

## 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 or the U.N. and its agencies. The purely intra-Commonwealth programmes include the Commonwealth Fund for Technical Co-operation, the Special Commonwealth African Assistance Plan (SCAAP), the Commonwealth Caribbean Assistance Programme, the various schemes for Commonwealth Education Co-operation, the Overseas Service Aid and similar schemes, and the Australian South Pacific Aid Programme. Certain Commonwealth countries are associated with non-Commonwealth countries in such programmes as the Colombo Plan, the economic parts of SEATO, and the Indian General Cultural Scholarship Scheme; the Commonwealth aspects of these programmes are covered in this report. As far as international multilateral assistance is concerned, the Commonwealth supports such bodies and programmes as the International Bank for Reconstruction and Development, the International Development Association, the United Nations Development Programme and a number of regional development banks.

According to information received in answer to a questionnaire sent to all Commonwealth countries, the flow of intra-Commonwealth official assistance in 1971 was appreciably higher than in the previous year. The gross financial flows plus technical assistance expenditure rose by 15 per cent but, as the amounts received from recipients as amortization and interest payments on earlier loans and investments went up considerably, the rise for net flows plus technical assistance was only 12 per cent, which compares with an increase of 20 per cent between 1969 and 1970. Looking at the component parts, there was a slight reduction in the amount of financial grants in 1971 after the sharp increase in the previous year but a further marked rise in the amount of money disbursed from loans. Expenditure on technical assistance continued to grow and accounted for 19 per cent of the total net assistance in 1971. Estimates of official sector assistance, in summary form, are given below.

	1969		1970		1971	
			£ million			
	Gross	Net <u>a</u>	Gross	Net <u>a</u>	Gross	Net <u>a</u>
Grants	119.7	119.7	130.6	130.6	128.1	128.1
Loans	91.1	49.0	115.7	82.2	146.6	99.3
Investments	13.1	1.0	13.2	- 1.4	22.2	4.6
T.A. Expenditure	44.5	44.5	44.9	44.9	54.0	54.0
Total	268.3	214.1	304.4	256.2	350.9	286.0

a Gross disbursements less repayments of principal and interest payments.

Considering the technical assistance aspects in more detail, the figures indicate that the number of advisers and experts, both non-educational and educational declined in 1971 and, whereas non-educational personnel, on average, spent about the same time in the field as in 1970, educational personnel averaged somewhat shorter periods. The downward trend in the number of trainees financed by donor countries, which had been interrupted in 1970, was resumed in 1971 but the upward trend in the number of students continued. Summary figures for the past two years are given below.

	1970		1971	
	Numbers <u>a</u>	Man-months	Numbers <u>a</u>	Man-months
Advisers and experts				
non-educational	8,789	85,287	7,969	74,658
educational	6,486	61,530	6,386	57,637
Trainees	3,767	17,454	3,680	17,974
Students	7,227	50,261	8,314	60,687

a Financed by donor countries in year.

The table below, which gives figures for the five years 1967 to 1971, shows that over this period there was a continuous decline in the total number of non-educational advisers and operational experts, the figure for 1971 being 28 per cent below that for five years earlier. This fall was wholly in operational experts and was mainly the result of a reduction in personnel provided under OSAS. Looking at fields of activity, the decline was most apparent in public administration since only 1,475 experts and advisers were provided in 1971, over 1,100 fewer than five years earlier and there were reductions of almost 600 and 500 in the numbers working in agriculture and the power, transport and communications sector respectively. The total of educational advisers and experts reached a peak in 1969 but since then has fallen back to the 1967 level. The pattern of work has changed over the five years, the increase of some 660 teachers at university and higher technical level being offset by a fall in all other teacher categories but most noticeably in the number employed in primary and secondary schools. The total of trainees financed bilaterally in 1971 was 12 per cent less than that for 1967 but over the same period the number of students rose by 34 per cent as many more were studying engineering, natural sciences, social sciences and medicine.

