

CHAPTER III

COUNTRIES SUPPLYING ASSISTANCE - POLICIES

GENERAL

Among Commonwealth countries, Britain is the most important source of assistance for a number of reasons. However, Canada, Australia and New Zealand provide substantial amounts of aid to both Commonwealth and non-Commonwealth countries. While the major donor countries continue to base their assistance policies primarily on bilateral programmes, they also put strong, and increasing, emphasis on multilateral programmes. All the main Commonwealth donors contribute to the Colombo Plan for Asian countries and SCAAP for African countries while Canada and Britain are associated in the Commonwealth Caribbean Assistance Programme.

As the developing countries of the Commonwealth need most of their domestic resources for their own development, they lack sufficient surplus resources to be major providers of assistance. Nevertheless, a number of them, and particularly India, supply experts to serve in other developing countries and provide scholarships and training facilities under the Colombo Plan, SCAAP, the Commonwealth Education Co-operation schemes and, also in the case of India, under various other programmes. In addition, the developing Commonwealth countries have provided resources for the Commonwealth Fund for Technical Co-operation.

THE COMMONWEALTH AND MULTILATERAL ASSISTANCE

For the major donor countries of the Commonwealth bilateral programmes continued to be the more important part of their assistance. According to figures compiled by the Development Assistance Committee (DAC) of O.E.C.D., 53 per cent of the total net financial flows (i.e. official and private flows excluding grants by private voluntary agencies) from Australia and Canada in 1970 consisted of bilateral financial and technical assistance while the corresponding figure for Britain was 33 per cent. Official flows from Australia amounted to \$U.S.210 million, from Canada \$U.S.403 million and from Britain to \$U.S.454 million and if bilateral assistance is related to these figures the proportions rise 91 per cent for Australia, 77 per cent for Canada and 90 per cent for Britain. Thus, the shares of flows to multilateral agencies in total official development assistance are comparatively small for Australia and Britain, being in 1970 6 per cent but appreciably higher (23 per cent) for Canada. In actual monetary terms, this means that out of a total flow, official and private, from these three countries of \$U.S.2,164 million, the amount provided as official development assistance (i.e. flows which are intended primarily to promote economic development and welfare in developing countries and which are intended to be concessional in character) was about \$U.S.997 million, and of this latter figure only some \$U.S.139 million were contributions to multilateral agencies.

On the other hand, the developing countries of the Commonwealth place more emphasis on multilateral than on bilateral assistance. Up to 30 June 1970 they had subscribed some \$U.S.1,771 million out of a Commonwealth total of \$U.S.5,863 million to the World Bank and

\$ U.S. 74 million out of \$ U.S. 676 million to IDA. Developing Commonwealth countries had also contributed over \$ U.S. 50 million to U.N.D.P. Taking I.B.R.D., IDA and U.N.D.P. together, the Commonwealth had provided about \$ U.S. 6,858 million (of which almost a third was from developing countries) equal to nearly a quarter of the world total of \$ U.S. 28,000 million.

Apart from the financial contributions to the technical assistance activities of the U.N., many Commonwealth nationals, a large number of whom come from developing countries, work under its programmes. The Commonwealth supplied over 3,000 experts who were working in the field under U.N.D.P. and the U.N. Regular Programme out of a grand total of nearly 11,000 in 1970. Developing Commonwealth countries accounted for over 700, the majority coming from India but 19 others also supplied experts.

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 \$ U.S. 1,400 million went to Commonwealth countries. Similarly, over a quarter, or some \$ U.S. 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 9,600 experts working in individual countries (as opposed to regional schemes) under U.N.D.P. and the Regular Programme, nearly 2,400 were in Commonwealth countries in 1970.

