

CHAPTER III

COUNTRIES SUPPLYING ASSISTANCE - POLICIES

General

For a number of reasons, Britain is the most important source of assistance among Commonwealth countries. Nevertheless, Canada, Australia, and New Zealand also provide appreciable amounts of help to other countries, both within the Commonwealth and outside the Commonwealth. Although the major supplying countries continue to place most emphasis on bilateral arrangements, they also make substantial contributions to multilateral programmes. All the main Commonwealth donors contribute to the Colombo Plan for Asian countries and to SCAAP for African countries while Canada and Britain are associated in the Commonwealth Caribbean Assistance Programme. Australia has assumed an obligation to contribute to the economic and social development of Papua and New Guinea and a large part of Australia's total aid effort is directed towards this Territory. Similarly, New Zealand has taken responsibility for assisting certain islands in the Pacific. Consequently, over 95 per cent of the assistance given by Australia and New Zealand to other Commonwealth countries goes to countries in the Asian and Pacific regions while Asian and Caribbean countries receive around 90 per cent of the Canadian assistance to Commonwealth countries. In the case of Britain, historical reasons account, in part, for a much wider geographical spread of countries receiving assistance but, even so, African countries account for about 40 per cent of the total British assistance to Commonwealth countries and a similar proportion goes to Commonwealth countries in Asia.

While developing countries of the Commonwealth lack sufficient surplus resources to be major providers of assistance, a number of them, and in particular India, supply experts to other developing countries and provide scholarships and training facilities.

The Commonwealth and multilateral assistance

Bilateral programmes remain the more important part of the assistance given by the major donor countries of the Commonwealth. According to provisional figures compiled by the Development Assistance Committee (DAC) of OECD, 68 per cent of the total net financial flow from Australia in 1969 consisted of bilateral assistance under official development assistance programmes while the corresponding proportions for Canada and Britain were 44 per cent and 33 per cent respectively. If the bilateral assistance is related to flows from the official sector only, the proportions rise to 90 per cent for Australia, 54 per cent for Canada and 83 per cent for Britain. Thus, the shares of official assistance to multilateral agencies in the total flows are relatively small, being 7 per cent for Australia and Britain and 23 per cent for Canada. In monetary terms, this means that out of a total net flow, official and private, from these three countries of \$ US 1,664 million in 1969, the amount provided as official development assistance (i.e. flows which are intended primarily to promote the economic development and welfare of developing countries, and which are intended to be concessional in character) was about \$ US 851 million, and of this latter figure only some \$ US 175 million were contributions to multilateral agencies and the remainder, about \$ US 675 million, was bilateral assistance.

On the other hand, more emphasis is placed by the developing countries of the Commonwealth on multilateral than on bilateral assistance. Up to 30 June 1970 subscriptions by Commonwealth countries to the International Bank for Reconstruction and Development amounted to \$ US 5,863 million, of which the developing members provided \$ US 1,771 million. By the same date subscriptions by Commonwealth countries to the International Development Association totalled \$ US 676 million, of which the developing countries provided \$ US 74 million. Up to the middle of 1970 Commonwealth countries had paid some \$ US 319 million to UNDP. Taking IBRD, IDA and UNDP together, the Commonwealth had provided about \$ US 6,858 million (some 30 per cent coming from developing countries) out of the world contributions of about \$ US 28,000 million, that is equivalent to almost a quarter of the total; if the contributions of the United States are excluded from the calculation, the Commonwealth share was some 35 per cent.

Apart from their financial contributions to the UN technical co-operation activities, Commonwealth countries also provide a considerable number of experts, many of whom come from developing countries, to work under these programmes. In 1969 India provided 141 experts while Ceylon, Cyprus, Ghana, Guyana, Jamaica, Kenya, Malawi, Mauritius, Nigeria, Pakistan, Sierra Leone, Singapore, Trinidad and Tobago, Uganda, Tanzania and Zambia also supplied experts, i.e. experts from seventeen Commonwealth developing countries were working for UN technical co-operation programmes. In total, the Commonwealth as a whole accounted for over a quarter of the experts working under the programmes and of the Commonwealth figure about two-fifths came from developing countries.