	Advisers and experts		Trainees	Students
	Non-educational	Educational		
1967	11,117	6,399	4,192	6,221
1968	10,344	6,357	4,032	7,371
1969	9,658	6,926	3,793	7,228
1970	8,789	6,486	3,767	7,227
1971	7,969	6,386	3,680	8,314

According to provisional estimates by DAC, the total net resource flows (i.e. official development assistance, other official flows, private flows at market terms and grants by private voluntary agencies less amortization payments on earlier lending) from its member countries to

developing countries and multilateral agencies totalled \$US18,285 million in 1971, some 15 per cent more than in the previous year. After making adjustments for the effect of changed exchange parities and price increases, the real increase in volume is estimated to have been about 8 per cent. Within this overall total, official development assistance increased by 13 per cent at current exchange rates and prices but on a comparable basis to 1970, the rise was around 6 per cent. All the main components of official development assistance, with the exception of food aid, rose at roughly the same rate as the total with bilateral development loans, technical assistance and flows to multilateral agencies reaching record levels in terms of dollars. In particular, expenditure on technical assistance, which had stagnated between 1968 and 1970, went up considerably but, because salaries has risen, the higher dollar expenditure financed the same number of experts, advisers, students and volunteers in 1971 as in 1970, and fewer than in 1968. Expressed as per capita of the population of developing countries, official development assistance from DAC countries represented \$4.05 in 1971 as against \$3.70 in the previous year but in real terms there was little change. DAC estimates that, since 1961, the real volume of aid receipts per capita has fallen by at least 15 per cent. On the other hand, total net flows to developing countries had increased by about 50 per cent in dollar terms since 1961 and roughly 25 per cent in real terms.

In looking at the aid-giving performance of the Commonwealth it has to be borne in mind that around 90 per cent of the total population of Commonwealth countries live in developing countries. The scale on which the three principal Commonwealth donors and all the DAC members combined gave assistance in 1970 and 1971 and their aid in relation to population and gross national product are shown in the following table. According to DAC figures, net disbursements of official development assistance from Australia, which had shown a continuous upward trend in earlier years, were unchanged in 1971 while those from Canada which had shown a similar movement, apart from an interruption in 1968, went down slightly last year and those from Britain, which had fallen to a comparatively low level in 1968, have subsequently risen sharply with a particularly large increase in 1971. Compared with ten years earlier, Australian and Canadian disbursements in 1971 were nearly three times and about five times as great respectively while those from Britain, which had started from a higher base level, were up by about 23 per cent.

In some respects, the aid-giving performance of Commonwealth donor countries has been better than, or as good as, the average for all DAC members which is strongly influenced by the large proportion of the total assistance provided by the United States. The table shows that, taking official development assistance as a percentage of GNP, the proportions for the three Commonwealth donors, which are members of DAC, were above the DAC average. The International Development Strategy for DD2 proposed that developed countries should make available a minimum net amount of 0.7 per cent of their GNP at market prices by the middle of the decade in the form of official development assistance; some DAC members have not committed themselves to a specific target date or have not yet accepted the specific target figure. The table shows that the DAC average for 1971 was slightly higher than that for the previous year and this represented a reversal of the downward trend for the first time since the early sixties. For Commonwealth countries, however, there was a fall in the proportions for Australia and Canada compared with 1970 but an increase for Britain. For total flows the target recommended by UNCTAD II, and endorsed by UNCTAD III, was that developed countries should provide 1 per cent of their GNP as net financing

for developing countries. In 1971 the flow of resources for DAC as a whole amounted to 0.83 per cent of GNP but, if the United States is excluded, the average goes up to 0.97 per cent. Seven countries, which include Australia and Britain, reached the 1 per cent target while Canada raised its proportion significantly in 1971 although it was still some way from the target. For most DAC members, higher private direct investment or export credits accounted for the bulk of the rise in the proportions.

