

## CHAPTER II

### POLICIES OF COMMONWEALTH COUNTRIES PROVIDING ASSISTANCE

Commonwealth donor countries<sup>1</sup> continued in 1974 to provide the larger share of their development assistance on a bilateral basis. The share of bilateral flows in total net official development assistance disbursements in 1974 for the four countries was 74.8 per cent, almost the same as in 1973 when the figure was 75.0 per cent. However, Canada, Australia and New Zealand have announced their intention to increase the share of their ODA disbursed through multilateral channels, Canada to 35 per cent and New Zealand to 30 per cent.

Another important policy development related to the terms of aid; grants and grant like flows comprised 77 per cent of ODA disbursements from Commonwealth countries to developed countries and multilateral agencies in 1974 as compared with 78 per cent in 1973. This showed some retreat away from the position of 1973 when grants and grant like flows comprised 78 per cent of ODA disbursements<sup>2</sup> but policy decisions announced early in 1975 suggest some movement towards higher percentages in future, at least to the poorest countries.

In terms of the distribution of aid, Commonwealth countries are moving in the direction of increasing the proportion of their bilateral aid going to the poorest countries, that is those with per capita incomes of under \$200, and applying more of their aid to rural development and food production.

There was some progress towards untying aid. Some Commonwealth countries agreed to give consideration to allowing imports from the poorest countries to be financed with aid funds, but there was no substantial advance, other than certain emergency relief programmes, in the direction of providing programme aid rather than project aid; the debt renegotiation exercises which were carried out in 1974 could however, be construed in this light.

More detailed information on the programmes and policies of the four Commonwealth donor countries is given hereunder; this is based on submissions made by the respective countries. Only a limited amount of information is available to hand on New Zealand's policies and programmes; future reports will seek to provide more comprehensive coverage.

#### BRITAIN

Disbursements - Gross disbursements of official development assistance<sup>3</sup> rose to \$824.0 million in 1974, compared to \$704.4 million in 1973, an increase of 17 per cent. When other official flows<sup>4</sup> are added

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<sup>1</sup> Australia, Britain, Canada and New Zealand.

<sup>2</sup> Net disbursements of non-technical assistance grants by Commonwealth donor countries increased by 46.2 per cent from \$290 million in 1973 to \$424.1 million in 1974.

<sup>3</sup> Including various transactions not encompassed in the aid programme.

<sup>4</sup> These include certain CDC disbursements some of which may be financed under the aid programme but not treated as ODA, and some miscellaneous grants classified as official flows to developing countries but not qualifying as ODA.

to this amount, the total flow in 1974 amounted to \$905 million, as against \$766.0 million in 1973.

Net disbursements of ODA also increased in 1974 to \$721.8 million from \$603.1 million in 1973, a rise of almost 20 per cent. As a percentage of GNP, this represented 0.38 per cent, as compared with 0.35 per cent in 1973. Grants comprised the largest single element in these disbursements, amounting to \$555.0 million, followed by interest-free loans, \$226 million; concessionary loans \$42 million and CDC investment overseas amounting to \$81 million. The weighted average grant element of government-to-government loans, excluding flows through the CDC and debt reorganisation, was 73.6 per cent in 1974.

In geographical terms there has been no deviation from the pattern of the past five years where there has been a gradual decline in disbursements to Europe while Asia and Africa have remained the major recipient areas. Commonwealth countries in these two regions received \$172.7 million, (the largest share of \$141.7 million going to India) and \$108.4 million respectively. \$377 million, or more than half of gross bilateral disbursements went to countries with a GNP per capita of less than \$200 while the most seriously affected countries, as defined by the UN, received \$290 million.

Investments by the Commonwealth Development Corporation increased in 1974 by a net amount of \$53.6 million. The effective rate of interest remained unchanged and advances to the CDC for agricultural projects continued to carry an enhanced concessionary element.

