

CHAPTER II

SUMMARY OF COMMONWEALTH FLOWS OF AID

Commonwealth countries take part either as suppliers or recipients in many assistance programmes, some of which are intra-Commonwealth while others involve co-operation with non-Commonwealth countries or the UN and its agencies. The purely intra-Commonwealth programmes include the Special Commonwealth African Assistance Plan (SCAAP), the Commonwealth Caribbean Assistance Programme, the various schemes for Commonwealth Education Co-operation, the Colonial Development and Welfare programmes, the Overseas Service Aid and similar schemes, and the Australia South Pacific Aid Programme. The Commonwealth is associated with non-Commonwealth countries in such programmes as the Colombo Plan, the Indus Basin and Tarbela Development Funds, the economic parts of the South East Asia Treaty Organisation, and the Indian General Cultural Scholarship Scheme. Multilaterally, the Commonwealth gives support to the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) and the United Nations Development Programme (UNDP), as well as to a number of regional development banks.

The information received in answer to a questionnaire sent to all Commonwealth countries suggests that the flow of intra-Commonwealth official assistance was very slightly less than in 1968. The financial flows, net of amortization and interest payments, plus technical assistance expenditure, at some £214 million in 1969, showed a decrease of about £4 million on the previous year's level although the gross figure fell by only £3 million. Looking at the component parts, the amount of assistance provided by way of grants fell slightly as compared with 1968 and disbursements of loans were also lower on both a gross and net basis. However, the upward trend in expenditure on technical assistance continued. The total of advisers and experts financed by Commonwealth countries and serving in Commonwealth countries appears to have declined for the second year in succession although there was a substantial rise in the number serving in the educational field. The total of students and trainees financed by and studying in other Commonwealth countries was a little below the 1968 figure, with the decline reflected in the numbers of both students and trainees. Estimates of official sector assistance, in summary form, are given below.

	1968		1969	
	Gross	Net <u>a</u>	Gross	Net <u>a</u>
	£ million			
Grants	121.8	121.8	119.7	119.7
Loans	94.3	53.5	91.1	49.0
Investments	11.7	-0.3	13.1	1.0
Technical assistance expenditure	43.4	43.4	44.5	44.5
Total	271.3	218.4	268.3	214.2

a Gross disbursements less repayments of principal and interest payments.

	1968		1969	
	Numbers ^b	Man-months	Numbers ^b	Man-months
Advisers and experts -				
non-educational	10,344	92,410	9,658	92,765
educational	6,357	60,661	6,926	61,695
Trainees	4,051	20,886	3,797	17,426
Students	7,388	56,449	7,238	55,878

^b Financed by donor countries in year.

The Development Assistance Committee (DAC) of OECD provisionally estimates that the net resource flows (i.e. gross flows minus amortization payments) reaching developing countries from all sources (i.e. official and private flows from DAC members together with flows from other industrial countries, centrally planned countries, and multilateral agencies) totalled about \$ US 13,571 million (equivalent to some £5,650 million) in 1969, around 3½ per cent more than in the previous year. In 1969 the outflow from multilateral agencies went up by 42 per cent to a record level of nearly \$ US 1,200 million. DAC figures also show that the total net official bilateral aid provided by its member countries to developing countries reached only \$ US 6,293 million in 1969, 3 per cent below the 1968 level; if the interest payments received by DAC members on earlier official lending are deducted, the 1969 figure falls to about \$ US 5,660 million, also some 3 per cent less than in the previous year. The DAC member countries, which include Australia, Britain and Canada, make substantial official contributions to the multilateral institutions while the private sector provides a considerable financial flow to the developing countries. Bilateral technical assistance expenditure by the DAC member countries is provisionally estimated to have risen by about 3 per cent.

In comparing the overall aid-giving performance of Commonwealth countries, and especially that towards other Commonwealth countries, with the world in general and DAC members in particular, it must be borne in mind that the Commonwealth consists mainly of developing countries - about nine-tenths of the total Commonwealth population live in developing countries whereas for the rest of the non-communist world the proportion is around three-fifths. In fact, the Commonwealth covers nearly half the population of the developing countries of the world while the developed countries of the Commonwealth account for under 15 per cent of the total population of the developed countries of the world.

