

Effective Aid

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OVERSEAS DEVELOPMENT INSTITUTE
RESEARCH CENTRE
100 CHANCERY SQUARE
LONDON W1A 4NS

15s 0d Overseas Development Institute

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In the summer of 1966, a small group of people from Britain, France, Germany and the United States spent a weekend at Ditchley Park discussing the question of how to make aid more effective in promoting the recipient's development. Most of the two dozen participants were practical aid administrators, either from international institutions – the World Bank, OECD and UNESCO – or from government departments and organisations responsible for administering bilateral aid programmes, but they took part in the discussions in their personal capacity. The conference, if that is the right word for such an informal gathering, was organised jointly by the Overseas Development Institute and the Ditchley Foundation.

Most of the discussion was concerned with questions of practical aid policy. There was a general assumption that a significant increase in the volume of aid in the next few years would be difficult, and that the urgent need was therefore to make the available amount as effective as possible. But there was also an undercurrent of dissatisfaction with this way of looking at the question, because the volume of aid and the effectiveness of aid were seen to be interlinked.

A question to which discussion returned again and again was that of the relationship between donor and recipient. Broadly speaking, the Americans and the French maintained that aid had to be accompanied by a direct attempt to influence and improve the recipient's development policies. The British and the Germans did not.

The extent to which the aid-giver should participate in the policy-making process in the aid-receiving country emerged in discussion as such a dominant issue that in this account of the proceedings of the conference it was decided to put the record of the discussion first, before the papers on which the conference's proceedings were based. The report was written by Teresa Hayter, a research officer in the Overseas Development Institute.

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Effective Aid

Report of an international conference held
jointly by the Ditchley Foundation and the Overseas
Development Institute

3rd-6th June 1966

Published by

The Overseas Development Institute Ltd

160 Piccadilly London W1
England

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1967

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Introduction

The objective of this conference, held at Ditchley Park in the summer of 1966, was to examine the experience of the major aid-givers with a view to improving the efficiency of the process of giving aid to assist development. There was frequent reference to the need to increase effectiveness because of the prospect of a decrease in the amount of aid; but ineluctably we were forced back to the conclusion that it was virtually impossible to increase the effectiveness of aid without also increasing its volume.

The participants (who are listed on page 7) were invited in a personal, not an official, capacity, and they spoke freely as individuals, not as delegates for Governments or Agencies. The references in the record of the discussion to 'an American' or 'a French' view should not be taken as meaning that this was a national or governmental view. In fact, participants of the same nationality took issue with one another, sided at different times with different participants from other nations, and generally behaved in a fairly individualistic fashion.

The basic documents were the ODI's studies of British, German and French Aid.¹ A preliminary discussion of British and German experience had taken place under the auspices of the *Deutsche Stiftung für Entwicklungsländer* in Berlin in October 1965. For the Ditchley Conference the following six papers were prepared, on which discussion in each of the sessions was based, and which are reproduced in Part 2 of this Report:

Aid administration at home and overseas

(written in the Ministry of Overseas Development, London)

Terms and conditions of aid

(written in the Federal Ministry for Economic Co-operation, Bonn)

The role of technical assistance

(written in the Secretariat of State for Foreign Affairs in charge of Co-operation, Paris)

The co-ordination of aid

(written by Mr. Michael Hoffman of the World Bank)

Measures to ensure the effective use of aid

(written in the AID, Washington, DC)

Motives and objectives of aid

(written in the ODI)

¹ *British Aid* – a factual survey, published in five pamphlets, ODI, 1962-4, *German Aid* by John White, ODI, 1965, *French Aid* by Teresa Hayter, ODI, 1966.

In addition brief descriptive accounts of the aid programmes of the four countries were prepared by ODI research staff and are reproduced at the end of this report.

The conference was organised jointly by the ODI and the Ditchley Foundation, to which all participants owe a great debt for hospitality received in lovely surroundings. Teresa Hayter was rapporteur and I was in the chair.

William Clark

Director

Overseas Development Institute

List of Participants

William D. Clark	Conference Chairman; Director, Overseas Development Institute
H. V. Hodson	Provost of Ditchley; formerly Editor, <i>The Sunday Times</i>
Robert E. Asher	Foreign Policy Studies, The Brookings Institution, Washington, DC
Professor Hollis B. Chenery	Harvard University Center for International Affairs, USA
Thomas W. Childs, CBE	Chairman, International Nickel Company, Limited, USA
Sir Andrew Cohen, KCMG, KCVO, OBE	Permanent Secretary, Ministry of Overseas Development, London
Pierre Creyssel	<i>Conseiller Technique</i> in the <i>Cabinet</i> of the Secretary of State for Foreign Affairs in charge of Co-operation, Paris
Dr. D. Danckwortt	Head of Programme Department, Bonn Office, <i>Deutsche Stiftung für Entwicklungsländer</i>
Jean-Pierre Dannaud	Director of Technical and Cultural Co-operation, Secretariat of State for Foreign Affairs in charge of Co-operation, Paris
Sir Alan Dudley, KBE, CMG	Deputy Secretary, Ministry of Overseas Development, London
Dr. Wilhelm Hankel	Head of Economic Research Department, <i>Kreditanstalt für Wiederaufbau</i> , Frankfurt
Michael L. Hoffman	Associate Director, Development Services Department, International Bank for Reconstruction and Development and International Development Association, Washington, DC

Andrzej Krassowski	Overseas Development Institute
Bertrand Labrusse	<i>Conseiller Technique</i> in the Cabinet of the Minister of Foreign Affairs, Paris
Dr. Werner Lamby	<i>Ministerialdirigent</i> , Federal Ministry for Economic Co-operation, Bonn
Ian M. D. Little	Vice-President, Development Centre, Organisation for Economic Co-operation and Development, Paris
Sylvain Lourié	Educational Financing Division, Office of Educational Planning, UNESCO, Paris
Athole S. Mackintosh	Senior Lecturer in Economics, School of Social Studies, University of East Anglia, UK; formerly Director of Studies, Overseas Development Institute
James Mark, MBE	Under-Secretary, International Division, Ministry of Overseas Development, London
Dr. Gustav Ranis	Assistant Administrator for Program, Agency for International Development, Washington DC
Frederic Seeböhm, TD	Chairman, Barclays Bank DCO, UK
Dudley Seers	Director-General of Economic Planning, Ministry of Overseas Development, London
Henry Shavell	Aid Co-ordination Officer, United States Embassy, London
Dr. Tom Soper	Director of Studies, Overseas Development Institute
Richard Symonds	Acting Director, Institute of Development Studies, University of Sussex, UK
John White	Overseas Development Institute
Peter Williams	Overseas Development Institute
Teresa Hayter	Rapporteur; Overseas Development Institute

1—Account of Proceedings

The subject of the conference was the effectiveness of aid as a means of achieving the economic development of poor countries. Other possible objectives, including objectives to be achieved as a result of development, were raised only in the discussion of the paper on the motives and objectives of aid, in which it was of course specifically intended that they should be. In the rest of the discussion it was assumed that improving the effectiveness of aid meant increasing its contribution to development. This assumption seemed quite natural, and there was no sign that making it imposed any restraint on participants.

There was thus virtual unanimity on the objectives. The differences arose primarily on the extent of the role that aid, and the providers of aid, could be expected to play in the attainment of these objectives.

There was little suggestion that aid was merely a transfer of resources, and that donor countries had no responsibility to ensure that it was effectively used. But there was nevertheless a fairly marked distinction between two different views of what this responsibility entailed. The first, broadly, was that it meant no more than ensuring that aid itself was efficiently administered and, as far as possible, used for purposes which contributed to economic development; possibly also ensuring that the conditions existed for its effective use in the sector in which it was applied. The second view was that aid could also be a 'major catalyst', indeed that this was its major function. Aid could be used as a means of inducing recipient countries to pursue overall economic and social policies favourable to development, and of promoting the efficient use of the whole of a country's resources, not merely of the resources provided from outside in the form of aid. The second view is clearly stated in the American paper:

'The (foregoing) discussion . . . applied both to the effective use of aid as additive resources and to the effective use of aid to influence host country self-help measures. In the long run, aid's 'influence potential' is much more important than its resource contribution. This is true for two reasons. Total aid from all sources has probably contributed roughly 20% of total investment in the developing countries in the past few years. The use made of the remaining 80% is clearly much more important in accelerating growth than is the use of aid alone. Furthermore, policies and procedures – import licensing arrangements, investment codes, marketing board pricing policies, power and transportation, rate structures, tax provisions, to name only a few – affect economic development at least as powerfully as the presence or absence of adequate infrastructure or technical skills. Successful efforts to influence macro-economic and sectoral policies are likely to have a greater impact on growth than the added capital and skills financed by aid.'

The French, although they did not explicitly support this view, appeared

in practice to have an attitude in a sense similar to the American attitude on the question of involvement in the general development policies of recipient countries. It was clear from what they said that, at least in Africa, they very much take for granted that they are responsible for the solution of many economic and social problems which are not directly connected with 'aid'. Moreover their paper shows that their view of the role of technical assistance is wider than that of most other donor countries, and that they are much more deeply concerned with a number of fundamental questions, particularly in education.

Clearly some of the participants, in particular some of those from Britain and Germany, felt that the role which donor countries could, or should, play in influencing the policies of recipient countries was more limited. Some British participants suggested that former colonies were particularly sensitive in this matter, although they acknowledged that the French did not feel the same inhibitions. The Germans, on principle, left the initiative to recipient countries. Recent pressures on India for instance were criticised as undiplomatic and possibly counter-productive. It was generally agreed that it was difficult for countries which were not the major donors in a particular developing country to attempt to influence overall policies, and that in these cases influence must be applied through multilateral agencies, if at all.

These were considerations of political practicability. There were also other considerations which made some participants, again mainly British, doubtful about the advisability of attempts by donor countries to involve themselves too closely in the economic and social policies of recipient countries. There was quite strong feeling that the sectors in which donor countries could be certain of the objective validity of their views were limited. It was felt that there were certain obvious technical recommendations that donor countries could make, and that it was reasonable for them to press for efficient planning within sub-sectors in order to ensure that aid-financed projects could function effectively. But to go further was delicate and dangerous. There were areas in which technical considerations were difficult to separate from political considerations. There were areas in which, on technical grounds, fundamentally different solutions could be proposed which would have important political repercussions and have a major effect on the kind of society which was created. Donors did not necessarily know best. They were still at a primitive stage in understanding the process of development. In the last few years there had been waves of fashion as different aspects got professional and political attention. Even experienced experts often differed profoundly on the development priorities of particular countries, and the advice given officially by any donor would reflect its own experience and philosophy. It was doubtful whether donor countries ought to back their judgements with their power and money. In general, there was a marked feeling that attempting to influence was a very delicate process, and meant tampering with forces which donors did not understand. This was basically an attitude of caution.

There was also a certain feeling that it was in the interests of developing countries that they should gain experience in making their own decisions, and essential that they should develop an awareness that they were responsible for their own development

The Americans were much bolder. Possibly they did not feel the same need to avoid the perpetuation of colonial attitudes. Their feeling was that, by providing aid, you intervened in any case. It was a question of intervening well rather than badly; of supporting desirable changes rather than inhibiting them. Moreover it was emphasised by American participants and by the representative from the World Bank that the process was not one of imposing views from outside, but a process of 'persuasion', 'dialogue', 'give and take'. Reasonable men could come together to discuss policies. They agreed more frequently than outsiders not involved in the process might suppose on a wide range of policies such as being 'right' in the circumstances. Influence on overall policies could not be effective unless the donor could support the views of an existing group within the recipient country; it was a question of finding the right group to support.

As to whether donor countries know how to influence wisely, the American idea was simply to try to do it better. If no risks were taken, there would be no great successes. It might not always be possible to prescribe definite solutions, but at least it was possible to say, in certain situations, that *something* must be done; development would not occur, or crisis would ensue, if changes were not made in one direction or another. The process of discussion between developed and developing countries, if it was a continuous one, would enable the possibilities to be more clearly appreciated. Moreover, as their paper shows, the Americans are making very considerable efforts to evaluate the effectiveness of particular policy decisions in development, and to provide as precise as possible a framework within which to make decisions. The French, although they were critical of American methods of evaluation, agreed on the need for it. They also agreed on the need to take risks. Their view was that the attempt to achieve a 'dialogue' on development policies with recipient countries imposed definite obligations on donor countries, above all the obligation to do research into the essential requirements for development, and not merely to attempt to transpose old methods evolved for the use of different societies.

These issues, as issues of principle, did not emerge clearly and were not discussed fully until the fourth session of the conference, based on the American paper. But, as part of a discussion of methods, they recurred throughout the conference. In the discussion of the British paper on the administration of aid, the issue of exercising influence arose immediately in connection with the functions of the administration, and in particular those of the administration overseas. In the discussion of the terms and conditions of aid, one of the questions was how, or where, these affected the usefulness of aid as a means of persuading developing countries to adopt

certain policies. Discussion of the role of technical assistance was necessarily, in part, discussion of its effectiveness in influencing policies. The discussion of the international co-ordination of aid concentrated to a considerable extent on the use of multilateral mechanisms as a more acceptable means of exercising influence than through bilateral aid. Above all, in the discussion of the American paper, these issues were discussed exhaustively, and practically exclusively. They were raised again in the concluding session.

The following account is closely based on the discussion at the six sessions of the conference. It omits little and adds almost no comments of its own. It concludes with the discussion on the motives and objectives of aid.

1 – Aid administration at home and overseas

There was some doubt whether countries had much to learn from each other in this field. Although it was rather grudgingly admitted that the administrative organisation of aid did have some effect on its character, it seemed that there were a great many specific circumstances in the four countries which made any strict parallelism difficult and probably undesirable. It was even suggested that there was no question of principle involved; all depended on personalities. But there were nevertheless some general points on which most of the speakers expressed views.

Possibly the most important question, in this context, was whether or not there should be a single institution in charge of aid, and what its status should be. The British Ministry of Overseas Development, although it was responsible for almost all aid, and had the political weight implied in having its Minister in the Cabinet, was said not to be able to claim to be exclusively in charge of the formulation of aid policy, since this could not be divorced from foreign policy in general or from financial policy, for which the Foreign Office and the Treasury respectively had primary responsibility. But aid and development policy could not be determined solely in the light of specific political preoccupations, or of the specialised interests of individual departments. It required greater study in depth than other departments could give to it; and, if a coherent policy was to be formulated (in the interests both of developing countries and, ultimately, of the United Kingdom), it was necessary to have people who were studying development problems on their own merits. The value of having a single institution in charge of aid, which could act as a 'permanent advocate' for aid, was also stressed in British, French and German comments. An American commented, on the other hand, that the relative dispersal of responsi-

bility for aid in the United States possibly made it easier to maintain the aid total. The French view was also that concentration of aid in one institution was a simple 'necessity'; this institution was likely to be formally under the authority of the Ministry of Foreign Affairs, since the allocation of aid between countries and its size were necessarily political decisions; but this arrangement would have little effect on the nature and organisation of the aid once its allocation had been decided. The Germans were working towards the concentration of responsibility for aid in one dependent ministry, whose minister would be personally responsible for promoting aid.

