

CHAPTER II

SUMMARY OF COMMONWEALTH FLOWS OF AID

Commonwealth countries take part either as suppliers or recipients in many assistance programmes, some of which are intra-Commonwealth while others involve co-operation with non-Commonwealth countries or the UN and its agencies. The purely intra-Commonwealth programmes include the Special Commonwealth African Assistance Plan (SCAAP), the Commonwealth Caribbean Assistance Programme, the various schemes for Commonwealth Education Co-operation, the Colonial Development and Welfare Programmes, the Overseas Service Aid and similar schemes, and the Australia South Pacific Aid Programme. The Commonwealth is associated with non-Commonwealth countries in such programmes as the Colombo Plan, the economic parts of the South East Asia Treaty Organisation, and the Indian General Cultural Scholarship Scheme. Multilaterally, the Commonwealth gives support to the International Bank for Reconstruction and Development (I.B.R.D.), the International Development Association (IDA) and the United Nations Development Programme (U.N.D.P.), as well as to a number of regional development banks.

Provisional indications based on information received in answer to a questionnaire sent to all Commonwealth countries are that the flow of intra-Commonwealth official assistance in 1970 was substantially higher than in 1969. The gross financial flows plus technical assistance expenditure went up by around 25 per cent as all the main donors provided more assistance and, as the amounts received from recipients to meet amortization and interest payments on loans and investments declined slightly, the rise for net flows plus technical assistance was over 30 per cent. Looking at the component parts, the downward trend in the amount of assistance provided as grants was reversed and there was an even more substantial rise in the amount of money disbursed from loans, the bulk of which are now of the interest-free type. Expenditure on technical assistance rose further and accounted for over 16 per cent of the total net assistance in 1970 as compared with 13 per cent five years earlier. Estimates of official sector assistance, in summary form, are given below.

| | 1968 | | 1969 | | 1970 | |
|-------------------|-----------|--------------|-------|--------------|-------|--------------|
| | £ million | | | | | |
| | Gross | Net <u>a</u> | Gross | Net <u>a</u> | Gross | Net <u>a</u> |
| Grants | 121.8 | 121.8 | 119.7 | 119.7 | 136.6 | 136.6 |
| Loans | 94.3 | 53.5 | 91.1 | 49.0 | 138.8 | 102.0 |
| Investments | 11.7 | -0.3 | 13.1 | 1.0 | 13.2 | -1.4 |
| T. A. Expenditure | 43.4 | 43.4 | 44.5 | 44.5 | 46.2 | 46.2 |
| Total | 271.3 | 218.4 | 268.3 | 214.1 | 334.8 | 283.4 |

a Gross disbursements less repayments of principal and interest payments.

Looking at the technical assistance aspects in more detail, the preliminary figures suggest that the number of advisers and experts, both non-educational and educational, declined in 1970. In the case of the non-educational experts this was due to a further reduction in operational personnel, particularly under the OSAS programme. There was some recovery in the number of students and trainees financed by donor countries during the year but, while the figure for trainees was nearly 320 lower than in 1966, a reduction of 7 per cent, that for students was up by 1,780 or almost 30 per cent. Summary figures for the past two years are given below.

| | 1969 | | 1970 | |
|----------------------|------------------|------------|------------------|------------|
| | Numbers <u>a</u> | Man-months | Numbers <u>a</u> | Man-months |
| Advisers and experts | | | | |
| non-educational | 9,658 | 92,765 | 8,813 | 85,502 |
| educational | 6,926 | 61,695 | 6,524 | 61,761 |
| Trainees | 3,797 | 17,426 | 3,958 | 18,257 |
| Students | 7,238 | 55,878 | 8,018 | 55,584 |

a Financed by donor countries in year.

