

CHAPTER II

POLICIES OF COMMONWEALTH COUNTRIES PROVIDING ASSISTANCE

The general improvement in the overall aid effort in 1975 by the developed Commonwealth countries¹ was referred to in Chapter I; their net ODA disbursements increased to \$2.3 billion compared with \$1.9 billion in 1974. Each of the four countries contributed to this increase, the largest expansion, in percentage terms, being recorded by New Zealand whose net ODA of \$65.8 million was 68 per cent higher than in 1974. Canadian net disbursements rose by 23 per cent to \$879.7 million, British by 18 per cent to \$863.4 million and Australian by 18 per cent to \$506.8 million. With the exception of Britain, where there was little change, the net ODA of each country increased as a percentage of GNP, though still remaining below the 0.7 per cent target. As a group they recorded a ratio of 0.48 per cent of GNP compared with 0.45 per cent in 1974. The highest proportion was achieved by Australia, with 0.61 per cent of GNP followed by Canada (0.58 per cent), New Zealand (0.52 per cent) and Britain (0.37 per cent). Other Commonwealth donors are believed to have also increased their aid but comparable data are not available.

Channels - The developed Commonwealth countries are following policies to increase the share of their ODA disbursed through multilateral agencies. This is reflected in the distribution of their aid flows. In 1975 the proportion increased from 25 per cent to 28 per cent. Smaller Commonwealth donors, which are generally net aid recipients, have tended to concentrate on multilateral channels for providing aid to other developing countries although, as in the case of India, there has also been a certain amount of bilateral provision.

Conditions of Aid - There was some softening of the terms of Commonwealth ODA in 1975. Grants and grant-like flows comprised 80 per cent of net disbursements from the Commonwealth DAC members compared with 77 per cent in 1974. This movement was in keeping with the policy announced by all four countries to increase the percentage of grants at least in their aid to the poorest countries. Both Australia and New Zealand continued to have a 100 per cent grant element of ODA commitments to least developed countries while in Britain there was a substantial improvement to 99.1 per cent; Canadian commitments to the least developed had a grant element of 94.7 per cent.

The percentage of grants in Commonwealth ODA commitments in 1975 was 85.6 per cent compared with 71.9 per cent in 1974. The share of grants in Australia reached 100 per cent in 1975. For New Zealand it was 97.1 per cent. In Britain grants rose from 54.8 per cent of total ODA commitments to 91.1 per cent. In Canada there was a fall from 77.4 per cent to 72.7 per cent. Canadian loans, however, have a high grant element so that the overall grant element of ODA commitments for the four countries was 97.2 per cent. This was a substantial improvement on the previous year's figure of 92.3 per cent; it was also well above the DAC Terms Recommendation of 84 per cent, and compared favourably with the overall DAC performance of 88.3 per cent.

¹ Australia, Britain, Canada and New Zealand.

Some progress was made towards the untying of aid, in particular by Australia and Britain. Less than a quarter of Australia's gross disbursements was tied. The tied element of British financial assistance fell from almost a quarter to a fifth but because of the large tied element of its technical assistance 42 per cent of total gross ODA was fully tied. This was some improvement on the previous year's proportion of 46 per cent. More than half of Canadian gross financial assistance continued to be tied, as was a large part of its technical assistance. Apart from Australia, where project assistance commitments increased, there was a substantial shift away from project assistance and towards non-project assistance and, in the case of Britain and New Zealand, technical assistance.

Distribution of Aid - Britain, Canada and New Zealand have adopted policies of increasing the proportion of their bilateral aid going to the poorest countries and to the poorest population groups within developing countries. In part this is to be achieved through increased efforts in such areas as rural development and agriculture. In the case of Australia, the greater part of ODA will continue to be directed to Papua New Guinea but the intention is that in allocating the remainder priority will be given to projects in the fields of agriculture, rural infrastructure and regional development programme.

The following Sections outline the assistance programmes of the Commonwealth donor countries.

BRITAIN

Disbursements - Gross disbursements of official development assistance¹ rose to \$960 million in 1975 from \$832 million in 1974; total official flows² amounted to \$991 million compared with \$912 million in 1974. Net disbursements of ODA also increased in 1975 and reached \$863.4 million, a rise of \$133.6 million or 18 per cent.

