

CHAPTER III

COUNTRIES SUPPLYING ASSISTANCE - POLICIES

General

Among Commonwealth countries, Britain is the most important source of assistance partly for historical reasons and partly because its resources are greater than those of other individual Commonwealth countries. However, Canada, Australia and New Zealand provide substantial amounts of aid to both Commonwealth and non-Commonwealth countries. While the major supplying countries base their aid policies primarily on bilateral programmes, they also put strong emphasis on regional assistance schemes. 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. Australia has assumed an obligation to contribute to the economic and social development of the Territory of Papua and New Guinea to which a considerable part of Australia's aid is directed, while New Zealand has taken responsibility for assisting certain islands in the Pacific. Thus, over 95 per cent of the assistance provided by Australia and New Zealand to other Commonwealth countries goes to countries in the Asian and Pacific regions while Asian and Caribbean countries receive some 90 per cent of the Canadian assistance to Commonwealth countries.

As the developing countries of the Commonwealth need most, if not all, 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, the Indian General Scholarship Plan.

The Commonwealth and multilateral assistance

For the major donor countries of the Commonwealth bilateral programmes continue to be the more important part of their assistance. According to figures compiled by the Development Assistance Committee of the O.E.C.D., almost four-fifths of the total net financial flow from Australia in 1968 consisted of bilateral assistance under official development assistance programmes while the corresponding proportion for Britain was 50 per cent and for Canada 55 per cent. The shares of official assistance to multilateral agencies in the total flows from Australia and Britain were 5 per cent and from Canada 14 per cent. In monetary terms, this means that out of a total net flow, official and private, from these countries of \$ US 1,339 million in 1968, the amount provided as official development assistance (i.e. flows which are intended primarily to promote the economic development and welfare of developing countries, and which are intended to be concessional in character) was about \$ US 762 million, of which only some \$ US 90 million was contributions to multilateral agencies and the remainder, about \$ US 670 million, was bilateral assistance.

In contrast, the developing countries of the Commonwealth place more emphasis on multilateral than on bilateral assistance. Up to 30th June

1968 contributions by Commonwealth countries to the International Bank for Reconstruction and Development (I.B.R.D.) totalled \$ US 573 million, of which the developing countries provided \$ US 164 million. For the International Development Association (I.D.A.) the Commonwealth as a whole had subscribed \$ US 420 million by the end of June 1968, of which the developing members had contributed \$ US 72 million. Commonwealth countries also make substantial payments to the United Nations Development Programme (U.N.D.P.). Taking U.N.D.P., I.B.R.D. and I.D.A. together, up to the end of 1968 the Commonwealth had provided \$ US 1,268 million (nearly one-quarter of which came from developing countries) out of the world contributions of \$ US 5,654, i.e. about 22 per cent of the total; if the contributions of the United States are excluded, the Commonwealth share was around 34 per cent.

Apart from these financial contributions, Commonwealth countries also provide a considerable number of experts to work in U.N.D.P. projects, many of whom come from developing countries. India alone provided 158 experts for these projects in 1968 while Barbados, Bermuda, Ceylon, Cyprus, Ghana, Jamaica, Kenya, Malaysia, Nigeria, Pakistan, Sierra Leone, Singapore, Trinidad and Tobago, Uganda and Tanzania also supplied experts. In total, 606 experts, or a quarter of the total number of experts serving with U.N.D.P., came from Commonwealth countries in 1968, and, of the Commonwealth figure, 246 were provided by developing countries. On the receiving side, multilateral assistance is very important to developing Commonwealth countries and in 1968 about 17 per cent of the total technical assistance project costs of the United Nations and its specialised agencies was accounted for by developing Commonwealth countries as was about a fifth of the expert man-hours.

Policies

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

Britain

Although the British aid programme operates on a global basis, by far the greatest part of it goes to developing countries in the Commonwealth. The consequences of devaluation of the pound sterling for recipients of British aid are complex but, according to the memorandum provided by the British Government, to the extent that in 1968 British aid funds were spent, directly or indirectly, in Britain or on British goods and services, their value was not decreased. Despite the economic difficulties in 1968, it was decided that the basic aid programme would be maintained at £205 million for 1968-69 and 1969-70, and that certain items, such as the special assistance to Malaysia and Singapore in connection with the withdrawal of British forces, the annual contribution for three years under the Rome Food Aid Convention and some part of the increased contribution to I.D.A., would be additional to the basic programme. Britain is also committed to using its best endeavours to reach the new volume target of 1 per cent of gross national product at market prices adopted by UNCTAD II; this, in effect, raises the target for Britain by 25 per cent as compared with the target adopted at UNCTAD I.