According to provisional estimates by DAC, the net resource flows (i.e. gross flows minus amortization payments) reaching developing countries from all sources (i.e. official and private flows from DAC plus flows from other industrial countries, centrally planned countries and multilateral agencies but excluding grants by voluntary agencies) totalled \$US 14,761 million (equivalent to some £6,150 million) in 1970, around 7 per cent more than in the previous year. The increase between 1968 and 1969 was 6 per cent. Since the heavy reduction in 1968 disbursements by the multilateral agencies have risen sharply and the estimate suggests the increase of about a quarter in 1970 brought that year's figure to \$US 1,500 million. DAC figures also show that the total net official bilateral flows provided by its member countries to developing countries was about \$US 6,500 million in 1970, about 6½ per cent above the previous year's level. The DAC member countries, which include Australia, Britain and Canada, make substantial official contributions to the multilateral agencies while the private sector provides a considerable financial flow to developing countries. In contrast to the intra-Commonwealth position where technical assistance expenditure rose by about 4 per cent in 1970, bilateral technical assistance by the DAC countries as a group showed a slight decline.

In comparing the aid-giving performance of Commonwealth countries, and especially that towards other Commonwealth countries, with the world in general and DAC members in particular, it must be borne in mind that nine-tenths of the total Commonwealth population live in developing countries (compared with three-fifths for the rest of the non-communist world), half the population of the developing countries of the world live in Commonwealth countries and under 15 per cent of the total population of the developed countries of the world live in developed Commonwealth countries.

The scale on which the three principal Commonwealth donors and all DAC members combined gave assistance in 1969 and 1970 and aid in relation to population and gross national product are shown in the following table. It is apparent from the table that the flow of official resources, with which this report is concerned, as opposed to private resources, is relatively less important for Britain than for Australia and Canada. According to the DAC figures, net disbursements of official development assistance from Australia have shown a continuous upward trend over the last decade while those from Canada have shown a similar movement, apart from interruptions in 1961-62 and 1968, but those from Britain have varied widely from year to year. Starting from comparatively low base lines, Australian and Canadian official development assistance in 1970 was three and half times and four and half times respectively the comparable 1960 levels but British official assistance had only gone up by a tenth; incidentally, the increase by 1970 in official development assistance from the United States and France, the main donors, apart from Britain, in 1960, was also little more than 10 per cent.

In some ways, the aid-giving performance of Commonwealth donors has been as good or better than the average for all DAC members which is heavily influenced by the performance of the United States. As the table shows, taking official flows as a percentage of G.N.P., the proportions for Australia and Canada were well above the average figure but that for Britain was a little below. If the private flow is also taken into account, flows from Australia and Britain in 1970 were considerably above the DAC average while those from Canada were almost at the average. UNCTAD II recommended that the developed countries devote 1 per cent of their G.N.P. to the total net financing going to developing countries, and it is apparent from the table that there was a further slight setback in 1970 in the progress towards this target. For 1969, if the United States was excluded, the proportion of total flows to G.N.P. for the other DAC members worked out on average to 1 per cent but the comparable figure for 1970 was 0.92 per cent (excluding grants by private voluntary agencies) due to lower German and Italian flows. In 1970 six DAC members, including Australia and Britain, exceeded the 1 per cent of G.N.P. target.

While the size of the flows is vital, the terms of assistance are also of major importance. The terms on which official flows are made by the individual developed countries to the developing countries vary considerably. In 1969 DAC adopted a Supplementary Recommendation on Terms, specifically relating to official development assistance, i.e. assistance intended to promote development as its primary aim and to be concessional in nature. Under the Recommendation, a country's programme complies with its terms if the share of grants in total ODA commitments is 70 per cent or more, or if not less than 85 per cent of the official development assistance consists of commitments none of which has a concessional element below 61 per cent, or if the programme is so structured that the commitments with an average grant element of 85 per cent constitute at least 85 per cent of the total official development assistance commitments.

Commonwealth donor countries are among the leaders in providing assistance on easier terms and all three Commonwealth donors meet the terms of the 1969 Recommendation. The Australian programme, which before 1970 consisted only of grants, included a small amount of lending in 1970 but the proportion of grants to the total Australian official development assistance commitments was still 91 per cent. In 1970, 65 per cent of Canadian commitments to developing countries were in grant form while the proportion for Britain was 50 per cent; these figures compare with 60 per