On the receiving side, multilateral assistance is very important to developing Commonwealth countries. Of the development credits disbursed by IDA to member governments up to the end of June 1970 about four-fifths, or some \$ US 1,400 million, went to Commonwealth countries with both India and Pakistan taking large amounts. Similarly, over a quarter, or some \$ US 1,623 million, of the disbursements of loans by the World Bank have been to Commonwealth countries. On the technical assistance side, out of the 1,300 UN experts working in individual countries (as opposed to regional schemes), about 350 were in Commonwealth countries in 1969.

Policies

The following sections give brief surveys of the assistance policies of the Commonwealth supplying countries.

Britain

Although the British aid programme operates on a global basis, by far the greatest part of it goes to developing countries in the Commonwealth. It was announced in 1968 that the gross basic aid programme for the next three financial years (i.e. up to 1970-71) would be maintained at £205 million but that certain items, such as the economic element of the special assistance to Malaysia and Singapore, the annual contribution for three years under the Rome Food Aid Convention, and some part of the increased contribution to IDA, would be additional to the basic programme. The normal aid programme, on a gross basis, for 1970-71 will therefore be £212 million since £7 million earmarked as part of the British contribution to the second IDA replenishment is not now required in that financial year and will accordingly be used for general aid expenditure. This, together with the £17 million for expenditure additional to the normal programme, makes a

grand total of £229 million. This total is expected to lead to official disbursements of at least £224 million in 1970 which, after allowance for capital repayments and interest payments, gives a likely net disbursement figure of around £175 million, about the same level as in 1968 and 1969.

In November 1969 the then Minister of Overseas Development announced an increased aid programme in cash terms for each of the years from 1971-72 to 1973-74. Thus, aid, on a gross basis, is expected to rise from £229 million in 1970-71 to £245 million in 1971-72, £265 million 1972-73 and £300 million in 1973-74. The Minister, noting that the level of private flows was difficult to predict, said that taking a high estimate for private flows Britain could expect to reach the 1 per cent target not much after 1975, the date recommended by the Pearson Commission, and in any case the Government intended, unless the balance of payments position should preclude it, to reach the target not later than the end of the Second Development Decade. The publication of the Pearson Commission's Report in October 1969 was welcomed by the Government and, while the overall strategy set out in the Report has been broadly endorsed by Britain, not all the detailed recommendations are acceptable. In October 1970 the new British Government announced that, the forward projections for aid, on a gross basis, given above, would be maintained and that there would be a further increase to £340 million in 1974-75. The Prime Minister, at the special session of the UN General Assembly on 23 October 1970, reaffirmed Britain's acceptance of the 1 per cent target and stated that Britain would do its best to reach this target by 1975.

The basis of the British aid programme remained unchanged during 1969. Commonwealth countries continued to account for over four-fifths of total British bilateral disbursements and to benefit from the activities of the Commonwealth Development Corporation. Priority continued to be given to the reasonable needs of the dependencies, to the provision of technical assistance and to multilateral aid.

Of the total gross official disbursements in 1969, 56 per cent were in grant or grant-like form, 30 per cent in interest-free loans and 14 per cent in loans at market rates of interest (with nearly two-fifths of the government to government interest-bearing loans carrying a waiver on interest for varying periods thereby reducing the nominal rate of interest). The great majority of loans concluded in 1969 were interest-free including all the largest loans. In answer to a Parliamentary Question, the Minister of Overseas Development announced in July 1970 that, in cases where interest was appropriate, he had for convenience decided to adopt fixed concessionary rates, ranging from 2 per cent to $7\frac{1}{2}$ per cent, instead of using the government lending rate with various waivers of interest in the early years.

In its memorandum, the British Government states that "it is the intention that in consultation with recipient governments about the use of UK aid, special emphasis shall be laid on the agricultural sector in so far as this is appropriate within the development plans and policies of the recipient. Emphasis continued to be laid on assistance to technical education including teacher training and to manpower planning". Britain expects Regional Development Banks to become increasingly important in the international aid effort and is anxious to play its part in supporting them in appropriate cases; in cases where non-regional governments are eligible to participate, e.g. the Asian Development Bank and the Caribbean Development Bank, Britain has made financial contributions. Britain also attaches high importance to aid co-ordination through DAC, consortia and consultative groups.

