

CHAPTER II

POLICIES OF COUNTRIES SUPPLYING ASSISTANCE

Commonwealth countries supply over three quarters of their total assistance through bilateral programmes, though they are providing increasing support to both Commonwealth and non-Commonwealth aid institutions. Their roles have varied between donors or recipients or both, and the institutions and programmes in which they participate include such global organisations as the World Bank and the various UN agencies as well as exclusively Commonwealth programmes such as the Commonwealth Fund for Technical Co-operation (CFTC) and the Special Commonwealth African Assistance Programme (SCAAP). In addition, Commonwealth countries participate in various regional bodies and programmes e.g. the Colombo Plan and the regional banks. Smaller Commonwealth donors, which are generally net aid recipients, mainly concentrate on multilateral channels for providing aid, particularly technical assistance, to other developing countries.

Gross disbursements of intra-Commonwealth ODA¹ were lower in 1973 when they amounted to \$858.6 million than in 1972 when the corresponding figure was \$942.5 million. In gross terms, all types of assistance (except technical assistance for which comparative figures in 1972 are not available) suffered a decline in the value of disbursements, the most significant fall being in non-technical assistance grants, which decreased from \$435.6 million in 1972 to \$290.0 million in 1973, a drop of 33 per cent.

This decline in disbursements must be viewed even more seriously than the stated figures indicated as allied to this fall in nominal values the abnormally high rate of inflation in 1973 must have further reduced the real value of these flows. There are nine Commonwealth countries listed by the UN as among the 33 countries hardest hit by the oil crisis and recent international economic events and this makes the situation even graver.

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1. Provided by Australia, Britain, Canada and New Zealand only. It should be noted that the 1973 figures for India, Singapore and Cyprus, which were among donor countries in 1972, are not yet available. The four major donors, however, account for about 90 per cent of intra-Commonwealth ODA.

The various types of ODA disbursed by the four major donors are shown below:

	<u>US \$Million</u>			
	<u>1972</u>		<u>1973</u>	
	<u>Gross</u>	<u>Net^a</u>	<u>Gross</u>	<u>Net^a</u>
Grants (excl. technical assistance)	435.6	435.6	290.0	290.0
Loans	323.2	)	286.9	)
		167.9)		210.2)
CDC Investments	35.3	)	24.5	)
Technical Assistance ^b	<u>148.4</u>	<u>148.4</u>	<u>257.2</u>	<u>257.2</u>
Total	<u>942.5</u>	<u>741.9</u>	<u>858.6</u>	<u>757.4</u>

- a. Gross disbursements less repayments of principal.
- b. Figures in the 2 years are not strictly comparable due to different coverage.

The intra-Commonwealth flows of non-technical assistance grants have shown a declining trend in recent years, though in 1972 there was a sudden increase of 54 per cent over the 1971 amount, which was largely due to an increased amount of funds provided for international emergency relief, especially to Bangladesh and Papua New Guinea. The most significant reductions in the flow of grants in 1973 occurred in Britain and Australia when flows declined from \$168.4 million to \$96.2 million and from \$207.7 million to \$115.3 million respectively.

Gross loan disbursements from Commonwealth donors to the other Commonwealth countries declined from \$323.2 million in 1972 to \$286.9 million in 1973. As a percentage of total intra-Commonwealth flows from the four major donors, gross loans accounted for 33.4 per cent in 1973, only marginally lower than in 1972. There were significant loan disbursements (\$36.9 million) in 1972 by India but the figures for 1973 are not yet available.

Disbursements on technical assistance in 1973 as shown above, are not directly comparable with the corresponding figure for 1972 as the substantial increase shown for 1973 is due to the inclusion for the first time of Australians employed in the public sector of Papua New Guinea and some 600 students studying under the Australian correspondence Scholarship Scheme.

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

BRITAIN

Gross disbursements of ODA ¹ amounted to \$704.4 million in 1973 compared with \$764.1 million in 1972, but the fall was partly due to the inflation of the 1972 figures by the statistical treatment of debt forgiveness. Net disbursements declined by only \$5.6 million to \$603.1 million in 1973², as amortization received also fell sharply from \$155.4 million in 1972 to \$101.3 million in 1973. As a proportion of GNP, net ODA disbursements declined from 0.39 per cent in 1972 to 0.35 per cent in 1973. Britain officially recognised in 1974 the target of 0.7 per cent of GNP for net ODA to developing countries and will seek in the years ahead to move towards it. No time limit has been set for the attainment of this target as the pace of movement towards it will be subject to the rate of economic recovery in Britain and to the other calls on its resources. It should be noted that the ODA target is in addition to the long standing target of 1 per cent of GNP for all (net) official and private flows. These flows from Britain exceeded the 1 per cent level in 1970 and 1971, but have since declined to 0.97 per cent in 1972 and 0.61 per cent in 1973.