Resource flows from certain Commonwealth countries
and DAC members a

| | Australia | | Britain | | Canada | | DAC members combined | |
|--|-----------|-------|---------|-------|--------|-------|-------------------------|--------|
| | 1969 | 1970 | 1969 | 1970 | 1969 | 1970 | 1969 | 1970 |
| Net flow of official and private resources <u>b e</u> \$ U.S. million | 232 | 369 | 1,146 | 1,216 | 364 | 578 | 13,670 | 14,662 |
| Net flow of official development assistance <u>c</u> \$ U.S. million | 175 | 203 | 431 | 447 | 245 | 346 | 6,610 | 6,808 |
| Net flow of official and private resources \$ U.S. per head | 18.90 | 29.40 | 20.59 | 21.79 | 17.26 | 27.03 | 22.00 | 23.35 |
| Net flow of official development assistance \$ U.S. per head | 14.23 | 16.18 | 7.4 | 8.01 | 11.62 | 16.16 | 10.65 | 10.35 |
| Official flows <u>d</u> as % of G.N.P. | 0.56 | 0.62 | 0.39 | 0.37 | 0.41 | 0.50 | 0.39 | 0.40 |
| Private flows <u>e</u> as % of G.N.P. | 0.18 | 0.46 | 0.65 | 0.63 | 0.09 | 0.22 | 0.35 | 0.34 |
| Total flows <u>e</u> as % of G.N.P. | 0.74 | 1.08 | 1.04 | 1.00 | 0.50 | 0.72 | 0.75 | 0.74 |

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

b Bilateral and to multilateral agencies.

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

d Official development assistance plus other official flows.

e Excluding grants by voluntary agencies.

cent and 48 per cent respectively for 1969. The average figure for all DAC members was 63 per cent for 1970 and 65 per cent for the previous year. If the concessional element of loans is added to the grants, the concessional (or grant) element of Australian official development assistance commitments rises to 93 per cent while the Canadian figure reaches 96 per cent and that of Britain 82 per cent compared with about 84 per cent for all DAC members. The average interest rate on loan commitments in 1970 was 6.4 per cent for Australia, 0.2 per cent for Canada, 1.7 per cent for Britain and 2.8 per cent for all DAC members; compared with 1969 the rate charged by Britain was somewhat higher but there were small reductions for Canada and all DAC members. The average grace periods contained in Australian loans was 4 years, in Canadian nearly 10, in British just over 6 and for DAC as a whole about $7\frac{1}{2}$; the grace periods given by Britain and DAC lengthened compared with 1969 commitments while those by Canada were unchanged. The average maturity of loans committed by Australia was 14 years, by Canada $48\frac{1}{2}$ years, by Britain nearly 25 years and by all DAC members combined about 30 years. Thus, according to the provisional estimates of DAC, there was, overall, a softening in loan terms during 1970 as the average interest rates fell slightly while the maturity and grace periods lengthened.

Intra-Commonwealth aid by type and sector

Grants

For the first time in several years, the falling trend in grants was reversed in 1970, when grants provided by Commonwealth donors to other Commonwealth countries were 14 per cent above the level in 1969. On the other hand, the proportion of grants in the total flow of intra-Commonwealth aid continued to fall, from 45 per cent in 1969 to 41 per cent in 1970. Commitments (excluding Australian grant commitments to Papua-New Guinea) fell from £98 million at the beginning of 1970 to £69 million at the beginning of 1971.

The higher level of grants was mainly due to higher Canadian food aid to Asia and project aid to America, and a large increase in Australian grants to Papua-New Guinea. Consequently, the share of Oceania in the total grant flow to Commonwealth developing countries increased to almost 50 per cent in 1970, and the share of America and Europe also increased. Although Asia had been receiving a decreasing proportion of grants in recent years, this trend was halted in 1970, when its share (at 27 per cent) was the same as in the previous year. Africa was the only region to receive a smaller proportion, and its share in total grants fell from 16 per cent in 1969 to less than 10 per cent in 1970.

