

## CHAPTER II

### SUMMARY OF INTRA-COMMONWEALTH FLOW OF AID

Commonwealth countries are concerned either as suppliers or recipients in many aid and technical assistance programmes, some purely intra-Commonwealth and some involving co-operation with non-Commonwealth countries or the United Nations and its agencies. The specifically intra-Commonwealth assistance programmes include the Special Commonwealth African Assistance Plan (SCAAP), the various schemes for Commonwealth Education Co-operation, the Commonwealth Caribbean Assistance Programme, the Overseas Service Aid and similar schemes, the Colonial Development and Welfare programmes and the Australian South Pacific Aid Programme. The Commonwealth is associated with non-Commonwealth countries in such programmes as the Colombo Plan, the Indus Basin Development Fund, the economic parts of the South East Asia Treaty Organisation and the Indian General Scholarship Scheme. Multilaterally, the Commonwealth gives full support to the International Bank for Reconstruction and Development (I.B.R.D.) and the International Development Association (I.D.A.), and to promoting technical assistance through the United Nations Development Programme (U.N.D.P.).

The information received in answer to a questionnaire sent to all Commonwealth countries suggests that the flow of intra-Commonwealth official aid was, at pre-devaluation rates of exchange, slightly higher in 1968 than in the previous year. Expenditure on technical assistance showed an appreciable rise as compared with 1967 as did the amounts provided in the form of gross loans and investments; on the other hand, the total for grants declined further. The total of advisers and experts financed by Commonwealth countries and serving in Commonwealth countries, which had increased substantially in 1967, declined by some 5 per cent in the following year although there was only a small reduction in the number serving in the educational field; the total of man-months served by the advisers and experts fell by about 7 per cent as the non-educational advisers and experts were, on average, in the field for shorter periods. The total of students and trainees studying in other Commonwealth countries increased last year as the rise for students more than offset the fall for trainees. Information, in summary form, for 1966 onwards is given below, with the financial data for 1968 shown at both pre-devaluation and post-devaluation sterling rates of exchange.

	1966	1967	1968	
			Pre- devaluation	Post- devaluation
	£ million			
Grants	130.7	128.8	108.1	118.6
Loans (gross)	80.8	88.7	103.2	107.6
Investments (gross)	8.5	8.6	11.7	11.7
Technical assistance expenditure	33.4	36.4	42.2	43.4
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Total (gross)	253.4	262.5	265.2	281.2
Total (net) <u>a</u>	..	..	211.6	227.3

	Numbers <sup>b</sup>	Numbers <sup>b</sup>	Man- months	Numbers <sup>b</sup>	Man- months
Advisers and experts - non-educational	10,735	11,117	109,454	10,344	92,410
Advisers and experts - educational	4,631	6,399	55,042	6,357	60,661
Trainees	4,274	4,192	21,394	4,051	20,886
Students	6,239	7,041	56,371	7,388	56,449

a Gross disbursements less repayments of principal and interest payments.

b Financed by donor countries in year.

The Development Assistance Committee of O.E.C.D. estimates that the net resource flows reaching developing countries from all sources (i.e. official and private flows from D.A.C. member countries, plus flows from other industrial countries, centrally planned countries, and multi-lateral agencies) were around \$ US 13,300 million in 1968, some 14 per cent more than in the previous year. However, D.A.C. figures show that the total net official bilateral aid, i.e. gross disbursements less amortisation receipts on earlier lending, provided by its member countries to developing countries was around \$ US 6,585 million in 1968 and was around 2½ per cent higher than the 1967 figure. The D.A.C. member countries, which include Australia, Britain and Canada, also make substantial official disbursements to the multilateral agencies while the private sector makes a considerable contribution to the financial flows reaching the developing countries. In fact, the rise in financial flows from D.A.C. members in 1968 was entirely concentrated on private sector flows. Bilateral technical assistance expenditure by the D.A.C. member countries went up by 12 per cent as compared with 1967, a slightly lower proportionate increase than for technical assistance expenditure by Commonwealth countries within the Commonwealth.