Although Britain became a member of the European Economic Community in 1973 there were no major new developments in the British aid programme as a result of this during the year. Since then, Britain has participated in the EEC's contributions of \$150 million, released in October 1974, and \$100 million released in January 1975, to the UN emergency measures to assist developing countries hardest hit by rises in the prices of oil and other commodities, as well as made available additional aid to these countries through bilateral and other channels³. It has been announced that in planning future aid disbursements, Britain will take account of the differential effect of the rise in oil and other commodity prices in developing countries⁴.

Commonwealth countries in 1973 continued to receive the greater portion of gross British bilateral ODA flows, which declined from a total of \$636.2 million in 1972 to \$543.4 million⁵ in 1973. Commonwealth countries received \$449.6 million in 1973 (77 per cent) as against \$529.2 million (80 per cent) in 1972.

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1. ODA includes certain small official flows not covered by the British "Aid Programme". But some of the Commonwealth Development Corporation's investment in 1973 were taken out side the ODA category due to a change of definition, though all exchequer advances to CDC in 1972, as in the previous years, are included in the ODA.
 2. In terms of £ Sterling, there was a marginal increase from £243 million to £246 million.
 3. Britain's total assistance under the UN measures would amount to some \$200 million which includes \$31 million as Britain's contribution to the payments made from the Community budget.
 4. Cmnd. 5920.
 5. Including \$53 million for dependencies and \$24 million for the West Indian Associated States.

A sector breakdown of bilateral ODA disbursements (gross) by Britain in 1973 shows that \$247.9 million (46 per cent) was provided in the form of project aid (excluding technical assistance), \$108.2 million (20 per cent) as non-project aid and \$178.1 million (33 per cent) as technical assistance. Of the financial ODA (excluding technical assistance), 30 per cent was "unallocated" among sectors, while multi-sector projects (19 per cent), social and community services (17 per cent), transport and communication (11 per cent), energy (9 per cent), renewable natural resources (7 per cent) and manufacturing (4 per cent) were the main recipient sectors. Most of the non-project aid was for general import financing and budgetary support.

Agriculture is one of the sectors which are receiving increasing attention in Britain's aid programme as the British Government feels that the improvement of food situation in developing countries depends mainly on increased food production in those countries. While it is not possible to give an exact figure for the amount spent on agriculture because of the problems of definition, aid able to be identified in this sector amounted to \$16 million in 1972 and \$21 million in 1973. There were 1,227 experts serving in the developing countries under the aid programme in posts relating to agriculture and natural resources in 1973, compared with 1,263 in 1972. The number of students and trainees from developing countries studying agriculture and natural resources in Britain under the aid programme was 882 in 1972 and 792 in 1973. Bilateral assistance for agricultural research is concentrated on specific problem-solving projects carried out both overseas and in Britain. Support in the form of grants is also given to several international agricultural research institutes whose programmes are co-ordinated by the Consultative Group for International Agricultural Research of which Britain is a member. It should be noted that project assistance in such related sectors as transport, water resources and social services, as well as non-project assistance for essential imports, also contribute significantly to agricultural development.

While Britain recognizes that it is essential to meet shortfalls in emergencies and has provided considerable financial support to rescue programmes, as well as to the World Food Programme and recently to the EEC food aid programme, food aid is not considered additional but an alternative to other, and in the British opinion, inherently preferable forms of aid. As a net importer of food, Britain feels that a better use of aid funds is to spend them to stimulate agricultural production in developing countries through the provision of capital aid or technical assistance. Moreover, food aid could have adverse effects on food production and on the distribution of income as most bilateral food aid is sold on the domestic market of the recipient country where it tends to depress prices and hence transfer income from food producers to food purchasers and weaken the incentive to produce food. Food aid could also restrict the range of choice open to the recipient and lead to adverse effects on government policy if governments begin to rely on the availability of food aid and lower the priority accorded to increasing domestic output.

Another type of aid to which Britain continues to attach great importance is technical assistance. As a percentage of gross ODA disbursements to all recipients (including contributions to multilateral institutions), the value of technical assistance increased from 21 per cent in recent years to 24 per cent in 1973. British technical assistance aims to help developing countries overcome their shortages of skilled manpower.

It includes the provision of people to do jobs for which there are insufficient trained personnel locally, and support for the training of local people. British bilateral technical assistance in 1973 included the support of almost 12,000 advisers, experts and teachers and 2,705 volunteers in developing countries, and the training in the United Kingdom of 9,258 students and 5,744 trainees.

In terms of Commonwealth geographical distribution, Africa continued to receive the greatest share of technical assistance expenditure with \$68.68 million in 1973, and \$63.88 million in 1972. Asia was next with expenditure of \$12.04 million and Oceania and America received \$11.19 million and \$8.36 million respectively. Expenditure on experts rose by \$16.4 million in 1973 and accounted for 63 per cent of total disbursements on technical assistance as against some 50 per cent in 1972. The share going to students and trainees fell, however, from about 17 per cent in 1972 to 14 per cent in 1973.