Further questions were whether the institution primarily responsible for bilateral aid should also be responsible for multilateral aid, and for policies towards developing countries in the commercial and monetary fields, in particular policies in UNCTAD. It was very strongly stated both in British and in French comments that bilateral and multilateral aid should be treated jointly, as part of the general aid effort. The French had not yet achieved this, but felt the need to co-ordinate the two forms of aid, mainly as a result of their experiences in Africa, where multilateral aid had tended to finance large projects whose recurrent costs often had to be financed by France. The British were also concerned that multilateral aid should be effectively integrated with bilateral aid, and the ODM now had responsibility for British relations with the specialised agencies (UNESCO and FAO) most directly concerned with technical assistance, and for many dealings with the World Bank. It was pointed out by the representative of the World Bank that this was an interesting and on the whole satisfactory change from the original idea of a direct relationship between multilateral agencies and the relevant functional ministry in each country. The German comment was that for Germany the problems of its relationship with the United Nations were highly political, and could not be dealt with on a technical level.

None of the four countries had a very well-developed system for dealing with all the problems raised at UNCTAD; on the whole they are handled by separate parts of their administration. It was suggested in the original comments on the British paper that this was a serious defect, and that the existence of UNCTAD should force a reconsideration of the necessity of seeing the problems of aid, trade and monetary reform in relation to one another, especially since some of the trade proposals made at UNCTAD were essentially aid matters; it was also suggested that there was a tendency to regard aid as a 'soft option'¹ which could be a substitute for commercial and monetary measures. In Britain immediate responsibility for UNCTAD was divided between the Board of Trade and the Ministry of Overseas Development, but the Foreign Office had a general interest in the whole matter as a major issue in international affairs. One of the functions of the

¹ See Harry G. Johnson, *Economic Policies toward Less Developed Countries*, to be published by the Brookings Institution, Washington, 1966.

Ministry of Overseas Development was stated to be to keep the implications for developing countries of policies in all these fields in the minds of those more directly concerned with them. A French comment was that the institution responsible for aid could not have total power in all fields; but responsibility for commercial and monetary affairs in the Franc Zone was at the moment shared between the departments administering aid to Franc Zone countries and the Ministry of Finance; there is thus somewhat greater integration of policy in France than in Britain.

On the question of the functions of the central administration, various points were made. It was suggested at the beginning that there was great slowness in learning from experience and that too little was being done to evaluate the success of particular forms of aid. Rather strong British disagreement was expressed with the priorities that this appeared to imply; it would be wasteful to direct scarce resources of talent from the management of aid to its evaluation. The French were particularly concerned to ensure that financial aid was properly co-ordinated with technical assistance; administrative divisions must be on geographical lines, and France would probably have to continue to use different procedures for different geographical areas; in the French-speaking tropical African countries, the effectiveness of French aid was closely linked to its size, to the large numbers of technical assistance personnel, and to the planned nature of the aid effort; it was doubtful whether the methods were transferable for instance to Latin America. A major French concern was with the problem of recruitment, especially finding people who both had long enough experience of developing countries and were in touch with new developments of policy in France. This preoccupation with recruitment was clearly shared by the British, and to some extent by the Germans.

A more general question, which arose immediately in the first comments and which was commented on by all the subsequent speakers, in spite of the chairman's efforts to postpone its discussion, was the question of influencing overall development policies in recipient countries. It was asked whether this was a function of the administration, and whether, if it was, the administration was equipped to perform it. The question applied primarily to administrative arrangements overseas; but it obviously had an important bearing on the organisation of the administration as a whole. It was felt that the Europeans had a 'more permissive attitude' than the Americans, and made less attempt to use aid as an 'opening gambit' for entering into a 'constructive dialogue' on the best means of promoting development. It was suggested that this might be because European aid was smaller than American aid; or it might be that the Europeans thought that the United States was over-ambitious, its field missions too large or too identified with the present leaders in developing countries.

Certainly none of this applied to French aid to Africa. A French response was simply that it was 'obvious' that aid exerted influence. It was added that this was made easier by the existence, in French-speaking tropical Africa, of a certain number of common attitudes, common rules, common

notions about the importance of planning, common training and experience, and so on, even if political attitudes might in some cases be different. But the idea of involvement in general policies was so much taken for granted by the French that it was little discussed.

The German attitude, on the other hand, was specifically to reject any idea of intervention: this was partly because German aid was not geographically concentrated and therefore was generally too small to have more than a marginal effect in a given country, partly as a matter of principle. At any rate the Germans felt that any such intervention ought to be through multilateral channels.

British comments at this session were somewhere in between. A British participant criticised the United States as being much too ambitious, but felt that the British were not ambitious enough. The idea of intervention was not ruled out. It was 'inadmissible' not to try to influence at all, although there was a difference between influencing at sectoral level and influencing overall policies. The practicability of influencing depended on the country concerned, and partly on whether there was a single major donor; in some countries influence could best be exerted through the World Bank.

The attitude expressed in an American comment was a great deal more positive and explicit. Aid was much more important as a 'major catalyst' than as a 'resource transfer'. Two or three good people in the field mission in a developing country who could discuss questions of general policy effectively with its government could have a much more serious impact than 100 technicians with special skills.

There was also some discussion of the minimum needs of overseas administration, of the best means of organising it, and of the best mix between direction from the central administration, 'roving teams', and local field missions. The German aid administration is the least represented abroad of the four. A German participant had the impression that the American missions were over-manned and that this made dialogue more difficult rather than less so. He claimed that Germany was prevented largely by budgetary difficulties from setting up missions overseas, but they had adopted the pragmatic solution of using contracts with private consultancy firms for help in identifying needs and evaluating the effects of aid. Some British participants thought the question of management so important that it might be wise to reduce aid in order to devote more financial resources to its management, and they were very much aware of the deficiencies of British administration overseas. The French system for administering aid in tropical Africa is on the other hand highly developed. It was stated that the existence of the aid and co-operation missions¹ did not solve the problem. The effectiveness of French activities depended also on having technical assistance personnel in key positions within the African countries' administration, who did, after all, 'make dialogue easier'. In addition, the heads of missions, whose objectivity and independence were

¹ See fact sheet.

lessened by the fact of their permanent residence in the country, were backed by specialists with regional responsibilities, who were mobile and therefore more independent, and, finally by a reserve of specialists in Paris who made short visits to Africa. The World Bank had also come to the conclusion that continuity in assignments of headquarters staff, plus frequent missions, was the best solution, and that resident missions had shown very mixed results as policy advisers (in contrast to purely technical advisers).

2 – Terms and conditions of aid

The discussion was based on the German paper. This stated in explicit terms the German belief in the importance of the terms of aid, especially interest rates, in providing a certain discipline and in encouraging sound financial policies, in the selective function of interest rates, and in general in the value of the market system and the undesirability of deviating too far from it.

The discussion was in four parts – the conference first discussed interest rates, then the financing of local costs, then tying, finally the question of project versus programme aid. At all stages, an important consideration was the degree of control and influence that could be exercised through particular forms of aid.

The discussion on interest rates centred on the German view of their disciplinary and selective function. The German paper states that the German government is willing to vary interest rates according to the nature of the project, and to charge high interest rates only on productive projects; it also says that the overall economic situation of the recipient country is increasingly being taken into account as a factor in determining the terms of aid. This change in the German attitude was welcomed, but it was still felt by one critic that the German paper paid too little attention to the macro-economic aspects of the terms of aid. If one charged high interest on a revenue-earning project one was in effect taking away the savings that should accrue from the project, in other words one was forgetting what aid was about. Nor was a profitable project necessarily the same as an export-producing project, but the interest had to be paid in foreign exchange (although it was emphasised that in most countries the 'savings gap' was a more important factor than the 'balance of payments gap'). This argument received much support, particularly from a British participant: the classic argument about the selective function of interest rates ought not to be applied in a very un-classic situation, in which it was not a question of the individual project but of the long-term needs of the borrowing country. For instance, in twenty years' time, India's debt service was likely to amount

to \$1,000m a year. There must be a distinction between commercial credits, which were marginal to development and which a country must be able to turn over, and aid, which must be related to long-term needs. Moreover, it was denied that high interest rates had any selective function at all, were any bar to improvidence, or offered any inducement to a country to maintain a sound financial position, especially as countries with weak financial positions were likely to get more aid.

A German comment was that these arguments were based on a misunderstanding. German policies on interest rates were essentially pragmatic. Even the highest rate charged was a subsidised rate. There were lessons to be learnt from a calculation of the real interest rate, based on calculations of the capital-output ratio. Finally 'cheap credit drives out more expensive credit'; the flow of private capital to developing countries was declining, and this was another reason for not having too wide discrepancies between the terms of public and private flows. The German paper's recognition of the usefulness of 'two-step' procedures, ensuring that the impact of high interest rates fell on the ultimate borrower and not on the government to whom the loan was made, was compared by the representative of the World Bank to IDA procedures; the importance of requiring projects and sectors to generate savings when they could do so was emphasised; but obviously the burden of debt-servicing was a very serious problem, particularly because the interest rates charged by some countries were, not 4%, but $6\frac{1}{2}\%$ and 7%.

There was general agreement on the necessity for techniques to ensure adequate performance, but fairly general agreement that interest rates were the wrong technique to use. What was needed was proper surveillance of aid. It was acknowledged that there might be some usefulness in providing loans or at least reimbursable credits rather than grants, because loans gave the opportunity to look at performance again, a 'business-like discussion over time', when there was a question, which there probably would be, of re-financing or rolling over the loans. This was as far as most people went. The French view was that even this was quite unnecessary, and that the best way of ensuring the effective use of financial aid was to integrate it as completely as possible into technical assistance programmes; the French felt no need to change from grants to loans.

Apart from the usefulness of loans, as opposed to grants, in providing an opportunity for controlling the use of aid, both the Americans and the British on the whole felt that their reasons for providing aid in the form of loans and charging interest rates on them, when they did so, were largely a matter of internal politics.

On the question of local costs, the German attitude seemed to be that, as a matter of principle, recipient countries ought to be responsible for the local costs of projects financed by aid. One German participant felt that it was important to finance only the (direct) foreign exchange costs of

projects so as to be able to finance more projects in more countries from the limited capital aid funds available. He felt that this was especially so when, as he claimed sometimes happened in Latin America, reluctance to raise local costs resulted from the fact that donor countries offered easier terms than local tenders. But the German attitude was also said to be to some extent pragmatic: the Germans would not allow negotiations for financing a good project to fail because local funds were not available, and were willing to finance local costs if the economic situation of the country concerned made this necessary.

The principle that aid should finance only the direct foreign exchange cost of a project was strongly criticised. The main disadvantage of this principle was felt to be that it forced recipient countries to import relatively too many capital goods and to choose projects with a high direct foreign exchange content. It twisted the country's import structure. It might also penalise large countries able to produce some capital goods themselves; there was no reason why such countries should get less aid than others; it did not tie up with any known economic principle. In addition, the direct foreign exchange cost of a project was only part of the additional requirement for foreign exchange which occurred when a new project was financed. There was also an indirect impact on the country's balance of payments which, though difficult to compute, had to be taken into account (for instance it was pointed out that the wages paid to local labour working on the project would be spent partly on imports).¹ It was pointed out that in cases where the country found it impossible to raise its contribution through increased savings, the refusal to finance local costs would simply drive it into using the printing-press. It was stated that in Franc Zone countries in tropical Africa it was institutionally impossible to use the printing-press; as France succeeded in moving away from the need to provide aid to balance their current budgets, it tried to choose projects in whose financing the recipient government would be able to participate, but it was often necessary for France to pay not only the whole cost of projects financed by French aid, but sometimes also the recurrent costs of projects financed by multilateral aid.

The argument that the recipient country should participate in the cost of a project, which was supported in some comments as well as in the German paper, was obviously quite different from the argument that it should pay the local costs of projects. It was suggested that the principle of the recipient country paying its share ought to apply not to particular projects, but to the investment programme as a whole. The project-approach was said to be based on a fallacy. Supposing for instance in Pakistan 30% or 40% of total investment needed to be financed with aid, then, it was suggested, it would be reasonable to finance 30% or 40% of *all*

¹ See Juliet Clifford, *The Tying of Aid and the Problem of 'Local Costs'*, in the *Journal of Development Studies*, January 1966.

projects, whatever the direct foreign exchange requirement of any particular project.

It was also pointed out that programme aid was a substitute for financing local costs. It could in fact be specifically used to 'pick up' the indirect foreign exchange requirements resulting from a series of projects; the rest of aid could then be tied to the direct foreign exchange content of projects. On the other hand supervision could be achieved as well by controlling the use of the counterpart funds generated by programme aid as by insisting on tying all aid to projects (see also below).

The corollary to this was that if these problems were to be satisfactorily resolved there must be either one major donor, or alternatively agreement among donors. It was difficult for a minor donor, for instance Germany, to act on its own. It was pointed out that the World Bank consultative group in Nigeria had succeeded in achieving a consensus among donors on the financing of local costs, and the Bank was trying to do this in other consultative groups. The Bank itself had gone quite a long way from its original insistence on financing only the direct foreign exchange costs of projects.

The discussion of tying to procurement in donor countries was brief. It consisted mainly of expressions of regret about its necessity from the point of view of political opinion in donor countries. Britain provided untied aid mainly used in the form of budgetary support; loans to independent countries had, with some exceptions, been either formally or informally tied; there were no simple principles except that Britain was concerned to minimise the impact of aid on its balance of payments; Britain would in fact welcome general untying by all donors, since the British balance of payments would benefit from this. An American view was that tying was a temporary and unhappy expedient, but that the United States was unlikely to stop unilaterally, possibly even in concert with others. A German felt the attitude of donors to tying depended on their international competitive position; ex-colonial powers were in a more favourable position from this point of view; but Germany was in favour of a general move towards un-tying. There was general support for the idea of trying to find ways of mitigating the effects of tying by agreement among donors, in particular by ensuring that donors tied their aid to goods in which they were price-competitive.

