

## CHAPTER IV

### COUNTRIES SUPPLYING ASSISTANCE - POLICIES

This chapter, which is based on memoranda provided by governments, gives brief surveys of the assistance policies of the main Commonwealth donor countries.

#### Britain

Although the British aid programme operates on a global basis, some 88 per cent of the total bilateral programme went to Commonwealth countries in 1971. Of the Commonwealth total, 14 per cent went to dependencies and 12 per cent to the least developed countries.

The size of the aid programme is determined by the Government in its annual review of public expenditure which sets out the proposed levels of expenditure for the next few financial years. Detailed proposals to implement the aid programme thus determined are prepared and funds are obtained by annual provision by Parliament. The most recent White Paper covered public expenditure for the period to 1975-76 and the figures given for total public expenditure on overseas aid (at constant 1971 prices and net of amortization receipts from past aid loans) were £215.8 million for 1971-72, £234.5 million for 1972-73, £245.2 million for 1973-74, £266.0 million for 1974-75 and £290.0 million for 1975-76. The average annual rate of increase of the aid programme was estimated at 7.6 per cent which compares with 3.1 per cent for all expenditure. Gross disbursements of official development assistance and other official flows in 1971 totalled £277 million, which after allowance for amortization payments on earlier loans, gives a net disbursement figure of £235 million; the corresponding 1970 figures were £219 million and £189 million. On the basis of an estimate of £278 million (at current prices) for the gross aid programme in 1972-73, gross disbursements in the calendar year 1972 are likely to produce a net official disbursement figure of about £240 million.

Of the total disbursements of official development assistance and other official flows in 1971, 48 per cent were in grant or grant-like form, 38 per cent in interest-free loans, 2 per cent in loans provided on fixed concessionary rates of interest (i.e. ranging from 2 per cent to 7½ per cent), 3 per cent from earlier loans at market rates of interest (including loans with interest waivers) and 8 per cent as overseas investment by CDC. Of the total value of new government to government loan commitments entered into during the year 69 per cent was interest-free and 98 per cent carried a grace period for capital repayments. Most of the interest-bearing loans committed in 1971 bore 2 per cent interest.

The proportion of British bilateral aid tied to British goods and services was 47 per cent in 1971 (48 per cent in 1970); these figures leave out of account the cost of technical assistance, aid for compensation and pensions, re-financing and other compensatory payments. In addition to the procurement from the fully tied aid, further procurement in Britain arises from the considerable amount of bilateral financial aid tied to British or local goods and services, the proportions of which are not always laid down in advance in specific terms. It is estimated that this further procurement amounted to 17 per cent in 1971 and 16 per cent in 1970 so the overall total of effective tying and procurement was 64 per cent for both years. While

British bilateral aid is normally tied, Britain is ready in the case of independent countries to untie a limited part of its financial aid for meeting local costs of projects in exceptional cases where this is judged appropriate. Furthermore, for a number of countries, particularly the dependencies, associated states and independent countries in Southern Africa waivers of procurement restrictions have been granted to allow procurement of specified categories of goods from third countries when the price differential is favourable in comparison with procurement from Britain. For all countries, the permitted foreign content limit in goods financed from tied aid is 20 per cent.

The British Government considers technical assistance of great importance and the value of this type of aid has accounted for 21 per cent of gross disbursements in recent years. The functional distribution has remained much the same with expenditure on experts accounting for about half the total and that on students and trainees a little under a fifth. The geographical pattern has also shown little variation with the concentration on Africa.

Bilateral appointments under various technical assistance arrangements to operational and advisory posts declined further in 1971. There was a continued reduction in the number of appointments under OSAS to operational posts in the service of overseas governments but an increase was recorded in appointments made under regional programmes of technical assistance. More people were also recruited for multilateral appointments. A policy of greater selectivity in the recruitment of primary and secondary school teachers led to a reduction in appointments in the educational field but the number of teacher trainers and education administrators more than doubled compared with 1970 and it is expected that this trend will continue.

In 1971 the number of new arrivals for training in Britain, who are normally drawn from the public sector, reached a record level. During the year closer attention was given to the need to ensure that, as far as possible, requests for training in Britain corresponded reasonably with agreed manpower requirements and priorities of the developing countries and that the training was likely to make the most effective contribution towards meeting those requirements.

In its memorandum the British Government states that it "continues to put emphasis on the agricultural sector generally, subject in individual cases to the development plans and policies of recipient countries. Financial aid and technical assistance in this and related fields constitute a major element in the aid programme in terms of quantity, range of countries assisted and variety of assistance".