In comparing the overall aid-giving performance of Commonwealth countries, and especially that towards other Commonwealth countries, with the world in general and the D.A.C. member countries in particular, it must

be borne in mind that the Commonwealth consists predominantly of developing countries. Only one-tenth of the total Commonwealth population live in developed countries whereas the corresponding proportion for the rest of the non-Commonwealth world is almost two-fifths. From the opposite standpoint, it can be said that the Commonwealth includes nearly half the population of the developing countries of the world. These facts are illustrated in the table below.

	<u>Population 1968</u>		
	(million)		
	Commonwealth	World <sup>a</sup>	Commonwealth as proportion of world
Developed	91	646 <sup>b</sup>	14
Developing	792	1,714	46
Total	<u>883</u>	<u>2,360</u>	<u>37</u>

<sup>a</sup> Excluding "communist" countries.

<sup>b</sup> Comprising Europe (other than Malta, Cyprus, Spain, Greece and Yugoslavia), Canada, Australia, New Zealand, United States, Japan and South Africa.

The scale on which the three principal Commonwealth donors and all D.A.C. member countries combined gave assistance in 1968 and the burden of aid in relation to population, national income and gross national product are shown in the following table. It is clear from the table that the flow of official resources, with which this report is primarily concerned, as opposed to private resources, is proportionately much less important for Britain than for Australia and Canada. According to the D.A.C. figures, net disbursements of Canadian official aid to less-developed countries, either through bilateral or multilateral channels, have remained unchanged since 1966 while those by Australia, which had risen sharply in 1967, declined somewhat in the following year and those by Britain had fallen from the 1966 peak.

In certain aspects, the aid-giving performance of Commonwealth countries has been as good as or better than the average for all developed countries, which is heavily influenced by the performance of the United States. As the table shows, taking net official disbursements as a percentage of national income, the proportions for Australia and Britain were above the average for all D.A.C. members but that for Canada was appreciably below. Taking the private flow into account as well, the aid flows from Britain approached 1 per cent of national income, the target set by UNCTAD I. Comparing the net amount of financing (official and private) with the target recommended by UNCTAD II of 1 per cent of gross national product, the proportion for Britain, although only a little under the average for all D.A.C. members, was still substantially below the target as were the proportions for Australia and Canada.

Burden of aid on certain Commonwealth countries  
and on D.A.C. members in 1968<sup>(1)</sup>

	Australia	Britain	Canada	D.A.C. members combined
Net flow of official development assistance (2) (bilateral and to multilateral agencies) \$ US million	160	428	175	6,415
Net flow of official resources (bilateral and to multilateral agencies) \$ US million	157	428	214	7,244
Net flow of official and private resources (bilateral and to multilateral agencies) \$US million	188	769	307	12,961
Population mid-year, thousands	12,040	55,390	20,770	615,900
Net flow of official development assistance, \$US per head	13.29	7.73	8.43	10.41
Net flow of official resources, \$US per head	13.04	7.73	10.30	11.76
Net flow of official and private resources, \$US per head	15.62	13.88	14.78	21.04
Official flow as % of national income	0.70	0.54	0.46	0.52
Private flow as % of national income	<u>0.14</u>	<u>0.43</u>	<u>0.20</u>	<u>0.45</u>
Total as % of national income	<u>0.83</u>	<u>0.97</u>	<u>0.66</u>	<u>0.97</u>
Official flow as % of gross national product	0.56	0.41	0.34	0.43
Private flow as % of gross national product	<u>0.11</u>	<u>0.33</u>	<u>0.15</u>	<u>0.34</u>
Total as % of gross national product	<u>0.67</u>	<u>0.75</u>	<u>0.49</u>	<u>0.77</u>

(1) D.A.C. calculations or based on D.A.C. figures. Net flow equals gross disbursements minus amortisation receipts on earlier lending.

