

United Kingdom official and private flows to developing countries, 1972

Introduction

Information is now available that enables the full extent of United Kingdom 'aid performance' in 1972 to be determined. Although the expression 'aid performance' has acquired some measure of currency, it would be more accurate to speak of 'performance in respect of financial flows to developing countries contributing to the development of their economies'. Flows of a concessional nature, that is, grants and loans with terms considerably easier than those ruling for normal commercial transactions, as well as those at normal market terms are included. All flows whether originating from the official or private sector are included except for those such as military aid which are specifically excluded on the grounds that they do not contribute to development. Developing countries are those recognised by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development as such, *viz.* all other than its own sixteen member countries⁽¹⁾, the Sino-Soviet countries of Europe and Asia (apart from Yugoslavia) and a handful of other developed countries—Finland, Iceland, Ireland, Luxembourg, New Zealand and South Africa.

Terminology has become even more of a snare from 1972, than it had been earlier, in that previously there had been an identity between what had for domestic purposes (for example, in the context of the Public Expenditure White Papers) been recognised as the 'aid programme' and the DAC concept of 'official development assistance'. But with effect from last year elements of national subscriptions to the regular budgets of various multilateral organisations that finance their projects in developing countries have been included in the recognised definition of 'official development assistance', although remaining outside the 'aid programme'. Henceforward in this article discussion will proceed on the basis of the internationally accepted usage rather than the categories primarily of internal administrative relevance. The amount of the divergence in 1972 between the 'aid programme' and 'official development assistance' in respect of this 'multilateral coefficient' element is in fact only £2 million.

Official flows

When considered, gross (that is, before allowing for amortization), the United Kingdom's 'official development assistance' in 1972 maintained its earlier rising trend to reach £305 million from a total of £268 million in 1971. On the other hand, reverse flows increased sharply from £38 million to £62 million, partly as a result of the imputed 'repayment' of a number of loans that had been forgiven. Net 'official development assistance' was thus £243 million as against £231 million in the

previous year. In spite of the higher absolute figure it did not however quite match the growth of gross national product.

There was also a slight growth from £5 million in 1971 to £7 million in 1972, of net 'other official flows'—transactions that although official do not qualify as 'official development assistance' from the point of view of purpose and/or degree of concessionality. This category has always been of minor significance so far as the United Kingdom is concerned, so that total official flows were £236 million and £250 million respectively.

Private flows

Export credits—those included as developmental are the ones under official guarantee and with maturities in excess of one year—continued to be a major part of private flows to developing countries. Although the net total fell between 1971 and 1972 from £240 million to £214 million, this reflects a higher volume of maturities falling due rather than any diminution in the scale of new exports to developing countries financed thus.

Private investment in developing countries is accorded a slightly different meaning for the purposes of reporting to DAC as against the standard United Kingdom balance of payments definition. The latter is concerned solely with the immediate source or destination of the flows under consideration, regardless of their character. The former however endeavours to eliminate the distortions that arise from the roles of non-operational subsidiaries as channels for funds that either, coming into the United Kingdom, do not originate in the countries of registration or, going out of the United Kingdom, find their way to parent companies located in third countries. Thus, whereas for balance of payments estimates, loans raised by financial subsidiaries in developing countries for the use of the United Kingdom parent are treated as direct outward disinvestment, DAC reporting takes no account of these.

Even with this rather unstable element removed, a marked fluctuation still occurs from year to year in the level of private overseas investment in developing countries. Data are available with respect to two major sub-categories: direct investment, excluding oil, which is fairly stable; and all other investment (including, in the case of oil, the direct investment undertaken within that industry) which varies considerably from year to year. Taken together, they rose from £70 million in 1968 to £184 million in 1969, fell to £217 million in 1970 and to £94 million in 1971, finally (on the basis of preliminary data) rising slightly to £111 million in 1972.

Examining all private flows at market terms (that is, both export credits and investment) in contributing to overall performance, we find that in general they have been tending to decrease—after a sharp rise from 0.30 per cent of GNP in 1968 to 0.64 per cent in 1969 falling gradually to 0.53 per cent of GNP in 1972.