The British Government gives high priority to technical assistance and in the past two years the value of this kind of aid has risen substantially to account for 21 per cent of gross flows in 1969; this higher level is expected to be maintained in 1970. The functional pattern changed slightly compared with 1968 as there was an appreciable increase in expenditure on students and trainees but slightly less was spent on experts. However, the geographical pattern remained much the same with the concentration on Africa continuing.

As a result of a review of the question of payment of pensions and compensation by the governments of developing countries which were formerly British dependent territories to expatriate officers who were in government service in these territories before independence, Britain announced in March 1970 that it was willing at the request of any overseas government concerned to consider meeting that government's responsibility for the cost of pensions in respect of pre-independence government service. However, the cost of such payments will be borne on the aid programme and the assumption by Britain of such a responsibility would be taken into account in determining the total amount of aid a country might receive for all purposes. About 12,000 British people working overseas at the end of 1969 were employed by overseas governments or public bodies under agreements whereby Britain contributed towards their pay and terms of service. All existing supplementation arrangements end on 31 March 1971 and the British Government has offered to negotiate new agreements, where these are desired and the need exists, to cover the period to March 1976. During discussions, the Ministry of Overseas Development have proposed that supplementation schemes should in future be managed by way of an annual examination by Britain and overseas governments of the technical assistance provided by the operational personnel covered by these schemes so that it will be possible, against the background of the total manpower needs in the developing country and total technical assistance available from all donors, to identify categories and numbers in which staff might be provided.

The recruitment of experts declined further in 1969. There was a continuing decrease in the number of appointments under OSAS to operational posts in the service of overseas governments. The greatest number of appointments were made in the field of education but in the past few years the composition of the figure has changed, with appointments of primary and secondary school teachers declining and those of technical and vocational teachers increasing. In the course of a speech to ECOSOC in July 1970, the Minister said that it had been decided that Britain can render the greatest service to education in developing countries by concentration on a few key areas and, in particular, on teacher training, curriculum development, and the exploitation of modern media and integrated educational planning. A Centre for Educational Development Overseas, comprising the former Centre for Educational Television Overseas, the former Centre for Curriculum Renewal and Educational Development Overseas, and the Overseas Visual Aids Centre, has been established.

The contribution of home base departments, universities and the Corps of Specialists in meeting overseas demands for staff has been maintained but the British memorandum states "One limiting factor in the development of these home base arrangements is the continuing lack of reliable information about future overseas government demand". The Natural Resources Postgraduate Studentships Scheme continues to attract many applications but the shrinking demand from overseas governments for officers without some years of professional experience limits the number of awards

which can be made. On the other hand, the Young Doctors Scheme, under which, in return for agreeing to serve as General Medical Officers overseas for a minimum of two years, newly registered doctors are subsidised while they do training in hospital appointments in Britain and a short course in tropical medicine, continues to be limited by a shortage of suitable candidates.

The British Government continues to attach great importance to assisting developing countries to deal with population problems. The main scope for effectively increasing the British contribution probably lies in supporting multilateral efforts and a grant of £400,000 is to be made to the UN Fund for Population Activities, of which £150,000 might be spent in 1970-71 and the remainder in the following year. The British grant to the International Planned Parenthood Federation, which was doubled in 1969-70, is being doubled again in 1970-71 to £200,000 a year.

In 1969 increasing use was again made of the services of firms of consultants and other organisations to provide technical assistance to developing countries in the form of feasibility and pre-investment studies, and advice on management and other problems.

At the beginning of November 1970 the Government announced that overseas aid would be brought under the ultimate responsibility of the Secretary of State for Foreign and Commonwealth Affairs. However, as the management of overseas aid is a function distinct from the general conduct of foreign affairs and as it is important to maintain the valuable body of expertise and skill in aid administration which has been developed in the Ministry of Overseas Development, the development work of the unified department will be in the charge of a Minister for Overseas Development who will have, by delegation from the Secretary of State, full charge of his functional wing of the Foreign and Commonwealth Office.