The scale on which the three principal Commonwealth donors and all DAC members combined gave assistance in 1968 and 1969 and aid in relation to population and gross national product are shown in the following table. It is apparent from the table that the flow of official resources, with which this report is concerned, as opposed to private resources, is relatively much less important for Britain than for Australia and Canada. According to the DAC figures, net disbursements of official assistance from Canada to less-developed countries and multilateral agencies, which had been static between 1966 and 1968, rose steeply in 1969 while the upward trend in those by Australia, which had been temporarily interrupted in 1968, was resumed in the following year. On the other hand, official disbursements by Britain showed no change in 1969.

Resource flows from certain Commonwealth countries and
DAC members a

	Australia		Britain		Canada		DAC members combined	
	1968	1969 _b	1968	1969 _b	1968	1969 _b	1968	1969 _b
Net flow of official and private resources <u>c</u> \$ US million	206	232	760	1,069	308	364	13,113	13,571
Net flow of official resources <u>c</u> \$ US million	157	175	429	429	214	295	7,150	7,291
Net flow of official development assistance <u>c d</u> \$ US million	160	175	413	431	175	245	6,400	6,707
Net flow of official and private resources \$ US per head	17.11	18.90	13.72	19.20	14.83	17.26	21.29	21.81
Net flow of official resources \$ US per head	13.04	14.26	7.75	7.71	10.30	13.99	11.61	11.72
Net flow of official development assistance, \$ US per head	13.29	14.26	7.46	7.74	8.43	11.62	10.39	10.78
Official flow as % of gross national product	0.56	0.56	0.42	0.39	0.32	0.41	0.42	0.40
Private flow as % of g.n.p.	0.17	0.18	0.32	0.58	0.14	0.09	0.35	0.34
Total flow as % of g.n.p.	0.73	0.74	0.74	0.97	0.46	0.50	0.78	0.74

a DAC calculations or based on DAC figures. Net flow equals gross disbursements minus amortization receipts on earlier lending.

b Provisional.

c Bilateral and to multilateral agencies.

d Flows which are intended primarily to promote the economic development and welfare of developing countries, and which are intended to be concessional in character.

From certain viewpoints, the aid-giving performance of Commonwealth donors has been as good as or better than the average for all DAC members which is heavily influenced by the performance of the United States. As the table shows, taking net official disbursements as a percentage of gross national product, the proportions for Australia and Canada were above the average for all DAC members while that for Britain was at the average figure. If the private flow is taken into account, flows from Britain were above the DAC average and from Australia at the average but the Canadian proportion falls appreciably below. UNCTAD II recommended that the developed countries devote 1 per cent of their g.n.p. to the net financing (official plus private) going to developing countries. It is clear from the table that there was a setback in 1969 in the progress towards this target largely because of the poor performance by the United States and the shortfall in financial terms was just under \$ US 5,000 million. However, if the United States is excluded, the proportion of total flows to g.n.p. for the other DAC members works out on average to 1.00 per cent. Whereas the proportions for Australia and Canada were still well below the 1 per cent target that for Britain was almost up to it, and those for seven countries (Belgium, Denmark, France, Germany, Italy, Portugal and the Netherlands) were above it.

While the size of the flows is vital, the terms on which the assistance is provided are also of major importance. The terms on which official flows are made by the individual developed countries to the developing countries vary considerably. In 1969 DAC adopted a Supplementary Recommendation on Terms, specifically relating to official development assistance, i.e. assistance intended to promote development as its primary aim and to be concessional in nature. Under the Recommendation, a country's programme complies with its terms if the share of grants in total commitments is 70 per cent or more, or if not less than 85 per cent of the overall programme (grants and loans combined) consists of commitments none of which has a concessional element below 61 per cent, or if the programme is so structured that the commitments with an average grant element of 85 per cent constitute at least 85 per cent of the total programme.