Resource flows from certain Commonwealth countries  
and DAC members <sup>a</sup>

	Australia		Britain		Canada		DAC members combined	
	1970	1971	1970	1971	1970	1971	1970	1971
Net flow of official and private resources <sup>b</sup> \$US million	420	493	1,279	1,587	626	758	15,858	18,285
Net flow of official development assistance <sup>c</sup> \$US million	202	202	447	561	346	340	6,840	7,718
Net flow of official and private resources \$US per head	33.47	38.73	22.92	28.34	29.24	35.10	25.30	28.90
Net flow of official development assistance \$US per head	16.10	15.87	8.01	10.02	16.16	15.74	10.91	12.20
Official develop- ment assistance as % of GNP at market prices	0.59	0.52	0.37	0.41	0.42	0.37	0.34	0.35
Total flows as % of GNP	1.22	1.27	1.06	1.15	0.76	0.82	0.80	0.83

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

<sup>b</sup> Bilateral and to multilateral agencies.

<sup>c</sup> Flows intended primarily to promote economic development and welfare of developing countries and which are intended to be concessional in character.

The terms on which the assistance is provided is of great importance; the terms vary widely from one donor country to another. In 1969 DAC adopted a Supplementary Recommendation on Terms, specifically relating to official development assistance, under which there are three alternative ways for a country to comply with the Recommendation. These are if grants represent 70 per cent or more of commitments, or if not less than 85 per cent consists of commitments none of which has a concessional element below 61 per cent, or if commitments with an average grant element of at least 85 per cent constitute 85 per cent of total commitments in a country's programme.

Commonwealth donor countries are among the leaders in providing assistance on concessional terms and all three Commonwealth members of DAC meet the terms of the 1969 Recommendation. The Australian programme, which apart from 1970 when it included a small amount of lending, is wholly on a grant basis. In 1971, about 63 per cent of Canadian commitments of official development assistance were in grant form as were 48 per cent of those of Britain, in each case the figures were slightly lower than those for 1970. The average figure for all DAC members is estimated at 60 per cent for 1971. If the concessional element of loans is added to grants, the proportions rise to 92 per cent for Canada, to 83 per cent for Britain, and to an estimated 82 per cent for all DAC members. The average interest rate on loan commitments in 1971 was 1.1 per cent for Britain and 0.4 for Canada compared with 2.8 per cent for all DAC while the average grace period for Canadian loans was about 9 years and for British about 6 years while the DAC average was  $6\frac{1}{2}$  years. The average maturity of loans committed by Canada was 43 years, by Britain 24 years and the total DAC about  $28\frac{1}{2}$  years. Compared with 1970 the average maturity and average grace period for loans committed by both Canada and Britain declined in 1971. According to the provisional figures, for the DAC members collectively there was an overall hardening of terms (as measured by grant element) in 1971 but there was a substantial increase in total commitments, within which the volume of loans rose much more sharply than that of grants.

### Intra-Commonwealth Aid by Type and Sector

#### Grants

The total value of grants provided by Commonwealth donors to other Commonwealth countries, at £128 million, declined slightly in 1971 so the proportion of grants in the total flow of intra-Commonwealth aid continued to fall, from 43 per cent in 1970 to 37 per cent in 1971. Commitments (excluding Australian grant commitments to Papua-New Guinea) rose from £69 million at the beginning of 1971 to £78 million at the beginning of 1972.

There was a fall in Canadian grants to Asia and America and in Australian grants to Oceania, but these were largely offset by increased Canadian grants to Africa and an overall rise in British flows. Consequently the share of Oceania in the total grant flow to Commonwealth countries fell from about 51 per cent in 1970 to 47 per cent in 1971, and the share of the other regions increased, except for Europe where the proportion was virtually unchanged.

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. The larger part of grants consists of non-project

aid. However, there was a fall of 7 per cent in this form of aid in 1971, because of lower Australian grants to Papua-New Guinea, and consequently non-project grants accounted for under three-quarters of total grants, compared to almost four-fifths in the previous year. Excluding Australian grants to Papua-New Guinea (for which a breakdown is not available), the largest item of non-project assistance was food aid, which amounted to around £24 million. This was due largely to very high Canadian grants to India. Disbursements in the forms of project grants rose by 16 per cent in 1971. The largest increase was in grants to social infrastructure, which rose to one-third of the total and represented the largest single item. Grants to transport also increased, although its share of the total remained about the same. Increases were recorded in most other sectors apart from multi-projects, where a large fall decreased its share in project grants from 28 per cent in 1970 to 5 per cent in 1971.