The discussion on the relative merits of programme¹ and project aid occupied an important part of the session. It developed from a comment

¹ The generally accepted definition of programme aid in this discussion was aid to meet a country's foreign exchange requirements for current imports, especially spare parts and raw materials (and *not* aid for a series of projects grouped together to form a 'programme').

that, from the recipient's point of view, project-tying was much worse than procurement-tying; most recipient countries would opt for procurement-tied programme aid rather than project aid which was not tied to procurement from a particular source. This led to a discussion of the 'influence potential' of the two kinds of aid, and, finally, to a brief discussion of the usefulness of formal Plans.

It began with a general attack by an American participant on project aid. It was suggested that the choice between project and programme aid should be seen in the light of three questions. The first was its effect on the allocation of aid between countries. The allocation of project aid tended to be based on countries' ability to prepare projects; this was one of a dozen indicators of good performance, by no means the most important. Project aid was therefore essentially random. The second question was its effect on priorities within a development programme. Project aid had a distorting effect on these. Countries presented big projects, with a large foreign exchange content, which they felt that donors liked. Donors could not in any case process more than a limited number: the United States about 200 a year, the World Bank 100-200, European countries possibly altogether 200; the projects must therefore necessarily be large ones; the only alternative was to resort to financing through intermediate institutions like development banks, but this was almost programme aid. The third question was the question of the control of the use of aid. Certainly project aid looked like better controlled aid, and its results were more obvious; this was the real reason for donor preference. But project aid might merely pick out the best projects for aid-financing, and leave the rest to be financed from the recipient country's own resources. It was even less easy to prove that programme aid was being well used. But it was becoming easier: there were a number of countries, including Pakistan, where it could be shown what had been achieved.

The further implication to arise from these remarks was that it was necessary to get away from the idea of the control of the use of aid itself so that, from the donor's point of view, it looked good, to much greater concern with development as a whole and with the use of the recipient country's total resources. This meant a different form of aid management and control, and greater attempts to work inside the country to achieve policies which were in the interest of development in that country (and which might even be against some particular interest of the donor country). Programme aid was felt by many of the participants to be a much better means of achieving this than project aid. If a country had reached a stage where it could discuss aggregate policies with the country providing aid, then programme aid was a more effective means of supporting policies on which both were agreed than project aid. This was partly for the reasons against projects described above. It was also suggested that, because projects were generally in the public sector, the absorptive capacity limitation was based on a view of what could be done in the public sector. In fact the policies pursued in Pakistan by the United States and the Pakistan government, of

programme aid combined with devaluation and import liberalisation, appeared to have shown that there was considerable unused entrepreneurial ability in the private sector, which resulted in improvements in agriculture, based on private sector investment in tube-wells, simple pumps, etc., when this sector was free to import. These results could not have been achieved through the provision of project-tied aid. Finally, an advantage of programme aid over project aid was that it was much more flexible, and was much easier to stop and start; it was therefore a more powerful instrument for exerting 'leverage'.

Doubts were expressed whether this kind of policy was applicable in many countries. Particularly in Africa it was thought essential to continue to control aid through tying it to projects. The British loan to Tanzania was spent on 106 projects. Even if it was possible to agree on a general development programme, based on a plan which was generally drawn up with outside help, the British still found it desirable to have a kind of double-check by also allocating the aid which was committed for the plan to specific projects. This was especially so when most of a country's resources were provided from outside, so that it had few resources of its own to use on projects which the donor countries considered were not worth while. The World Bank's views were said to be very much the same: providing aid for projects was not simply a question of picking out the good ones and leaving the rest, it was a question of identifying needs and gaps and using aid to fill them. In addition, it was felt that it was very difficult for individual donors to start providing aid to a country except through projects; the idea of creating a policy package, with programme aid provided after agreement on overall development policies, was not something that could be achieved by small donors with little administrative and technical organisation in the country. Unless of course there was a consensus among donors, which was certainly desirable.

There were several answers to these objections. One was that it was possible, if one wanted control through project-tying, to control the counterpart funds generated by programme aid; this involved control of local expenditures, and was more effective than just looking at foreign exchange expenditures. Second, there were intermediate stages between project aid and programme aid in the 'general shopping-list' sense; programme aid might be limited to certain sectors, or certain types of imports. But the essence of the American approach was to look at the total resources of a country, not just the resources provided from the outside.

It was acknowledged by an American participant that the success of such policies depended on the recipient country's capacity to discuss aggregate policies, which possibly did not exist in Africa, where statistics were inadequate and there was a shortage of skilled people. It also depended on the donor country having adequate administrative and professional capacity in the country concerned, which obviously was not possible everywhere.

The subject of development planning, in the formal sense, was brought

up by a Frenchman, who suggested that success depended on the existence of a good and realistic plan. He expressed a certain scepticism about existing plans, because of the lack of statistics, lack of good planning experts who understood local conditions, the tendency towards '*fétichisme du Plan*' and – the major error of existing plans – the fact that they concentrated on capital investment and took too little account of human resources. Still, obviously the French supported the idea of planning. They were increasingly trying to integrate their aid commitments more closely into the plan requirements.

There was much agreement that scepticism was healthy, but that one should not swing too far in the other direction: plans could be a very useful instrument for devising a correct strategy of development, learning about possibilities, presenting development policies to the people of the country. The World Bank was said to have gone through a stage of great scepticism about plans but to have come round almost full circle, back to a stress on planning as a component of government operations, if not to plans as such. Others, British and American, expressed greater doubts: development plans could only suggest 'sensible lines of development'; they could not plan the outcome. In Latin America there was a healthy move away from Alliance for Progress vetting of five-year plans. Instead, there were efforts to achieve a continuous process of looking five years ahead, rolling over the five-year period from year to year, and more flexibility than was possible when a commitment was made to a paper five-year plan. This was good 'so long as there was no reversion to *ad hoc*-ism'.

3 – The role of technical assistance

Questions of a fundamental kind on the nature of technical assistance were raised by the French, both in their paper and at the beginning of this session. The fact that the demand for French technical assistance personnel was not, as had been expected, tapering off, but on the contrary was growing, had led to a reconsideration of the role and tasks of technical assistance. The French objective was not simply to enable the existing system to continue to function, but to ensure that technical assistance was organised and concentrated so as to promote development effectively. This necessitated the recruitment and training of a new type of personnel, aware of the need for change and development, and with an understanding of local problems and conditions. The French were not simply concerned with greater effectiveness in transferring methods, knowledge and institutions evolved in developed countries. They were also concerned with the nature of the skills to be transferred, and with devising new methods which would be more suited to the needs and conditions of African countries. This was especially so in education and training. The assumptions underlying

the French system of education were being questioned, and attempts were being made to work out the essential requirements of education for African children who did not have the same linguistic and technological background as French children. Experiments in new methods of teaching, in the reform of the content and structures of education, in the use of television and other teaching-aids were being conducted in pilot projects in various African countries and by the use of mobile teams of psychologists and other specialists. Efforts were also being made in the field of public administration, to avoid the creation of too exact a replica of the French system and to ensure that the administration had for instance enough flexibility and mobility to enable it to meet the development needs of the countries concerned and to act as an agent of change.

In this session, however, discussion on the whole concentrated on the technical and administrative arrangements for transferring skills to developing countries, and to some extent on the political acceptability of certain kinds of technical assistance. First, a number of observations on the practice of technical assistance were made. The quality of technical assistance personnel had declined; they had less and less experience outside their own country, and stayed for shorter periods. The multiplicity and complexity of technical assistance offers were bewildering and time-consuming. Donors offered too many advisers and not enough people to act on the advice, or personnel prepared to do operational jobs. Most offers of technical assistance required excessive ancillary services ('God helps those who help themselves'). Often the requirement that the recipient country should provide counterpart staff was also unreasonable; especially at middle levels, this might simply be impossible, and should not always be made a condition for the supply of technical assistance. Field missions should probably be more prepared to help in the programming of aid and the preparation of projects. On the question of the supply of personnel, it might be necessary to have another look at the idea of setting up a career service in technical assistance, so long as the personnel also had a home base so that they could keep in touch with innovations at home. The question of the maintenance of standards ought perhaps to be reconsidered; different donors often required different standards; the disasters predicted by departing colonial civil servants had on the whole not taken place; the question was how far dilution could go without a harmful lowering of standards and loss of efficiency. UN agencies might do more to co-ordinate technical assistance. It was essential that donors should limit their offers of scholarships abroad, in order to avoid merely creating a 'brain drain'. Finally, information on the results of technical assistance missions ought to be pooled, particularly between French-speaking and English-speaking countries in Africa.

The conference then discussed the question of filling operational posts in the government machinery of developing countries. It was generally agreed, although doubted by one American participant, that it was not so much a question of such personnel being accepted by developing countries,

as a question of the availability of suitable people in developed countries. It was felt by British participants that the problem whether more emphasis should be put on efficiency, or more emphasis on rapid replacement of technical assistance personnel by nationals, hardly arose; efficiency was an overriding necessity, especially since developing countries wanted to move fast; Britain ought to supply more operational personnel than it did. There were sectors, for instance in the police, in some financial departments and certain key political positions, in which it was politically virtually impossible for outsiders to do operational jobs. It was also easier in some countries than in others. But in general there were pressing needs for people in most technical fields, in particular in health, education, agriculture, ports, airports, etc.; in the sectors of commerce, industry, mining, banking, etc., skilled indigenous people were almost entirely lacking in most parts of Africa; in some sectors, for instance educational planning, there was an urgent need for high-level people.

For France the problem was clearly more complex. Since French technical assistance personnel are much more numerous than British, the problem of increasing the supply is relatively less important. For the case of middle-level personnel, the question was in fact very largely whether France ought to supply such personnel; it was relatively easy to do so through the system of secondment for national servicemen. In a second category, that of personnel in key positions, sometimes the risk of political compromise outweighed the possible gain in efficiency; there was also a shortage of suitable personnel. It was only in the third category, that of operational personnel at upper-middle levels, that the limit was set almost solely by difficulties in recruitment; France had no difficulty in supplying teachers, but suffered from shortages in certain technical fields.

The United States was urged to show more willingness to supply operational personnel. Objections that recruitment was difficult were said to be the official reason for an unwillingness to try. Recruitment was always possible, given the necessary will and the necessary incentives.

Attention was drawn to the success of the Harvard Advisory Group in Pakistan, as a possible model for giving advice on economic and social policies and for technical assistance in building up planning organisations. The group was international; only about half its members were American, the rest being recruited from other countries. The advisers working in Pakistan regarded themselves essentially as servants of the Pakistan Government – an attitude which was not so easy to achieve in official bilateral technical assistance programmes. In addition the group had the advantages of working as a team; it provided a framework in which short-term advisers could be used most effectively; it had the backing of accumulated knowledge and new research in the university base; and the project had continuity far beyond the assignment of any individual adviser.

The World Bank was also embarking on a programme of technical assistance of an operational kind. It was experimenting with the provision of people on a regional basis in East Africa, to prepare and manage projects

in the agricultural field. The fact that they had regional responsibilities was thought to make them politically more acceptable.

The conference also discussed methods of improving recruitment. A first and basic necessity was recognised to be some calculation of requirements in the long term. This the ODM was said to be attempting, and it has been a concern of the French for some time. It was pointed out that requirements were often under-estimated in the national plans of developing countries, and training had to begin early, since the supply of skilled personnel tended to take longer to materialise than the supply of resources. The Germans were very much aware of the need to send more people abroad, but had considerable problems with recruitment. The French view was that the basic problem in recruitment was not financial incentives, but career security. This was an important and much valued tradition in French government service. It could also be provided to some extent in public or semi-public autonomous agencies which specialised in working in developing countries, and offered a permanent home base to their staff. These are extremely numerous in France. A British comment was that the CDC performed much the same function, and there ought to be more institutions of this kind in Britain. The example of government departments in the United States which maintain overseas sections specialising in agriculture and health was also quoted. The British had recently begun to create supernumerary posts in government departments and universities, plus a small career service in specialised fields in which requirements were greatest (tropical agriculture, economics, education), for which the ODM would provide the home base; at the moment recruitment to the career service was mostly from the ex-Colonial Service, but there was an urgent need for young and new people. One advantage of a career service was that it would be possible to make people stay for longer periods in one place.

On the need to combine technical assistance with capital aid, it was explained that the World Bank's theory of technical assistance was quite simply to direct it towards the preparation and development of projects. Since the Bank had embarked on technical assistance of this kind, it had made considerable progress in increasing the ability of countries to use financial aid. It was now beginning to have problems in finding good consultancy firms, and there was scope for the expansion of European consultancy firms to meet this need. The French found that there were cases in which the situation was reversed: capital assistance was needed in order to give effect to technical assistance programmes. Sometimes, on the other hand, the criterion for the choice of investments had to be the availability of local or technical assistance personnel. In any case it was increasingly essential that the two should be combined.

The session ended with a request for the French to expand on their ideas about changing the substance of education, and to say why they had decided it was necessary now. The answer was that the accession of the African countries to independence had meant more preoccupation with development; political independence had to be completed with real, or

economic, independence. The idea of copying the French system had been encouraged in colonial days and was now deeply ingrained. But the French system was imperfectly adapted to French conditions and not at all perfectly adapted to the needs of rural development in Africa. Primary-school education led either to secondary-school education or to unemployment in cities, but to very little else. In addition, if primary-school attendance ratios were to be raised from 6% or 7% in some countries, new methods were required. Changes were needed in the structure, as well as in the content and methodology, of education. A British comment was that, in ex-British countries, there had been the same desire for strict equality with the British educational system; if a more technical orientation in primary schools was suggested, this seemed like an attempt to impose an inferior status on the colonised people. But progress in adaptation to needs was being made in new universities in Malawi and Mauritius, for instance. The British were less able to exert influence in these ways than the French, but could learn much from the French example.

4 – The co-ordination of aid

It was stated at the beginning that this was not merely a routine question. Certainly nobody treated it as one. It was clearly a question with which the participants, perhaps especially American participants, were much preoccupied.

There was some attempt to define different forms of co-ordinating. Did co-ordination mean the imposition of strict control from above, or did it mean merely discussing round a table? Did it include the devolution of aid to a multilateral institution and the seeking of advice from a multilateral institution? Was the difference between consortia and consultative groups that one involved pledging and the other did not, or was this a false distinction? It was suggested that it was important to give thought to the essential requirements of co-ordination, and to the devising of an ideal framework which would be addressed to a shared effort to achieve development. But most participants seemed to feel that definition was not important, and to agree with the view attributed to the World Bank that the need was not to devise new machinery and an ideal framework, but to try to make the existing machinery work and to give new impetus to existing efforts at co-ordination. This was also the line taken in the paper produced in the World Bank, which provided the basis for the discussion.