In looking at figures covering only one or two years, it is necessary to bear in mind that different kinds of aid are committed for different periods. In some cases, disbursements follow quickly on commitments; in others, for example much project aid, disbursements may be spread over a number of years. Non-project aid, which accounted for about three-quarters of total grants in 1969, rose to almost four-fifths in 1970, chiefly because of higher Australian grants to Papua-New Guinea and increases in Canadian aid to Asia. The largest item of non-project aid was food aid, amounting to over £30 million, but there were also substantial figures for budgetary support and general development. Disbursements in the form of project grants were at the same level as in 1969. The most pronounced increase was in grants to multi-projects, which rose to 29 per cent of the total and represented the largest single item. Grants to transport also increased, and its share in the

total rose to 19 per cent. Manufacturing rose from a negligible amount in 1969 to 8 per cent of total in 1970. Grants to the agricultural sector, which accounted for more than a fifth of all grants in 1969, fell sharply in 1970 to less than 5 per cent of the total. Most other sectors received smaller amounts in the form of grants than in the previous year.

LOANS

The total amount of assistance disbursed as gross loans by Commonwealth donor countries to other Commonwealth countries, principally in Asia and Africa, rose by £48 million to £139 million in 1970. This was more than 50 per cent higher than the level in the previous year, and increased the proportion of loans in gross intra-Commonwealth assistance from less than 34 per cent in 1969 to 42 per cent in 1970. During 1970, payments of interest and repayments of principal by the recipient countries fell from £42 million to £37 million, so that disbursement of net loans was £102 million, or more than twice the level of 1969. Loan commitments outstanding at the beginning of 1971 are estimated to be about £218 million, the same level as at the beginning of 1970.

The share of non-project aid in gross loans rose from 65 per cent in 1969 to 71 per cent in 1970. The greater part of non-project aid was again for financing current imports. The disbursement of loans for project aid continued to increase, with a rise of about £6 million in both the communications and other community projects sectors, and substantial rises in health and education. The largest decrease was in the manufacturing sector, and no loans were received for multi-projects in 1970, compared with over £3 million in 1969. As a result, the share of the social infrastructure sector in the total of project aid loans rose to almost 30 per cent and that of the communications sector to more than 20 per cent.

Investments

Disbursements by Britain as investments through the Commonwealth Development Corporation, at £13 million in 1970, were at about the same level as in the previous year. However, repayments of principal and interest payments on earlier investments amounted to about £14½ million so that there was a net disinvestment of £1½ million during 1970, compared with a small positive net investment of £1 million in 1969. Outstanding investment commitments at the beginning of 1971 totalled £14½ million, whereas they had reached £28 million at the beginning of 1970.

Although the geographical distribution of investment varies widely from year to year, the pattern in 1970 followed that of 1969 to a large extent. Disbursements to Commonwealth countries in Asia increased by about a quarter, and accounted for 20 per cent of total gross disbursements as against 16 per cent in 1969. There were small decreases in disbursements to America and Africa, which received 45 per cent and 34 per cent respectively of the total.

The pattern of investment by economic sectors changed considerably during 1970. A large increase of investment in industry raised this sector's share in total to over 33 per cent, and the electricity sector also showed a gain. There were decreases in the amounts received by agriculture and multi-projects, and within the social infrastructure sector a large rise in funds for other community projects was more than offset by a fall of more than £1½ million in investment in housing.

Project Aid

Taking grants, loans and investments together, project assistance amounted to one-quarter of total gross intra-Commonwealth aid in 1970, a slightly smaller proportion than in the previous year.

As mentioned above, annual disbursement levels may depend on the type of aid provided, for example project or programme aid. Furthermore, in the case of much project aid, disbursements of a specific commitment may be spread over a number of years with considerable year-to-year fluctuations. Using data for Britain and Canada, which are shown below, no very clear pattern emerges. In the five year period 1966-1970, the proportionate share of agriculture showed a strong upward movement until it fell away to less than 10 per cent in 1970, and the energy sector has been receiving a decreasing proportion in the last two years. Increasing trends can be seen for the transport and communications and industrial sectors, and although the social infrastructure sector has been consistently increasing its share, the emphasis appears to be moving away from housing and education towards other community projects.