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

Commonwealth donor countries are among the leaders in providing assistance on easier terms to the developing countries. In 1965 D.A.C. recommended that its members should either provide at least 70 per cent of their commitments as grants or extend at least 80 per cent of their lending at certain minimum standards (approximately 3 per cent interest, 25 years maturity period, and a grace period of 7 years). In February 1969, D.A.C. adopted a Supplementary Recommendation on Terms, specifically relating to official development assistance. This Supplementary Recommendation retains the 70 per cent grant test but provides for a further substantial softening of terms, with standards set for individual transactions (at least 85 per cent of transactions should be provided on terms equal to or better than, for example, 30 years maturity, 2½ per cent interest and 10 years grace), or, alternatively, for the concessional content of loans and grants combined (at least 85 per cent of the commitments in an official development assistance programme should contain a concessional element of 85 per cent).

As regards the terms of assistance, Australia occupies an outstanding position in that 100 per cent of its total commitments are in the form of grants. In 1968 46 per cent of official British commitments to Commonwealth and non-Commonwealth developing countries were in the form of grants while the figure for Canada was 75 per cent (if official flows outside the category "official development assistance" are excluded, the Canadian proportion rises to 83 per cent); the average for all D.A.C. countries on the basis of total commitments by the official sector was 51 per cent and on the basis of official development assistance 58 per cent. If the concessional element of loans is added to the grants the proportions for Britain and Canada, on the old basis, rise to 82 per cent and 91 per cent respectively and the D.A.C. average to 75 per cent; on the new basis, the Canadian figure is 97 per cent and the D.A.C. average 80 per cent. Using the figures for total commitments for the official sector, the weighted average of the interest rates on loans committed in 1968 was 1.0 per cent for Britain, 2.3 per cent for Canada and 3.6 per cent for all D.A.C. countries combined while the maturity periods were 24 years, 37 years and 26 years. The weighted average grace period of loan commitments for Britain was just over 5½ years and for Canada almost 7 years as compared with an average for all D.A.C. countries of 6 years. On balance, the terms on total official lending commitments by D.A.C. countries softened in 1968 and this movement roughly offset the effect of the decline in the grant share on the overall concessionality of the assistance programmes of the D.A.C. members.

### Intra-Commonwealth aid by type and sector

#### Grants

As shown earlier, the amount of finance in the form of grants provided by Commonwealth donor countries to other Commonwealth countries continued to decline in 1968, when the total, at pre-devaluation exchange rates, was 16 per cent lower than in the preceding year. This meant that the proportion of total intra-Commonwealth aid in form of financial grants was little more than two-fifths last year as compared with around a half in the two previous years. Furthermore, outstanding commitments for grants at the beginning of 1969 totalled about £128 million (at pre-devaluation rates of exchange) as against some £152 million a year earlier.

The geographical distribution of grants confirmed the trends apparent in 1967. Largely because of increasing Australian contributions to the Territory of Papua and New Guinea, the share of Oceania in the total grant flow to Commonwealth developing countries continued to rise. On the other hand, the share of Asia, which had amounted to nearly 40 per cent in 1966, had fallen to 30 per cent by 1968 while that of Africa, which had been over 20 per cent in both 1966 and 1967, dropped below this level in 1968.

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 commitment; in others, for example, much project aid, disbursement may be spread over a number of years. As Britain made substantial grants to an appreciable number of countries for budgetary support and as Australia made a considerable contribution to the budget of Papua and New Guinea, this item accounted for the largest proportion of the assistance given as financial grants. On the other hand, the amount of money provided to finance current imports or as bilateral food aid declined in 1968. If other non-project aid is added, just under three-quarters of total grants were for non-project aid last year, about the same proportion as in 1967. In terms of pre-devaluation sterling, disbursements in the form of project grants were a little higher in 1968 but still appreciably below the 1966 level. The breakdown by sectors changed somewhat from the 1967 pattern. Social infrastructure, which had comprised nearly 27 per cent of the project total in 1967, accounted for 25 per cent of the total in the succeeding year as the amount allocated for health projects fell back to the 1966 level and less went for education and housing; on the other hand, the amount for other community projects increased further. As more money was made available for the Indus Basin Development Scheme, this item accounted for over a fifth of the total project grants. Disbursements for transport projects also rose last year as did those for industrial (including services) projects. Grants disbursed for the agricultural sector were substantially lower than in 1967 and the amount made available for energy projects continued to decline.