As for commitments for assistance to be disbursed in future years, the total value of new commitments of ODA in 1973 was \$774 million of which \$476 million or 61.5 per cent was in grant form (including technical assistance and contributions to multilateral agencies), and \$298 million was in loans. 69 per cent of the new loan commitments entered into during the year was interest-free and 93 per cent carried a grace period for capital repayments. Where loans bear interest it is at fixed concessionary rates ranging from 2 per cent to 6 per cent. The combined weighted grant element of ODA loans was 65 per cent and when combined with grant commitments, the grant element of the total was \$667 million or 86 per cent of commitments.

In attaining an average grant element of 86 per cent in its total official development assistance commitments in 1973, Britain complied with the main objective of the revised Terms Recommendation of the DAC which came into force on 1 January 1973 and which set an average grant element target of 84 per cent. Britain also continued making efforts to attain the special target set in the Recommendation for an average grant element of at least 86 per cent of all ODA commitments to each least developed country over a period of 3 years. Britain achieved an average grant element of at least 86 per cent in all but three of the twenty-one least developed countries to which it committed aid in 1973.

The proportion of British bilateral aid fully tied to British goods and services in 1973 was 50 per cent¹. Further procurement in the United Kingdom occurred from the considerable amount of bilateral financial aid tied to British or local goods and services the proportions of which are not stated in advance in specific terms. The estimated percentage of procurement from such aid was 20 per cent, making an estimated total of tied bilateral aid of 70 per cent.

The British Government also sets aside funds each year under the

1. This does not include re-financing and the cost of technical assistance and aid for compensation and pensions where expenditure as between sterling and local currencies cannot be clearly identified.

technical assistance programme for research and other scientific work in, or on behalf of, developing countries. This fund amounted to \$6.9 million in 1972 and \$7.4 million in 1973. The research aid programme also provides budgetary support of certain research bodies in developing countries such as the agricultural research institutions of the British Solomon Islands and Malawi.

Outside the research provision, funds were provided in 1973 to maintain a number of scientific and technical organisations specializing exclusively in the problems of developing countries. These institutions include the Tropical Products Institute, the Centre for Overseas Pest Research, the Directorate of Overseas Surveys, the Land Resources Division, the Centre for Tropical Veterinary Medicine and the National Institute of Agricultural Engineering (Overseas Department).

Apart from financial and technical assistance provided bilaterally, Britain is making available increasing amounts of resources through multilateral channels. Gross disbursements of multilateral flows amounted to \$161 million in 1973 as compared with \$128 million in 1972. Britain's third and final annual contribution to the Third Replenishment of IDA was made in November 1973 and agreement on proposals for a Fourth Replenishment to be committed over the three-year period beginning 1 July 1974 was reached in September 1973.

In addition to ODA, other official flows and private flows are counted for the purpose of the 1 per cent of GNP target mentioned above. Other official flows increased sharply in 1973 due to a change in definition which removed some of the CDC's investment outside the ODA category to give a net aggregate of \$41.6 million in 1973 compared with \$10.0 million in 1972. Net official flows, including ODA, increased from \$247 million to \$263 million, but this increase did not match the growth of British GNP in current market prices so that in GNP percentage terms there was a fall from 0.40 per cent to 0.37 per cent.

The net contribution of private flows at market terms to the total flow of resources from Britain to developing countries fell in absolute terms between 1972 and 1973 from \$833.1 million to \$360.4 million. Private flows in 1973 were affected by a number of special factors. Net export credits with maturities of one year or more provided to developing countries fell from \$535.4 million to \$282.0 million between 1972 and 1973. While in 1972, the first downturn to have occurred for many years reflected a high volume of maturities rather than any diminution in the scale of current exports to developing countries financed in this way, a continued increase in maturities combined in 1973 with a small fall in the amount of new export credits.

There was a relatively small change in the net overseas investment in developing countries. Direct investment (other than in the oil industry) is estimated to have increased from \$350.3 million in 1972 to the record figure of \$637.6 million in 1973, largely due to the re-investment of the high earnings from the boom in commodity prices. Other investments, including direct investment in the oil industry, was more strongly negative at \$559.1 million in 1973 than it was in 1972 at \$52.5 million. This further reduction was due to exceptional factors including disinvestment and reverse flows by the oil companies. Finally, there was a reduction in portfolio investment which can fluctuate widely from year to year.

Eurocurrency transactions have not been included in the above discussion of private flows although they were an important source of finance for developing countries in 1973. London has been a major centre for the channelling of Eurocurrency loans to such borrowers but in the British balance-of-payments accounts euro-lending is treated effectively as short-term. The increases in lending by British resident banks to developing countries other than to 'offshore' banking centres was about \$2,452 million in 1973. Eurocurrency borrowing by developing countries can be regarded to some extent as an alternative to the use of credit facilities offered by suppliers of capital goods and could partly account for the fall in export credits described above.