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

| | Per cent | | | | |
|------------------------------------|----------|------|------|------|------|
| | 1966 | 1967 | 1968 | 1969 | 1970 |
| Agriculture, forestry and fishing | 7.9 | 11.7 | 13.8 | 20.9 | 10.2 |
| Transport and communications | 14.5 | 18.6 | 19.6 | 16.3 | 23.6 |
| Energy | 12.5 | 10.3 | 11.9 | 9.6 | 8.5 |
| Multi-projects | 13.9 | 7.6 | 10.2 | 12.0 | 10.6 |
| Industry (including services) | 4.8 | 9.5 | 13.5 | 13.6 | 13.6 |
| Health | 1.4 | 2.1 | 1.8 | 1.8 | 2.6 |
| Education | 5.3 | 7.4 | 7.8 | 8.9 | 7.3 |
| Housing | 5.3 | 3.6 | 6.5 | 9.4 | 5.5 |
| Other community projects | 0.1 | 2.7 | 3.5 | 3.4 | 14.9 |
| Other projects and unallocated aid | 34.3 | 26.6 | 11.4 | 4.1 | 3.2 |

Technical Assistance

For the second year running the value of technical assistance given to developing countries of the Commonwealth showed a small rise (about 4 per cent), and represented 14 per cent of total gross intra-Commonwealth aid in 1970. A 7 per cent increase in expenditure on students and trainees raised its share of the total to a quarter, whereas the share of advisers and experts fell from 66 per cent to 65 per cent. African countries are the main recipients of intra-Commonwealth technical assistance, accounting for more than half the total, while Asian countries receive about 15 per cent and those in America a little over 9 per cent.

There were 584 advisers from Commonwealth countries serving in other Commonwealth countries, or 35 fewer than in 1969. Both African and

American countries received a higher proportion than in the previous year, at 54 per cent and 21 per cent respectively, but the share of Asian countries dropped from 22 per cent to 17 per cent. The greatest number of advisers, just under 24 per cent, were serving in the agricultural field in 1970. The second largest number were in economic planning, where the proportion of the total increased from 15 per cent to 20 per cent.

The number of operational experts serving in Commonwealth countries fell by 8 per cent in 1970. There were 400 fewer in the educational field, because of a 12 per cent drop in the number of primary and secondary school teachers. Of the other operational personnel, who were about 800 fewer, or 9 per cent less, than in 1969, the largest falls were in those serving in the public administration and power, transport and communications sectors. However, these two sectors still accounted for more than half the non-educational personnel.

Taking all advisers, experts and operational personnel together, over four-fifths served in African countries, although the number fell by more than 1,000 in 1970. The numbers in Asian and European Commonwealth countries also declined, but those serving in America and Oceania increased.

The number of trainees financed under technical assistance arrangements increased by about 4 per cent in 1970, with greater numbers coming from all areas other than Asia and Europe. Thus trainees from Asian countries continued to decline as a proportion of the total, representing 41 per cent in 1968, 38 per cent in 1969 and 36 per cent in 1970. The share of trainees from African countries rose to 42 per cent compared with 41 per cent in 1969. As in previous years, the largest number of trainees attended courses in public administration, the 1970 proportion being over one-fifth, while courses in power, transport and communications and industry each accounted for about 15 per cent of trainees. The largest increases between 1969 and 1970 were in those going on courses in industry, agriculture and trade and banking.

The total number of Commonwealth students financed by Commonwealth donors showed an increase of nearly 11 per cent in 1970, with higher numbers from all areas other than America. About half the students took courses in education, engineering and the medical sciences.

Volunteers

Apart from the flow of intra-Commonwealth technical assistance discussed above, another important and substantial form of assistance to developing countries is the supply of volunteers. The donor governments have different methods of supporting these people, and the degree of official assistance given to them varies. About 1,700 British volunteers were assisted in 1970; almost two-thirds were teachers, and most of the remainder served in the health, agriculture and power, transport and communications sectors. About three-fifths of the volunteers served in African countries, large numbers being employed in Nigeria, Kenya, Tanzania and Uganda, while some 15 per cent were in Asian countries, in particular India. Over 1,000 Canadian volunteers were assisted in 1970, of which about 70 per cent were teachers. More than three-quarters of Canadian volunteers were in Africa, and the remainder served in the Caribbean and Asia. Of the 126 Australian volunteers who served in Asia, Africa and Oceania, three-quarters were in the educational field. New Zealand also assisted more than 100 volunteers in Asia and Oceania, of whom 70 per cent were teachers.