### Loans

The total amount of assistance disbursed as loans by Commonwealth donor countries to other Commonwealth countries, principally in Asia and Africa, showed a further large rise in 1968 when the gross total at over £103 million (at pre-devaluation rates of exchange) was 16 per cent higher than a year earlier. Thus, the share of loans in total gross intra-Commonwealth aid rose to nearly 39 per cent as compared with 34 per cent in 1967 and 32 per cent in 1966. However, the recipient countries made considerable payments of interest and repayments of principal in 1968 so that, in effect, the disbursement of "new money" was only about £61½ million. Loan commitments outstanding at the beginning of 1969 totalled almost £161 million (at pre-devaluation rates), about 4 per cent less than at the beginning of 1968.

Out of the 1968 gross total, over £63 million, or nearly two-fifths, was non-project aid, the greater part of which was for financing current imports. However, the disbursement of loans for project aid showed a further increase. It is noteworthy that the share of the agriculture sector in the total of project aid loans had risen from under 4 per cent in 1966 to over 12 per cent by 1968. A similar position obtained for the industrial sector where the increase was from 7 per cent to nearly 13 per cent over the same period. On the other hand, the share of transport fell sharply in 1968 but that of communication increased as did the proportion for electricity.

Although the amount of money loaned for social infrastructural purposes rose further in 1968, the share of this sector showed little change at under 5 per cent.

### Investments

Disbursements by Britain as investments through the Commonwealth Development Corporation, which had shown little change in 1967, rose by 36 per cent to reach some £11.7 million in the following year and to account for over 4 per cent of the gross total of intra-Commonwealth aid. However, repayments of principal and interest payments on earlier investments amounted to about £12 million in 1968. On the other hand, outstanding investment commitments at the beginning of 1969 totalled over £29 million, a slightly higher figure than that for a year earlier.

The geographical distribution of investments varies widely from year to year. In 1968 disbursements to Commonwealth countries in America were far heavier than in the two preceding years so that they accounted for two-fifths of total gross disbursements. Investments in Asian countries also increased sharply in 1968. On the other hand, investments in African countries, which had comprised 55-60 per cent of the total in earlier years, fell appreciably last year and their share of the total dropped to about 37 per cent.

The pattern of distribution of the investments by economic sectors also changed considerably in 1968. Over the past few years housing and other community projects within the social infrastructure sector have taken an increasing proportion of the total gross investments; in 1968 these items accounted for nearly 35 per cent of the total. Declines on the 1967 levels were recorded for multi-projects and the energy sector and very little money was invested in transport.

### Project Aid

Taking grants, loans and investments together, project assistance accounted for slightly over one-third of total gross intra-Commonwealth aid in 1968, roughly the same proportion as in the previous year.

As mentioned earlier, annual disbursement levels may depend on the type of aid provided by the donor countries, for example, project or programme aid. Furthermore, in the case of much project aid, disbursements of a specific commitment may be spread over a number of years with considerable year-to-year fluctuations. However, judging from the data for Britain and Canada, which are shown below, certain trends and changes of emphasis in development can be discerned. The proportionate share of industry (especially the services sector) has shown a marked upward movement in recent years while that of the energy sector has declined. Notwithstanding the annual variations, transport and communications was the most important sector over the three-year period 1966-68 while agriculture, energy and multi-projects (including the Indus Basin Development Scheme) absorbed about the same proportions.