Britain also placed emphasis on technical assistance in the field of technical education and family planning. In the case of education it is stated that "it is expected that the UK will continue to be asked to supply high level support for education in developing countries in the foreseeable future". Among the new ways of meeting this demand, a scheme of Educational Development Awards was introduced on an experimental basis in the academic year 1971-72. Under this scheme it is intended to increase the number and enlarge the experience of people from Britain who are or wish to be employed in developing countries in such fields as educational planning, education administration, teacher training, curriculum renewal and the use of new media, non-formal education and communication in social education, and technical education including industrial training. It is hoped to offer 5-10 of these awards each year.

During the past four years the amount of assistance provided by Britain for population activities has risen rapidly. Britain pledged £600,000 to the UN Fund for Population Activities in 1971-72 and for 1972-73 the grant has been raised to £850,000. Britain's contribution to the International Planned Parenthood Federation will be raised to £500,000 for 1972-73 from £425,000 in 1971-72. A contribution is made to the OECD Development Centre for its work in the population field and a grant was made to the International Union for the Scientific Study of Population as a contribution towards the cost of the African Population Conference held in Accra in December 1971.

Britain believes that regional and sub-regional development banks can play an important part in world economic development, and is ready to encourage their role as effective aid donors. Finance has been committed on grant terms to the Special Funds of the Asian Development Bank and the Caribbean Development Bank and a loan with a grant element of 49.7 per cent has been provided for the UK Trust Fund with Inter-American Development Bank. Britain is also taking part in discussions on the establishment of the proposed African Development Fund.

Britain believes private investment has an important role to play in development, complementary to that of official aid, and it expects that a substantial part of British flows for development will be in this form. The Government announced measures in April 1971 designed to encourage British private investment in developing countries. The measures proposed include a scheme of investment insurance comparable to those of other developing countries, a scheme of financial support for pre-investment studies by British private investors in developing countries, the extended use of capital aid (especially for basic infrastructure projects) in association with private investment, and the extension of the provision of capital aid through recipient governments to local development institutions for use in joint ventures with British private capital.

### Canada

When speaking to the House of Commons Sub-Committee on Development Assistance in February 1971 the President of CIDA enumerated five new guidelines which CIDA would attempt to implement in the future. These priorities were:

1. to take fuller account of the local and social impact of Canadian assistance;
2. to emphasise multilateral assistance and to co-operate in international moves to untie aid;
3. to expand the programmes for Francophone Africa and Latin America;
4. to speed up the realisation of projects; and
5. to increase the interest and involvement of the Canadian people.

Regarding priority 1 above, Canada draws attention in its memorandum to the weaknesses that arise in supporting in an individual country numerous specific and unrelated projects and to the need for integration. Each individual project should be fitted into the general pattern of development

of a country. For example, a scheme for agricultural extension has to include rural education and community development while investment in some new industry must include housing facilities. Furthermore, a project is not complete until people in the recipient country have been trained to manage the project successfully. In the health field, Canada is moving away from the construction and staffing of large hospitals to out-patient clinics and public health training. Canada is also endeavouring to hold back the "brain drain" and to provide well adapted courses by an increase in scholarships for "third country training" in the same or similar areas.

Canada is also paying more attention to the social impact in its approach to country programming and country analysis but optimising this impact implies a better evaluation system. It is noted that, while the evaluation system has been improved in respect of rural development, it is more difficult to estimate the social impact which a relatively vast new undertaking has on the surrounding population. Equally, lack of information makes it difficult to judge the impact that the students and trainees who have been provided with scholarships in Canada have on the social development of their countries on their return. As far as teachers are concerned, Canada is moving towards integrated programmes in which it can provide a group of teachers as well as equipment when it offers assistance to an institution.

To help meet the large unemployment problem among the youth in developing countries, Canada endeavours through its assistance programme to create as many productive jobs as possible and, with this aim in view, has agreed to pay the local cost of a project and to grant more untied aid. These two methods permit Canada to finance labour intensive projects, e.g. in agriculture, and to collaborate on local projects with the least developed countries.

With regard to multilateral assistance, Canada met its target of providing 25 per cent of its total foreign development aid through multilateral organisations in 1971.

As a result of its policy of expanding programmes to Francophone Africa, Canada had comprehensive programmes towards 21 countries in 1971 and has moved from technical assistance, particularly by education, to more balanced aid, including development loan funds for capital assistance and public health.

Under priority 4 above, the disbursement rate for Canadian assistance accelerated further in 1971 and the spending capacity of CIDA has now reached the credit allowed. The assistance given by way of loans is increasing but the terms remain soft.