### Loans

The total amount of assistance disbursed as gross loans by Commonwealth donor countries to other Commonwealth countries, principally in Asia and Africa, rose by £31 million, or 27 per cent, in 1971. The proportion of loans in total gross intra-Commonwealth assistance has been increasing in recent years, amounting to 34 per cent of the total in 1969, 38 per cent in 1970 and 42 per cent in 1971. During 1971, payments of interest and repayments of principal by the recipient countries rose from £34 million to £47 million, so that net disbursements from loans amounted to £99 million, or 21 per cent above the 1970 level. Loan commitments outstanding at the beginning of 1972 are estimated at £195 million compared to £218 million at the beginning of 1971.

Non-project aid was 15 per cent higher than the 1970 level, but its share of gross loans fell from 69 per cent in 1970 to 62 per cent in 1971, with the greater part again for financing current imports. The disbursement of loans for project aid increased more substantially, by 54 per cent. The largest increase, approaching £7 million, went to industry but a considerable rise was also recorded in the transport and communications sector, which increased by £3½ million. Agriculture and the social infrastructure sectors showed decreases. However, as loans to the other and unallocated sector rose by over £9 million, increases in particular sectors could have been higher than recorded figures would indicate.

### Investments

Disbursements by Britain through the Commonwealth Development Corporation reached £22 million in 1971, a substantial increase of 68 per cent over the level in 1970. Repayments of principal and interest payments on earlier investments amounted to about £17½ million, so that net investment was £4½ million compared to a net disinvestment of £1½ million during the previous year. Outstanding investment commitments at the beginning of 1972 totalled £17½ million, some £3 million higher than commitments at the beginning of 1971.

The geographical distribution of investment was roughly similar to the 1970 pattern, although disbursements to Commonwealth countries in Africa rose by more than 90 per cent, and accounted for 40 per cent of the total, compared to 34 per cent in the previous year. The shares of Asia and America fell to 18 per cent and 41 per cent of total respectively, although disbursements to both areas increased by over 50 per cent during the year.

Higher investment disbursements were spread over all sectors. The largest increase was in the agricultural sector, which raised this industry's share of the total from 12 per cent in 1970 to 18 per cent in 1971. As in the previous year, the two largest investment sectors were social infrastructure and industry, which accounted for 28 per cent and 26 per cent of the total respectively.

### Project Aid

Taking grants, loans and investments together, project assistance amounted to about 37 per cent of total gross intra-Commonwealth aid in 1971, compared to a 30 per cent in the previous year.

As mentioned above, 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. The data for Britain and Canada, which are shown below, show no consistent pattern. In the six-year period 1966-71, the proportionate share of the transport and communications sector increased, and industry showed a consistent upward trend. Agriculture and multi-projects both received increasing shares up to 1969, but have since declined. The social infrastructure sector, which receives the highest proportion of project aid, increased steadily between 1966 and 1970, but fell in 1971 due to a smaller share for all sub-sectors other than housing.

### Distribution of project aid provided by Britain and Canada

#### Canada by economic sectors

	Per cent					
	1966	1967	1968	1969	1970	1971
Agriculture, forestry and fishing	7.9	11.7	13.8	20.9	10.7	10.8
Transport and communications	14.5	18.6	19.6	16.3	20.9	22.6
Energy	12.5	10.3	11.9	9.6	7.6	7.2
Multi-projects	13.9	7.6	10.2	12.0	11.2	6.2
Industry (including services)	4.8	9.5	13.5	13.6	14.3	16.9
Health	1.4	2.1	1.8	1.8	2.7	1.6
Education	5.3	7.4	7.8	8.9	7.7	6.1
Housing	5.3	3.6	6.5	9.4	5.8	8.1
Other community projects	0.1	2.7	3.5	3.4	15.7	11.4
Other projects and unallocated aid	34.3	26.6	11.4	4.1	3.4	9.1