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

Per cent

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>Average 1966-68</u>
Agriculture, forestry and fishing	7.9	11.7	11.5	10.4
Transport and communications	14.5	18.6	16.5	16.4
Energy	12.5	10.3	10.0	10.9
Multi-projects	13.9	7.6	8.6	10.0
Industry (including services)	4.8	9.5	11.3	8.5
Health	1.4	2.1	1.5	1.7
Education	5.3	7.4	6.5	6.4
Housing	5.3	3.6	5.6	4.8
Other community projects	0.1	2.7	2.8	1.9
Other project and unallocated aid	34.3	16.6	25.6	28.8

Technical assistance

The sharp upward trend in the value of technical assistance given to developing countries of the Commonwealth continued in 1968 when the total exceeded £42 million (at pre-devaluation rates of exchange) and was 16 per cent higher than a year earlier. Consequently, the share of technical assistance in the total gross intra-Commonwealth aid flow rose from 13 per cent in 1966 to almost 16 per cent in 1968. The greater part of the increase in expenditure in 1968 was for advisers and experts who took almost 70 per cent of the total while expenditure on trainees and students accounted for 22 per cent. African countries are the main recipients of intra-Commonwealth technical assistance accounting for around 60 per cent of the total while Asian countries receive just under 20 per cent and those in America nearly 10 per cent.

The number of advisers from Commonwealth countries serving in other Commonwealth countries rose from about 560 in both 1966 and 1967 to almost 620 in 1968 but the average number of man-months per person declined slightly. During the period 1966-1968, between 55 and 60 per cent of the advisers have served in African countries, around 20 per cent in Asian countries and some 17 per cent in the American region; the number serving in Commonwealth countries in Europe, although still relatively small, doubled between 1966 and 1968. The greatest proportion of the advisers, just under 23 per cent, were serving in the agricultural field in 1968 but this figure was substantially below the previous year's level of 27 per cent. On the other hand, the proportion for advisers in public administration rose further to reach 16 per cent while the upward trend for those in economic planning (15 per cent) and in the trade, banking and tourism sector (6 per cent) continued. The number of advisers in the power, transport and communications sector which had reached nearly 20 per cent of the total in 1967 declined appreciably in the succeeding year to about 15½ per cent. Although the actual number of advisers in industry and mining and in health showed little change, their shares of the total fell somewhat in 1968, a continuation of the previous year's movement.

The number of operational experts serving in Commonwealth countries declined by some 8 per cent in 1968 and the total man-months supplied

fell by an even higher percentage as each person, on average, served about one month less than in 1967. Just over 80 per cent of the operational personnel served in Commonwealth countries in Africa in 1968, the same proportion as in earlier years. While the number in countries in Oceania has increased in recent years, the total for countries in Asia and America has fallen substantially as compared with 1966. Although the number assisting in the power, transport and communications sectors declined by about 80 in 1968, their proportion of the total rose further to exceed a third. The largest fall in actual numbers, around 430, was recorded for public administration but this field of activity continued to account for over a fifth of the total. The other two main sectors in which operational personnel serve are agriculture and health.

For the second year in succession, the number of advisers and experts in education declined but the fall in 1968 was small compared with the heavy reduction in the preceding year. As in earlier years, nearly 90 per cent of the total were serving in African countries. Over the period 1966 to 1968 the number serving in Asian countries has shown an appreciable reduction but an upward trend has been apparent for countries in Europe and Oceania.

Taking all advisers, experts and operational personnel together, over four-fifths serve in African countries. The number in Asian countries declined by over 200 between 1966 and 1968 while those in American countries showed little change over this period; these two regions each accounted for 5 per cent of the total in 1968. On the other hand, there has been an upward trend in the number serving in Europe and Oceania. As far as field of activity is concerned, the proportion assisting in education has shown an upward trend and in 1968 accounted for just under two-fifths of all experts. The other main fields are power, transport and communications accounting for one-fifth and public administration for some 13 per cent.