In order to involve the Canadian people and to receive more active support, CIDA has established a Communications Branch. Furthermore, it has chosen to support the private groups actively involved in the development of education rather than attempt to centralise such activities.

### Australia

The assistance given to developing countries by Australia continued to rise sharply in 1971, when the net flow of official and private resources went up by over 17 per cent to reach \$US493 million. The increase of a third in total private flows to \$US281 million was mainly due to a substantial rise in export credits. On the other hand, official development assistance was about the same as in 1970 due in part to a temporary reduction

in aid in mid-1971 as part of a general cut-back in government expenditures and in part to the fact that Australia's aid programme is based on financial year appropriations resulting in some distortion when aid expenditures are expressed on a calendar year basis. Thus, flows of official development assistance were equivalent to 0.59 per cent of the gross national product in the calendar year 1970, 0.52 per cent in the calendar year 1971, and 0.56 per cent in the financial year 1971-72 (when official aid disbursements were about 13½ per cent above the 1970-71 level). The total net flows of official and private resources in 1971 were equivalent to 1.27 per cent of GNP as compared with 1.22 per cent in the previous year.

Bilateral aid provided by Australia increased in 1971 when some 85 per cent was in the form of grants but disbursements of multilateral aid declined mainly as a result of the completion in 1970 of payments in respect of the convertible currency portion of Australia's original capital subscription to the Asian Development Bank. Increased calls by IDA and increased payments to the ADB should ensure a sharp rise in multilateral aid in 1972. Australia's official development assistance to Commonwealth countries in 1971 amounted to about \$US159 million or nearly four-fifths of total ODA to all countries; of this figure aid to Papua New Guinea accounted for some \$US140 million. Most of the Australian aid to Commonwealth countries continues to be technical assistance. Out of the 2,822 awards made by Australia under international training programmes in 1971, 1,341 were for trainees from Commonwealth countries. The Australian Government in its memorandum notes "the gradual decline in new under-graduate awards continued; this was more than offset by a considerable growth in awards for special courses and for ad hoc training. This reflected an increasing demand for training for higher levels of management." Australia again granted third country awards to regional institutions and universities including the University of the South Pacific in Fiji.

Nearly a third of the Australian experts in the field were serving in Commonwealth countries and they were engaged in agriculture, sheep breeding, sugar growing, road and bridge construction, civil aviation, timber treatment, and various educational fields.

Australian project aid to Commonwealth countries in 1971 included assistance for road construction in Malaysia, support for a vocational training institute in Singapore, sheep raising and cattle breeding in India, and rice growing in Fiji.

Research related to development will be an increasingly important feature of Australian aid to Commonwealth countries. Already assistance has been given to certain institutes in India and other Commonwealth countries.

### New Zealand

The aid given by New Zealand to Commonwealth countries is administered under two regional programmes and three Commonwealth programmes: (1) Bilateral Aid for Asia and the Pacific (BAAP, which incorporates the Colombo Plan), (2) South Pacific Assistance, (3) the Special Commonwealth Aid to Africa Plan, (4) Commonwealth Education Scheme, and (5) the Commonwealth Fund for Technical Co-operation.

During 1971, the policies established in recent years for the programmes were maintained in the context of the Government's commitment to move steadily towards the international aid targets of 0.7 per cent of GNP for official development assistance and 1 per cent for total resource flows. Under the aegis of the Government's annual three-year Forward Aid Programme, new projects are phased into the bilateral programme as existing projects reach the final stages of implementation. In this way, it is possible to combine an element of project-continuity in the programme with a constant review of the political priorities that are reflected in the overall aid programme.

In this respect, 1972-73 represents a new period of New Zealand official aid expenditure in Commonwealth countries. It is the Government's intention to devote considerably more resources within its BAAP programme to the independent islands in the Pacific. Whereas Fiji, Tonga and Western Samoa received only \$NZ275,000 from BAAP for the year ended March 1972, it is intended that expenditure in these countries in the year to March 1973 will total \$NZ1,675,000. This marked increase in aid to these three Commonwealth countries in the Pacific more accurately reflects New Zealand's changing geographic and political priorities within its aid activities.

The annual allocation of \$NZ120,000 to SCAAP has not in recent years been fully utilised in the form of study awards for African students in New Zealand. It is therefore proposed, as a new measure for 1972-73, to earmark a portion of the unspent accumulated funds, as well as the annual appropriation for the year, for the purpose of establishing projects involving technical assistance in African countries. The purpose of this measure will be to act as a stimulus for increasing the aid expenditure for Africa from funds that have been set aside and hitherto unspent.