Commitments - The total value of new commitments of ODA in 1974 was \$1,062 million, of which \$580 million or 55 per cent was in grant form<sup>1</sup> and \$483 million in loans; of these loan commitments, 78 per cent was interest-free. The combined grant element of commitments was 86 per cent, excluding debt reorganisation, which is above the DAC Terms Recommendation target of at least 84 per cent in total ODA commitments. Britain is also moving towards the special target set in the Recommendation for aid to the least developed countries that the average grant element of ODA commitments should be at least 86 per cent to each LDC over a period of three years. In order to move towards this target, aid commitments to these countries in 1974 were a mixture of interest-free loans and grants. In addition, Britain has also decided that all its ODA commitments made after 12 June 1975 to the developing countries with a GNP per capita of less than \$200 will be on grant terms.

Debt Reorganisation - In 1974, Britain took part in the multilateral debt relief scheme sponsored by the Aid India Consortium and provided \$22 million as its contribution to the refinancing operation. Under a similar, although interim, scheme sponsored by the Aid Pakistan Consortium, Britain provided relief of \$12 million on debt service payments falling due between 1 July 1973 and 30 June 1974.

Policy towards Untying Aid - Britain has also decided to untie its future ODA loan commitments for procurement in developing countries with a GNP per capita of less than \$200 if the recipient country so wishes. This measure is due to come into effect in the last quarter of 1975. The proportion of British aid tied to British goods and services in 1974 was 57 per cent (excluding the cost of technical assistance).

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<sup>1</sup> Including technical assistance and contributions to multilateral agencies.

Education and Training - There were 2,197 appointments to advisory and operational posts under various bilateral technical assistance arrangements of which the largest number, 748, was in the Education Sector. The number of graduate and similarly qualified volunteers in post at December 31, 1974 was 1,215 as compared with 1,631 on the same date in 1973. About three-fifths of the volunteers were teachers while the rest were mainly in nursing, agriculture, engineering and community development. There were 3,800 new arrivals in Britain for training in 1974, compared with 3,900 in 1973 and the total number of people who received training in that year was 14,700 as against 14,450 during 1973.

Rural Development - Britain is taking a more active role in supporting rural development in the developing countries by making clear its willingness to strengthen its contribution to rural development and by seeking out new opportunities for projects both bilaterally and in cooperation with multilateral agencies. A Rural Development Department has been set up within the Ministry for Overseas Development to achieve a more positive promotion of rural development and to implement the new policy emphasis. Present policy envisages that primary focus will be on increased agricultural production and first consideration will be given to annual crops, dairy projects and animal husbandry, while assistance will also be provided for the marketing of food surpluses. The assistance to be made available for rural development can take differing forms - financial assistance, technical assistance or a combination of both - and special attention will also be paid to programmes which will improve the distributional aspects of rural development.

## CANADA

Disbursements - The total flow of net disbursements of financial resources from Canada to the developing countries rose from \$1,104.6 million in 1973 to \$1,677.0 million in 1974. As a percentage of GNP this represented an increase from 0.93 per cent to 1.18 per cent, and exceeded the UN target of 1.0 per cent of GNP for total flows.

Net disbursements of ODA increased by 38.6 per cent from \$514.9 million in 1973 to \$713.4 million in 1974, an increase in the percentage of GNP from 0.43 per cent to 0.50 per cent.

Bilateral disbursements of ODA, including grants to voluntary agencies, amounted to \$496.4 million in 1974 as against \$349.4 million, an increase of 42.1 per cent. Of this total, grants rose from \$199.5 million in 1973 to \$280.2 million in 1974 while development loans increased from \$149.9 million to \$216.2 million. In percentage terms, these increases were 40.4 per cent and 44.2 per cent respectively.

Commonwealth recipients of Canadian ODA received gross disbursements of \$265.0 million, an increase of 43.8 per cent over the 1973 figure of \$184.2 million. The share of Commonwealth recipients in 1974 however, remained almost the same proportion of bilateral disbursements as the proportion in 1973, i.e. 53.4 per cent in 1974 compared with 52.7 per cent in 1973.