⁽¹⁾ Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Norway, Portugal, Sweden, Switzerland, United Kingdom and United States of America.

Grants by voluntary organisations have only been treated as a flow recognised for purposes of DAC reporting since 1970. The respective amounts for the last three years have been £14 million, £19 million and £19 million (the last being a preliminary estimate). This has constituted about 0.03 of GNP throughout. The amounts involved, although representing a substantial effort on the part of the bodies concerned, do not significantly modify the general picture with respect to aggregate flows from non-official sources. And likewise, they are very small in comparison with the flow of resources disbursed by government itself.

United Kingdom 'flows' performance

Total United Kingdom flows to developing countries have risen steadily over recent years in absolute terms although (on the basis of information at present available) there was only a marginal increase from £588 million in 1971 to £594 million in 1972. In relation to GNP, the position is less straightforward and, although the total has exceeded 1 per cent of GNP in three of the four latest years, it appears on existing evidence (including the preliminary data on private investment which may change either way) to have been at 0.96 per cent of GNP in 1972. The United Kingdom has undertaken to do its best to reach a target of 1 per cent of GNP for the net flow of financial resources to developing countries by the middle of this decade and has averaged 1.01 per cent over the last four years.

Technical assistance

Although the assistance that developed countries are able to offer developing countries is usually thought of in financial terms—as has been the case in this article so far—many of the benefits are to be viewed largely in human terms, particularly with regard to the services of people whose costs are met from the technical assistance component of 'official development assistance'. It is a two-way movement. On the one hand about 10,500 men and women from the United Kingdom with useful skills to offer are at present serving for varying periods in developing countries. On the other, people from developing countries—some 7,000 a year in recent years—come to the United Kingdom in order to acquire the skills that are often in dramatically short supply in their homelands.

Those persons from the United Kingdom serving overseas fall into three main categories. Rather more than 1,000 at any one time are direct employees of the United Kingdom Government, usually on a contract basis, seconded to carry out specific overseas assignments. Nearly 8,000 others are directly employed by the governments of the developing countries in which they are serving but part of their emoluments and the costs of their passages are met by the United Kingdom. Finally about 2,000 volunteers (usually young persons directly out of university) receive only a modest allowance, with most of

the costs incurred by the various sponsoring organisations in getting them to and from the developing countries where their period of overseas service is to be spent being reimbursed by the United Kingdom Government. The trend in the main category, partly-financed persons, is downwards. This largely reflects the success of past programmes to train nationals of the developing countries to fill more senior professional and administrative posts. Reduced dependence on expatriates is indeed one of the major goals of development. For the smaller wholly financed category, recruitment of expert advisers (usually specialists in particular fields) is increasing and with a tendency to longer assignments the numbers overseas at any one time is increasing even more rapidly. For the volunteers the change from one year to two years as the normal period of service has led to some slight reduction in the numbers coming forward but because of the longer period, the numbers overseas at any one time have not fallen correspondingly.

A distinction is made among those coming to the United Kingdom to undertake various courses, between students and trainees. The former usually work towards an academic qualification, normally at a university, and would ordinarily spend a fairly long period in Britain. The latter are more specifically oriented to improving their knowledge in a field where they are already employed without necessarily seeking to obtain formal documentation as to their proficiency and often indeed only remaining in Britain for a very short time. Interpretation of the figures is difficult as various factors are at work in different directions. Educational progress in individual developing countries entails more and better facilities at home where previously nationals had to look abroad, and Britain has been contributing towards this for many years.

Sources of further detailed information

Detailed statistical information concerning the United Kingdom effort in 1972 in respect of official aid to developing countries will become available in the new edition of the annual *British Aid Statistics* that is due to appear in January 1974, providing comparative data for the whole of the period 1968—1972.

A written commentary on the British aid programme appeared as a White Paper in October 1973 (Cmnd. 5445). This contains the text of the United Kingdom memorandum to DAC concerning our performance in 1972, that was presented to that body in May of this year. Some of the statistical data therein have, however, been superseded by information that has been provided subsequently and which is incorporated in the tables following this article.

