activities, and to establish many new institutions, national and regional, in such fields as industrial promotion and marketing, development banks and trading areas. While international assistance has played an important, and sometimes vital, role in this progress, by far the greater part of the effort has been made by the developing countries themselves.

Nevertheless, there is no room for complacency. Indeed the present time may well be critical for the international development effort. Notwithstanding the increase in production in the developing countries, there still remains an alarmingly wide gap between developed and developing countries in terms of opportunities and of standards of living. To some extent the intensive debate on developmental issues in the past two years has resulted from the success of past efforts. Most observers feel that the underdeveloped world is in a better position to utilise greater amounts of assistance than they were ten years ago. In most of the developing countries the basic sub-structure for future economic and social development has now been laid down, and there is a prospect of substantial improvements if international efforts are made to ensure that this sub-structure is utilised to make its maximum contribution.

The success of the developing world in increasing total output over the past two decades has not been without cost. Many countries had to give the highest priority to increasing investment, and other worthwhile objectives have had to be delayed. This was emphasised by the President of the World Bank when dealing with the second development decade and the prospects for developing countries. He said "to limit our intention to expanding GNP, even though it be from 5 per cent per year to 6 or 7 per cent, can only lead to greater political, social and economic disequilibrium." The qualitative goals of development are as important as the quantitative goals and they are equally difficult to achieve. But many authorities are stressing the importance of directing more attention and more effort to these other aspects of development.

For many years, and particularly since the publication of the Pearson Commission Report and the approach of the Second Development Decade, developmental questions have been discussed in depth. Although more questions than answers have been found, the time is ripe for action and this means, basically, that the political will must be found. Thus, it is gratifying to note that, after the disagreements which arose in ECOSOC over the strategy for the Second Development Decade, disagreements which resulted in the President of the Council speaking of "the atmosphere of crisis which prevails in international co-operation," it was possible for the differing attitudes of the developing and developed countries to be reconciled at the recent session of the UN General Assembly and that the Second Development Decade can start on 1 January 1971 in an atmosphere of goodwill.