### Technical Assistance

The value of technical assistance given to developing countries in the Commonwealth increased by 20 per cent as compared with 1970 as expenditure on all the main categories rose. Although there was an increase of 3 per cent in expenditure on students and trainees in 1971, the figure for this category accounted for only 21 per cent of the total as against 24 per cent in the previous year. Similarly, expenditure on advisers and experts went up by 14 per cent but the share of the total dropped from 66 per cent to 62 per cent. African countries are the main recipients of intra-Commonwealth

technical assistance, accounting for about half of the total, while Asian countries receive around 11 per cent and those in America some 10 per cent.

There were 613 non-educational advisers from Commonwealth countries serving in other Commonwealth countries in 1971, some 8 per cent more than in the previous year. Of the total, 348, or 57 per cent, served in African countries, a slightly higher proportion than in 1970 while 21 per cent were in American countries and 14 per cent in Asia. The greatest number of advisers, representing 23 per cent of the total in 1971, continued to be in the agricultural field. The next largest group (20 per cent) were in the power, transport and communications sector while those in public administration and economic planning (which had been the second largest group in 1970) accounted for 15 per cent and 14 per cent of the total respectively.

The number of operational personnel serving in Commonwealth countries fell by 11 per cent to around 7,350 in 1971. Falls were recorded for all sectors, except the trade and banking sector. The most pronounced reduction was for public administration, where there was a decline of 240, but there were falls of 160 and 140 in the health and power, transport and communications sectors. Nevertheless, these three sectors still received the largest numbers and accounted for over 70 per cent of the total for operational personnel.

There were approximately 100 fewer serving in education during 1971, the decrease of around 260 in primary and secondary school teachers being only partly offset by increase in number in universities and higher technical institutes and in administration.

The total of all intra-Commonwealth advisers, experts and operational personnel has fallen sharply in the past two years. After a decline of about 1,300 in 1970, there was one of 920 in 1971.

The number of trainees financed under technical assistance arrangements fell by 2 per cent in 1971, mainly because of fewer numbers coming from Commonwealth Asian countries. Thus Asian trainees continued to decline as a proportion of total, representing 31 per cent in 1971 compared to 33 per cent in the previous year (and 41 per cent in 1968). The share of trainees from Africa and America rose to 45 per cent and 16 per cent respectively, and there was little change in the proportion of the small number from Europe and Oceania. As in previous years, the largest number of trainees attended courses in public administration, the 1971 proportion being almost a quarter. Courses in power, transport and communications, and industry and mining were also popular, each accounting for almost one-sixth of trainees. The largest decreases between 1970 and 1971 were in those going on courses in agriculture, health and the social services.

The total number of Commonwealth students financed by Commonwealth donors increased by nearly 1,100 or 15 per cent in 1971, with higher numbers from all areas other than Oceania. The main areas of study were engineering, medical sciences and education, which together accounted for 53 per cent of the total, but considerable numbers were studying social sciences.

### Volunteers

Apart from the flow of intra-Commonwealth technical assistance discussed above, 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. About 1,400 British volunteers were assisted in 1971; two-thirds were teachers, and most of the remainder served in health, agriculture, social services and power, transport and communications sectors. Three-fifths of the volunteers served in African countries, large numbers being employed in Nigeria, Kenya and Zambia, while some 17 per cent were in countries in Oceania, in particular Papua-New Guinea. Australia and New Zealand supplied more than 100 volunteers each, of whom two-thirds were in the educational field, and most of whom served in Oceania. Over 1,200 Canadian volunteers were assisted in 1971, of which nearly 70 per cent were teachers and a large number worked in the health sector. Around 70 per cent of the volunteers from Canada were in Africa but substantial numbers worked in the Caribbean and Asia.