POLICIES

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

BRITAIN

While the aid programme of Britain operates on a global basis, by far the bulk of it goes to developing countries in the Commonwealth; in fact, about 91 per cent of total bilateral aid continues to go to the Commonwealth. However, the distribution of the British aid programme continues to lay emphasis on multilateral aid and technical assistance and on Britain's special obligation to the Dependencies. The bilateral programmes reflect the importance of continuity and the relatively long-term nature of development.

The money required for the Aid Programme is obtained mainly by annual provision by Parliament on the basis of estimates of expenditure presented by the Government which reflect the allocation for the Aid Programme as a whole as determined in the annual review of future public expenditure. The most recent White Paper covering public expenditure to 1975-76 included an estimate of £206 million for total economic aid in 1970-71 (net of amortisation and at constant 1971-72 prices). On the same basis, the Government has made forward projections for economic aid of £216 million for 1971-72, £234.5 million for 1972-73, £245 million for 1973-74 and £266 million for 1974-75 and has put the 1975-76 figure at £290 million. The figures for the latter two years represent increases of some 9 per cent per annum. Gross disbursements of official development assistance and other official flows in the calendar year 1970 totalled £219 million which, after allowance for capital repayments and interest payments gives a net disbursement figure of about £160 million. On the previous basis the estimate of £245 million for economic aid for 1971-72, calendar year gross disbursements in 1971 could be expected to be about £235 million (say £177

million net of amortization and interest payments) and possibly £255 million in 1972. New commitments of all categories of official aid in 1970 amounted to £220 million (of which bilateral aid accounted for £191 million) and are expected to rise to £350 million in 1971 due to the expected commitment of the whole British contribution to the IDA Third Replenishment.

Of the total gross development assistance disbursements in 1970, 48 per cent were in grant or grant-like form and 42 per cent in interest-free loans. The great majority of the loans concluded in 1970 were interest-free including all the largest loans. Of the total value of new Government to Government loan commitments entered into during the year 90 per cent was interest-free and 99 per cent carried a grace period for capital repayments. In July 1970 a new pattern of interest rates was introduced for official development assistance loans. The bulk of these loans continue to be interest-free but where loans bear interest it is no longer at the Government lending rate, softened where necessary by waivers of interest, but at fixed concessionary rates ranging from 2 to 7½ per cent.

In the memorandum entitled "An Account of the British Aid Programme" it is stated that the continuing policy of Britain is to emphasise aid, both financial aid and technical assistance, to the agricultural sector - defined in the broadest sense to include animal health, forestry, fisheries, land and water development, co-operatives, marketing and so on. Assistance made available to the public health, employment and other social sectors receives priority and will continue to do so both in the provision of financial aid, for the establishment of such institutions as hospitals, and on technical assistance for the supply of experts in these fields, for the promotion of family planning schemes, and for research into the problems that impede the social or economic progress of developing countries. Britain regards regional development banks as likely to play an increasingly important part in world economic development and is ready to encourage them in their role as effective aid donors as far as possible within the limits of its resources. To this end, Britain is a member of Asian Development Bank, and has contributed to the Bank's Special Fund for concessional lending, and of the Caribbean Development Bank where it holds part of the capital stock and has offered money to the Special Fund for concessional lending. Britain also attaches high importance to aid co-ordination with other donors and belongs to all the consortia and consultative groups as well as to DAC.

The British Government considers technical assistance to be of great importance and the value of this type of aid has accounted for 21 per cent of gross disbursements in the past two years. The functional pattern remained much the same as in 1969 with the expenditure on experts accounting for about half the total and that on students and trainees for around a fifth. The geographical pattern also varied little, the concentration remaining on Africa. Further steps were taken in 1970 to ensure a more effective alignment of British technical assistance or manpower aid with the requirements of recipient countries and it is hoped that eventually these will lead to improvements in the programming, provision and evaluation of aid.

It was announced in 1970 that as part of its aid policy, Britain would be willing to assume responsibility from 1 April 1971 for the current costs of pensions payable by overseas governments to British expatriate officers in respect of pre-independence service and that assumption of such a responsibility would be taken into account in determining the total amount of aid a country might receive for all purposes. A number of overseas governments have indicated that they wish to take advantage of the offer.