CANADA

Gross disbursements of ODA from Canada to developing countries increased slightly from \$492.1 million in 1972 to \$514.9 million in 1973, but as a percentage of GNP fell to 0.43 per cent as compared with 0.47 per cent in 1972. The relatively small increase in disbursements was partly due to the timing of aid flows, as when calculated on a financial year basis the increase from FY 1972/73 to FY 1973/74 in ODA disbursements was 15.2 per cent as against the 4.6 per cent increase in the calendar year 1973. No amortization payments have been received from any of the developing countries since 1971. Total net flows of Canadian financial resources to developing countries, including other official flows and private flows, increased from \$1,015.4 million in 1972 to \$1,104.6 million in 1973. Despite this increase there was a fall, when expressed as a percentage of GNP to 0.93 per cent in 1973 as against 0.98 per cent in 1972.

In the 1970 Foreign Policy Review the Canadian Government outlined its criteria for the allocation of bilateral ODA and these criteria are presently being reviewed as well as the question of the number of recipients. Although 52 per cent of disbursements went to only 8 countries, there were 88 recipients in all, and it is felt that this wide dispersion of funds can lead to administrative difficulties and reduce the developmental impact of the Canadian programme. A Cabinet decision was therefore taken in 1972 to reduce both the number of countries in which major programmes are undertaken and the total number of recipients. Because of previous commitments, the results of this decision are not expected to show up in the statistics before 1974.

Total bilateral disbursements increased slightly from \$338.3 million in 1972 to \$349.4 million in 1973. Grant disbursements, including grant-like contributions, amounted to 57 per cent and development loans to 43 per cent of bilateral disbursements in 1973, about the same ratios as in the previous year.

Canada's ODA disbursements to Commonwealth countries rose from the 1972 figure of \$178.4 million to \$184.2 million in 1973, although they remained the same proportion of total disbursements, i.e. 52.7 per cent. As for the total ODA from Canada, the largest portion went in 1973 to Asia, as in previous years, with both commitments and disbursements comprising almost half of the bilateral totals. Commitments to Francophone Africa formed 24.3 per cent of the bilateral total, the principal rise being loan commitments although there were increased grants and a special food

programme for the Sahel. Both commitments and disbursements to Commonwealth Africa fell in terms of percentages of the total programme, but this decrease is primarily a matter of timing of commitment negotiations and the phasing of project disbursements. The Commonwealth Caribbean programme showed a slight drop in disbursements but a large increase in commitments, with Barbados and Guyana as the principal recipients of new loan commitments.

Disbursements of bilateral project aid from Canada to all developing countries almost doubled from \$34.8 million in 1972 to \$68.7 million in 1973, while there were slight decreases in technical assistance and food aid disbursements. There was a fall in emergency relief payments from \$20.2 million to \$4.9 million as the Canadian relief efforts to the Sahel were channelled primarily through project and food aid.

Technical assistance disbursements to all recipients decreased from \$65.6 million in 1972 to \$58.6 million in 1973. This was due to a marked decline in the number of advisers and educational experts sent abroad from 1,599 in 1972 to 1,369 in 1973. There was a slight increase from 2,203 to 2,245 in the number of students and trainees from developing countries educated in Canada. Fewer students are receiving general education in Canada, but there has been a compensating increase in the number of students and trainees undertaking specialised courses as part of an integrated project. These specialised courses, directly related to the requirements of the recipient country, are considered to be more useful than generalised training, especially when the student or trainee will return home to replace an expatriate adviser. This principle is also being applied in the case of advisers and experts, where in the past few years increasing emphasis has been placed on the provision of more specialised personnel in education and other fields. In these cases, the aim is for Canadian instructors to be replaced eventually by local personnel.

Where food aid is concerned, Canada, as a substantial wheat producer, has placed a great deal of emphasis on its food aid programme, which amounted to \$95.9 million¹ in 1973. In view of the recent developments in the world price and supply situation for commodities in general, and wheat in particular, Canada is, however, in the process of reconsidering its overall attitude towards food aid. Increased emphasis is also being placed on food production in developing countries and on population programmes to help control the increases in food consumption from the demand side. The three aspects of present agricultural policy are financial support for the FAO and UNDP which are engaged in sectoral country studies and in execution of agricultural development projects, support for the International Agricultural Research Centres of the IBRD/FAO/UNDP Consultative Group on International Agricultural Research and agricultural projects within the CIDA's bilateral capital and technical assistance programmes and within their non-Governmental Organization programme.