Australia

Australia's aid programme increased rapidly during the 1960's and the rise in recent years has been of the order of 10 to 12 per cent per annum. In the calendar year 1969 official development assistance amounted to some \$A 156 million, equivalent to 0.56 per cent of the gross national product, and, when private flows of over \$A 51 million are added, the total flows amounted to 0.74 per cent of g.n.p. In the statements attached to the Australian budget, (presented in August, 1970), it is stated that official economic assistance to developing countries, including Papua and New Guinea, is estimated to total about \$A 184 million in 1970-71, over \$A 18 million or 11 per cent more than the actual expenditure in 1969-70. If Papua and New Guinea is excluded, the 1970-71 estimates provide for an increase of over \$A 7 million, or nearly 14 per cent, in the expenditure on multilateral and bilateral programmes as compared with 1969-70.

There was no change in 1969 in Australia's basic policy of providing aid in grant form. However, an exception to this policy was made early in 1970 when the Government decided to make a loan of \$A 20 million to Papua and New Guinea. This loan, of which \$A 2 million was drawn in 1969-70, will assist the Territory in its capital expenditure on the Bougainville Copper project; a loan rather than a grant was made in view of the special nature of this particular project. It is expected that drawings from the loan will amount to \$A 8 million in 1970-71.

Official aid disbursements to Commonwealth countries during 1969 totalled \$A 13.1 million, representing nearly 40 per cent of total bilateral assistance to developing countries other than Papua and New Guinea. All expenditures under SCAAP, the Commonwealth Education Scheme and most of those under the South Pacific Aid Programme were directed to member countries of the Commonwealth. Australia's policy of concentrating external bilateral assistance (excluding Papua and New Guinea) in the Asian area continued in 1969. However, recent developments in the Pacific area suggest that there will be increasing aid requirements in this region.

Australia has assumed a special obligation to contribute to the economic and social development of Papua and New Guinea and the bulk of its assistance effort is directed towards the Territory. In 1969 assistance to Papua and New Guinea amounted to \$A 107.13 million. The estimates in the 1970-71 Budget envisage that such assistance will be about \$A 184 million in that year as compared with an actual expenditure of \$A 165.7 million in 1969-70.

Australia is a member of the major multilateral aid agencies. A most important recent development in its multilateral aid policy was the announcement at the 1970 Annual Meeting of the Board of Governors of the Asian Development Bank that, subject to Parliamentary approval, Australia would make a contribution of \$US 10 million to the Bank's special funds over the three-year period 1970-71 to 1972-73. Although the precise terms and conditions of the contribution have still to be determined, it is intended that all but \$US 225,000 (which is to be paid to the Technical Assistance Special Fund) will be contributed to the Multi-Purpose Special Fund.

Under the three-year Food Aid Convention, Australia has a commitment to provide 225,000 metric tons of wheat or wheat equivalent each year. The bulk of this wheat and flour is distributed to traditional recipients of aid from Australia in the Asian and Pacific regions and in 1969-70 it went to India, Ceylon, Pakistan and Fiji.

Australian project aid has been expanding in scope and diversity as well as in volume. Project aid has often been directed to basic infrastructure projects, such as roads where Australia has particular experience and expertise which is applicable to developing countries. However, expansion of the industrial base in recent years has facilitated a broadening of the scope of Australian projects and technical assistance.

Technical assistance continues to absorb a relatively high proportion of total assistance to Commonwealth recipients, mainly because of the expertise developed by Australia in providing this sort of aid. In training assistance, Australia has placed increasing emphasis on the programme of group courses. Up till 1968, an average of five courses were conducted each year. Twenty-one courses were conducted in each of the 1968-69 and 1969-70 fiscal years. These courses cover a wide range of professional activity, with emphasis on agriculture, animal husbandry and food production. In 1970-71 further courses are envisaged covering several new fields such as crop production, dairy husbandry, minerals exploitation, and rural youth programmes. Australia Government departments, educational institutions and private enterprise co-operate in the conduct of these courses. Australia is also introducing a number of high level seminars which will not only provide the opportunity for senior executives to see a particular Australian industry and to discuss the relevance of it to their own conditions but will also give Australia the benefit of the advice of the participants on future training

programmes.