The recruitment of experts declined further in 1970. There was a continuing decrease in the number of appointments under O.S.A.S. to operational posts in the service of overseas governments and this reduction is expected to continue as more local staff become available. The greatest number of appointments was still in the field of education but the total dropped from around 1,000 a year in 1969 to a little over 810 in 1970. The trends apparent in the past few years of appointments of primary and secondary school teachers declining and those of technical and vocational teachers increasing continued. Appointments in the fields of medicine and public administration declined but there was a slight increase in numbers recruited in the natural resources disciplines and in works and communications. The British Government in its memorandum notes that good candidates in medicine, economics, finance and land survey remain scarce. With regard to education, the Government attaches high priority to helping developing countries to increase reliance on their own resources for the supply of teachers and a number of policy decisions, many concerned with Commonwealth programmes, designed to improve assistance in the field of teacher education have been made.

In 1970 the number of new arrivals for training in Britain, who are normally drawn from the public sector, reached a record level. During 1971 it is intended to begin the expansion of British aid for management education, industrial training and technical education for developing countries.

The British Government continues to attach great importance to assisting developing countries to deal with population problems. A grant of £400,000 to the U.N. Fund for Population Activities was announced in May 1970 and for 1971-72 a new grant of £600,000 has been announced which with the amount outstanding from the previous grant raises the total to £750,000. Britain's contribution to the International Planned Parenthood Federation has been raised, subject to approval of Parliament, to £425,000 for 1971-72, and a further contribution will be made also in 1971-72 to the Development Centre of the O.E.C.D. towards its activities in the population field.

CANADA

The revised political and administrative framework for Canadian International Development Assistance which was developed in 1969 was outlined at some length in last year's report. Speaking in February 1971 before the House of Commons' Sub-committee on Development Assistance the President of CIDA indicated some guidelines which would be followed in choosing projects for CIDA financing during the next few years. The priorities he elaborated were as follows:

- (1) CIDA would take fuller account of the local and social impact of Canadian development assistance projects. Within this general directive the aspects of prime importance were considered to be an integration of projects into country development plans through better co-ordination of local and international efforts: the striving for a more equitable distribution of the economic benefits from projects undertaken; and increasing the number of projects in the social field including increased assistance to the formulation of public health and population programmes.

(2) Further emphasis should be placed on multilateral assistance. In 1970 Canada initiated discussions among potential donor countries concerning the possibility of establishing a Special Fund for the African Development Bank; completed negotiations with Britain and Commonwealth Caribbean countries leading to the establishment and funding of the Caribbean Development Bank; and initiated discussions to explore the possibility of Canadian membership in the Inter-American Development Bank.

(3) Greater importance should be given to Francophone Africa and Latin America. The CIDA programme in Francophone Africa is the fastest growing part of Canada's bilateral programme and in 1970 \$C 64.2 million were allocated to this area, 53 per cent more than in 1969.

(4) The progress of projects should be accelerated.

(5) A greater effort should be made to awaken the interest and involvement of the Canadian people. In 1967 Canada expanded its assistance to developing countries by providing assistance on a matching grant basis to non-governmental Canadian agencies as it was felt the flexibility of this channel as well as the involvement it generated among Canadians in international development made the effort more valuable; almost \$C 50 million were provided by the Government on this basis in 1970-71. The ultimate objective of the programme is to provide a stimulus which will enable indigenous groups to become self-supporting.