There were no major changes in the British aid programme during 1968. Commonwealth countries continued to account for nearly 90 per cent of total British bilateral disbursements and to benefit from the activities of

the Commonwealth Development Corporation. Some 42 per cent of the gross bilateral aid to Commonwealth countries went to African countries while Asian countries received 39 per cent. Of the gross official disbursements to Commonwealth countries in 1968, 48 per cent were in grant or grant-like form, 34 per cent in interest-free loans and the remainder in loans at market rates, part of which carried a waiver on interest for varying periods, thereby reducing the effective rate of interest. Emphasis continued to be placed on multilateral aid and technical assistance while bilateral programmes again reflected the importance of continuity and the relatively long term nature of development patterns. However, a Report on Overseas Aid by the Select Committee on Estimates of the House of Commons, published in November 1968, recommended that subject to the basic moral purpose of the programme, aid should be increasingly concentrated on those countries which offer the greatest potential markets to Britain and in his published observations on the Report, the Minister of Overseas Development recognised the desirability of acting in the future in this way within the moral and historical limitations. It is also intended to taper off budgetary aid as rapidly as is practicable.

Britain also intends, in consultation with recipient governments about the use of British aid, to lay special emphasis on the agricultural sector insofar as this is appropriate within the development plans and policies of the recipient country. During 1968 a review was conducted on the ways in which Britain could improve and extend this policy and, as a result, Britain is seeking, apart from the normal kinds of aid and technical assistance activities in these fields, to identify and support, wherever appropriate and feasible, integrated projects in which all necessary aspects, such as the economic, technical, social and administrative circumstances of individual developing countries, can be tackled together.

The value of technical assistance provided by Britain to Commonwealth countries rose appreciably in 1968 when it accounted for 20 per cent of gross disbursements of assistance. The functional pattern changed slightly compared with 1967 as there was an appreciable increase in expenditure for experts and some rise in that for students and trainees but less was spent on volunteers and research. However, the geographical pattern remained much the same with the concentration on Africa continuing.

Out of the 15,000 or so British people working overseas at the end of 1968 under various arrangements involving bilateral financial assistance, over 12,000 were employed by overseas governments or public bodies under agreements whereby Britain contributed towards their pay and terms of service. The general conclusion reached during a review of these schemes in 1968 was that because they remain of importance to many of the independent developing countries, which cannot, as yet, fill all the posts from local staff, and because of Britain's continuing responsibility for the remaining dependent territories, the British Government would be willing to negotiate new agreements, where these are desired and the need exists, to cover the period to March 1976, i.e. a further period of 5 years.

The recruitment of experts declined in 1968. The most significant features were the decrease in the number of appointments under OSAS to operational posts in the service of overseas governments and the increase in appointments under regional programmes of technical assistance. Demand for primary and secondary school teachers was maintained and education appointments remained the largest single functional group; there was no significant change in the pattern in other fields. As far as students and

trainees were concerned, the main fields of training remained much the same as in previous years with education, medicine and engineering predominating but there were changes of emphasis from individual countries as local training facilities expanded. One widespread tendency was the growing need for periods of specialised study at a high level which the general resources of British universities, supplemented in the fields of economic development and administration by special initiatives by the Ministry of Overseas Development, were able to meet. Britain has continued to co-operate closely with other donors in the field of education and it is particularly anxious for further co-operation in the special field of innovation in education and, wherever appropriate, in vocational education. In the field of medicine, Britain has continued to support financially a variety of associations or links between British and overseas medical institutions and to encourage the formation of new ones.

The contribution of home base departments, universities and the Corps of Specialists in meeting overseas demands for staff was maintained. The Natural Resources Post-graduate Studentship Scheme, which was introduced in January 1968, to cover practical training as well as academic studies, attracted many applications. As selections are made only to the extent that Britain can reasonably expect to be able to place the students in overseas government vacancies at the end of their studies and as the falling demand for inexperienced recruits limits these openings, only 30 awards were made in 1968. On the other hand, the shortage of suitable candidates is the main limiting factor for the Young Doctors Scheme, under which, in return for agreeing to serve as General Medical Officers overseas for a minimum of two years, newly registered doctors are subsidised while they do training in hospital appointments in Britain and a short course on tropical medicine.