Discussion, in practice, concentrated on the most efficient means of organising the co-ordination of aid from several donor countries to particular recipients, on what problems this kind of co-ordination could solve, and on which of the existing machinery and institutions were best adapted to perform these tasks.

It was felt that from the recipient countries' point of view the problems of a number of donor countries acting separately were considerable. They were faced with innumerable requests for information; all donors felt they must find out for themselves; over-worked officials were asked the same questions again and again; very few donor countries had resident experts. The result was extremely inefficient duplication of effort. In addition, recipient countries had to negotiate agreements, match up aid offers and projects, cope with the different preferences and peculiarities of different donors, different tying requirements, and a mass of details such as whether or not air-fares were paid. It was a complicated jigsaw puzzle; it required the attention of senior officials, and was an enormous waste of their time; it would be hard to devise a more inefficient system than the one which now prevailed. The World Bank did something to examine needs and recommend priorities in the consultative groups and consortia which it organised. But it only covered part of the field, and appeared to be unhappy if others tried to take over these functions. The World Bank acted in big countries; but it was the small countries which needed help most of all. It was added that the 'co-ordinating' mechanisms and institutions themselves constituted a vast jungle, overlapping and deficient in many respects. Representatives sent to their meetings were generally not the people directly concerned with the administration of aid; the secretariats themselves were often unsatisfactory.

A few doubts were expressed whether developing countries needed or wanted outsiders to examine and analyse their policies and needs, and to try to co-ordinate this process. Attempts to avoid duplication and simplify procedures were merely 'tinkering at the problem'. The question was whether donor countries ought to try to come to a concerted view of what was needed, and to enforce this view. There was more and more examination and vetting. Sometimes this seemed to be an end in itself. For instance the consultative group on Malaysia had gone through an elaborate process of vetting Malaysia's plan, and had finally given its seal of approval to the plan and accepted its objectives as reasonable; but in the end little but commercial credits were offered, against which the World Bank had given specific warnings. Recipient countries would not tolerate the process of examination if there were not, at least, some counterpart in the form of more and better aid. Moreover there was an alarming tendency to 'equate self-help with accepting somebody else's judgement'.

On the whole it seemed to be generally felt that recipient countries needed some outside assistance in sorting out offers of aid and in determining their needs and priorities. But there was much support for the argument that if examination and vetting procedures were to take place, they must at least not be wholly one-sided; they must also involve an examination of the quantity and quality of aid. Unless there was a prospect of substantial amounts of aid, discussion did not go very far. On consultative group procedures, it was said that the World Bank did not want countries to join consultative groups unless they had some intention of providing aid.

Governments were not expected to give formal undertakings. But the consultative groups involved a process of discussion and negotiation. It was a question, as one American participant had put it, of working out 'donor packages' as well as 'recipient packages', and of fitting them together. Donors had confidence in the judgements of the World Bank, which discussed the needs and policies at great length with recipient countries and reported to donor countries. The World Bank did not consider that consultative groups were worth while unless, in the long run, they led to more and better aid. It was emphasised by some British participants that it was essential that there should be some kind of assurance that countries which got the World Bank's seal of approval would also get aid; and that, ultimately, success depended on the general level of aid rising.

It was however also argued that there were other definite and essential advantages in consultative-group-type procedures from the developing countries' point of view. These were, basically, the possibility of avoiding duplication in the process of collecting information and help in the identification of needs and priorities.

Largely on the basis of this view of what could be achieved through co-ordination there was considerable discussion of the best institutions and methods to use. One obvious first step was to build up the capacity of the developing countries themselves to select from aid offers, in other words to provide technical assistance personnel to work within governments specifically on these problems. If it was decided that some outside help in co-ordination was needed, one participant felt that the main priority was to ensure that institutions were well-manned, even if this meant they had to be less ambitious in scope. There was already a proliferation of agencies; there should be no new ones. Attempts to co-ordinate should be on a modest scale, and should involve discussions between the recipient country and a few important donor countries; the example of United States-British-Nigerian co-operation in identifying technical assistance needs was quoted as a good model. Another proposal was that a series of multi-lateral agencies should be set up in large countries or in regions for sorting out aid requests and offers, doing feasibility studies, preparing projects and so on; they would become the secretariats of consultative groups supposing these were set up. The European Development Fund was mentioned as a model of co-operation between several donor and recipient countries, based on a complex institutional framework in which the 18 African countries were represented.

But most of the discussion was concerned with the existing or potential role of the DAC, the World Bank and the three regional development banks in the field of co-ordination. There were felt to be rather strong reasons against the DAC taking on the functions of co-ordinator between donors and recipients, mainly because of the restricted nature of its membership. The World Bank was generally thought to be the ideal agency. The Bank was now much more than a lending agency; it was the major agent in schemes for international co-ordination. Most developing countries

welcomed its intervention. But obviously it could not act for 80 countries. At the moment there were two World Bank consortia and nine consultative groups, of which six or seven were functioning actively; the Bank did not want to stop now, but was unlikely to be able to staff and organise more than 15 or so consultative groups. There were possibly nearly 50 developing countries where the problem did not arise, because they received nearly all their aid from one source. There remained 20 or so intermediate countries, where something needed to be done.

The most important alternative idea discussed was therefore the use of regional development banks as co-ordinators. It was thought that it might be possible for the analytical functions of a co-ordinating agency to be treated separately and undertaken by the regional banks; this would involve no commitment by donors, but could save a lot of duplicated effort. The main trouble was that the regional development banks did not yet have enough standing with donors. But there was no reason why their capacity should not be built up. There were objections that the Asian and African Development Banks were quite unproven. It was pointed out that they could not be proved until they were supported and used. The Americans had originally had little confidence in the Inter-American Development Bank, but their attitude had now changed. It was a question of starting, possibly through deputing expertise. It was suggested that in Latin America, where there was a plethora of international institutions and where attempts to use the Alliance for Progress institutions, including the Nine Wise Men and even CIAP, had largely failed, the best solution might be to dismantle the over-complex regional organisation and to build up the IADB. The African Development Bank had not so far been successful in finding regional projects to finance; it was suggested that the co-ordination of external aid might be an ideal role for it. Regional banks had the additional advantage that they belonged to the area and were not so much outsiders; their influence might be more willingly accepted. It was rather generally felt that regional banks might play an important and useful role in the co-ordination of aid and development policies.

5 – Measures to ensure the effective use of aid

The discussion was based quite closely on the American paper and on American ideas of what was involved in 'ensuring the effective use of aid'. The main principle at issue was whether, as the Americans believed, donor countries should try to influence the general policies of recipient countries in the direction of development. Roughly speaking, the position was that the British, to varying extents, disagreed. The French, implicitly, supported the principle, but disagreed on methods. The Germans disagreed on the principle.

There were essentially three aspects of the problem. The first was, how did one judge whether particular policies were, or would be in the future, effective in promoting development, and were donor countries competent to judge? The second was, ought donor countries to try to impose their views about general development policies, whether or not their views were likely to be correct? The third was, what methods could donors use to exercise influence, given that they wanted to do so? Obviously these questions were interconnected. To a considerable extent people's views on one of them affected their views on the others. But this was not always so. Although in the discussion these three problems were not discussed separately, and were not distinguished from one another, it is probably clearest in this account to describe comments on each of them in turn.

On the question of defining development policies, objectives and needs, the American paper describes AID methods very clearly.¹ These methods were criticised on the grounds that they relied too much on quantitative measures. Such criticisms came very largely from French participants. The French had conducted a series of macro-economic studies of development in French-speaking Africa, and had found that they proved rather little; in particular national income statistics, however refined, were a bad measure of progress; the study had inevitably become increasingly empirical. The importance of social development, as opposed to statistically measurable economic development, was felt both by French and by British participants to be somewhat neglected in the American paper. For instance it might be better to pay more attention to the production of food crops, as opposed to cash crops, than would be justified by considerations of growth as reflected in national product statistics. If one studied the economic history of Europe, it might be possible to conclude that, in economic terms, it was a mistake to have cut down the forests; but the social gains from the growth of farming had been enormous. There was also a basic requirement for order and stability, without which development was not possible. The French were particularly preoccupied with the problems of education. Achievements in education were not quantifiable; successes in examinations were rather meaningless. Education was not merely a transfer of knowledge; it ought to involve a transfer of technological ability, some implantation of certain moral values, and the encouragement of a sense of initiative. In the last resort these kinds of achievement, which were possibly the most important, must be judged empirically by experts with experience of local conditions. In the social field it was dangerous to be concerned only with quantity and not with quality.

The Americans commented that they were well aware of the limitations of statistical analysis. It was certainly possible to destroy the essence of what

¹ In section A, 'Defining goals and targets'. Section C, 'Evaluation', is concerned with the mechanics of evaluating results. Section B is headed 'Using influence effectively'.

one was trying to achieve by over-quantification; quantification was not merely neutral, it could have positively destructive effects. Admittedly the problems were not just economic; it was a question of growth among many restraints, which might be political and social. Admittedly our state of knowledge was imperfect; some people might feel that the United States was like 'a bull in a china-shop'. But it was a question of trying to do one's best, of giving thought to problems and of moving towards the ideal. The Americans felt that it was essential to try to work out policies and requirements in a framework of precise analysis, not simply to do things *ad hoc*, hoping that they would come out well. One should work towards definite goals, and one must look ahead in order to have a clearer idea of priorities. The most interesting attempts to evaluate the results of aid were in connection with programme aid, where the defects of particular policies on particular economic factors could be measured. This had been especially significant in Pakistan, where the effects of programme aid linked to import liberalisation had been measured mainly by looking at prices, the supply of imports, the use of capacity, the increase in production;¹ the contrast with India, where the same things did not happen, had been instructive. Even where there was no programme lending system, the Americans tried to link projects financed by aid to forward planning and to gear the aid to certain targets; sometimes it was possible to move on to groups of projects with combined capital aid, technical assistance and commodity aid; in any case it was important to take regular 'forward looks', rolled over from year to year. It was also suggested by one of the American participants that the advantage of a quantitative approach was that you stuck to things that were objectively measurable, and did not intervene too profoundly in subjects, like land reform or a qualitative analysis of education, about which you knew less.

On the whole the French seemed to feel that donor countries were competent to judge what kind of policies developing countries should pursue. They merely felt that there were good and bad ways of doing this, and that the Americans tended to put too much emphasis on certain aspects of development. They thought, like the Americans, that it was foolish to look at projects in isolation; it was necessary to take a global view, and to plan. It was also essential to do research, to try to work out the basic requirements of development, not merely to transpose old methods.

The criticisms of the American views by some of the British participants were much more fundamental. They amounted to a belief that outsiders were often not good judges of the national needs and priorities of developing countries. They might differ among themselves in their view of what ought to be done. The political philosophy of AID was reasonable in most respects; it was 'technocratic' and 'democratic'; but it was possibly not historically conscious enough; in any case it was one of 'five or six possible

¹ The results of this evaluation were reported to the OECD in a series of AID papers in the autumn of 1965.

alternatives'. Although the Americans made reservations about the state of their knowledge, in the American paper there was a tacit assumption that they knew best. But there were a number of problems on which it was quite possible to propose a variety of different solutions on strictly technical grounds, and the choice made would have a fundamental effect on the whole of society. For instance two examples were given in the American paper (see page 89) of possible goals to be aimed at: one was an increase in export earnings, the other a shift to mathematics and science in secondary-school education. But in the first case, if the object was to resolve balance of payments difficulties, there were other possible solutions, including increases in taxation or import substitution. The choice between them involved a fundamental decision which would shape the economy and determine the country's place in the world, whether the economy was diversified or specialised, and to what extent the country was dependent on its export sector. Again, it was obviously necessary to have more teachers of science and mathematics; but this was a relative priority; manpower studies always showed needs in a great number of sectors; it might be decided by the country concerned that the need for history teachers was greater because it was essential to rouse public opinion, and to make it aware of the need for development, before trying to impart the technical skills which would be needed for development; it also involved a choice between two types of élite who would be running the country in 20 or 30 years' time. An AID agreement with Chile incorporated a wages policy agreement; this went to the heart of the question of income distribution. Even efforts to persuade countries to control their population could have large effects on the age and sex profile of the population, and should be treated with caution. Trying to intervene in these choices was dangerous; it meant tampering with a volcano; a more passive and cautious approach should be taken.

This was the most extreme view. There was some dissent to it even among the British. For instance there were objections to the idea that efforts should not be made to convince developing countries of the need to limit population increases. Also it was felt that many objectives were obviously reasonable, especially in specific sectors of development; it was sensible to demand, when a project was financed with aid, that there should be good planning within a sub-sector; donor countries were quite good at insisting on sectoral efficiency. But most of the British commentators seemed to have doubts on the possibility of donors having definite views at a global level. The example of the French having supported one system of education in Africa in the past, and now feeling it must be changed, was quoted. The Americans had referred to the beneficial effects in Europe of American pressure towards liberalisation of trade after the war; but American pressure had also led to a premature move to convertibility of the pound in 1947. Mistakes, in fact, were very possible.

Again the American answer was to state a proposition: you must take risks: '... the maximum pay-off ... came from taking risks and ... if one

wants an aid programme to minimise risk one is certainly not maximising the effectiveness of aid. This is clearly demonstrable . . . ' In many situations it was at least clear that things were not all right as they were. A number of alternative courses could be suggested; but *something* needed to be done. One must face the risk of occasional failure. Cases which had been successful had come from giving strong support to general policies which seemed good, and not from 'just picking out a few projects'. Some simple points were made: 'donors should not be afraid of being successful'; 'good policies are better than bad policies'. A Frenchman endorsed the idea that 'if you don't take risks, you can't expect to have great successes'. Both donors and recipients must take risks: in economic planning, in changes in administrative structures, in the reform of education. But it was also essential to do research. The dialogue was 'thankless' if 'when people finally are convinced that what they have been doing is not the right thing, and when they turn back to you and say all right, you've talked us into it, this is too complex, too expensive, ill-adapted, transposed, what have you got to offer? and you then say, I don't really have the solution'.

