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# Achievements of Development Aid

by R. G. Holloway, London

This is the Development Decade—the decade during which it was hoped that the poorer nations of the world would increase their annual rate of economic growth from the 4.6 per cent averaged in the fifties<sup>1</sup> to a minimum rate of 5 per cent by 1970. It was also hoped that their share of world trade would increase with the terms of trade moving sufficiently in their favour to recover at least most of the ground lost after the Korean war. Lastly, it was hoped that the developed countries would be giving 1 per cent of their combined national incomes in economic assistance by the middle of the decade. This objective was redefined as one per cent of the combined gross national products at the February UNCTAD II conference in New Delhi. It is 25-30 per cent higher than before and, on the basis of current transfers, could mean an addition to the net flow of financial resources to developing countries of \$ 2,500-3,000 mn.

Some countries have been able to name the date from which they hope to achieve this higher aim but other donors have not. Some, moreover, have let it be understood that the solution of their own balance of payments problems and other difficulties must come first.

## Increasing Gap between Rich and Poor ...

How much of this has been achieved? OECD estimates for 52 countries with per capita incomes of less than \$ 700, covering about 90 per cent of the population of the less-developed world, suggest an overall growth rate of 4.9 per cent in 1966 and an average annual growth rate of 4.8 per cent for the period 1960-1966.<sup>2</sup> GATT, on the other hand, gives an estimated rate of growth of 3.5 per cent for gross national product at constant prices for all developing countries for both 1965 and 1966 as against over 4.5 per cent between 1960 and 1964.<sup>3</sup>

The economies of a number of developed countries recorded rates of growth in 1966 which were lower than in most recent years, with the result that, on the basis of OECD estimates, the rates of growth for the developed and less-developed groups of coun-

tries were similar. Over the period 1960-1966, however, the rate of growth recorded by the developed group was slightly higher than for the less-developed. On a per capita basis, moreover, the developed countries achieved a significantly higher rate of growth over the 1960-1966 period. The gap in absolute income levels increased and people in the poorer countries became relatively poorer.

## ... but Slight Progress in DCs

It is becoming common to measure progress in terms of this income gap. But such a fashionable comparison is misleading. What is important is whether the standard of living in the poorer countries is improving. The basic measure of progress lies in the comparison of the present with the past, not between rich and poor. Thus the most relevant facts are that the combined gross national products of the less-developed world appear to have increased by a third between 1960 and 1966 while per capita incomes increased by about 15 per cent.<sup>4</sup>

The trade of the less-developed world has also increased. Exports from the less-developed countries totalled \$ 38,900 mn in 1967 compared with \$ 26,900 mn in 1960 and imports by the less-developed increased from \$ 29,600 mn to \$ 41,100 mn over the same period.<sup>5</sup> The share of the less-developed countries in world trade fell, however, from 24 per cent to 20 per cent<sup>5</sup> and their terms of trade deteriorated by 6 per cent.<sup>6</sup>

The combined gold and foreign exchange reserves of the less-developed countries (including reserve positions in the IMF) increased to \$ 12,310 mn at the end of 1967 and this represented the highest year-end level since comparable statistics were first compiled in 1948. These reserves were only 17 per cent of the world total, however, and considerably below the share of these countries in world trade. The distribution of these reserves among the less-developed countries was, moreover, most uneven.

Taking the OECD's Development Assistance Committee members as a group, their total flow of financial

<sup>1</sup> United Nations, *Yearbook of National Accounts Statistics*.

<sup>2</sup> OECD, *Development Assistance Efforts and Policies: 1967 Review*.

<sup>3</sup> International Trade 1966 (GATT Report 1967).

<sup>4</sup> OECD, *Development Assistance Efforts and Policies: 1967 Review*.

<sup>5</sup> IMF, *International Financial Statistics*.

<sup>6</sup> United Nations, *Monthly Bulletin of Statistics*.

assistance (conventionally measured as the total net official and private flow) has in most recent years been remarkably close to 1 per cent of the combined national incomes. In the years preceding 1962, the percentage was even somewhat higher. 1966 saw a decline from 1.00 to 0.88 p.c., due primarily to a sharp fall in US private investment. Six of the fifteen DAC member countries—Belgium, France, the Netherlands, Portugal, the United Kingdom and the United States—have been very close to or above the one per cent target in most recent years and, though there is still a wide spread between the countries with high percentages of national income devoted to economic aid and the countries with low percentages, there is a clear tendency for the gap to narrow.

Of the \$10,000 mn flow of assistance from DAC members in 1966, about two-thirds is defined as official and one-third as private. With an increase of 3.6 per cent in 1966, the net flow of official aid to less-developed countries reached a new high level. This ranks the DAC membership firstly in order of the percentage of national income devoted to the net flow of official and private resources (direct and portfolio investment, loans and export credits) to developing countries; and, secondly, in order of the percentage of national income devoted to net official transfers (gross disbursements less amortisation and interest receipts). The United Kingdom is fifth in the list for combined assistance and also in the list for official transfers, giving 1.18 per cent of national income as combined assistance compared with 1.70 by the leader (France) and 0.51 per cent as official aid compared with 0.90. It should be noted that assistance provided by non-profit voluntary organisations is not included in the tabulation of private flows because of the lack of data<sup>7</sup>—the British ranking for combined assistance would probably be improved if Oxfam-type aid were included. It should also be noted that a one per cent contribution by Britain represents a higher relative contribution in terms of economic welfare than a one per

<sup>7</sup> However, in his 1967 review, the chairman of the OECD Development Assistance Committee estimated that aid from private non-profit making organisations amounts to at least \$1,000 mn a year.

cent contribution by countries with higher per capita national incomes such as the United States, Sweden, Canada, Germany and France.

### Disbursements and Prospects of British Aid

The net official and private flow to less-developed countries from the UK increased from \$589 mn in 1956 to the record level of \$973 mn in 1966. This represented an increase of 65 per cent compared with the 60 per cent increase in the flow from DAC countries generally. The net flow of official aid from the UK increased from \$205 mn to \$501 mn over the same period, an increase of 144 per cent compared with the 96 per cent increase in total DAC official aid.

While the net flow of official aid from the UK reached a new high in 1966, it fell slightly in 1967 and aid expenditure has not kept pace with the rise in national income, slow as this has been. Official aid, after deducting amortisation but before deducting interest, was 0.58 per cent of national income in 1967 compared with 0.62 in 1966 and the peak of 0.73 per cent in 1961.

The level and composition of British official aid shows an increase of over one-fifth in gross disbursements (but no increase in net disbursements) from 1961 to 1967 with the biggest component being loans but with technical assistance growing fastest. 90 per cent of this aid is bilateral and about 43 per cent is wholly tied to the purchase of British goods with a further 16 per cent partly tied. About two-thirds of British official aid is spent in the country, either on British goods or technical assistance and other services.<sup>8</sup>

Devaluation has hit British aid prospects. The basic programme, reduced by £20 mn last year, is to be held at £205 mn annually with additional allocations to cover special circumstances such as the rundown in local military expenditure in Singapore. But the justification of continued aid is not subject to debate.

<sup>8</sup> Ministry of Overseas Development, *Overseas Development: The Work in Hand (Commd 3180) and What is British Aid? (1967)*.



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