The number of trainees financed under technical assistance arrangements declined for the second year in succession and the 1968 total was 5 per cent less than that for 1966. The pattern of distribution based on the nationality of the students has changed substantially in the past few years. The number of trainees from African countries declined by 480 between 1966 and 1968 and their share of the total fell from 48 per cent to 38 per cent over the period. In contrast, the number of trainees from Asian countries increased and by 1968 accounted for over 40 per cent of the total. Similarly, there has been an upward trend for trainees from Commonwealth countries in America. The largest number of trainees have gone on courses in public administration in the past two years, the 1968 proportion being a fifth, while around 700, or about 17 per cent, have attended courses dealing with power, transport and communications. The number of trainees on industrial (including services) courses has fallen sharply since 1966 but they still accounted for over 12 per cent of the total in 1968. Similarly the number of trainees on health courses and courses in social services has declined in recent years but more have gone on courses in education.

About four-fifths of the increasing number of Commonwealth students financed by Commonwealth donor countries come from countries in Asia and Africa. It is noticeable that the numbers of students from countries in America and Europe, although still comparatively small, have shown an upward trend in recent years. The largest number of the students are studying education but over the past three years there has been an upward trend in those studying law, social sciences and economics and in those studying

engineering and medicine. On the other hand, the number on natural science courses has declined substantially.

### Overall assistance to certain economic sectors

Food production and rural development is one of the key areas in the development process and, while the initiatives for increased development in agriculture have to originate in the developing countries themselves, assistance by the developed countries has a major role to play through the provision of capital and technical assistance. In terms of assistance to agriculture, 1967 was a much better year than 1966 and 1968 showed a further improvement. The flow of intra-Commonwealth financial aid for agriculture, which had risen sharply to £8.7 million in 1967, increased to nearly £9.5 million, at pre-devaluation rates of exchange, in the following year. The rise in 1968 was wholly in loans and investments - particularly to Kenya and Mauritius for loans and Malaysia for investments. However, the number of advisers and operational personnel in agriculture financed by donor countries under technical assistance arrangements fell to around 1,560 in 1968, about 200 less than in the previous year, the decline being largely confined to operational personnel which may indicate that developing countries are increasingly able to fill cadre posts with local people. The number of trainees on agricultural courses went up from 247 in 1967 to 287 in 1968 while the number of students showed little change at about 610.

Financial assistance to the sector covering industry, trade and tourism has risen markedly over the past three years from around £3.4 million in 1966 to almost £9.2 million in 1968 with all three types of financing contributing to this increase but especially grants and loans. However, the total of advisers and operational personnel serving in industry, and in trade, banking and tourism declined over the same period while the number of trainees on industrial courses fell sharply in 1967 and showed little change in the following year but the number on courses in trade, banking and tourism, which had more than doubled to 245 in 1967, was reduced in 1968 although it remained far higher than in 1966.

The amount of financial assistance to the power, transport and communications sector has exceeded £21 million, at pre-devaluation rates, in the last two years while over 3,350 experts and operational personnel assisted in these fields in 1968, about 90 less than in the preceding year, and some 710 trainees were financed on courses in these subjects.

### Volunteers

Apart from the flow of intra-Commonwealth official technical assistance, which has been dealt with in earlier paragraphs, another important and substantial form of assistance to developing countries is the supply of volunteers. The donor governments have differing methods of supporting these people and the degree of official assistance given to them varies. Over 1,400 British volunteers were assisted in 1968; about two-thirds were teachers while the bulk of the remainder assisted in the agriculture and health fields. Around three-fifths of the volunteers served in African countries, large numbers being employed in Kenya, Uganda, Tanzania, Malawi and Ghana, while some 16 per cent were in Asian countries, in particular India. Most of the Australian volunteers, of which there were 165 officially supported in 1968, serve in Pacific countries, particularly in Papua and New Guinea, but increasing numbers are going to

Malaysia. Almost 70 per cent of the volunteers from New Zealand are in the teaching field and most of the volunteers from that country serve in the Pacific region. Adding in an estimate for Canadian volunteers, of which there are a large number, the total of volunteers from the four main Commonwealth donor countries serving in other Commonwealth countries was probably over 2,500 in 1968 and higher than in the preceding year.