The second major question discussed was whether donor countries *ought* to try to exert influence in this kind of general policy decision. Most of the British participants felt that they should not. This feeling was based largely on their view of the difficulty of making valid judgements from outside on such matters. But this was not the only concern expressed. There was also the problem of the political relationship between donor and recipient country. It was suggested that the question was whether developed countries should 'substitute national judgements of their own' for the 'national judgements' of developing countries – and back these judgements with their power and money. The developed countries ought to limit themselves to giving the best possible advice, and leave developing countries to make their own decisions; they should not try to use aid as a 'lever'. Surprise was also expressed at the American paper's statement (see page 87) that 'existing government policies, priorities and administrative capacity should not be taken as immutable, but rather regarded as policy variables'. There were unavoidable implications in certain policy recommendations. These were particularly delicate when they were made in conjunction with aid. The strong pressure on India to pursue certain policies of a liberal nature might, it was thought, be counter-productive. Similarly the ability of Britain to encourage regional development was limited; Britain could not intervene to the extent of making countries unite, even though there were obvious economic advantages in their doing so. It was also stated that Germany avoided intervention as a matter of principle; it was prepared to evaluate projects according to United States principles, but only after it had received a request for aid; Germany gave no advice on the choice of projects; there was a firm principle that the country itself must be responsible for submitting requests. Basically these arguments were arguments against the intervention of one state in the internal affairs of another.

The American answer, very clearly stated, was that by giving aid donors were intervening in any case. The question was not whether they ought to intervene but whether their intervention was beneficial. On the 'propriety' of intervention, it was suggested that: 'I think you intervene just as much by not doing anything but providing \$100m to some existing government. Essentially you are supporting whatever that government wants to do, you are making the opposition of that government unhappy because you have supported that government. You cannot say you are not intervening: you are intervening. One of the worst things that the US government has done is to give a lot of money to reactionary governments without planning strings . . . without trying to change their policies and thereby perpetuating very bad governments in power, where what we really should have done, in retrospect, was to tie some more strings. But I think we can't get off the hook by saying we don't intervene. We intervene either way. The question is, how do we intervene wisely?'

The general point that providing aid itself necessarily involved intervention was accepted by most people. The further implication, that donor countries had a responsibility to ensure that the intervention was positive and not negative, was supported in particular by the representative of the World Bank. The World Bank had been trying to obtain greater commitment to policies favourable to development in recipient countries for some time. Its efforts were increasingly accepted. Complaints of 'infringement of sovereignty' had in the past been heard much earlier in the process. Although at first the Bank's intervention might have been painful, it was becoming more and more welcome. Finance Ministers sometimes incorporated agreements with the Bank on policy measures in their budget speeches. It was important to realise how far the process had already gone.

There was, finally, discussion of how to exercise influence, given that one wanted to do so. The Americans stated clearly that when intervention had been effective, it had always been through supporting an existing group in the government. Influence could not be exerted unless some people were keen to discuss policies. It was a question of many months of discussion and dialogue to find areas of central agreement, of providing advice when asked, and of backing the policies of the local decision-makers with the necessary funds. This had been the idea of the Alliance for Progress. It was not said that the United States was trying to impose its views: this was very strongly emphasised. It had *not* been a case where the US government said: 'We devise the policy, and you'll now follow this policy.' But: 'Reasonable men can come together to reach the best possible solution.' Once they had agreed, it was useful to strengthen their agreement by creating an 'aid and policy package'. Aid should merely be one ingredient of this package; it was not, for instance, a question of saying: 'We will give you more aid if you devalue'; it was a question of agreeing jointly on certain measures. Recipient countries recognised the need for aid strings and often welcomed them

because they provided support against opposition within the country; their objection was to strings which were unintelligent, or indelicately applied. Methods must be flexible. Programme aid was the best instrument for 'leverage' (cf. American paper, page 94); but one must not use the system of 'quarterly tranche release' everywhere.

The World Bank did very much the same sort of thing. The process was not a process of making judgements from outside and then attempting to impose them. It was very much a give-and-take process, in which one tried to find agreement; complete *impasse* was rare. One of the British participants said he appreciated this account of the World Bank's persuasive efforts. But persuasion might be quite fierce. There was the story of the man who was asked whether he had persuaded another man. The answer was: 'Yes, we sat up all night, I persuaded him, and in the morning his hair was as white as the snow.' But a Frenchman supported the World Bank view of the meaning of persuasion, particularly from recent French experience in Algeria. Immediately after independence political sensitivity had been extreme; the French had been unwilling to make any criticisms or suggestions about development for fear of upsetting the political relationship between France and Algeria. But time had elapsed. A process of dialogue and adjustment was taking place, and the Algerians increasingly welcomed French advice and were prepared to discuss and listen.

There was a suggestion that this idea of a 'dialogue' between donors and recipients, which to be successful must be fairly continuous, made it essential that Britain should expand and reorganise its aid representation overseas. But there were some who felt that influence could only be exerted from inside, through the provision of good technical assistance personnel to work in the administrations of developing countries. Influence which obviously came from outside would always be resented. A Frenchman also suggested that it was doubtful whether the methods described in the American paper, which involved *ex-post* rather than *ex-ante* attempts to influence, and included a system of incentives, rewards and possibly penalties, could be operated effectively; it might create tensions that would outweigh the possible gains. The presence of technical assistance personnel in key positions in the administration of the recipient countries was probably more effective than donor field missions; in Africa governments were reluctant to take the advice of outsiders but were willing to have Frenchmen in their administrations who were their subordinates and under their control. Above all, there was the need for education: 'self-help' had no meaning for developing countries unless they were able to build up their own national, and individual, identity. Several participants also felt that the possibility of influencing depended on there being good aggregate planning in the country concerned, so that dialogue was meaningful. Success was only possible if there were enlightened and strong elements within the developing country itself; the initiative must come from them, and must be seen to be coming from them, and not from foreign advisers. It was for instance felt by some of the British that it was more important for donor countries to try to

build up the capacity to take decisions on development inside the country; otherwise, influence would be ineffective. Certainly it was felt that the idea of 'leverage' imposed obligations on the donor countries: they must increase the capacity of recipient countries to engage in a proper dialogue; they could do this partly through providing technical assistance. Several people felt that it was important to have both field missions and technical assistance personnel within the developing country's administration. The French for instance had some good people inside the administration, who were well aware of the problems of development. But there were few of them. The rest merely applied techniques according to directions from above, which might not be development-orientated and might be narrow and political. It was therefore necessary to build up the field missions, who could take a wider and more objective view, and who would provide the necessary 'intellectual back-stopping' to enable the people inside to work in the right direction. It was suggested that if the process of dialogue and influence were continuous enough, individuals might become 'blurred'. An American doubted this; he felt that what was possible and desirable was a blurring of the 'aid and policy package'.

In the discussion of methods of influencing it was also quite often suggested that it would be best to do it multilaterally as far as possible. At least the efforts of donor countries must be co-ordinated. This was felt to be important because the more donor countries intervened, the more essential it became that they should not pursue conflicting objectives, and compete in different directions. Perhaps even more important, the possibility of making mistakes was less if there was agreement between several donors, or within a large multilateral institution; as an American said, maybe one ought to multilateralise the risk of giving wrong advice. On the other hand it was pointed out that there was much dislike in developing countries of the idea of 'donors' clubs'. Finally, it was suggested by several people that there were good political reasons for greater multilateralisation of attempts to influence.

In particular a Frenchman with experience of trying to achieve the same policy changes in Africa through bilateral and through multilateral channels had found that the latter could be more effective. The political implications of exercising pressure bilaterally tended to be greater. He absolutely disagreed with the statement in the American paper that 'multilateral institutions may need to move more gradually and carefully than bilateral donors in insisting on adequate self-help measures by countries which are members of those institutions'. (This view had earlier been endorsed by an American who referred to the cautious attitude of WHO, in comparison with some bilateral donors, on the question of family-planning). He felt that bilateral aid was more likely to be suspect because it could not be motivated by economic development alone; multilateral agencies could stick much more objectively to technical and economic considerations. African governments accepted their pressure and used it in arguments against their own politicians. An American said he agreed. When the statement in the

American paper was read in context (see page 96) the paper showed clearly that the Americans welcomed attempts to promote policies favourable to development through multilateral channels. They felt that they were likely to be much more effective, for obvious reasons.

6 – Motives and objectives of aid

This session was held in the middle of the conference, and was different in kind from the rest. It had been thought that the conference, which was discussing how to increase the contribution of aid to the development of recipient countries, ought at some stage to discuss why this was important. In fact the discussion was mainly about why the governments and peoples of developed countries supported aid, and how they could be induced to continue to support it, and to increase their support. The discussion of what donor countries were, or should be, trying to do was short and inconclusive, but of considerable interest.

It was stated at the beginning of the session that there was a great danger that the aid programme was losing its impetus. The level of aid might in fact be reduced. It was therefore necessary to think hard about how aid should be sold to the public in developed countries. There was a belief that there were no votes in aid. This was true in the sense that almost nobody who got aid was a voter in the country providing aid. Therefore aid had been sold on the basis of 'hard-headed' arguments about political and economic benefits to the people who were voters. But this might be bad politics. The electorate might be more open to an appeal to its heart than its head. Aid might perhaps be sold on the basis that the motives for it were *not* selfish.

There was also the question whether it should be emphasised that aid was a long-term operation. It should perhaps come to be regarded as a transfer of resources from rich to poor on a permanent basis, rather than temporary help to put certain countries on a self-sustaining basis. Was it wise to talk in terms of 'closing the gap', when the 'gap' was likely to get wider?

There was much discussion of the grounds on which people supported aid. There was considerable sympathy for the view that aid had been sold on too narrow, short-term and nationalistic a basis. But there was not much agreement about whether it would be wise to try to work out a convincing rationale of aid and attempt to substitute this for the variety of sometimes petty reasons which at the moment induced people to support aid. Some people felt that all motives that contributed to raising the aid level should be made use of. Others that the old reasons – anti-communism, historical and sentimental connections – were losing their force, and new ones must be found. Several people thought it was foolish to go on 'kidding ourselves' that most people's reasons for supporting aid were not basically

'moral'. It was felt for instance that public opinion in the United States would respond to an appeal to its humanitarian instincts, much more than had been thought. It was necessary to be more candid about the long-term nature of the aid effort, and not to go on trying to 'fool people a year at a time', as the United States administration had been doing.

There was some disagreement about how necessary it was to convince the United States Congress that there were good hard-headed reasons for aid. It was suggested that what was really needed was a strong political initiative from the President, and that, given a sense of urgency, it would not be difficult to get an increase in the aid bill from \$2 billion to \$3 billion through Congress; this 50% increase in the aid bill would be a mere fraction of the increase in tax revenues, which was at present about \$6 billion a year. For the other three countries public opinion on aid was basically favourable, but there was a fear that this might change, and a tendency to accept the idea that aid was unlikely to increase.

There was also some discussion of the arguments advanced in the ODI paper. It was rather generally felt that the emphasis was put too exclusively on the word 'moral'. The phrase from the British White Paper on aid was thought by some to be nearer the truth: 'We give aid because in the widest sense we believe it to be in our interest to do so as a member of the world community.' This was not simply a moral question, in the sense that donor countries had no self-interest in providing aid. It was not in their interest to live in a world in which people of different races, some of whom had been colonised by the others, had totally different standards of living, with a widening gap between them. If the situation was allowed to persist, it could lead to discontent and unrest and a general deterioration in international relations. It was argued on the other hand that, since the rich nations were stronger than the poor, they could not be compelled by force to share their wealth; if they chose to do so, the rich could destroy the poor. The reasons for their trying to find other means of countering the possible danger were basically moral. But it was also pointed out by one participant that it was partly a question, for the rich nations, of preserving their own civilisation. He could not, for instance, imagine the Americans killing more than ten million Chinese without also destroying their own civilisation and values.

These differences of opinion were to a considerable extent based on differences about the meaning of the word 'moral'. But some participants felt that giving aid was more directly and clearly a question of self-interest. For instance it was claimed by one or two people that the rich countries could not go on getting richer unless there was an expansion in the world economy, which meant the poor countries getting richer too; aid could be justified on the same principle as saving, and meant denying pleasures now in order to have more later. It was felt by others that the ODI paper destroyed some illusions, and that this might be salutary. But it was also argued by an American participant that the paper dismissed too casually the argument that economic development could promote the long-term political interests of donor countries, in the wildest sense. It was at least

certain that if there was no aid, political conditions would be worse. Aid could, as more was learnt, improve stability and promote good economic performance with 'satisfactory political development' in the sense of a greater satisfaction of needs, and more representation. The 'anti-Communism' arguments in American justifications of aid were for the consumption of unsophisticated people. Development and stability would be in the political interest of industrialised countries even without the Cold War.

There was, finally, a plea for less complacency. It was asked whether we really meant what we said. If we meant either that we were trying to achieve development out of charity or a feeling of solidarity, or that we were trying to eradicate a revolutionary threat, we meant much more than what had been said at the conference. We would surely go much further. We would not wait until the pressure of events forced us to take steps that would one day be inevitable. Or were we 'just trying to sing a song and put ourselves to sleep with it'? There was a disturbing impression that we were just paying 'lip-service to our consciences'. We ought to have 'the boldness to think of steps that would be more than just lip-service'.

This attack on complacency was partly taken up in the concluding session of the conference. An alarming acceptance was noted of the idea that aid 'would not increase' and 'might even be reduced', even among the conference participants. It was no good waiting for public pressure for more aid to build up; this might never happen, and was possibly not essential. We should not shelter behind discussions of why parliaments or people did or did not support aid. What was needed was a strong initiative from above, more political will, and a sense of urgency.

It was also re-emphasised that improving the effectiveness of aid was in no way a substitute for increasing its volume, and ought not to be presented as such. The British government in particular tended to stress that its reason for trying to make aid more effective was that its volume was to be restrained. In fact a great many of the measures proposed to increase aid effectiveness, especially the much greater stress on incentives for good performance and examination of development policies and progress, depended for their success on *more aid being available*.

2—Conference Papers

A Aid Administration at Home and Overseas

Written in the Ministry of Overseas Development, London.

1. Development aid arose as a function of existing departments of government, but has subsequently emerged as a recognisable and separable activity.

2. In the years following the Second World War, activity in the field of development aid steadily increased. Initially, effort had been concentrated on the colonies, but as increasing numbers of these became independent Commonwealth countries continuing to receive aid, the arrangements for aid administration inevitably became diversified, having in these cases passed from the responsibility of the Colonial Office to that of the Commonwealth Relations Office. Aid was also increasingly given to foreign countries. In the latter case the Foreign Office was involved, and also had acquired certain responsibilities in relation to multilateral aid programmes.