Commonwealth donor countries are among the leaders in providing assistance on easier terms and all three Commonwealth donors met the terms of the Recommendation in 1969. Australia occupied an outstanding place in that it was the only DAC member to provide 100 per cent of its commitments in grant form. In that year, 48 per cent of British commitments to developing countries were in the form of grants while the proportion for Canada covering official commitments was 55 per cent (this figure rises to 60 per cent if official development assistance alone is considered); the average for all DAC members was 59 per cent for total official commitments and 66 per cent for official development assistance alone. If the concessional element of loans is added to the grants the proportions for Britain and Canada on the total basis were 82 per cent and 91 per cent as compared with the DAC average of 79 per cent; taking official development assistance the Canadian proportion reaches 95 per cent and the DAC average 85 per cent. Using the figures for official development assistance, the average interest rate on commitments in 1969 was 1.2 per cent for Britain, 0.3 per cent for Canada and 2.8 per cent for all DAC members while the average grace periods were nearly 6 years, 10 years and 7 years respectively. The average maturity of loans committed by Britain was about 24 years, by Canada 48½ years, and all DAC members combined almost 28 years. According to the provisional estimates by DAC, there was, overall, a slight improvement in the concessional content of new commitments of official

development assistance in 1969. But, as there was a reduction in the volume of these commitments by the most concessional lenders and an increase in those by countries having harder terms, the effect was to raise the average interest rate on loans slightly and to lower the maturity and grace periods.

Intra-Commonwealth aid by type and sector

Grants

As shown earlier, the amount of finance in the form of grants provided by Commonwealth donor countries to other Commonwealth countries showed a further decline in 1969, when the total was almost 2 per cent lower than in the preceding year. Grants made up about 45 per cent of the total flow of intra-Commonwealth aid in 1969, about the same proportion as in 1968. There was, however, an increase in outstanding commitments for grants at the beginning of 1970, which totalled £154 million compared with £138 million at the beginning of the previous year.

The geographical distribution of grants confirmed the trend of previous years. Largely because of increasing Australian contributions to the Territory of Papua and New Guinea, the share of Oceania in the total grant flow to Commonwealth developing countries continued to rise. On the other hand, the proportion of grants going to Asia, which had amounted to nearly 40 per cent in 1966, fell to about 27 per cent in 1969, while the share of Africa also fell slightly to 16 per cent.

In looking at figures covering only one or two years, it is necessary to bear in mind that different kinds of aid are committed for different periods. In some cases, disbursements follow quickly on commitments; in others, for example much project aid, disbursements may be spread over a number of years. As Britain made substantial grants to an appreciable number of countries for budgetary support and as Australia made a considerable contribution to the budget of Papua and New Guinea, this item accounted for the largest proportion of the assistance given as financial grants. On the other hand, the amount of money provided to finance current imports or as bilateral food aid declined in 1969. If other non-project aid is added, just over three-quarters of total grants were for non-project aid in 1969, about the same proportion as in the previous year. Disbursements in the form of project grants fell by about 10 per cent from the 1968 level. A large increase in grants to agriculture lifted this sector's share of the project total from 6 per cent to 22 per cent, whereas money made available for the Indus Basin Development Scheme, at less than half the level of the previous year, represented 10 per cent of the total as against 22 per cent in 1968. Social infrastructure, which receives the largest proportion of project grants, increased slightly to account for 26 per cent of the total and there was also a proportionately large increase in the amount made available for multi-projects. On the other hand, disbursements for transport, energy and industrial projects declined.

Loans

The total amount of assistance disbursed as gross loans by Commonwealth donor countries to other Commonwealth countries, principally in Asia and Africa, fell to £91 million in 1969. This was 3½ per cent lower than in the previous year, and the share of loans in total gross intra-Commonwealth assistance fell to under 34 per cent as compared with 35 per cent in 1968.

During 1969, payments of interest and repayments of principal by the recipient countries rose to £42 million, so that the disbursement of net loans was only £49 million, a decline of over 8 per cent compared with 1968. Loan commitments outstanding at the beginning of 1970 totalled almost £218 million, an increase of one-third on commitments at the beginning of 1969.

The share of non-project aid in gross loans fell from 69 per cent in 1968 to 65 per cent in 1969. The greater part of non-project aid was again for financing current imports. However, the disbursement of loans for project aid showed a further increase, largely because of substantial rises in loans for agriculture, multi-projects and social infrastructure which more than offset a 60 per cent fall in loans for the communications sector. As a result, the share of the agricultural sector in the total of project aid loans rose to 20 per cent, and that of multi-projects and social infrastructure to over 10 per cent each. On the other hand the share of the communications sector fell from 16 per cent to 9 per cent, and transport and industry both received a slightly smaller proportion of the total than in 1968.