A new scheme has been introduced to give Papuans and New Guineans practical on the job training and experience in Australia; in June 1970 there were about 15 trainees studying under this scheme. In the first full year of operation (1970-71) it is proposed that some 50 trainees will go to Australia and that the number will rise to about 250 per year after three or four years. Although a wide range of educational and training institutions has been developed within the Territory, there is a lack of practical training opportunities in a number of occupational groups. The courses cover fields from the skilled trades and technician level through to professional and senior administrative levels.

New Zealand

In its memorandum the New Zealand Government points out that in the past a factor limiting New Zealand's official aid to developing countries was a severe shortage of foreign exchange. However, during 1969 there was a marked improvement in the New Zealand economy and, for the first time in many years, New Zealand had a credit balance in its current account.

In May 1969 the National Development Conference adopted a scheme of indicative planning, which enabled the country to have a clearer idea of the resources and measures required to achieve a series of growth targets. In making a number of recommendations on aid, the Conference reflected an increased public awareness of questions relating to development assistance.

It was in these circumstances that the New Zealand Government doubled its annual contribution to the Colombo Plan and officially accepted the target of one per cent of gross national product as the objective for New Zealand's long term aid programme. The memorandum states that "the timing of future increases in New Zealand's official aid will to an important degree depend on the continuing strength of the economy which in turn will be largely influenced by future prices of its major export products. As in the case of many developing countries, the prices and markets of New Zealand's agricultural products are subject to uncertainties. Of particular concern to New Zealand at present is Britain's renewed application for membership of the EEC, since it is the largest and only substantial market for New Zealand's butter, cheese and lamb".

During 1969 greater attention was given to the organisation of New Zealand's resources for an increased aid effort. A policy of combining the resources of the private and public sectors will play an important part in the expansion. A number of projects initiated by the private sector have been discussed with recipient governments and are now being implemented.

More than three-quarters of New Zealand's official aid is provided in the form of bilateral assistance. Most of this bilateral aid goes to countries in the Pacific with which New Zealand has a special association (Western Samoa, Cook, Niue and Tokelau Islands) and to members of the Colombo Plan. New Zealand will continue to concentrate its bilateral aid resources in the area of the Pacific basin.

While there has been a levelling off in New Zealand's contributions to the exclusively Commonwealth programmes of SCAAP and the Commonwealth Education Scheme, New Zealand will maintain the links afforded by these programmes. There is, however, a changing emphasis in the SCAAP

programme and attention is now being focussed on the granting of student/trainee awards rather than on the assignment of experts. Because New Zealand has no diplomatic missions in Africa it has found it difficult to administer effective technical assistance or capital aid projects there. New Zealand contributes to the Commonwealth Technical Co-operation Scheme and the Commonwealth Medical Scheme.

In the technical assistance field, New Zealand gives emphasis to linking the supply of experts with the training of local counterparts and the provision of capital equipment. The value of third country training is recognised and New Zealand has played an important part in the development of the South Pacific University in Fiji. Although New Zealand continues to respond to requests for undergraduate training awards, which are still sought by some Commonwealth countries, greater attention is being paid to ad hoc courses for trainees and to increasing the range of group courses. These will relate as far as possible to fields in which New Zealand has traditionally been able to provide experts and capital aid - in agriculture, forestry and certain administrative fields.

Canada

In late 1968, as part of its overall review of foreign policy, the Government initiated a comprehensive review of Canadian policies in international development assistance. The results of the review and the policies which the Government intends to adopt in the assistance field were published in a paper entitled "International Development" and the chief items are outlined below.

The Canadian Government believes that a firm commitment to the support of international development is one of the most constructive ways in which Canada can participate in the international community in the coming decades. To meet this commitment, it is intended to increase the allocation of funds, to maintain the concessional financial terms of Canadian assistance, to make a significant move towards untying assistance as to procurement, to increase the proportion of total aid going to multilateral programmes, to continue to allocate most bilateral aid to countries of concentration, to increase support of the private sector's participation in the programme, and to confirm as the primary objective of the programme the economic and social development of the developing countries.