The Canadian Government continued to apply the guidelines set out in the Foreign Policy Review of 1970 regarding the allocation of bilateral assistance; but, with the changing international economic situation, greater weight has been given to particular criteria among them, such as the country's balance of payments situation. As mentioned in "Aid and the Commonwealth 1973", these criteria are being reviewed as is the question of the number of recipients. In keeping with a decision taken in 1972 to reduce both the number of countries in which a major programme is mounted and the total number of recipients, disbursements in 1974 went to 82 countries as compared with 88 in 1973.

In geographical terms, almost 50 per cent of bilateral disbursements went again to Asia, where the total amount was \$236.2 million in 1974 as against \$162.8 million in 1973. Francophone Africa was next with disbursements of \$100.3 million, followed by Commonwealth Africa with \$83.0 million.

Multilateral disbursements of net ODA amounted to \$217.0 million in 1974, an increase of 31.1 per cent over the 1973 figure of \$165.5 million. Contributions to the general UN fund, the UNDP, WFP and UNICEF comprised more than half the total grants to multilateral agencies (\$76.7 million).

Technical assistance disbursements increased slightly from \$58.6 million in 1973 to \$60.2 million in 1974. The increasing emphasis being shown on the use of developing country institutions for third country and regional training resulted in a decrease in the number of students and trainees educated in Canada from 1,392 to 1,242 in 1974, offset by an increase in the number of third country students and trainees financed by Canada from 421 to 613.

Food Aid - The food shortages in the Sahel region and the Indian sub-continent as well as the balance of payment difficulties experienced by many of Canada's food recipients led to a large increase in disbursements of bilateral food aid which rose from \$65.2 million in 1973 to \$124.4 million in 1974. At the World Food Conference in Rome in November 1974 Canada agreed to supply a minimum fixed volume of food aid over the three-year period 1975/76 to 1977/78, as follows:

- (a) the minimum annual supply of one million metric tons of cereal grains;
- (b) an increase in the provision of non-grain foods to approximately \$45 million annually;
- (c) an increase in the proportion of food aid supplied by Canada through multilateral channels to a minimum of 20 per cent of the total.

Commitments - ODA commitments decreased slightly from \$888.9 million in 1973 to \$816.1 million in 1974: this was largely due to a sharp fall in loan commitments from \$459.5 million to \$184.2 million, which offset a 61 per cent increase in bilateral grant commitments and a 31.7 per cent increase in multilateral commitments. The overall drop in bilateral commitments was from \$687.1 million in 1973 to \$550.6 million in 1974. This drop in loan commitments derived mainly from three factors. First, effort was concentrated during 1973 to commit funds already in the pipeline. Second, some large loan projects were approved in 1974 but the loan agreements were not signed until early 1975. Finally, following the explosion of a nuclear device by India in May 1974, the Canadian Government undertook a review of all aspects of the programme to India (except food and agricultural aid) with the result that the only loan commitment to India was for \$10.2 million to purchase fertilizers.

Multilateral commitments of ODA rose from \$201.7 million in 1973 to \$265.5 million in 1974. This was due exclusively to an increase in grant commitments from \$56.8 million in 1973 to \$165.5 million in 1974, or 191.3 per cent.

Most of the ODA loan commitments were extended under the softer terms of 0 per cent interest, 10 years grace and 50 years maturity. However 7.7 per cent of total loan commitments were extended at the harder terms of 3 per cent interest, 7 years grace and 30 years maturity compared with 4 per cent of total commitments in 1973. Two Commonwealth countries, Trinidad and Tobago and Jamaica were among those borrowing on the harder terms. The average grant element of total ODA commitments rose from 94.1 per cent in 1973 to 97.2 per cent in 1974, well above the DAC Terms Recommendation of 84 per cent.