Finally, the report of the Chairman of DAC, giving particulars of activities in the aid field of all the members of the organisation during 1972, is expected to appear in December as the OECD's 1973 review of *Development Co-operation: Efforts and Policies of the Members of the Development Assistance Committee*.

Overseas Development Administration

APPENDIX

Official flows to developing countries: Gross disbursements of grants and loans

TABLE 1

£ million

	1968	1969	1970	1971	1972
Official development assistance					
Bilateral					
Grants					
Financial aid	47	43	40	48	70
Technical assistance	41	44	45	53	61
Loans					
Inter-government	87	77	100	122	109
Commonwealth Development Corporation overseas investment (financed from Exchequer advances)	9	14	9	15	14
Total	184	178	194	238	254
Multilateral					
Financial aid	13	27	13	23	39
Technical assistance	6	6	7	7	12
Total	19	33	20	30	51
Total official development assistance	203	211	214	268	305
Other official flows					
Bilateral					
Grants	6	—	1	1	5
Loans					
Commonwealth Development Corporation overseas investment (other)	2	—1	4	8	6
Total other official flows	8	—	5	9	11
Total UK official flows to developing countries	211	211	219	277	316

Official flows to developing countries: Gross and net disbursements

TABLE 2

£ million

	1968	1969	1970	1971	1972
Official development assistance					
Gross	203	211	214	268	305
Amortization	30	31	28	38	62
Net	173	180	186	231	243
Other official flows					
Gross	8	—	5	9	11
Amortization	2	1	2	4	4
Net	6	—1	3	5	7
Total UK official flows to developing countries					
Gross	211	211	219	277	316
Amortization	32	32	30	42	67
Net	178	178	189	236	250

Summary of official and private flows to developing countries

TABLE 3

£ million

	1968	1969	1970	1971	1972
Official flows (net)					
Official development assistance	173	180	186	231	243
as percentage of GNP	0.40	0.39	0.37	0.41	0.39
Other official flows	6	-1	3	5	7
as percentage of GNP	0.01	0.00	0.01	0.01	0.01
Total UK official flows to developing countries	178	178	189	236	250
as percentage of GNP	0.41	0.39	0.37	0.42	0.40
Private flows (net)					
At market terms					
Export credits	58	111	182	240	214
Investment	70	184	127	94	111
Of which:					
Direct (excluding oil)	91	147	134	133	145
Other (including oil)	-21	37	-7	-39	-34
Total	128	295	309	334	325
as percentage of GNP	0.30	0.64	0.61	0.59	0.53
Grants by voluntary organisations .. .. .	..	..	14	19	19
as percentage of GNP .. .. .	..	..	0.03	0.03	0.03
Total UK private flows to developing countries	128	295	323	353	344
as percentage of GNP	0.30	0.64	0.64	0.63	0.56
Total UK official and private flows to developing countries (net)	306	473	512	588	594
as percentage of GNP	0.71	1.03	1.01	1.05	0.96

Persons financed under technical assistance recruited to serve overseas

TABLE 4

	1968	1969	1970	1971	1972
Wholly-financed	543	531	551	634	669
Partly-financed	2,352	2,246	2,118	1,778	1,460
Volunteers	1,261	1,384	1,322	1,149	1,110
Total	4,156	4,161	3,991	3,561	3,239

Persons financed under technical assistance serving overseas on 30 June each year

TABLE 5

	1969	1970	1971	1972	1973
Wholly-financed	780	920	915	963	1,091
Partly-financed	12,433	11,372	10,854	9,745	7,682
Volunteers	1,787	1,896	2,130	1,670	1,764
Total	15,000	14,188	13,899	12,378	10,537

Students and trainees financed under technical assistance newly arrived in Britain

TABLE 6

	1968	1969	1970	1971	1972
Students	2,661	2,659	3,948	3,923	3,422
Trainees	3,376	3,616	3,565	3,079	3,824
Total	6,037	6,275	7,513	7,002	7,246

Students and trainees financed under technical assistance on courses in Britain at 30 June each year

TABLE 7

	1969	1970	1971	1972	1973
Students	3,556	3,604	3,649	4,526	4,658
Trainees	828	827	785	2,054	1,651
Total	4,384	4,431	4,434	6,580	6,309