With regard to the primary objective, mentioned above, the paper points out that "this objective does not lessen the necessity of relating the development assistance programme to other Canadian national objectives. It will be clear, for instance, that development assistance will tend to be concentrated in countries whose governments pursue external and internal policies that are broadly consistent with Canadian values and attitudes". The amount of resources which Canada can afford to make available as development assistance is a budgetary question and not a question of the basic availability of resources in Canada. The progress of development depends not only on developing countries making the maximum contribution they can but also on a dependable flow of external resources. The development process must therefore be insulated against fluctuations in the allocation of assistance that might arise from budgetary or financial considerations and to meet this, as well as in recognition of the priority of the development assistance programme, the Canadian Government will endeavour to increase each year the percentage of national income allocated to official development assistance. In 1971-72 the level of official development assistance will be increased by \$C 60 million

from the level of \$ 364 million allocated for 1970-71.

The Canadian assistance programme has historically placed considerable emphasis on the provision of technical assistance. As the basic industrial systems of some of the developing countries have become better established, an increasing proportion of the programme has been provided in the form of industrial raw materials. While composition of this form of aid as between the different products may change, it is anticipated that it will continue to account for an important part of Canada's bilateral programme. Although food aid has also been a very important element of Canadian assistance, the aim must be to help the developing countries to become more self-sufficient. However, when conditions warrant, Canada will continue to provide substantial quantities of food aid.

The official component of Canada's assistance is provided on very soft financial terms and the Government undertakes to continue to provide the major portion of Canadian bilateral assistance on the basis of either grants or 50-year interest-free loans with ten years' grace on repayment. The Government intends to make available up to 20 per cent of total bilateral allocations (about 15 per cent of the total programme) on a completely untied basis for projects and programmes of particularly high development priority. Further, it will be possible for shipping and associated costs arising from Canadian assistance to be financed under the aid programme. It is estimated that, as Canada has no merchant fleet, this could untie as much as a further 10 per cent of the programme. Taken together, the provisions for untying 20 per cent of the bilateral programme, for meeting shipping costs and for increased multilateralisation (see next paragraph) mean that as much as 50 per cent of the total programme can be untied. Canada will also work with other donor countries towards agreement on general measures which might be taken to untie development assistance on a multilateral basis.

Canadian contributions to multilateral institutions have been between 15-20 per cent of the total official programme in recent years. The Government intends to increase the proportion within the next five years to about 25 per cent of the total. It is also stated that additional contributions to IDA deserve a special priority and that the Government proposes to increase its support to UNDP on evidence that its effectiveness is being improved. Support will also be given to regional and other specialized development institutions. Apart from increasing support of multilateral institutions, the Government intends to place greater emphasis on co-ordinating its bilateral programmes with programmes of other bilateral and multilateral donors.

As far as bilateral assistance is concerned, Canada intends to provide the major proportion of its bilateral allocations to selected "countries of concentration" and to specialize in assisting particular sectors within those countries in which it has special competence. It is intended that some 20 per cent of the total bilateral funds available over the next 3 to 5 years will be allocated to countries other than countries of concentration primarily for education and technical assistance and for occasional capital projects of high development priority.

Recognition has also been given to the importance of research in the development process and CIDA is currently exploring the possible scope and nature of future activity in this area. Two major initiatives have been taken in the research sector: the Government has established an International Development Research Centre and has approved a sizeable grant (\$C 3½ million to be disbursed over five years and equal to one-third of the total budget of

the Institute over that period) to the International Institute of Tropical Agriculture in Nigeria. The International Development Research Centre will be funded from development assistance allocations and will involve active co-operation with Canadian universities and other Canadian and international institutions; the Government is prepared to allocate a minimum of \$C 30 million over the next five years for the administration and programmes of the Centre.

The Government intends to place greater emphasis on support for the activities of the private sector which contribute to international development. In 1968 a special programme was initiated to support and encourage such activities and in 1969-70 \$C 6½ million was allocated to this programme to provide grants on a "matching fund" basis for specific projects and programmes. The Government intends to increase support for these non-profit organisations over the next five years. The Government also intends to initiate further measures to encourage Canadian business and industry to establish or expand operations in the developing countries.