1. Food aid disbursements under bilateral and multilateral programmes.

In 1973 there were about 100 on-going bilateral projects¹ in the agricultural and fisheries sectors varying in size from a \$6 million grant to Bangladesh over a period of 5 years, to short-term assignments involving Canadian advisers being sent overseas for a few weeks to deal with a specific problem. Bilateral projects range over a variety of sub-sectors including crop production, animal husbandry, food processing, storage and marketing and provision of agricultural infra-structure such as irrigation.

The increasing importance of Canadian multilateral assistance was evident in 1973 when disbursements rose to 32.1 per cent of the Canadian programme as against 22.7 per cent in 1970. The largest recipient of multilateral funds has been the IDA but Canada is also giving increasing support to regional and sub-regional institutions. In addition to \$61.6 million provided to IDA, capital subscription payments, totalling \$20.1 million, were made to the Asian Development Bank (\$4.7 million), the Inter-American Development Bank (\$14.5 million) and the Caribbean Development Bank (\$0.9 million). Canada was one of the major participants in the creation of the African Development Fund in July, 1973 and contributed \$5.6 million as the first installment of a three-year pledge.

Canada's programme of grant contributions to international organizations has been growing both in volume and complexity with the main UN development assistance funds being the major recipients. However, there has been an effort to diversify the type of institutions supported through the programme. Among the institutions receiving increased contributions under this programme is the Commonwealth Fund for Technical Co-operation which in 1973 received \$1.2 million as against \$200,000 in 1970.

Canada continued to make special contributions to technical assistance funds of regional banks. In 1973 \$60,000 was disbursed to the Caribbean Development Bank for a technical assistance programme for agronomy and engineering, and \$10,000 to the Asian Development Bank Technical Assistance Fund. Commitments of \$1.5 million and \$0.7 million were made to the Inter-American Development Bank and the African Development Bank respectively for technical assistance but no disbursements were made in 1973.

During 1973, Canada participated in multilateral debt re-negotiations for India, Pakistan and Bangladesh. However, no new bilateral agreements were signed. Disbursements under existing bilateral agreements with India and Pakistan, amounting to \$869,134 and \$378,790 respectively, were made to reduce the interest rate on credits owing to the Export Development Corporation to the level stipulated in the multilateral agreements reached between the country concerned and its creditors.

1. Excluding those consisting only of training, but including projects involving Canadian advisers and capital projects with training components.

ODA commitments increased substantially by 54.1 per cent from \$559.7 million in 1972 to \$887.7 million in 1973. Bilateral grant and loan commitments increased by 77.3 per cent and 161.5 per cent respectively, this increase being the result of a major effort within the bilateral programme to commit funds within the pipeline. Commitments to Commonwealth countries amounted to \$304.5 million in 1973, a 43 per cent increase over 1972 commitments of \$213.2 million. Multilateral commitments totalled \$201.7 million, an increase of 16.7 per cent.

Projects for the development of public utilities, power, water supply, communications and transportation comprised almost half of all project commitments in 1973. Projects for the development of water systems totalled \$30.4 million in commitments including a loan of \$20 million to Tanzania for the construction of a major water supply system for Dar-es-Salaam. The major commitments in the field of telecommunications were a loan of \$36.0 million to Zaire, \$8.0 million to Bangladesh for the construction of an earth satellite station and \$5.0 million to Turkey for telephone equipment. Commitments for transportation projects were more numerous and included a loan of \$10.0 million to construct the Seawell International Airport in Barbados and two loans totalling \$6.0 million to Zambia for the purchase of railway cars. Commitments to Industry, Mining and Construction including forestry totalled \$15.3 million in 1973. The principal project commitments in the education sector were a loan of \$4.2 million for a Technical Training College in Kenya and \$13.0 million to supply textbook paper to Indonesia over five years as part of an IBRD project.

The terms of Canadian loan commitments hardened slightly in 1973. The average grant element of total ODA commitments fell slightly from 96.7 per cent in 1972 to 94.1 per cent but this was still above the 84 per cent average grant element called for by the DAC in the new Terms Recommendation adopted in October 1972. As a result of the large number of loan commitments made in 1973 the proportion of the programme committed in the form of grants fell from 66.7 per cent in 1972 to 47.1 per cent in 1973. However, grants still comprised the largest portion (70.9 per cent) of total disbursements in 1973.

In accordance with the DAC recommendations, Canada relates the financial terms of development assistance to the circumstances of individual recipient and the appropriateness of the terms for each individual country is kept under review, in particular with the advent of the energy crisis. During 1973, the majority of Canadian loans were extended on the soft terms of nil rate of interest, ten years grace and fifty years maturity, but 4 per cent of total loan commitments, including those to Trinidad and Tobago, Jamaica and Turkey, were at 3 per cent interest, seven years grace and thirty years maturity.

Canadian policy on the tying of bilateral assistance remained unchanged in 1973 with up to 20 per cent of the total bilateral programme allowed to be untied. This is in addition to shipping and insurance costs which are also untied. The Canadian Content Policy which requires that the goods purchased under the tied portion of the bilateral programme contain 66.66 per cent Canadian content remained also unaltered.