As a share of GNP, net ODA disbursements were slightly lower at 0.37 per cent. Britain has accepted the UN target of 0.7 per cent but has stated that progress in reaching it must be subject to the pace of the country's economic recovery and to the other calls on its resources.

In addition to the ODA target Britain recognises the target of 1 per cent for all net official and private flows. This target was met in 1975 but because of reductions both in other official flows and in private flows total flows, at \$2,327.2 million comprised 1.01 per cent of GNP compared with 1.23 per cent in 1974³.

¹Including the bulk of CDC investments and various transactions not encompassed in the aid programme.

²Including certain CDC disbursements, some of which may be financed under the aid programme but are not treated as ODA, and some miscellaneous grants classified as official flows to developing countries but not qualifying as ODA.

³Eurocurrency transactions are not included in this calculation although they were an important source of developing country finance in 1975.

Of the total gross ODA in 1975, 69 per cent or \$662 million was in grant form, followed by interest-free loans (\$216 million), CDC investment overseas (\$43 million) and concessionary loans (\$38 million). The weighted average grant element of government-to-government loans, excluding loans through the CDC, was 72 per cent.

The share of British aid disbursed through multilateral channels increased to \$270 million, or 34 per cent of total net ODA in 1975 from \$221 million (30 per cent) in 1974. The proportion of multilateral aid in the total aid programme is expected to continue to rise over the next four years in line with Britain's policy of supporting a high level of replenishment for IDA and participating in IFAD.

Commonwealth countries continued to receive the greater portion of gross British bilateral ODA flows, which rose from \$611 million in 1974 to \$663 million in 1975. Commonwealth countries received \$518 million in 1975 (78 per cent) compared with \$496 million (81 per cent) in 1974. A sector breakdown shows that 39 per cent of gross bilateral ODA was provided in the form of project aid (excluding technical co-operation), 29 per cent as non-project aid and 32 per cent as technical co-operation. While most of the non-project aid was for general import financing, an important new recipient sector was the fertilizer programme.

Britain has decided to direct its aid increasingly to the poorest countries¹ and the poorest people within these countries. The 1975 figures show that the proportion of gross bilateral ODA going to these countries was 57 per cent compared with 66 per cent in 1974 but this reduction was due to the timing of certain disbursements to India and Kenya. The share going to the Most Seriously Affected Countries, as defined by the UN, also declined, from 59 to 51 per cent, but the share of least developed countries rose from 18 to 20 per cent.

Commitments - The total value of new commitments of ODA in 1975 was \$1,343 million, of which \$1,226 million or 91 per cent was in grant form (including technical co-operation and contributions to multilateral agencies) and \$113 million was in loans. 66 per cent of the new loan commitments entered into during the year was interest free and 34 per cent carried a grace period for capital repayments of varying lengths. The weighted average grant element of ODA loans was 65 per cent and when combined with grants the grant element of total commitments was 96.9 per cent.

In attaining this level of average grant element Britain exceeded the overall target of 84 per cent contained in the DAC Terms Recommendations. Britain also exceeded the special target set in the Recommendation for Aid to the Least Developed Countries by providing ODA commitments with an average grant element of at least 86 per cent to each least developed country over the three-year period 1973 to 1975. As part of its policy of improving the quality of aid to the poorest developing countries, Britain's ODA commitments to such countries are now normally on grant terms except where the country's economic prospects are such as to make this an inappropriate concession.

¹. i.e. those with GNP under \$200 per head in 1972.

Policy towards Untying Aid - The proportion of British bilateral aid commitments fully tied to British goods and services in 1975 was 42 per cent¹. Further procurement in Britain occurred from the considerable amount of bilateral financial aid tied to British or local goods and services, the proportions of which are not always stated in advance in specific terms. The estimated percentage of procurement from such aid was 18 per cent, making an estimated total of tied bilateral aid of 60 per cent. In addition to continuing the policy of untied contributions to multilateral agencies, Britain has, since the second half of 1975, untied its ODA loan commitments for procurement in the poorest countries, if the recipient country wishes such an arrangement to be made.