Investments

Disbursements by Britain as investments through the Commonwealth Development Corporation rose by 12 per cent to £13 million in 1969. However, repayments of principal and interest payments on earlier investments amounted to about £12 million, so that net investment was less than £1 million. Outstanding investment commitments at the beginning of 1970 totalled over £28 million, which was slightly lower than the figure for the previous year.

The geographical distribution of investments varies widely from year to year. In 1969 disbursements to Commonwealth countries in America continued to increase more rapidly than investments in other areas, and accounted for 46 per cent of total gross disbursements. Investments in African countries showed a smaller increase of about 14 per cent, but received much the same proportion of the total as in 1968. On the other hand, investment in Asian countries fell by over 20 per cent, and their share of the total dropped from 23 per cent to 16 per cent.

The pattern of distribution of the investments by economic sectors also changed considerably in 1969. Over the past few years housing and other community projects within the social infrastructure sector have taken an increasing proportion of the total gross investments; in 1969 these items accounted for over 43 per cent of the total. Investments in multi-projects and in the industrial sector also showed proportionately large increases, but declines on the 1968 levels were recorded for agriculture and the energy sector.

Project Aid

Taking grants, loans and investments together, project assistance accounted for almost one-third of total gross intra-Commonwealth aid in 1969, about the same proportion as in the previous year.

As mentioned earlier, annual disbursement levels may depend on the type of aid provided, for example project or programme aid. Furthermore, in the case of much project aid, disbursements of a specific commitment may be spread over a number of years with considerable year-to-year fluctuations. However, judging from the data for Britain and Canada, which are shown

below, certain changes of emphasis in development can be discerned. Over the four year period 1966-69 the proportionate share of agriculture has shown a strong upward movement, and by 1969 received over a fifth of total project aid. Industry (including services) and social infrastructure also took an increasing share during this period. However, as the proportion of "other projects and unallocated aid" has decreased rapidly, it is difficult to assess how far these figures represent a genuine shift in aid distribution rather than more detailed reporting by donor countries.

Distribution of project aid provided by Britain and
Canada by economic sectors

	Per cent			
	1966	1967	1968	1969
Agriculture, forestry and fishing	7.9	11.7	13.8	20.9
Transport and communications	14.5	18.6	19.6	16.3
Energy	12.5	10.3	11.9	9.6
Multi-projects	13.9	7.6	10.2	12.0
Industry (including services)	4.8	9.5	13.5	13.6
Health	1.4	2.1	1.8	1.8
Education	5.3	7.4	7.8	8.9
Housing	5.3	3.6	6.5	9.4
Other community projects	0.1	2.7	3.5	3.4
Other projects and unallocated aid	34.3	26.6	11.4	4.1

Technical assistance

The value of technical assistance given to developing countries of the Commonwealth increased by 2 per cent in 1969, a smaller increase than has been apparent in recent years, and represented one-sixth of total intra-Commonwealth aid. A 10 per cent increase in expenditure on students and trainees raised their share of the total to almost a quarter, whereas the share of advisers and experts fell from 69 per cent to 66 per cent. African countries are the main recipients of intra-Commonwealth technical assistance, accounting for more than half the total, while Asian countries receive about 16 per cent and those in America around 8 per cent.

There were 619 advisers from Commonwealth countries serving in other Commonwealth countries, roughly the same number as in 1968. About 52 per cent of advisers were serving in African countries, a smaller proportion than in the previous year, while the shares of Asian and American countries increased to 22 per cent and 18 per cent respectively. The greatest proportion of advisers, just under 24 per cent, were serving in the agricultural field in 1969. The second largest number were in power, transport and communications, where the proportion of the total increased from 15½ per cent to 18½ per cent. The number of advisers engaged in the above two sectors and in economic planning and industry increased 1969, but those in other fields decreased.

The number of operational experts serving in Commonwealth countries fell by 7 per cent in 1969, although the average man-months per expert increased slightly. Just over 80 per cent of the operational personnel

served in Commonwealth countries in Africa in 1969, the same proportion as in earlier years. While the number in countries in Oceania was about the same as in 1968, the total for countries in Africa, Asia and America declined. Although the number assisting in the power, transport and communications sector declined by about 20 in 1969, their proportion of the total increased to about 36 per cent. The largest falls, in actual numbers, were in public administration and agriculture, with a smaller decrease in the numbers engaged in the health sector. The distribution of operational personnel between sectors, however, did not alter greatly from the 1968 pattern.