Apart from ODA, net disbursements of other official flows decreased by 33.3 per cent from \$114.1 million to \$76.1 million because of lags in the drawdown from commitments of official export credits. Commitments of other

official flows increased from \$283.5 million to \$412.2 million, with the majority of the commitments being made to Central and South American countries.

AUSTRALIA

Australia's net disbursements of ODA in 1973 amounted to \$285.9 million, an increase of 5.1 per cent over 1972, when the comparable figure was \$271.9 million. This apparent increase, however, was due to upward exchange rate movements of the Australian dollar against the U.S. dollar. In terms of Australian dollars, total ODA declined by 11.4 per cent in 1973 and when expressed as a percentage of GNP, Australia's ODA fell from 0.59 per cent in 1972 to 0.44 per cent in 1973. The Australian Government, however, remains committed to work towards the achievement of the 0.7 per cent target of GNP for aid flows in the current decade. It should also be noted that the Australian data is recorded on a financial year (FY) basis of 1 July to 30 June rather than on the calendar year basis. Aid disbursements may therefore be bunched in the early or late part of a financial year and while the total disbursement pattern may even out over the financial year, it can lead to a distortion of the picture on a calendar year basis. This, in fact, is what has occurred in FY 1972/73 and FY 1973/74 when the bulk of the FY 1972/73 disbursements took place in the first half of the period i.e. July/December 1972 and only 41 per cent in calendar year 1973. A reverse of 1972/73 pattern of disbursement followed in the first part of FY 1973/74 when only 43 per cent of the expected disbursement had taken place up to December 1973. If disbursements for the two financial years had been distributed evenly, Australia's ODA performance would have been approximately 0.53 per cent of GNP in 1973.

This uneven disbursement pattern has been due partly to heavy payments being made to Papua New Guinea in the first half of FY 1972/73 and partly to the shortage of supplies of Food Aid Convention wheat for shipment in the period July-December 1973. Australia's substantial payments on wheat will very largely show up in 1974 flows.

The Australian Government is concerned to participate in concerted international efforts to alleviate the position of developing countries which have been dis-advantaged by recent international economic developments. Consideration is being given to international proposals to alleviate the balance of payments and the other problems of the developing countries and the government has supported the conclusions of the recent Special Session of the General Assembly. It has also participated in discussions aimed at recycling the oil producers' surpluses, and has also supported the IMF oil facility. Australia is already providing assistance to most of the countries in the Asian/Pacific region which are, or are likely to be, severely affected by recent international developments. In addition to the obligations of the Food Aid Convention, consideration is being given to the reallocation of food aid shipments on the basis of relative need of recipients.

Bilateral disbursements in 1973 were \$262.8 million as against \$258.7 million in 1972, although in terms of Australian dollars, there was a decrease of 14.4 per cent compared with 1972 disbursements. This decrease largely occurred because of the uneven pattern referred to above. Moreover, there was a substantial shortfall in bilateral expenditures (other

than Papua New Guinea) on projects, experts and equipment in the period July/December 1973 because of shortages of materials in Australia and problems of project management both in Australia and in recipient countries.

The geographical distribution of Australian bilateral aid in 1973 followed the pattern of previous years with the greatest share, 73.3 per cent going to Papua New Guinea, followed by Indonesia with 10.1 per cent and 5.1 per cent going to other Commonwealth countries.

Although ODA disbursements in 1973 continued to reflect the concentration of Australian aid in the Asian/Pacific region, decisions were taken in 1973 which will lead to increases in assistance in future years to African developing countries, with the Asian/Pacific countries, however, still having priority. In February 1973, the Australian Prime Minister assured the Chief Minister of Papua New Guinea that his country would continue, after independence, to have first call on Australian development assistance. Papua New Guinea, which attained self-government on 1 December 1973, can expect to receive at least \$A500 million in ODA in the three-year period commencing 1974/75.

The distribution of Australian bilateral aid in 1973 reflected a number of continuing trends in the type of assistance provided. With the exception of budgetary support assistance, food aid and training, the principal sectors of Australian support were public utilities development and agricultural development, and the first full year payments to the international population programmes were made. Commitments for assistance to agricultural projects were expanded and work continued on a number of regional development studies involving an examination of the agricultural potential of the region under study.

The Australian Government regards the provision of food aid as an interim measure and feels that the answer to the problem of food shortages in the developing countries is the stimulation of domestic production or improvement in the capacity of these countries to purchase food. Australian food aid has therefore been a direct response to cereals deficits among Australian aid recipients in the Asian/Pacific region.