Debt Reorganisation - In 1975 Britain's contribution to the multilateral debt relief scheme sponsored by the Aid India Consortium was a debt refinancing grant of \$24.9 million to reimburse the Indian Government for certain repayments of capital and interest made on a number of aid loan agreements dating from 1958 to 1968. The refinancing was made available on grant terms.

Rural Development - Rural development is being increasingly stressed in Britain's aid programme. This is consistent with its policy of increasing the proportion of its aid to the poorest countries and to the poorest people in those countries. While increasing agricultural production continues to be an important goal the aid programme recognises that other factors are essential in improving the welfare of the rural poor, for example the creation of employment opportunities and the development of education, health, housing, water and power supply, marketing and communication.

Food Production and Aid - In general, the aim of Britain's aid in the agricultural sector is to assist developing countries to improve the quantity and quality of production of both food and cash crops. Britain recognises that the food problem in developing countries is such that substantial food aid will be needed for some years to come. Its policy, however, is based on the premise that it is more efficient to take steps to expand indigenous production of food. British policy, therefore, aims where possible to link the provision of food aid directly with appropriate development projects to secure the maximum beneficial return, with the ultimate hope of rendering food aid unnecessary. During 1975 Britain contributed an estimated \$28.2 million to the EEC Cereals and Dairy Products Programmes and spent \$22.9 million on national actions connected with the Community Cereals Programme. Britain's pledge to the World Food Programme for the two calendar year period 1977-78 is \$9.6 million, subject to Parliamentary approval. This is an increase of 30 per cent over the previous pledge.

Women and Development - At the United Nations International Women's Year Conference in 1975, Britain offered a special contribution of

¹. Excluding technical co-operation and aid for compensation and pensions, where expenditure as between sterling and local currencies cannot be clearly identified.

\$1.33 million payable over three years to help projects that will primarily benefit rural women in countries with a GNP of less than \$400 a head. In addition, the Ministry for Overseas Development engages a consultant to promote the role of women in the development process and is also carrying out an examination of how the position and needs of women can best be taken into account in the context of project appraisals and formulation.

Technical Co-operation - Technical assistance amounted to 32 per cent of net ODA disbursements to all recipients (including contributions to multilateral institutions). It was 29 per cent in 1974. In 1975 appointments to advisory and operational posts under various bilateral technical co-operation arrangements totalled 2,253 compared with 2,197 in 1974. The number of graduate and similarly qualified volunteers in post at December 31st 1975 was 1,300 compared with the 1974 figure of 1,212; about half the volunteers were teachers while the rest were engaged mainly in nursing, agriculture, engineering and community development. Students and trainees following courses in Britain under bilateral arrangements as part of the aid programme numbered 14,800 in 1975 compared with 14,700 in 1974.

CANADA

Disbursements - Gross disbursements of ODA from Canada to developing countries rose from \$714.2 million in 1974 to \$880.2 million in 1975. Net disbursements were not far short of this, amounting to \$713.4 million and \$879.7 million respectively, and as a proportion of GNP rose from 0.50 per cent to 0.58 per cent. The government hopes to reach the 0.7 per cent target by the end of the decade or shortly thereafter.

Total net flows of financial resources including other official flows and private flows, increased from \$1,667.0 million to \$2,041.4 million and their share of GNP went up from 1.16 per cent to 1.34 per cent, making 1975 the second consecutive year in which the UN target was exceeded.

It is part of Canadian policy to make increasing use of multilateral channels in the disbursement of its aid. In 1975 multilateral ODA amounted to \$267.7 million which was 30 per cent of net ODA disbursements. This was the same proportion as in the previous year but in terms of fiscal years there was a substantial increase from 26 per cent to 35 per cent. Within the multilateral programme there was a marked expansion in grant contributions. U.N. agencies continued to be the major recipients of grants but there has been a rapid increase in the number and type of institutions supported by the programme. Capital subscription payments fell in 1975, from \$135.2 million to \$110.5 million, due to the fact that 1975-76 was an interim year between replenishments for the Inter-American Development Bank. The largest recipient of multilateral aid disbursements continued to be the IDA but increasing support is being given to regional institutions, in particular the Asian, African and Caribbean Development Banks.