In 1968 increasing use was made of the services of consultants and other British organisations to provide technical assistance to developing countries in the form of feasibility and pre-investment studies, and advice on management and other problems.

The British Government continues to attach great importance to assisting developing countries to deal with problems arising from high rates of population growth. It has contributed to the U.N. Trust Fund for population activities and will continue to support the work of the International Planned Parenthood Federation with an annual cash grant for five years from 1969. A Population Bureau has been established in O.D.M. and Britain will continue to give priority to requests from governments in the field of population control.

Canada

Despite the application of fiscal and monetary restraints to combat rising costs and prices in the Canadian economy, there has been a steady growth in appropriations by the Government for official development assistance in recent years. Canada supported the resolution of UNCTAD II which called upon developed countries to increase their disbursements to one per cent of gross national product at market prices and is taking the steps necessary to meet this target as soon as possible. In 1968 almost 85 per cent of Canada's official bilateral flows (including export credits) was directed to the developing countries of the Commonwealth.

Recently, as part of an overall review of Canadian foreign policy, the Canadian International Development Agency (CIDA) has, with the assistance of special consultants, carried out a comprehensive review of Canada's development assistance policies and practices and, according to the memorandum supplied by the Canadian authorities, this review is likely to have far-reaching implications for the volume, terms, composition, quality, geographical and sectoral allocation, and channels of Canada's development assistance in future years.

Canada attempts to concentrate its assistance in countries where growth priorities have been established and particularly in countries for which consortia and consultative groups exist since these arrangements provide a framework within which donors and recipients can co-operate in working out coherent and practical development programmes. There is some scope for flexibility in the distribution of Canadian assistance, however, which permits Canada to provide some assistance for projects in countries of non-concentration when it is clear that Canadian assistance can make a meaningful contribution. In the administration of the Canadian programme priority is placed on ensuring that the growth in the size of the programme is accompanied by an improvement in quality and that Canadian assistance makes a meaningful and effective contribution to the economic and social development of recipient countries in sectors upon which the developing countries themselves place high priority. To meet these aims, the headquarters staff has been strengthened and field representatives are being assigned to a number of recipient countries to assume responsibilities in the planning, development and execution of Canadian assistance to supplement the work which in the past has largely been done by diplomatic officials and to broaden the areas of direct communication with local authorities. Nine of the sixteen field representatives now serving abroad are in Commonwealth countries.

In assessing the sectors where official assistance can be best used, Canada is using to an increasing extent cost-benefit analysis. Furthermore, more attention is being devoted to the development and co-ordination of integrated projects and an increasing number of such projects have been undertaken.

In recognition of the limited debt-servicing capacity of most developing countries, Canada provides its official development assistance in the form of grants and very soft loans, and every effort is made to mitigate any harmful effect that procurement requirements might have on the real value of Canadian aid. An important policy change in 1968 was the reduction of the Canadian content requirement from 80 per cent to 66 $\frac{2}{3}$ per cent for goods procured for projects urgently needed by developing countries. Canadian project assistance is concentrated in fields in which Canadian industry is equipped to provide goods and services at internationally competitive cost, and an effort is made to provide suitable financing for contracts which have been awarded to Canadian suppliers as a result of international competitive bidding. In certain circumstances up to 25 per cent of the Canadian contribution to a project may be used to finance the local cost of the purchase of goods and services required for a project in the recipient country or another developing country. Non-project assistance is not tied to specific products and an effort is made to provide a wide variety of goods from which recipients may select after taking account of their price and quality and the capability of Canadian suppliers to deliver within required time limits. Recipients may make direct purchases in Canada and the Canadian Government is establishing a central purchasing and supply agency which will be available to assist developing countries in the selection and procurement of goods.

An effort is made to relate the provision of Canadian technical assistance, which includes the training of students in Canada, the assignment of Canadian teachers and of advisers in various fields, as closely as possible to the economic development priorities of the recipient countries and to establish a process of continuing consultation with these countries. In training, greater attention is being devoted to strengthening training facilities in developing countries themselves with certain sectors being emphasised in particular countries. Canada recognises that there are considerable advantages to be gained from arrangements for third country training and in 1968 93 students were enrolled at the University of the West Indies under Canadian auspices; the possibility of mounting third country training programmes in other areas is being carefully examined. An innovation in educational assistance has been the establishment of twinning arrangements between universities in Canada and developing countries. In the advisers programme, an attempt is being made to make the provision of expert technical assistance more project-oriented and to tap the resources of a greater number of Canadian public and private enterprises.