3. Thus, initially, the administration of aid was largely carried out by the three overseas departments dealing respectively with foreign, Commonwealth and colonial affairs. In addition, certain functional departments had responsibility for relations with the specialised agencies of the United Nations, including those in the field of development aid.

4. Until 1961, responsibility for development aid was divided among United Kingdom departments as follows:

The Treasury was responsible for general aid questions and thus effectively for the extent of the aid programme, general policy on the terms and conditions of development assistance, and the broad division between different kinds of aid. It was responsible for our relations with the International Bank for Reconstruction and Development and its affiliates. The Treasury also exercised its normal function of financial control over individual departmental aid proposals and over the Votes or Exchequer advances from which aid expenditure was financed.

The Foreign Office, Commonwealth Relations Office and Colonial Office were responsible for capital and financial aid to countries within their respective spheres of responsibility, for making proposals in that respect to the Treasury, and for negotiating offers of aid with the governments of those countries. In the case of the colonies, that responsibility formed part of the responsibility of the Secretary of State for all aspects of colonial administration.

The Board of Trade was closely concerned with the provision of aid – particularly tied aid – from the point of view of its bearing both on our

commercial relations with the recipient countries and on the affairs of the supplying industries in this country.

The Export Credits Guarantee Department was responsible for the technical task of ensuring that tied loans introduced following the Commonwealth Trade and Economic Conference in 1958 were expended on British goods in accordance with the terms of the relevant loan agreements.

The Ministry of Agriculture, Fisheries and Food, the Department of Education and Science and the Ministry of Health had responsibility for aid matters in the work of the FAO, UNESCO and WHO respectively.

Apart from the normal process of consultations between departments, the formal co-ordination of work was carried out by an inter-departmental committee structure. There was, however, no committee whose terms of reference were solely concerned with aid.

5. By 1960 it had become apparent that greater co-ordination at least of Britain's technical assistance programme was needed. This led to the creation in 1961 of a new department of government – the Department of Technical Co-operation (DTC). It was established by virtue of the Department of Technical Co-operation Act, 1961, which described the main functions of the department as 'co-ordinating, promoting and carrying out arrangements for furnishing countries outside the UK with technical assistance, including, in particular, assistance in the fields of economic development, administration and social services'.

6. Staff of the Overseas Departments engaged on technical assistance work were transferred to the DTC and were organised into three main categories: geographical, subject (e.g. education, natural resources) and functional (training and recruitment). In addition, 29 professional and technical advisers to the Secretary of State for the Colonies were transferred to the DTC and provided specialised knowledge of various fields in which they had accumulated considerable overseas experience.

7. A number of organisations established under the aegis of the Colonial Office to carry out technical tasks such as mapping and geological surveys were also transferred.

8. The creation of the DTC was followed by intensified activity in certain areas of technical assistance. In the fields of training in Britain and recruitment of people to work overseas, there was a considerable increase in tempo and a widening of the scope of technical assistance. It became clear that there was often the need to co-ordinate policy on a capital aid project originating in any one of the Overseas Departments with the related technical assistance operation, which could precede it (feasibility study) or follow in its train (management assistance and training), and the fact that responsibility for the two aspects was not held in one department hampered the process. The creation of the DTC, although bringing improvement in the co-ordination of technical assistance, had still left the financial part of aid administration dispersed among a number of departments. It could be argued that it was better to retain this major responsibility in the depart-

ments with general responsibility for relations with the countries receiving aid, and a balance had to be drawn between what might be described as geographical considerations on the one hand and functional considerations on the other.

9. In October, 1964 the new Labour Government on assuming office decided to put the whole of the British economic aid programme under one Ministry. Considerations in favour of such a step were, briefly, that:

- (a) aid is a major activity of government and a significant element in relations between developed and developing countries. The most efficient way to determine the amount of resources to be devoted to this activity is to have a single Minister to assess priorities and present a co-ordinated programme of action;
- (b) where there is a division of responsibility for external relations, there is advantage in centralising the available information, to keep the total aid effort under review and to take the initiative in identifying areas where additional assistance is required. Thus one Ministry studying problems of various less developed areas in depth would enable development needs and capabilities to be identified and the aid and assistance from Britain to be determined in a coherent manner;
- (c) the existence of a separate Minister with no other departmental responsibility would act as the focus of governmental and public interest in the aid programme and facilitate fresh initiatives in this field both at home and internationally;
- (d) the increase in the pressure of international discussions and action on aid exemplified in the UN Conference on Trade and Development would be more readily dealt with if one Minister and one department had prime responsibility for handling it;
- (e) the importance of the management of the aid programme was increasingly recognised. In general, the developing countries welcome help designed to put aid to the best use and such help is best provided through a single Ministry.

10. The Ministry of Overseas Development (ODM) was created in October, 1964, having as its broad scope of responsibility:

- (a) the aid programme as a whole and its make-up as between bilateral and multilateral aid and between capital aid and technical assistance;
- (b) the terms and conditions of capital aid and the principles on which technical assistance is granted;
- (c) the size and nature of the aid programme for each country;
- (d) the management of capital aid and technical assistance;
- (e) relations with international aid organisations;
- (f) the UK interest in UN programmes of technical assistance;
- (g) liaison with voluntary bodies operating in the same field.

In all these matters the ODM has the duty to work in harmony with other government departments concerned, including in particular the Overseas

Departments, the Treasury, the Department of Economic Affairs and the Board of Trade.

11. The new Ministry took over all the functions of the former DTC and, in addition, the development aspect of work of other departments described in paragraph 4. Because of the importance of the development activities of UNESCO and FAO, the ODM was also given responsibility for HMG's relations with those bodies. The organisation of aid and its management was again arranged administratively on the basis of the three main divisions of geographical, subject and functional responsibility (see para. 6). An important new development was the creation of an Economic Planning Staff with functions including close participation in the formulation of proposals for the aid programme, and the provision of economic advice, both within the Ministry and as asked for by them, to governments of developing countries.

12. The *geographical departments* have responsibility, within their own areas, for dealing with the assessment of the needs of the individual countries and controlling the detailed deployment of financial resources, professional techniques and expert manpower available in Britain to meet them. To do this, the departments need to build up knowledge of the economic and social needs of the recipient countries and the political background to those needs. This knowledge is drawn from British posts abroad, from the Overseas Departments and from many parts of the Ministry itself. They are also concerned with liaison with other donor countries and organisations. Members of the Geographical Division of the Economic Planning Staff work alongside the geographical departments and participate in this work. The *subject departments* are the means of contact with potential sources of supply of technical assistance etc. in Britain and maintain relations with official and non-governmental bodies which have experience, expertise or funds which can be made available for development aid in the various fields such as education and medicine.

13. Other departments deal with overseas appointments and with the training in the UK of people from overseas. There are also departments to deal with the co-ordination of aid, with general co-operation with other donors bilaterally and internationally and with British policy on development in the UN and its regional commissions.

14. The *Economic Planning Staff* has responsibility for the formulation, from the economic standpoint, of the Ministry's views on general development questions such as the objectives of aid policy, the size and distribution of the aid programme, the terms and conditions of aid, and policies (other than aid) which affect overseas development. It is also responsible, in consultation with other parts of the Ministry concerned, for the Ministry's part in formulating British policy on commodity questions and international monetary reform. In addition, it is responsible for:

- (a) providing economic and statistical services for the Ministry;
- (b) in conjunction with the Overseas Appointments Division, participating in the selection of economists and statisticians for work

overseas and in the exercise of the Ministry's responsibilities with regard to the appointment of those financed by the Ministry and working in British institutions, such as universities, on the problems of overseas development;

- (c) planning, in conjunction with the training department, the training of economists and statisticians for work overseas;
- (d) arranging, in conjunction with the Finance and Science and Technology Departments, the Ministry's programme of economic research;
- (e) providing briefing and representation on economic and statistical matters concerning overseas development;
- (f) work in the fields of commodity policy and policy on international monetary issues.

15. Aid policy is not considered in isolation from other aspects of external policy, or indeed from questions of domestic policy. In principle, there is no difference between the way in which the activities of the Ministry of Overseas Development are co-ordinated with other government activities, and the way in which the activities of any other government department are so co-ordinated. The system rests on the collective responsibility of Ministers. In the British system, it is implicit that Ministers, or their officials on their behalf, will consult about proposals which may impinge on each other's fields. In practice, this means frequent, even daily, contact between officials on many matters. This contact is furthered by the existence of inter-departmental committees and groups. Some of these groups are primarily concerned with matters of policy. Others deal on a systematic basis with the execution of policy where a number of departments are, or may be, concerned. Through such arrangements the Ministry of Overseas Development is kept informed of, and given an opportunity to intervene in, consideration of relevant aspects of financial, commercial, educational, industrial and other spheres of government activity. In many cases, the interest of the ODM may be peripheral or non-existent, but the regular circulation of papers serves to bring to light aspects of policy which may have a bearing on overseas development which it might not otherwise have occurred to the originating departments to bring to the notice of the Ministry of Overseas Development. Departments most regularly concerned in such consultative arrangements are the Treasury, the Department of Economic Affairs, the Foreign Office, the CRO, the Colonial Office, the Board of Trade, the Ministry of Agriculture, Fisheries and Food, and the Department of Education and Science. The result is not to give automatic primacy to aid, or to any other activity. It is a question of harmonising policies in the light of all relevant considerations, and ensuring that such considerations are brought to notice at the right time in the appropriate quarter. It is not claimed that this is achieved without any possibility of error. The ODM interest is not limited to the direct business of aid-giving, but extends also to HMG's relations with other donors including the multilateral agencies

of the United Nations. In the latter case, this involves necessarily close consultation with, e.g., the Ministry of Health (in relation to WHO) and with the Ministry of Labour (in relation to ILO).

16. The ODM was established as part of the British Home Civil Service and not as part of the Diplomatic Service. Work on aid questions can benefit from the degree of continuity which the existence of a departmental cadre can give. This is particularly the case in the field of technical assistance where a knowledge of the specialist bodies in Britain engaged in aid-giving activities (both public and private) and experience in dealing with them is of great importance. These considerations apply to administrative and executive staff as well as to professional staff. Knowledge and experience of overseas conditions is also necessary to the work of the Ministry. As far as professional staff are concerned, it is a condition of appointment. In other grades, particularly the administrative grade, there are many officers who have served abroad, and it is the practice to arrange exchanges between the ODM and the Diplomatic Service with the dual object of importing direct experience of overseas affairs into the Ministry, and spreading an acquaintanceship of our development aid activities in the Diplomatic Service.

The Ministry has also been strengthened by the addition of about 15 economists and statisticians. Most of these are not career officials but have come in on secondment from universities, institutional bodies or elsewhere: this inflow of outside experience is of great value.

17. The administration is supplemented by the professional advisers already referred to, all of whom have had overseas experience, mostly for many years. Apart from the Ministry's own advisers on professional and technical subjects it also has access to advice from members of organisations partly or wholly financed from funds controlled by the Ministry and members of other government departments or non-governmental organisations acting as advisers or consultants. The duties of advisers can be summarised as follows:

- (a) to advise the Ministry on the technical and professional merits of proposals and the subjects on which aid could usefully be extended;
- (b) to tap sources of professional and technical knowledge in the UK and to relate them to projects with which the Ministry is concerned, mainly in tropical conditions;
- (c) to advise on technical questions submitted by overseas governments whether or not ODM functions are involved, and similarly to advise on any requests for development aid;
- (d) to assist in the recruitment of professional and technical officers by participation in selection boards and by making use of professional contacts; similarly, to advise on training;
- (e) to represent HMG at international conferences on the subjects in which they are specialists.

In all these fields the advisers work in close co-operation with the administrative divisions of ODM to whom their advice is available.

18. The ODM also has direct responsibility for the following organisations whose resources are available to the Ministry both in an advisory capacity and in connection with the provision of technical assistance:

- (a) the Directorate of Overseas Surveys
- (b) the Anti-Locust Research Centre
- (c) the Inter-University Council for Higher Education Overseas
- (d) the Council for Technical Education and Training for Overseas Countries
- (e) the Tropical Products Institute
- (f) the Tropical Stored Products Centre
- (g) the Tropical Pesticides Research Unit.

Further advice and assistance are also available through the Medical and Agricultural Research Councils and other similar bodies.

19. The private sector has a large part to play in overseas development. The Ministry is involved with the private sector in a number of ways. It draws on the advice and other facilities of private organisations and firms in mounting technical assistance and other projects. It co-operates with the voluntary organisations responsible for sending volunteers to developing countries, and assists the organisations financially. It is ready to exercise a co-ordinating and consultative function in relation to other private forms of assistance to developing countries and maintains contacts with such bodies as Oxfam, War on Want, and Christian Aid. In the field of education, it derives great benefit from its association with the unofficial bodies active in the field, universities, technical colleges, etc. It also works in close and continual contact with the British Council; in addition, it obtains help from local education authorities in Britain. In its economic work the Ministry also profits from a wide range of contacts in academic and consultative bodies. These have done much to stimulate informed public discussion on problems of development aid with consequent advantage to the Ministry and to the administration of aid in the broadest sense.

20. Proper arrangements for the management of aid operations overseas are one of the most crucial parts of aid administration. The evolution and administration of an aid programme is a continuous process which requires close collaboration with the agencies of the receiving government in its own country. This function is exercised mainly through British diplomatic missions. Work on aid is regarded as an integral part of their functions because it is an integral part of the relationship between donor and recipient country. It must therefore come directly under the control of the British Ambassador or High Commissioner, and is carried out by officers forming part of the diplomatic mission itself, and not only that, but officers in the Chancery rather than attachés. It is necessary, as with other functions of a mission, to give particular officers special responsibilities for the work on aid; and in cases where the volume of

activity justifies this, the whole work of such officers is on aid administration. At the beginning of 1965, the number of officers in British diplomatic missions (from Counsellor down to Third Secretary) exclusively concerned with aid was 23, and 110 other officers dealt specifically with aid as well as other matters. By the end of the year these figures had increased to 43 and 130. Many of those officers, particularly those dealing with aid part-time, are drawn from the Diplomatic Service itself. But great value derives from interchange of experience between the ODM and the Diplomatic Service. Seven officers of the ODM are accordingly serving on secondment in diplomatic missions and a number of diplomatic service officers are on secondment to the ODM. The number of officers engaged whole-time or part-time in dealing with aid operations in British diplomatic missions overseas has increased substantially in recent years. But it is doubtful whether the numbers are yet adequate to carry out the tasks which have to be effectively performed if aid is to be fully efficient. At the present time of financial and economic stringency, there are strong grounds for limiting British Government administration expenditure overseas. Nevertheless, some informed observers regard the British aid programme as one of those which is under-administered, and it cannot yet be said that the scale of British aid management overseas is satisfactory; this is one of the most important and most difficult problems facing the ODM.