Bilateral disbursements of ODA, amounting to \$612.0 million, constituted 70 per cent of the total. Although this was the same proportion as in 1974 there has, in terms of fiscal years, been an increase in the share of ODA going to multilateral and non-governmental institutions since 1970-71. Grants and grant like contributions accounted for 57 per cent of bilateral ODA, about the same proportion as in the previous year. The bulk of development loans was given on highly concessional terms. Canada's net ODA disbursements to Commonwealth countries rose by 20.8 per cent from

\$264.7 million in 1974 to \$319.8 million in 1975. Their share of total disbursements was 52.3 per cent compared with 53.3 per cent in 1974.

Almost 80 per cent of bilateral ODA disbursements were concentrated on developing countries with GNP below \$375 per head. Increasing priority is also being given towards helping the poorest population groups within countries by stressing projects promoting economic growth as well as social development.

Commitments - ODA commitments rose by 37 per cent from \$816.1 million in 1974 to \$1,119.0 million in 1975. This sharp increase was partly the result of timing; some large loan projects were approved in 1974 but the loan agreements were not signed until 1975. Project aid accounted for 48.7 per cent of bilateral commitments in 1975, most of the projects being in the sectors of water supply, transport, technical co-operation and communications. Food aid accounted for 27.7 per cent and the remainder was in the form of loans. Multilateral commitments totalled \$392.6 million, an increase of 48 per cent.

The average grant element of ODA commitments in 1975 remained broadly unchanged, being 96.4 per cent in 1975 compared with 97.2 per cent in 1974. The grant element was well above the DAC Terms Recommendation of 84 per cent.

Untying of Aid - Canadian policy on the tying of bilateral aid remained unchanged in 1975, with up to 20 per cent of the total bilateral programme allowed to be untied. This is in addition to the payment of shipping costs, which means that a further 15 per cent may be untied. The requirement that goods purchased under the tied portion of the programme must be at least two-thirds Canadian in content also remained unchanged.

Food Aid - Following the Canadian government's pledge to increase food aid at the World Food Conference in Rome in November 1974, there was a vigorous expansion in 1975. Bilateral food aid rose from \$124.4 million to \$171.6 million and food aid supplied through multilateral channels rose from \$18.1 million to \$91.7 million. Altogether food aid accounted for 30 per cent of the ODA programme in 1975 compared with 20 per cent in 1974.

Technical Co-operation - Technical co-operation disbursements, at \$60.1 million, were almost unchanged from the previous year. It is the policy now to send fewer Canadian teachers abroad and by 1st January 1976 their number had fallen to 384 compared with 476 a year earlier; many of the teachers were teaching technical rather than academic subjects or training personnel for industry. The number of students and trainees in Canada rose slightly from 1528 to 1589. The number studying in a developing country with Canadian finance rose from 599 to 653 and this type of support is expected to continue to increase.

New Policy Statement - The Canadian government has undertaken a reorientation of its aid policies and presented the results in the "Strategy for International Development Co-operation 1975-1980" which was published in 1975. This document presents five main objectives: the sharing of wealth, self-reliance, creativity and innovation, new forms of international relations and collective participation in international development by Canada's various social groups. The new policy recommends that these objectives be attained by the use of multiple instruments for development and by close co-operation

between the various executing agencies in Canada and the numerous local authorities in the Third World. The policy, inter alia, stresses food production and rural development, greater geographic concentration of aid and regional co-operation. It calls for measures to facilitate more efficient resource transfer, including the immediate untying of development loans.

AUSTRALIA

Disbursements - Gross disbursements of ODA from Australia rose from \$432.6 million in 1974 to \$511.6 million in 1975. Net disbursements were slightly lower at \$430.3 million and \$506.8 million respectively. The share of net ODA in GNP rose to 0.61 per cent compared with 0.55 per cent in 1974. The Australian Government remains committed to the internationally accepted target of providing 0.7 per cent of its GNP as development assistance.

There was a sharp drop in private investment in developing countries. Nevertheless total official and private flows rose to 0.71 per cent of GNP compared with 0.69 per cent in 1974.