Debt Renegotiation - Canada participated in multilateral debt negotiations for Pakistan and Bangladesh although no bilateral agreements covering the fiscal years 1974-75 were finalised until 1975. Canada did not contribute to the 1974-75 Consortium debt relief exercise for India.

Untying Aid - During 1974 there were no changes in Canadian policy on tying of bilateral assistance, Canadian Content Policy nor in procurement regulations.<sup>1</sup>

Distribution of Aid - Canadian ODA has traditionally been determined on an area basis; nonetheless, this assistance has been extended predominantly to the poorest countries of the world. There has been an increase in the proportion over the past five years in the share of bilateral funds flowing to the 25 least developed countries and the 33 most seriously affected countries. The LDC's received 15.1 per cent of total bilateral disbursements in 1974 as against 12.9 per cent in 1973 and the MSA's 63.6 per cent as against 55.5 per cent in 1973.

Rural Development - Where the promotion of food production and rural development are concerned, a special Task Force has been set up by CIDA "to make policy recommendations on the means to achieve the most effective Canadian contribution to solving the problem of increased production in the renewable resources sectors, including fisheries, forestry and food" with rural development given special study. Action on the recommendations of the report is being formulated.

New Policy Statement - The Canadian Government has published a "Strategy for International Development Co-operation 1975-80" which provides an assessment of the changes that have taken place in the field

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<sup>1</sup>80 per cent of total bilateral programme and of this 66 and 2/3rd per cent must be of Canadian content.

of international development co-operation and also a statement of the principles and policies that will guide Canada's development co-operation in the second half of this decade.

The Government has reaffirmed its determination to achieve the United Nation's aid target of 0.7 per cent of GNP and has stated that she will focus her assistance on food production and distribution, rural development, education and training, public health and demography and shelter and energy. The bulk of resources and expertise in the programme will be directed to the poorest countries while at the same time bilateral development programmes will be concentrated on a limited number of countries in order to maximise the impact of net resource transfers. Canada will also support regional institutions which bring together several developing countries and will also promote development projects undertaken by groups of countries.

## AUSTRALIA

Disbursements - The Government has declared a policy of achieving the target figure of 0.7 per cent of GNP by the end of this decade. Disbursements in 1974 were in the direction indicated by the statement of policy. The volume of gross disbursements of ODA from Australia increased by almost 50 per cent in 1974 from \$285.9 million in 1973 to \$432.6 million. Net disbursements of ODA were slightly lower, totalling \$430.3 million. As a percentage of GNP, Australia's net ODA rose from 0.44 per cent in 1973 to 0.55 per cent in 1974.

Disbursements of net bilateral ODA increased by 48 per cent from \$262.8 million in 1973 to \$390.0 million in 1974. This increase was largely due to increases in disbursements to Papua New Guinea, from \$192.6 million to \$254.2 million, and in food aid which rose from \$18.7 million to \$72.6 million. As a percentage of total ODA, bilateral disbursements accounted for 91 per cent, again weighted by the influence of disbursements to Papua New Guinea which comprised 59.1 per cent of total net ODA.

Grant Aid - Australia provides its aid almost entirely in grant form. Loans on soft terms are extended in special circumstances when both the project and the country concerned are able to repay the loan or tentatively when Australia is a participant in joint projects with other donors. There was one such loan in 1974 to the Government of Fiji for \$0.9 million to enable that Government to purchase shares in Air Pacific. This was extended at 3 per cent interest per annum with a three year grace period.

Untying Aid - The element of tying in Australian ODA disbursements in 1974 rose to 27 per cent as compared with 20 per cent in 1973. This increase derived entirely from the provision of "aid in kind" (which was classified as tied, and which consists largely of food and commodities for

distress relief), being much higher in 1974 than in 1973. Aid to Papua New Guinea is untied while aid to other countries is normally tied to two-thirds procurement in Australia. In 1974, Australia announced its participation in the DAC agreement on untying of bilateral development loans in favour of procurement in developing countries, and its willingness to work towards general untying of aid with a view to improving the effectiveness of the flow of aid resources.