Under the first and second Food Aid Convention Australia agreed to provide a minimum of 225,000 tons of wheat or its flour equivalent as food aid per annum. There was a shortage of supplies in 1973, however, and only 130,000 tons were shipped with a consequent carryover into 1974. The largest recipient of Australian food aid has been India, followed by Indonesia, Sri Lanka, Pakistan and Bangladesh. Practically all Australian food aid is provided under the framework of Food Aid Conventions of 1967 and 1971 and the World Food Programme. In exceptional circumstances, however, food grants have been made outside the framework of these agreements. All Australian food aid is provided in grant form and all bilateral food gifts are made on the understanding that counterpart funds generated from the sale of the food will be applied to development activities.

Technical assistance data for 1973 cannot be compared with data for 1972 as the 1972 students and trainees statistics did not include some 600 students studying under the Australian Correspondence Scholarships Scheme and the 1973 figures also include for the first time Australians employed in the public sector in Papua New Guinea who are partly or wholly financed by the Australian government.

There have been a number of changes of varying degree in Australian technical assistance policy towards students and trainees. There is an increasing tendency towards training courses of shorter duration which increases the throughput of trainees in the year while under the Private Student Programme the requirement that private students undertake courses that are relevant to demand in home countries was dropped. Students under this programme were also released from the obligation to return home at the completion of their courses. These changes were adopted as a consequence of a new Australian view that the Private Student Programme be considered primarily from now on as a cultural and educational exchange rather than just as an aid programme.

In keeping with government policy to expand contributions to multilateral agencies, Australian disbursements to multilateral aid organisations increased from \$13.5 million in 1972 to \$23.3 million in 1973. As a percentage of ODA, multilateral assistance amounted to 8.1 per cent in 1973 as against 4.9 per cent in 1972. Further developments regarding multilateral aid included a decision to contribute approximately \$A18 million to the proposed Asian Development Fund of the ADB, becoming a party to the Nairobi agreement for the fourth replenishment of IDA, and also a decision to take up a special increase of \$41.14 million in Australia's subscription to the capital stock of the IBRD. Finally, there was a decision to participate in an increased range of regional multilateral development programmes in the Asian region.

Australia's total ODA commitments in 1973 increased to \$357.8 million from \$333.9 million in 1972. Australia continues to provide almost all of its ODA in grant form and satisfied all the criteria of the DAC Recommendations on Terms and conditions. Less than 20 per cent of Australia's ODA was formally tied to the purchase of Australian goods and services. Since 1973, multilateral contributions are untied with the exception of certain existing obligations to the Asian Development Bank. Australia has also participated in the renewed discussions in the DAC on the untying of bilateral development loans in favour of developing country suppliers.

While ODA disbursements and commitments showed, at least nominally, significant increases in 1973, there were sharp declines in other official flows and in private flows at market terms. Australia's total net flows, which had increased from \$394.5 million in 1970 to \$530.2 million in 1971, amounted to only \$354.1 million in 1973. This decline was largely accounted for by large negative figures for private export credits. As a percentage of GNP, total net flows have fallen to 0.55 per cent in 1973 from 0.98 per cent in 1972 and 1.38 per cent in 1971.

NEW ZEALAND

In 1973, net disbursements of official development assistance by New Zealand rose to \$26.5 million as compared with \$20.6 million in 1972. As a percentage of GNP, net ODA disbursement increased to 0.24 per cent from the 0.23 per cent level reached in each of the previous three years. Total flows rose from \$31.5 million in 1972 to \$38.52 million, though, as a percentage of GNP, they declined to 0.35 per cent from 0.38 per cent in 1972, which was attributable to a falling-off in other official

and private flows.

In March 1973, the Government of New Zealand announced certain major changes in its aid policy to developing countries. The main elements of the new policy were that New Zealand would seek to attain the 0.7 per cent of GNP target for official development assistance by FY 1975/76 and that the ratio of New Zealand bilateral to multilateral aid in 1973/74 would be shifted to approximately 70:30. In addition, New Zealand bilateral assistance would be concentrated to an increased degree on the South Pacific area and a programme of bilateral development co-operation with Latin American countries would be instituted.

New Zealand's adherence, despite balance of payments problems, to the 0.7 per cent of GNP aid target for ODA is reflected in their FY 1974/75 aid appropriation which is 75 per cent greater than the amount for the 1973/74 FY. Much of the increased bilateral assistance will be channelled to the developing countries most seriously affected by recent events in the world economy. No major geographic re-orientation of bilateral aid is expected to emerge in the near future as the South Pacific and Asian countries are among those seriously affected by rapid increases in the prices of essential imports such as oil and fertilizer. New Zealand has undertaken to contribute \$5 million to the fertilizer pool, set up after the Sixth Special Session of the United Nations General Assembly.