There was an increase of about 9 per cent in the number of advisers and experts in education in 1969. As in earlier years, nearly 90 per cent of the total were serving in African countries, but the increased number in 1969 affected all regions.

Taking all advisers, experts and operational personnel together, over four-fifths serve in African countries, although the number fell by over 100 in 1969. The numbers in Asian and American countries also declined, but those serving in Europe and Oceania continued to increase. As far as the field of activity is concerned, the proportion assisting in education has shown an upward trend and in 1969 accounted for over two-fifths of all experts. The other main fields are power, transport and communications accounting for one-fifth and public administration for 12 per cent.

The number of trainees financed under technical assistance arrangements declined by about 6 per cent in 1969, mainly because of the fall in numbers from Asian countries. This has changed the pattern of distribution based on the nationality of trainees; those from Asian countries made up 38 per cent of the total as against 41 per cent in 1968, whereas trainees from African countries rose to 41 per cent compared with 38 per cent. There was little change in the number of trainees from Commonwealth countries in America and Europe. The largest number of trainees have gone on courses in public administration in the past two years, the 1969 proportion being over one-fifth, while the next largest number, about 15 per cent, have attended courses dealing with power, transport and communications. The numbers attending courses in education, agriculture, and trade and banking declined in 1969, but more have gone on courses in economic planning and social services.

The total number of Commonwealth students financed by Commonwealth donors showed a decrease in 1969, with countries in Asia and Africa still accounting for about four-fifths. The upward trend in student numbers from American and European countries also continued. The largest number of students are studying education, although there were about 160 fewer than in 1968. Those studying medicine, economics and the natural sciences also declined, but the numbers on other courses increased.

Overall assistance to certain economic sectors

Food production and rural development is of major importance in the development process. While initiatives for increased development in agriculture will originate in the developing countries themselves, capital and technical assistance by the developed countries can make an important contribution. This is reflected in the distribution of intra-Commonwealth aid between sectors; agricultural aid increased by more than 50 per cent

between 1968 and 1969, and received more than a fifth of the total flow of project aid. This increase was caused mainly by higher British grants, particularly to India, Ceylon, Mauritius and Kenya. Loans to the agricultural sector also increased substantially. However, the number of advisers and operational personnel in agriculture financed by donor countries under technical assistance arrangements fell to around 1,410 about 140 less than in the previous year. As the number of advisers increased slightly, the decline was accounted for by fewer operational personnel. The number of trainees on agricultural courses fell by 11 to 278 in 1969, but the number of students increased by 6 per cent to more than 640.

Financial assistance to the sector covering industry, trade and tourism, which had shown a marked increase between 1966 and 1968, rose by less than 2 per cent in 1969 with the increase in investment more than offset lower grants and loans. The total of advisers and operational personnel serving in industry, and in trade, banking and tourism increased sharply in 1969, largely because of a rise of almost 100 in the operational personnel engaged in industry and mining. Trainees on industrial courses showed little change, but those on courses in trade, banking and tourism fell by more than 30 per cent.

The amount of financial assistance to the power, transport and communications sector, which was over £22 million in 1968, fell back to less than £19 million the following year. About 3,350 experts and operational personnel assisted in these fields in both years, but the number of trainees financed on courses in these subjects fell by nearly 130 in 1969.

Volunteers

Apart from the flow of intra-Commonwealth official technical assistance, which has been dealt with in earlier paragraphs, another important and substantial form of assistance to developing countries is the supply of volunteers. The donor governments have different methods of supporting these people and the degree of official assistance given to them varies. Over 1,700 British volunteers were assisted in 1969; about two-thirds were teachers while the bulk of the remainder assisted in the agriculture and health fields. About three-fifths of the volunteers served in African countries, large numbers being employed in Nigeria, Kenya, Tanzania, and Uganda, while some 15 per cent were in Asian countries, in particular India. Australia officially supported 148 volunteers, of which nearly two-thirds served in Pacific countries, particularly in Papua and New Guinea, and more than a quarter went to Asian countries, mostly Malaysia. Three-quarters of the 99 volunteers from New Zealand were in the teaching field and most of the volunteers from that country served in the Pacific region. Canadian volunteers in education amounted to almost 700, 70 per cent of whom worked in Africa.