A significant modification to one of the programming criteria which govern the selection of projects was evolved in 1970 and is expected to become prominent in the commitment of Canadian funds in the future. In earlier years most of the Canadian bilateral assistance funds were designated for commitment in "countries of concentration" and efforts were undertaken with governments to identify priority development projects where Canadian goods and services could be incorporated. While this procedure permitted certain recipient countries to anticipate a firm level of financing from Canada, it had the disadvantage of restricting CIDA's ability to finance major projects in other countries where a significant impact on development might be made. During 1970 this restriction was relaxed permitting CIDA to extend financing for two projects in countries not designated ones of concentration - the Shashi River project in Botswana where commitments totalling \$C 20 million were made, and the East African Railways project where CIDA committed \$C 13 million. It is intended to continue to accept projects for CIDA financing outside traditional countries of concentration, since the use of the general contingency fund for this purpose lends an additional element of flexibility to the programme wherever it is possible to satisfy other programming criteria, including the effective utilisation of Canadian expertise and the prospect that long term economic returns will accrue from the project to the developing country.

An important component of the Canadian aid programme relating to technical assistance is support provided to international research institutions and in 1970 Canada committed nearly \$C 7 million to the activities of a number

of these institutions. A number of projects outside the aegis of the larger foundations also received commitments of financial support. The International Development Research Centre established in May 1970 has its headquarters in Ottawa and an International Board of Governors. The Board approved a budget of \$C 4 million for 1971 and directed the Centre to support and catalyze development research with an especial rural thrust in four initial programme areas; agriculture; food and nutrition sciences; population and health sciences; social sciences and human resource development. In its activities IDRC encourages and sometimes participates directly in projects that have relevance to a whole region or more than one region, rather than to a single country. It wishes to remain as much as possible, however, outside the framework of the actual research done and wherever feasible prefers to have the initiation, conduct and control of projects in the hands of people in the developing countries. It is envisaged that over the first five years of operation the Canadian Government will pledge funds of the order of \$C 30 million for the administration and programmes of the IDRC.

In view of the growing recognition of the importance of population problems in development planning, Canada contributed \$US 487,000 and \$US 973,000 respectively to the activities of the International Planned Parenthood Federation and the United Nations Fund for Population Activities in 1970 and committed a further \$US 733,000 and \$US 1,954,000 respectively to these agencies for disbursement in 1971.

In 1970 Canada disbursed a total of nearly \$C 654 million or 0.78 per cent of GNP in aid flows; this was an increase of 60 per cent over the 1969 level. Within this figure, disbursements of official development assistance amounted to about \$C 362 million. The geographical distribution of assistance remained much the same as in previous years. In 1970 some \$C 214 million or just over three-quarters of Canadian bilateral development assistance was directed to the developing countries of the Commonwealth. This assistance was more or less equally divided between loans and grants and within the grant figure nearly 60 per cent was allotted to food aid and almost 20 per cent to technical assistance activities. Once again flows to Asia accounted for more than half the total bilateral flows to Commonwealth countries, with the major part directed to India and Pakistan. While about half of the assistance to Asia was in the form of development loans, grant assistance predominated over the loan component to countries in Africa and the Caribbean.

Food aid in 1970 remained the largest category of assistance provided by Canada, and India and Pakistan received the bulk of the Canadian allocation. It is expected that food aid will continue to be supplied to India, Pakistan and Ceylon in significant quantities over the short-run in response to localised famine situations caused by natural disasters and to build up buffer stocks but it is hoped that the major recipient countries will become self-sufficient in food grain production over the long-run. Non-project aid other than food aid also continues to be concentrated in South Asia.

The largest volume of capital project disbursements in 1970 was for transportation projects in Africa and the Caribbean. The development of power projects continued to be the second major category of disbursement in both Africa and Asia while provision of school equipment and construction of buildings continued to be an important component of CIDA's education programme in Africa and the Caribbean. In the field of industrial development during 1970 CIDA authorised a loan to the Pakistan and Indian Development Banks and provided support for mining and quarrying activities in India.