The private sector also provides a considerable amount of help to developing countries and, in its memorandum, the Canadian Government states that more emphasis is being placed on encouraging the participation of the private sector in increasing the flow of financial resources to developing countries. A Business and Industry Division has recently been established in CIDA to acquaint Canadian businessmen more fully with investment opportunities in developing countries. Legislation has been introduced to establish an Export Development Corporation with broader powers and greater resources than the present Export Credit Insurance Corporation. Among the functions of the new Corporation will be the provision of long and medium term financing for exports, extended insurance and guarantee facilities for the coverage of services and other invisible exports and the insurance of Canadian investments abroad against non-commercial risk.

In addition, CIDA has created a special programme of grants from a \$ 5 million fund to support the development assistance activities of non-governmental, non-profit Canadian organisations. The recipients of the largest amount of assistance under this programme are the Canadian University Service Overseas, which during 1968 had over 1,300 volunteers in developing countries, and the newly-created Canadian Executive Service Overseas, which is designed to make available the services of top-ranking Canadian business and professional men on short-term (usually six months) assignments in developing countries.

Australia

The aim of international aid is to assist developing countries towards economic and social conditions producing a more peaceful and richer existence for their peoples; the Australian Government's policy is to participate in this process, particularly in the Asian and Pacific regions. Thus, Australia's official, or government, aid expenditures have increased significantly during the last decade. There was no change in 1968 in the policy of giving all official assistance in the form of grants.

Australia has assumed an obligation to contribute to the economic and social development of the Territory of Papua and New Guinea; this assistance is given mainly as a cash contribution to the annual budget of the Territory. In 1969-70 Australian aid to the Territory is expected to

amount to \$ A 108.3 million. Other Australian aid is given both bilaterally, from government to government, and multilaterally, through international organisations. In 1968 official disbursements of economic aid to Commonwealth countries accounted for about half of total bilateral aid, when assistance given to Papua and New Guinea is excluded. The regional distribution of Australian aid in 1968 remained largely unchanged from that in earlier years but there was some change in the pattern of country distribution partly due to contributions under such programmes as the Food Aid Convention.

Since 1964-65 Australia has made a series of large ad hoc gifts of food as special emergency assistance in addition to its regular aid. In 1967 Australia agreed to participate in the Food Aid Convention of the International Grains Agreement which meant that for the first time Australia became committed to a regular annual distribution of food aid. The effects of the decision to participate in this programme were felt in the second half of 1968 when Australia began to supply the first part of its three year commitment of 675,000 metric tons of wheat to developing countries; among the countries receiving the first year's allocations were India, Ceylon, Pakistan, Fiji and Nigeria.

Australian aid is determined by a number of considerations. Bilateral aid, the fastest growing component in the Australian Government's aid programmes, is given in response to requests for assistance from governments of recipient countries and Australia tries to give priority to providing aid to those sectors which are of fundamental importance, such as technical education and agriculture. Australia also endeavours to make its aid as effective as possible by the linking, wherever possible, of training requests and supply of experts with the provision of capital equipment. In addition the capacity of a recipient to absorb and use effectively the aid given is taken into account as well as the availability of other potential sources of supply.

In 1968 Australian project assistance continued to be concentrated on the improvement of infrastructures and assistance to agricultural research and extension work. Australia's major contribution to regional projects of benefit to Commonwealth countries is to the Indus Basin Development Fund and it has pledged more than \$ A 23 million to help meet the foreign exchange and local costs of the diversion of the waters of the Indus Basin to the mutual benefit of India and Pakistan.

The technical assistance component of bilateral aid programmes (other than to Papua and New Guinea) in 1968 was slightly higher than in the preceding year. Technical assistance continued to absorb a relatively high proportion of total assistance to Commonwealth recipients mainly because of the expertise developed by Australia in providing this kind of aid; assistance under SCAAP and the South Pacific Aid Programme (S.P.A.P.) was concentrated almost entirely on the provision of technical assistance.

Experts and advisers are in many ways playing an increasingly important part in Australia's programmes. They are being employed more and more in pre-investment surveys and in comprehensive projects using equipment provided by Australia, rather than in small, isolated assignments. However, the training of overseas students in Australia remains the principal element of technical assistance absorbing from one-half to two-thirds of the total technical assistance provided under the four major bilateral programmes involved.