Australian disbursements to multilateral institutions rose from \$40.3 million in 1974 to \$70.6 million in 1975. The increase, however, was entirely the result of the timing of payments and in fact disbursements in fiscal year 1975-76 are estimated to have been below the 1974-75 figure. The largest share of multilateral assistance again went to the lending facilities of the World Bank and the Asian Development Bank (\$39.0 million). \$26.6 million was in the form of grants to UN agencies and a further \$5 million was provided to other multilateral agencies including the Commonwealth Fund for Technical Co-operation and regional bodies in the Asian/Pacific area. Further developments regarding multilateral aid included a pledge to the Third Window of A\$ 4 million to be paid in 1976-77; an undertaking to pay Australia's agreed share of A\$30.7 million to the replenishment of the Asian Development Fund; a declaration of support in principle for the proposed increase in the capital of the Asian Development Bank; an undertaking to contribute to the new Oil Facility Interest Subsidy Account of the IMF; and a decision to make an initial contribution of A\$ 8million to the International Fund for Agricultural Development.

In spite of a 75 per cent increase in multilateral contributions during 1975, bilateral disbursements (net) continued to account for the bulk (86 per cent) of ODA; these rose by 11.8 per cent to \$436.2 million in 1975. Australia provided all its aid in grant form in 1975. It is, however, prepared to consider providing loans as a supplement to its grant aid in cases where developing countries have achieved substantial increases in income.

The Commonwealth share of gross bilateral ODA was 81.6 per cent of the total in 1975 and was made up of \$93.3 million of project aid, \$187.6 million of non-project aid and \$77.0 million of technical assistance. Most of Australia's bilateral aid (97 per cent) went to the Asian/Pacific area, with Papua New Guinea being the principal beneficiary. Net disbursements to Papua New Guinea increased from \$254.2 million in 1974 to \$294.2 million in 1975.

In March 1976, agreement was reached by the Prime Ministers of Papua New Guinea and Australia on a new basis for a long term aid arrangement. Under the agreement, the Australian Government has guaranteed a base level of aid¹ of A\$180 million a year for the next five years, with annual supplements to be determined in the light of circumstances.²

Commitments - Australia's total ODA commitments in 1975 fell to \$440.8 million from \$457.0 million in 1974. The proportion of grants was restored to 100 per cent of total commitments. Bilateral commitments fell from \$394.5 million to \$357.0 million; reductions occurred in technical assistance and non-project aid but there was substantial increase in commitments of project aid, particularly in the education, health and agriculture sectors.

Procurement Policy - The element of tying in Australian ODA disbursements fell to 25 per cent in 1975 from 27 per cent in 1974 but was still above the 1973 level of 20 per cent. Early in 1976 further steps were taken to untie part of Australia's multilateral contributions.

Food Aid - Most of Australia's food aid is given bilaterally to countries in its own region which are most seriously affected by economic conditions. Some food aid is also given multilaterally through the UN/FAO World Food Programme. In 1975 the total value of food aid declined to \$61.0 million after rising to \$75.2 million in 1974 from around \$20 million annually at the beginning of the decade.

Technical Assistance - In 1975 Australia supplied 4,159 experts and volunteers of whom 3,603 were supplied to Commonwealth countries, mainly Papua New Guinea. This was a reduction of some 2,000 persons compared with 1974.

NEW ZEALAND

Disbursements - New Zealand sharply expanded its aid programme in 1975 when net ODA disbursements rose by 67.8 per cent to reach \$65.8 million. As a proportion of GNP, net ODA was 0.52 per cent compared with 0.31 per cent in 1974. This was a substantial move towards the 0.7 per cent target, to which New Zealand is committed. Total private and official flows rose as a percentage of GNP from 0.40 per cent to 0.59 per cent.

Considerably expanded contributions were made by New Zealand to a number of multilateral agencies, including the United Nations Development Programme, the World Food Programme, the United Nations Children's Emergency Fund and the Commonwealth Fund for Technical Co-operation. Total multilateral ODA in 1975 rose by 60 per cent to \$15.5 million, which was 24 per cent of total net ODA disbursements. New Zealand aims to raise this proportion to 30 per cent.