AUSTRALIA

The assistance given to developing countries by Australia continued to rise sharply in 1970 when official development assistance at \$A181.5 million exceeded the previous year's level by 16½ per cent. Apart from a disbursement of \$A2 million to Papua New Guinea as part of an untied development loan, Australian aid continued to be in grant form. Owing to lower disbursements to the Asian Development Bank, the total for multilateral aid fell to \$A11½ million, some 6 per cent of total official development assistance in 1970. There was a dramatic increase in private financial flows which rose to nearly \$A142 million largely due to investments in Papua New Guinea. In addition private voluntary aid grants are estimated to have amounted to almost \$A12 million. Thus, total official and private flows (excluding voluntary aid) were equivalent to 1.07 per cent of the gross national product, with official development assistance accounting for 0.59 per cent of GNP.

Australia's official development assistance to Commonwealth countries in 1970 amounted to about \$A146.9 million, just over four-fifths of the total ODA to all countries. Aid to Papua New Guinea, for which Australia has assumed special obligations to contribute to the economic and social development, was \$A134.2 million, while that to other Commonwealth countries, mostly in the Asian and Pacific regions, was \$A12.7 million.

In 1970, following transfers of new and significant responsibilities to the Papua New Guinea House of Assembly, Australia's single, all-purpose cash grant was discontinued and aid was placed on a sectoral basis. As mentioned earlier, the exception to Australia's basic policy of providing aid in grant form was the loan to Papua New Guinea which is for financing the construction of the Arawa township at Bougainville. The special nature of this project prompted the decision to give aid in loan form rather than in grant form; some \$A2 million were drawn in 1970. No lessening in the total amount of Australia's aid to Papua New Guinea is expected in the future.

Australia is a member of the major multilateral aid agencies. In 1970 it agreed to contribute \$US 10 million to the Special Funds of the Asian Development Bank over a three-year period commencing in 1970-71. In June 1970 Australia agreed to contribute \$US48 million to the third replenishment of IDA over the three-year period beginning in the financial year 1971-72. An advance of \$US16 million was made in advance of the entry into force of the replenishment agreement.

Australia made its final annual commitment of 225,000 metric tons of wheat or wheat equivalent under the first Food Aid Convention in 1970-71. This quantity was shared between India, Ceylon, Pakistan, Fiji and Mauritius. In the case of India, to which large amounts of food aid have been given since 1965, this form of aid is steadily decreasing in recognition of India's increasing domestic wheat production. The bulk of Australian aid to Ceylon consists of flour under the Food Aid Convention since that country has expressed a preference for programme aid of this type.

Much of Australia's aid to Commonwealth countries has taken the form of technical assistance under the Colombo Plan, SCAAP, the South Pacific Aid Programme and the Commonwealth Co-operation in Education Scheme. About 70 per cent of the total of \$A4.6 million spent by Australia on technical assistance for Commonwealth countries (excluding Papua New Guinea) in 1970 was on training programmes. Australia continued to expand group training courses particularly in the fields of agriculture, animal

husbandry, food production and mineral exploration. These schemes are arranged by the Government in conjunction with educational institutions and private companies. A total of almost 1,500 Commonwealth students and trainees were financed by Australia in 1970.

NEW ZEALAND

Up to 1969 New Zealand official aid to developing countries was limited by the severe shortage of foreign exchange. In May 1969 the National Development Conference, in making a number of recommendations on aid, reflected an increased public awareness of questions relating to development assistance. In these circumstances New Zealand doubled its annual contribution to the Colombo Plan and officially accepted the target of 1 per cent of gross national product as the objective of its long-term aid programme. It also made in December 1970 a voluntary contribution of \$NZ 5 million to funds of the International Development Association, although it is not a member of IDA. However, the timing of any future increases in official aid will largely depend on the continuing strength of the economy which itself is heavily influenced by the prices of the major export products.

Attention continues to be given to the organisation of New Zealand's resources for an increased aid effort and the combination of the resources and the private and public sectors will play an important part in any expansion.

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.