Distribution of Aid - The sectoral distribution of Australian bilateral ODA has been heavily biased in favour of infrastructure projects in the public utilities sector; in 1974 however a large proportion of the major projects which were planned, commenced or extended were in agricultural production or in services to agriculture. These included a fodder seed farm project in India, and water resource projects in Sri Lanka and Tanzania.

At present Australia supports few bilateral programmes in the social sectors of countries other than Papua New Guinea. Health and nutrition programmes receive support through multilateral or organisations such as the WHO and UNICEF and increased support has also been given to multilateral agencies involved in population programmes.

Disbursements to multilateral organisations rose to \$40.3 million in 1974, as compared with \$23.3 million in 1973. By far the largest share of this sum went to the IDA, which received \$20.3 million, followed by \$3.89 million to the Asian Development Bank. Disbursements to United Nations agencies almost doubled in 1974, in particular flows to UNDP, UNHCR and UNICEF. Australia has also participated in the activities of regional bodies and in 1974 the Government announced a contribution of \$7.2 million to projects conducted under the auspices of the Association of South East Asian Nations.

Geographic Distribution of Aid - Australia's policy on the geographic distribution of its aid is dominated by its special relationship with Papua New Guinea. The proportion of its aid disbursements going to PNG, however, has declined from 70 per cent in the late 60's and early 70's to 59 per cent in 1975. This has come about primarily because of an expansion of other Australian bilateral aid programmes and an increase in the percentage of Australian aid channelled through multilateral agencies and development finance institutions.

Policy in Aid Target and Distribution - Australia has agreed to work towards the 0.7 per cent aid target and in the context of an enlarged aid effort, envisages the possibility of expanding its aid effort to other areas. The guidelines for the allocation of its aid provide that Australian aid should reach the people in greatest need; in 1974 bilateral assistance to the 22 countries classified as "least developed" or "most seriously affected" amounted to \$59.9 million, or 14 per cent of its total aid effort. These guidelines also envisage regional concentration in Asia and the Pacific, but consideration is being given to ways in which Australia can make more effective contribution to the economic and social development of developing countries in Africa. For the time being however, and given the circumstances, Australia envisages that Papua New Guinea will continue to be the major recipient of Australian ODA.

Rural Development - Australia has endorsed the emphasis placed by the World Food Conference on the expansion of food production in the developing countries and has announced its intention to devote an increasing proportion of total aid disbursements to rural development.

## NEW ZEALAND

Information on policies guiding New Zealand's development assistance in 1974 is not available up to the present; indications are however that there have been no major changes in policy or in the execution of programmes.

Aid Target - New Zealand became a member of the Development Assistance Committee of the OECD in 1973. In March of that year the Government announced, inter alia, that New Zealand would seek to attain the 0.7 per cent of GNP target for official development assistance by the 1975/76 financial year. In its first year as a member of the DAC, net ODA disbursements represented 0.24 per cent of GNP, while total flows represented 0.35 per cent. In 1974 total flows increased to 0.40 per cent of GNP and are expected to increase again in 1975.

Distribution of Aid - The New Zealand aid programme is divided into two broad categories. First, the relief area which is concerned with responding to emergencies, such as flood, famine, earthquake and war, and which at present receive about 5 per cent of funds allocated. Secondly, the development side which is regarded as the most important. Within this area there are on-going projects such as rice storage in Thailand, a forestry project in Fiji as well as two large geothermal projects in Indonesia and the Philippines. New Zealand is also undertaking projects and programmes which are likely to help the lowest income groups in the developing countries by putting a greater input into rural areas and helping labour intensive industries.

New Zealand also aims to achieve a ratio of 30:70 between multi-lateral and bilateral aid flows. The main multilateral channels are the UNDP, the Asian Development Bank and the IDA. At least 50 per cent of the bilateral assistance is directed to the South Pacific programme.