21. In order to carry out their functions, diplomatic missions must maintain a steady interest in the economic and development problems of the countries to which they are accredited in order to be able to envisage the existing or potential British contribution in the context of the development programme as a whole and of the resources available both domestically and externally to further it. Specifically, it is their duty to:

- (a) keep in touch with the thoughts and plans of the local Ministries responsible in the expectation that this will lead to the discovery of suitable projects, and will also help to make the administrative task of formulating requests for assistance as simple and straightforward as possible;
- (b) give what help they can towards the progress of technical assistance schemes and to see that the experts provided are used to the best advantage;
- (c) assist in the vetting of trainees from candidates put forward by the recipient government, so as to ensure that they are capable of profiting from the training proposed; for example, a knowledge of English may be necessary, and this must be checked (a compendium on training courses is issued to posts by the Ministry of Overseas Development);
- (d) report on results achieved;
- (e) provide a link with the aid-giving agencies of other countries and those of international organisations like the United Nations so as to encourage as far as possible co-operation among the aid-givers (it may be noted that consideration has been given

in the DAC to the formulation of guidelines for technical assistance which should serve to reinforce co-operation between diplomatic missions of donor countries).

Missions are issued with instructions about the handling of correspondence in the various branches of development aid with special reference to the appointment of experts, the making of arrangements for trainees, and the supply of equipment. Circulars are issued from the Ministry of Overseas Development to diplomatic missions as occasion demands to inform them of such matters as the current and forthcoming scope of the aid programme, or the detailed procedure for arranging consultancies.

22. Where expert professional or technical advice is necessary, as at some stage it almost invariably is, in the preparation of a programme or the elaboration or execution of a project, the main source is in the Ministry in London or other official or unofficial bodies in Britain – these sources are secured through the Ministry. Professional and technical staff of the Ministry, and other advisers, travel frequently to developing countries to deal with particular problems or to keep abreast of the conditions in which their advice will be applied. The advantages of concentrating such staff in London are that (a) a wider range of technical and professional disciplines can be covered than would be practicable in a number of separate missions overseas, (b) there is close contact with scientific and technological developments in the United Kingdom which it is the aim to apply to helping developing countries, and (c) experience built up in respect of one overseas area is more readily brought to bear on problems in another. There is admittedly the disadvantage that the staff concerned have less complete knowledge of particular local conditions than would be the case if they were resident in recipient countries. This factor has led to the appointment of officers with particularly appropriate professional qualifications to missions in countries with large programmes in a particular field. There is an agricultural adviser in the mission in Nigeria; another is to be appointed in Kenya. It is also a reason for the establishment of regional development divisions.

23. The Middle East Development Division, with eight professional advisers under a Head of Division who is an administrator with long experience of overseas work on development, has been established for a number of years. It provides specialist advice and undertakes the study of problems for government in the regions it serves. It also advises British posts in the region, the ODM and overseas departments in London on development aid questions. It does not itself administer aid, which is not its function. Its officers have wide experience of the area and they have proved as valuable an instrument in the field as any that now exists. The work of the division has helped to make more effective the development programmes in the CENTO countries and the rest of the Middle East. Following the success of this division, it was decided during 1965 to establish a division in the Caribbean, with similar responsibilities to the Middle East Development Division. Initially, the division will provide

expert advice to the governments of the British dependent territories in the Caribbean both in general terms and on specific projects, but its advice and help will also be available on request to other governments in the region, both Commonwealth and foreign. The division will also advise the British Government and British representatives in the area on economic and social development and the scale, content and handling of British aid programmes in the region; like the Middle East Development Division, it will not itself administer aid. The Division is headed by an Administrator and will consist of six advisers in the following fields: economics, agriculture, education, public works, and finance (two posts). The Head of the Division has taken up his appointment and arrangements for the recruitment of the advisers is well-advanced. The Division is intended to become fully operational by mid-1966.

24. It remains to mention the important part played by the British Council in the development field. The Government in recent months has agreed that one third of the Council's funds, representing approximately the cost of its education work and other technical assistance in developing countries, should be provided by the ODM. This decision was taken in recognition of the fact that such work should rightly be regarded as development aid. An examination is now taking place between the ODM and the British Council of means whereby collaboration between the two bodies in the administration of educational assistance, both in Britain and overseas, can be increased and made still closer, particularly in such matters as training and recruitment, in which the Council already plays a highly significant role.

25. The administration of aid is a complex subject involving the interaction of public and private bodies in donor and recipient countries. It requires a flexible organisation with experience and knowledge of conditions in both countries. It must be able to interpret the needs of developing countries in terms of resources available in the donor country; and adapt the technical and other resources of the donor country to the conditions in which they are to be applied overseas. The personnel involved in this in the case of Britain include a wide range of professional and technical staff, together with administrative, executive and other officers, some of whom need special knowledge of specialist bodies and activities in Britain, some of whom need special knowledge of conditions in overseas countries and experience in dealing with their governments, and as many as possible of whom should have some experience of both. As explained in paragraph 20, one of the most important and most difficult problems facing the ODM is the best way of seeing that aid management overseas is provided on an adequate scale through British diplomatic missions.

B Terms and Conditions of Aid

Written in the Federal Ministry for Economic Co-operation, Bonn.

(a) Interest rates and repayment periods

1. The rate of interest for credit granted from public funds is not usually fixed according to market conditions. It follows other criteria.

The purpose for which a loan is made may serve as a criterion by which the rate of interest is fixed. The question is: is the project to be financed from the credit a commercially remunerative one or one which is not commercially remunerative, for example an infrastructure project? The first instance justifies a rate more in line with the market conditions – something in the region of 5% to 5½%. The second would call for a considerably lower rate – something like 3% (project-based interest). Repayment periods may vary accordingly: between 10 to 12 years for remunerative projects and 20 to 25 years for infrastructure projects. In fixing the rate of interest the general state of the economy of the developing country concerned must also be taken into account, especially its position with regard to foreign debt, maturities, rate of growth in production, savings and export earnings.

The Federal Government, when fixing rates of interest for capital aid credits, works mainly on the principle of *project-based interest*, at the same time taking into account to some extent the general economic situation of the recipient country. In future, in view of the disturbing increase in foreign debt incurred by most of the developing countries, more importance will be attached to the general economic aspects. In order that both criteria may be applied as appropriate, the instrument of the 'two-step loan' will be used to a greater extent than hitherto.

Interest has a selective function, i.e. it has the effect that the recipient of credit only takes up credits for projects of high priority. At the same time it provides a corrective influence. The need to husband the resources required to service the capital increases the probability that the loan funds will be used with the degree of care the provider of credit would wish.

2. Credit is as a rule obtained by those who demonstrate their credit-worthiness. A recipient of credit will therefore, before receiving it, be at pains to maintain a strong financial position and thereby improve his 'standing'. Equally, the necessity of servicing the capital in subsequent years, which is associated with the acceptance of credit, will cause the recipient to deploy his resources in such a way that his ability to repay the loan is strengthened.

Arising from this it may be assumed that development aid in the form of credits demands a greater sense of financial responsibility from the authorities concerned in the recipient country, than would capital made over as a free grant. Furthermore the obligation to guarantee liquidity and transferability during the whole repayment period contributes to the development of economic consciousness. It would hardly be possible,

however, to quantify such developments, which belong rather to the field of psychology than to economics, or to show them as stages of progress towards a distinct sense of financial responsibility.

Besides the economic functions which interest and repayment obligations have, there is also a politico-psychological factor. Public opinion and parliaments in the donor countries may be expected to show a more sympathetic attitude towards aid for the developing countries in the form of credits than in the form of grants. Balance of payments considerations in the donor country would as a rule have less importance.

3. Development aid in the form of grants may be reasonable in particular circumstances and for particular purposes. There is no generally applicable yardstick for deciding what proportion of the total aid should be given in this form; it may be said, however, that this proportion should be correspondingly greater, the lower the country's stage of development is.

German technical aid, which accounts for a considerable part of development aid given by the Federal Republic, is provided almost exclusively in the form of grants to the developing countries. The objectives of technical aid are in particular:

- to provide 'know how', e.g. by sending experts, advisers and planners, by carrying out surveys and by setting up agricultural and vocational training centres;
- to supply initially the means of agricultural production (fertilisers, products for crop protection, seed-corn, breeding cattle, implements).

It is worth noting that development aid provided by the multilateral organisations in many cases takes the form of grants, e.g. the EEC Development Fund, the World Food Programme, the Indus Basin Fund.

4. The Federal Government is at pains to adjust its terms for capital aid loans by and large to the average rates recommended by the DAC. This has led recently to a considerable easing of terms for German capital aid. Of importance here is the consideration that, in the face of the growing debt burden in most developing countries, re-financing may frequently be avoided by the establishment at the outset of realistic terms.

The way in which terms may most appropriately be eased depends on the circumstances of each individual case. In the case of a commercially remunerative project in a country temporarily beset by transfer difficulties, interest rate and repayment period can, for instance, be fixed according to an accepted standard rate; the grace period, however, should be arranged in such a way that the country concerned can overcome its balance of payments crisis. In the case of a country in which balance of payments difficulties are likely to persist over a long period, on the other hand, it would be more appropriate to extend the repayment period so as to keep the annual burden on the country's balance of payments as low as possible. In the case of commercially unremunerative projects the easing of terms should be done primarily through the rate of interest; a total waiver of interest, however, should be avoided. Non-repayable grants should not be made outside the framework outlined in (a) 3.

(b) Tying and local costs

5. In principle it is desirable that developing countries themselves should pay those costs of a project which are payable in the national currency. In many instances, however, the country's financial capacity is so small that a rigid adherence to this principle would either jeopardise the execution of the project and the progress of development plans or lead the authorities to an inflationary creation of money.

6. The exclusive financing of foreign exchange costs is often not practicable. The most common reason for this is the fact that, as already indicated in (b) 5, developing countries refuse to finance the entire portion of the cost to be paid in national currency on the grounds of inadequate financial resources, or later are unable to fulfil their obligations, or because of fears of financing through the printing-press.

Financing local costs has the direct effect of subsidising the balance of payments of the country concerned.

7. The financing of local costs by a donor country could be made possible, without at the same time increasing its balance of payments burden, by a combination of several development aid measures, for example by making the enterprises or consumers in the developing country pay for the goods supplied in the way of development aid in local currency. The resources created by this procedure should be paid into a counterpart fund, the special purpose of which is to finance local costs in development projects.

8. Procurement-tying in aid agreements prevents the recipient country from obtaining the most favourable offer as regards price and quality on the world market. The disadvantage which this can create for the developing country can in certain circumstances more than cancel out the advantage of favourable credit terms. Moreover tied credits, especially when they cover a large part of a developing country's import requirements in certain commodities, can seriously disrupt its traditional flow of trade.

The Federal Government pursues a practical policy with regard to tied aid. It adheres basically to the principle of not tying. An important factor in decisions made in individual cases, besides the consideration of German interests and those of the recipient country, is that the German economy may suffer from tying imposed by other donors.

The Federal Government supports the principles adopted in the DAC Resolution of 23rd July 1965. On the other hand it is important to consider the domestic political effects of granting untied credits. In the long term the only possibility is a gradual abolition of tying by international agreement. But this will require common action by all donors.

(c) Projects and programmes

9. The Federal Government, as a rule, grants capital aid for specific projects of particular importance in development policy. It assumes that the effectiveness of aid, in most developing countries, is best assured when the donor country has a right to be consulted on the selection of the project. A number of countries, whose economic development is at a more advanced

stage (India, Pakistan, Turkey), have been given programme aid to a greater extent; also to a considerable degree in the form of commodity aid and maintenance support credits, which can be of particular use in financing imports needed to bring idle plant into operation (foodstuffs, raw materials, semi-finished goods, spare parts, etc.). Credits to development banks represent a third form of aid, between project and programme aid. The development banks are normally given these credits to promote the construction and extension of small and medium-sized enterprises in the private sector by granting credit and by other measures of development policy.

10. The German view is that for most developing countries project aid is the most suitable form of aid. Consultation with the donor countries in selecting the projects serves to ensure a meaningful arrangement of priorities and a greater influence on the economic use of resources than would be possible in the case of programme aid. All the same, for countries at a more advanced stage of development programme aid may be considered, particularly when a more continuous influence on the economic processes is to be preferred to isolated measures.

Since, however, development aid in each case only affects a relatively small part of the total economy of a developing country – under whatever form it is given – the only decisive condition for its success, in the final analysis, is the pursuance by the country concerned of a realistic economic policy.

The German view is that development aid should be given free of political obligations. It may be appropriate to recommend, in the interests of the recipient country, that efforts should be made to effect changes in economic and social policy, as long as no provisions of domestic or international law stand in the way. The practicability of such stipulations is mainly determined by the importance which the aid has for the recipient country. Because of possible political effects any attempt to influence the economic and social policy of a developing country should, as a rule, be reserved for multilateral action.

C The Role of Technical Assistance

Written in the Secretariat of State for Foreign Affairs in charge of Co-operation, Paris.

It is not intended, in this paper, to examine all the problems arising from the French policy of 'cultural and technical co-operation'. The paper is based on the example of the French-speaking States in tropical Africa, and it will set forth the present thinking of the Secretariat of State for Co-operation, under three main themes:

- changes in personnel and structures;
- changes in methods;
- human resources required to meet these changes.

I. Changes in personnel and structures

The evolution of French technical assistance to the African States and Madagascar tended, during the years following independence and in sectors other than education, towards a progressive freeing from the colonial inheritance. At first, the objective of technical assistance was primarily to give meaning to the existence of States striving to survive, and to prevent their administrative collapse. But the personnel supplied by France were intended to become gradually involved in development and growth, rather than in mere 'stop-gap' activities. Thus it was planned to reduce their numbers and free them from operational and management responsibilities, so that they might shift their activities towards training.

It was therefore anticipated that there would be a fairly rapid decrease in personnel and a transformation of the structure of French technical assistance. But it now looks as if this shift in emphasis, although perceptible, will occur considerably more slowly than was expected. This is so because, at the same time, further changes occurred which tended to increase the 'operational' character of technical assistance.