Some changes have been made recently to procedures for granting international training awards. A programme of about twenty short international training courses for groups of trainees has been developed in collaboration with government departments, universities, research institutions and professional associations. In future, a pool of fellowships to meet the cost of participation in these courses will be created so that recipient governments may nominate candidates without drawing upon the quotas of awards allocated to them under the regular training schemes. To ensure that adequate provision is made for training personnel associated with Australian overseas aid projects, a number of awards have been allocated for this purpose in addition to the regular provisions.

In its memorandum, the Australian Government states that "Australia's attitude towards the problems of international development remains sympathetic. Provided no adverse trends occur in the overall economic situation of Australia, it is not foreseen that its current aid efforts will diminish in value over the next few years. The member countries of the Commonwealth that benefit from Australia's international aid programmes are therefore likely to continue to receive at least as much, if not more, assistance from Australia in future as they do at present. In all probability, Australian aid will continue to be concentrated on the same geographical regions of Asia and the Pacific."

New Zealand

While New Zealand's official aid to developing countries has increased in absolute terms in recent years, a limiting factor has been New Zealand's severe shortage of foreign exchange brought about by the fall in the price of wool and a general fall in earnings from other primary products culminating in the decision to devalue the New Zealand dollar in November 1967. Nevertheless, the New Zealand Government has accepted the United Nations aid target of one per cent of gross national product as a target for New Zealand as a whole and will steadily move towards it along with the private sector and non-governmental aid organisations.

The greater proportion of New Zealand's government aid is given under bilateral programmes and will continue to be so. Most of this bilateral aid goes to the island groups of the South West Pacific, to the Cook Islands, Niue, the Tokelau Islands and Western Samoa, and to South and South East Asia. In the financial year ended 31 March 1969 New Zealand spent almost NZ \$ 7,000,000 under its bilateral programmes and about seventy per cent of this sum was spent on capital aid and technical assistance to Commonwealth countries, including the island groups mentioned above. Bilateral aid to the Pacific has always exceeded such aid to Asia although in recent years the margin of difference has narrowed considerably. As the Government has approved the doubling of the Colombo Plan appropriation from NZ \$ 2,000,000 to NZ \$ 4,000,000 in the 1969/70 financial year there is a possibility that actual expenditure on bilateral aid to Asia could for the first time exceed such aid to the South West Pacific.

For many years New Zealand has, under the Colombo Plan, extended substantial cash grants to developing countries in Asia. Because of the growth in government aid, the continuing problem of overseas exchange and the greater availability of New Zealand goods and services, cash grants will form a gradually diminishing proportion of official aid under bilateral programmes. This change of emphasis coincides with an expansion

and diversification of manufacturing industries in New Zealand and a growing awareness among some New Zealand manufacturers and professional men of the role they could play in official aid programmes. It will take time before the effects of this new emphasis become clear.

In the technical assistance field, more particularly the provision of training awards, it is becoming apparent that, with the rapid increase in the numbers of private overseas students now studying in New Zealand, educational institutions will not be able to accept many more overseas students. This applies, in particular, to certain faculties at the major universities.

It has been New Zealand's experience that its aid programmes are most effective in those countries where New Zealand diplomatic missions are established. New Zealand has no overseas post in Africa at present and, in consequence, it has not proved possible to pursue an aid programme there with the same vigour as in other areas where there is effective New Zealand representation. There has, therefore, been a fall in aid to Africa under the SCAAP programme over the past two years. Expenditure is likely to fall a little more in 1970 when most SCAAP experts now in Africa have completed their assignments and they are not replaced. A small increase in the number of student awards is proposed. Despite all the problems however, some very useful and much appreciated assistance has been granted under the Special Commonwealth African Assistance Plan.

The Commonwealth Education Scheme has proved particularly useful as a means of extending aid to areas not covered by other regional programmes such as the Colombo Plan and SCAAP. It is within this programme that most New Zealand official aid is provided to the Commonwealth territories in the Caribbean and certain Pacific Island groups such as the New Hebrides and Gilbert and Ellice Islands. This scheme has not, however, been restricted to those territories.

There is a growing public interest in the nature, scope and size of the various official aid programmes undertaken by New Zealand, an attitude which should be conducive to increased public expenditure in the aid field in the next few years. The increase in the Colombo Plan appropriation has, for example, been welcomed by church groups and other interested bodies concerned in the development of the poorer nations.