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1. Excluding defence aid, cost of termination benefits for expatriate former employees of PNG government, expenditure by Australian government on current aid projects for airport construction and cost of training Papua New Guineans in Australia.
 2. Annual supplements of A\$10 million and A\$20 million have been determined for 1976-77 and 1977-78.

Net bilateral ODA disbursements rose by 70.5 per cent in 1975 to \$50.3 million and grant disbursements almost doubled. It is part of New Zealand policy to limit the geographic spread of its aid effort to areas where resident representation facilitates its aid administration. In 1975, \$24.6 million or 49 per cent of bilateral ODA was directed to the South Pacific, compared with 55 per cent in 1974; 47 per cent went to South East Asia compared with 41 per cent in 1974. There was some movement back to Commonwealth countries in 1975. Although Indonesia replaced the Cook Islands as the largest recipient and the share of the latter fell from 19 per cent to 11 per cent, heavier flows were directed to many Commonwealth countries and in particular to most seriously affected countries such as Bangladesh and Sri Lanka.

Terms and Conditions - New Zealand's ODA is highly concessional. In recent years over 95 per cent of ODA has been in the form of grants, the exceptions in 1975 being a \$730,000 soft trade credit to Indonesia and a \$1.21 million development loan (with a 50 per cent grant element) to Western Samoa. On the other hand, no change has taken place in procurement policies and some multilateral contributions continue to be tied. New Zealand has not subscribed to the DAC decision on multilateral untying.

Rural Development - While recognising that the poorer countries should receive expanded amounts of assistance, New Zealand attached equal importance to channelling assistance to the poorest groups within developing countries. Several integrated rural development projects are underway or contemplated under the New Zealand bilateral aid programme and support is given to programmes that recognise the importance of women in the development process.

Training - There has been a significant switch in emphasis in New Zealand training policy. Training programmes are now linked more closely to the specific requirements of the country concerned and considerable emphasis is placed on trade training. Also, training within the developing country is now being favoured and support is being given to the development of local training institutions in the Pacific.

OTHER COMMONWEALTH COUNTRIES

There is a growing flow of technical and financial assistance between the developing countries of the Commonwealth. This is quite apart from the very large role played by some Commonwealth developing countries in providing experts and training facilities under Commonwealth and other multilateral aid programmes. The documentation on these intra developing country aid flows is inadequate to present a full picture. Partial information is presented hereunder.

Indian Development Assistance - In the year ending March 1976, India provided a total of \$1.81 million assistance to twelve Commonwealth countries under the ITEC programme. The assistance was in the form of provision of experts, training, fellowships, supply of materials, consultancy services etc. Disbursements (gross) of loans during 1975 amounted to \$2.39 million; this compares with a figure of \$4.44 million in 1974. Total Indian commitments in 1975 were \$6 million.

Nigerian Development Assistance - Nigeria's ODA amounted to \$29.7 million in 1975 and was all in the form of grants. More than two-thirds of this amount was bilateral assistance and of the remainder \$7.8 million went to the African Development Bank and \$1 million to U.N. agencies. At the beginning of 1976 Nigeria committed over \$130 million in aid, \$52 million to the OPEC Special Fund and \$80 million for a special trust fund for the poorer African countries, to be administered by the African Development Bank.

Caribbean Countries - The member countries of the Caribbean Community operate a programme of mutual technical assistance, with particular reference to assisting the less developed members. Under this programme training assistance is provided in institutions in individual countries. In addition Trinidad and Tobago has provided balance of payments assistance to Guyana and Jamaica and financial assistance directly to some of the islands; it also made available TT\$10 million to the Caribbean Development Bank and the equivalent of US\$10 million each to the Inter American Development Bank and the World Bank.

Singapore Development Assistance - Singapore provided 10 training awards to Bangladesh, Malaysia and Sri Lanka in 1975/76.

Maltese Development Assistance - Malta awards one scholarship every year under the Commonwealth Scholarship and Fellowship Plan and provides study and training facilities for Rhodesian students under the Commonwealth Fund for Technical Cooperation's Special Programme for Rhodesia.