Net bilateral ODA disbursements amounted to \$19.3 million in 1973 compared with \$16.2 million in 1972. Commonwealth recipients accounted for two-thirds of these flows, though their share in 1972 was higher at 71 per cent of net bilateral ODA. Commonwealth Oceania remained the principal recipient area for New Zealand's aid in both the years. The New Zealand bilateral aid programme also emphasizes a policy of providing aid to those developing countries in greatest need of assistance. Among the least developed countries who received assistance from New Zealand in 1973 were Malawi, Tanzania, Bangladesh and Western Samoa.

Agriculture, public utilities and education continued to receive the major emphasis of the New Zealand aid programme and only a limited amount of aid was provided in the form of direct budgetary support to the Cook Islands, Niue and the Tokelau Islands. Emergency aid, including food, accounted for \$1.03 million and a substantial portion of this was a response to hurricane and cyclone relief in Fiji, the Gilbert and Ellice Islands and Tonga. Flood relief in Pakistan and the Philippines, famine relief in Ethiopia and assistance in the repatriation of Bangalees and Pakistanis accounted for most of the remainder of disbursements under this heading in 1973.

Food aid is regarded by New Zealand as a valid form of development as well as relief assistance. New Zealand, however, has given highest priority to development programmes designed to increase developing countries' food production capacities. As New Zealand is not a significant grain producer, food aid extended on a bilateral basis has generally been limited to emergency and disaster relief situations and has usually taken the form of canned meat, dairy products and fish.

New Zealand's contribution in this field has been largely through the World Food Programme and for the current financial year their contribution is \$880,000 and \$950,000 has been pledged for each of the following 2 years.

In addition to the World Food Programme, New Zealand has given support to UNICEF programmes, \$610,000 being contributed in 1974/75 largely in the form of dairy products.

Technical assistance disbursements in 1973 accounted for 38 per cent of the New Zealand bilateral programme, as against 30 per cent in 1972. Training of students from developing countries in 1973 increasingly took the form of arranged group and individual courses particularly in agriculture, forestry and education. Disbursements on advisers and educational experts rose significantly in 1973 although this was partly due to a rise in wage and salary levels in New Zealand and the increased use of private sector consultants. Assistance in education declined in 1973 in terms of man-months but this nevertheless remained the principal field, the other areas being public utilities, agriculture, health and public administration.

Multilateral disbursements of net ODA amounted to \$7.1 million or 27 per cent of total official development assistance. Among the major recipients were the UNDP, the World Food Programme and UNICEF. In 1973 New Zealand decided to become a member of the IDA and also to participate in the Asian Development Bank's new fund for concessional lending, the Asian Development Fund. Membership of the IDA has brought the obligation to contribute towards the Fourth Replenishment of the Association's funds, though New Zealand made its third voluntary contribution of \$1.4 million to the IDA in 1973.

Commitments of ODA at \$37.2 million in 1973, showed an increase of 10 per cent over the 1972 level. Approximately 90 per cent of New Zealand bilateral development assistance has been in the form of grant aid. While this aid has not been tied to the purchase of New Zealand goods and services, there has been nevertheless an expectation that expertise and materials used in bilateral programmes funded by New Zealand should be drawn from New Zealand sources, whenever feasible. Approximately 40 per cent of New Zealand's multilateral ODA in 1973 was tied to the purchase of New Zealand goods and services. Consideration, however, is being given to subscribing to the DAC decision on the untying of multilateral aid reached in October 1973 before New Zealand became a member.

OTHERS

In 1972, India became one of the major aid supplying countries; providing nearly 11 per cent of total intra-Commonwealth net flows. This was, however, largely in response to the needs of the newly independent Bangladesh which accounted for nearly 80 per cent of the \$90 million disbursed by India. The remainder of the Indian aid (net) went to Sri Lanka (\$7.1 million), Mauritius (\$4.2 million) and Tanzania (\$6.6 million). Grants to Bangladesh amounted to \$52.7 million and loans to \$18.9 million, while disbursements to the other three countries were all in the form of loans. Technical assistance expenditure, estimated at \$525 thousand, financed 29 experts, 175 trainees and 380 students for 15 Asian and African Commonwealth countries. Singapore also financed 7 trainees and 8 students, and Cyprus provided assistance to 9 students from Commonwealth countries.

While no comparable figures are yet available for 1973, outstanding commitments by India to Commonwealth countries, as at 1 January 1973, were reported to be \$232.1 million (\$175.2 million as grants and \$56.9

million as loans). It has been reported that 235 experts, 200 places for trainees and 38 scholarships were provided to developing countries, including those in Commonwealth, in 1973-74 under the programme of Indian Technical and Economic Co-operation (ITEC). Certain gifts of goods and equipment and financial assistance for feasibility studies and techno-economic surveys were also covered under this programme. India has continued to support other programmes such as the Colombo Plan.

It is also reported that Singapore awarded in 1972-73, under the Colombo Plan, 2 scholarships and fellowships to Malaysia and 8 to Sri Lanka. Under the Commonwealth Scholarship Plan, Malta provided in 1973 one scholarship to a student from Hong Kong.