1. The decrease in personnel occurred less rapidly than had been thought:

- in most States it took longer to train local staff able to take over from technical assistance personnel than had been hoped a few years earlier. There have been many reasons for this short-fall: students and trainees returning late, failures at examinations, change of course during studies. Some sectors or posts were not given enough attention: justice, medium-level financial administration, etc. Sometimes because they had been too rapidly trained, the newly trained local staff were unable to take over fully and effectively from French administrators and technicians;
- increased demands in personnel came from new administrative departments. Their establishment was a natural consequence of the new requirements of economic development and of the desire of young States progressively to create a governmental structure able to promote national unity. In addition, technical assistance require-

ments were often artificially inflated by the maintaining or the establishment of administrative structures which were too heavy and too complex, since they had been modelled on the French administration without sufficient adaptation, or inherited from the colonial past;

- in view of the insufficiency in numbers and quality of local staff able to replace technical assistance personnel, and in view of the increasing demands, rapid replacement of French technical assistance could not be considered. A policy of systematic reduction, without sufficient precautions being taken, would have had serious results; it would have compromised the smooth working of the public services of the States, which obviously represents the primary condition for their development;
- complete Africanisation of middle-level jobs came up against increasing difficulties. It even became essential to proceed in some cases to additional recruitment of French technical assistance personnel at this level to strengthen the local administrative services, in particular in the financial fields.

2. As far back as 1961, the Ministry of Co-operation endeavoured to ensure a better distribution of personnel by levels of responsibility, giving priority to advisory and policy-formulating activities as opposed to hierarchical and operational positions; it was intended that the level of French technical assistance personnel should be raised to the level of qualification of experts from international agencies.

This policy now faces three limitations: some operational tasks can only be handled by technical assistance staff; hierarchical responsibility is sometimes closely connected with advisory responsibilities; finally, technical assistance personnel are not always capable of taking over the tasks of advisory experts, because of the nature of their skills or their working habits.

3. However, considerable transformations have been found necessary to increase the 'operational' character of technical assistance and thereby its effectiveness.

(a) It is only recently that this need has been stressed. After independence the maintaining of expatriate staff had, as its fundamental objective, the avoidance of administrative collapse in the young States through the provision of a sufficiently substantial and wide-spread network of support. Compared with this primary aim, effectiveness was a relatively secondary consideration; even in the economic sectors (agriculture, public works) it seemed less necessary than it does today to concentrate the available technical assistance on a certain number of geographically and sectorally well-defined operations. Moreover, a kind of division of labour between 'direct' and 'indirect' technical assistance seemed generally acceptable. 'Classical' technical assistance was given by personnel directly supplied by France, while development operations were reserved for semi-public or private companies acting indirectly under contract terms, agreed to either by the local government or by the French government.

Transformations which have occurred during the past few years, in particular during the last two, have brought about further questioning of these conclusions. A progressive Africanisation of operational posts formerly held by technical assistance personnel has occurred, entailing a reduction in the support offered. It would however, have been dangerous if this reduction had been carried out uniformly in all sectors and in all regions: by becoming too 'loose', the network would have run the risk of losing all its effectiveness. Attention was turned towards a different solution: while 'supporting' technical assistance was maintained when this was unavoidable, every attempt was made, as far as was possible, to concentrate technical assistance on sectors and tasks considered to be of primary importance. But such concentration, to work well, had to be closely integrated with investment operations. It had to allow for the constitution of teams of technical assistance personnel, adequately equipped with material, for well-defined development activities. The three fundamental aspects of the policy of increasing the operational character of technical assistance are: an attempt to link more closely technical assistance and capital aid, gradual concentration of technical assistance on operations entrusted to homogeneous teams, and the adoption of a flexible policy of backing up personnel with the necessary technical support so as to increase their effectiveness.

(b) To ensure the integration of technical assistance and financial aid it was essential first to establish close co-operation between the two departments of the Secretariat of State responsible, respectively, for determining the investment programmes financed by the *Fonds d'aide et de coopération* (FAC), and for carrying out the policy of supplying personnel.

Regular procedures for consultation were set up; mixed missions, containing representatives of both departments, were sent to the various countries. In some cases, we went even further. We 'programmed' over a period of several years, within the framework of the development plans of the States, the aid to be given both in the form of investments and in personnel.

It should be noted that the integration of technical assistance and financial aid can take on several varying and sometimes contradictory aspects.

It means sending extra personnel to enable an operation to be carried out effectively; it also means choosing projects to be financed by France which will lead to the optimum use of existing technical assistance personnel; for instance, the building of a public health centre when a medical team is already available. On other occasions, capital aid must be subordinated to the possibility of finding the required technical assistance. Finally, there must be close co-ordination between 'direct' and 'indirect' aid, with, in general terms, the central administration being responsible for policy-making and supervision, but leaving responsibility for development activities in the field to the 'indirect' aid provided through semi-public or private operational agencies.

(c) At the same time efforts were made to achieve greater efficiency in

technical assistance by equipping technical assistance personnel with the supporting staff and material necessary to enable them to carry out their task.

This policy is still only in very early stages. It must be carried out with great caution. As far as possible we shall try to obtain what is necessary from the States themselves, and only send personnel when material (equipment, medical drugs) and local staff are supplied. In some cases, however, for specific projects and within the framework of special agreements, it is possible that certain complementary supporting equipment will be provided. This 'equipping' of technical assistance will however be for restricted periods of time. It may lead, in some cases, to sending out middle-level operational technicians who are not at the moment supplied by France but whose presence is becoming more and more necessary to enable the high-level personnel to function more efficiently.

(d) A certain concentration of technical assistance activities is a necessary counterpart to the steps described above. This can occur in various ways:

- regionalisation of operations;
- functional concentration, i.e. the establishment of completely operational teams (particularly in the fields of health and public works).

In conclusion, it seems that the transformation from a 'supporting' type of technical assistance to an 'advisory' type of technical assistance is less clear-cut than might have been thought, while the shift towards an 'operational' type of technical assistance tends to be increasingly marked.

II. Changes in methods

Rimbaud, speaking of love, said that 'it must be eternally re-invented'. So it is with technical assistance: it cannot be based on simply modifying methods used in France. On the contrary, it must lead to a search for original solutions adapted to the specific problems of the countries receiving aid.

These principles have guided the Department in most of its activities, in particular in the fields of education and training, and in public administration. We shall merely give here a few examples of particular significance.

1. In the fields of education and training efforts have been made to achieve the adaptation of the content and methods of education to African realities and the needs of developing countries.

(a) Adaptation of primary education to rural conditions.

This means a change in the content and spirit of teaching, which must aim mainly at:

- initiation to the exact sciences, natural and human, from facts and examples taken from the local milieu;
- initiation to the French language, considered as a foreign language and also approached from the specific angle of local conditions;
- practical and manual education preparing pupils for future technological training.

Steps already taken or being considered to make such a renovation possible are as follows:

- research on methods and programmes carried out by mobile teams of specialists, working alternately in France and in the various countries of French-speaking Africa;
- pilot projects in developing areas, chosen in such a way that economic and cultural projects coincide to create poles of development;
- parallel activities concerned both with 'animation' (rural 'mobilisation' and agricultural extension work) and literacy programmes for children who are not in school, or extension of primary education to consolidate its effects.

(b) Increased stress on technology in secondary education.

Since entrance to secondary education is strictly limited, priority must be given to changing its first part by stressing the following:

- the teaching of French, as the vehicle of culture, through a reform of the curriculum (choice of authors) and of methods (audio-visual aids, programmed teaching, etc.);
- technical training, itself varying according to whether the school is in the country or in the town, planned so that some of the pupils are prepared to enter strictly vocational training institutions (agricultural or technical) at the end of the 2nd year or 4th year (*brevet élémentaire du premier cycle*) of secondary education.

With this in view, it seems essential to establish:

- advisory educational offices ('*bureaux pédagogiques*') with multiple functions (refresher courses for teachers; curriculum reform; educational aids; textbooks; audio-visual equipment, etc.);
- a larger staff of French teachers, preferably young, who have been trained in the new methods (the national servicemen who have volunteered for technical assistance will supply a large proportion of these new teachers).

(c) The adaptation of vocational training.

Efforts are being made to re-organise its structure:

- by setting up machinery (vocational training policy departments) responsible for studying manpower needs and gearing training facilities accordingly;
- by perfecting a very flexible regional or national network which will offer regular training programmes together with specialised and refresher courses;

and also to increase its effectiveness:

- through a better selection of pupils from secondary education, so that technical training is not solely reserved for the less gifted;
- through a systematic analysis of jobs to be filled so that there is better knowledge of the aptitudes and skills required and the corresponding curricula can be drawn up;
- by using modern teaching techniques which may be either identical to those used in the formal school system (programmed teaching) or

innovations such as active methods (case studies, direct supervision in typical working conditions).

(d) The revision of higher education.

The Department's policy is to seek to achieve an adaptation of the recently adopted French reform of higher education to African conditions. Studies undertaken with our support should enable us to define a system of higher education conforming to African needs.

2. In the field of public administration, it seems equally essential to avoid a pure and simple transfer of French administrative structures and methods. There is a risk that young States, by adopting complex and heavy administrative systems, will merely increase their financial burden without necessarily ensuring greater effectiveness in their actions. The Department has therefore sought to favour, by every means available, the necessary modifications and reforms in the existing public administration systems.

It must not be forgotten, however, that often African States themselves fear that if they depart too much from the French model, they will find themselves with administrative systems 'on the cheap' (*'au rabais'*). Many still persist in preserving at all costs certain institutions which do not always meet real needs – for instance, High Courts of Justice.

III. Human resources: the problems of recruitment for technical assistance

The problem of recruitment of personnel for technical assistance is a relatively recent one. For many years French technical assistance lived on its reserves: all requirements could be met from the former Overseas civil servants. It was thought that no serious difficulties would be encountered later. In any case a rapid decrease in staff was expected.

Today estimates of future trends are significantly different:

- the former colonial administrative and technical corps are becoming extinct. There is no longer any recruitment to them. Moreover, many of the former Overseas administrators and technicians have been absorbed into the metropolitan civil service. Therefore an important source of recruitment for technical assistance is rapidly drying up;
- it is now acknowledged that for many years to come large numbers of French technical assistance personnel will still be required. Forecasts of requirements have been made for 1970 and 1975; these show that the expected reductions in personnel will be very small, in particular for the highly qualified jobs;
- the need to have younger personnel for technical assistance is increasingly felt; only thus will it be possible to achieve both a decrease in the cost of technical assistance and an increase in its effectiveness.

It must be noted that recruitment difficulties are already being felt in some specialised fields: doctors, agricultural engineers, administrators, specialists in public finance.

It is therefore becoming vital to look for original solutions in order to prevent the scarcity of human resources from jeopardising the application

of a coherent policy, whose effectiveness will be conditional on its continuity.

At the same time the use of younger personnel, especially national servicemen, combined with the ageing of those now in the field, makes it essential that there should be a policy for training technical assistance personnel.

1. Recruitment

Two kinds of solution can be considered: re-establishment of a special corps of Overseas civil servants, and secondment from the civil service in France together with greater recruitment on contract of non-Government personnel.

(a) Establishment or re-establishment of a special corps of Overseas civil servants.

This measure would have many advantages:

- it would solve the very real problem of competition between the needs of France and the needs for technical assistance overseas; it would however not exclude the use of personnel seconded from French Ministries;
- it could include a requirement for its members to return to civil service posts in France at certain fixed intervals;
- it would offer an interesting outlet to gifted young men attracted by technical assistance but anxious not to compromise their future;
- it would give the government departments responsible for technical assistance greater independence from the Ministries which now supply them with personnel.

This solution however, encounters opposition in France from the Ministry of Finance, where it is thought that no programming is possible in technical assistance matters, and that there can be no question of establishing posts and organising a 'career' for non-permanent needs.

This argument is not absolutely decisive, for as M. Léo Hamon states: 'Technical co-operation is not an ephemeral activity but a lasting one, even if it evolves, since it has been decided to plan it. It is contradictory to talk about the planning of activities and to argue that they are not permanent.'¹

Another more serious argument against the creation of a special corps can be developed: it would be unfortunate 'to entrust the task of technical assistance to people who had lost touch with France and who would end up by representing a country in whose life they would no longer be participating'.²

In any case, one of the main advantages of technical assistance is undoubtedly that it opens up the minds of a number of civil servants, and forces them to go outside France. No doubt one should not establish a

¹ Léo Hamon, *Rapport au Conseil Economique sur les Problèmes de Recrutement de l'Assistance Technique*, Paris, 1966, page 46.

² *Ibid.*, page 48.

'ghetto' of technical assistance, but on the contrary attempt to achieve a system of regular turn-over.

But even taking these arguments into account, it remains true that in some sectors the maintaining of special corps seems entirely justified. Such is the case, for instance, of the Overseas Military Medical Corps.

(b) Secondment of personnel from the French civil service.

This presupposes that the requirements of technical assistance are taken into account in recruitment for the various Government departments, and therefore at the time of the entrance examinations.

This would mean making the attempts already made more generalised and systematic, either by offering extra posts in technical assistance, in the range offered to students taking their final examinations at the *Grandes Ecoles*, or by obliging certain branches of the civil service, such as the 'civil administrators', to serve for a period overseas. (This would be in conformity with the present law on 'mobility' which calls for high-ranking civil servants to be seconded from their 'home' Ministry for a minimum period of two years.)

Whatever solution is adopted, the problem has three aspects:

- men must be found, which presupposes that there are enough personnel in the metropolitan civil service and that enough posts are offered in the competitive examinations;
- in addition, voluntary candidates must be found to serve in technical assistance programmes, which presupposes that sufficient incentives are given;
- finally, the government departments to which they belong must not oppose secondment to technical assistance either by delaying their appointments or by making their reabsorption difficult on their return.

To obtain this result, reforms which will allow the departments responsible for technical assistance to carry the necessary weight with the 'supplying' Ministries must be pushed through.

- These departments must have a voice in determining the number of posts offered at civil service competitive examinations;
- they must be represented on Promotion Boards, and be associated with decisions involving personnel assignments, postings and secondment;
- arbitration procedures must be established to settle disputes between 'consumers' and 'suppliers'.

It is not certain however that the secondment of staff from the civil service for technical assistance can be easily achieved.

(c) Increased use of non-Government personnel recruited under contract.

This can be made easier by the choice given to military conscripts to opt for technical assistance during their compulsory military service. Technical assistance departments can then select the most competent from among the volunteers, and these may later take up regular technical assistance assignments.

But this raises two problems:

- the first is the problem of guaranteeing employment to personnel recruited under contract;
- the second is the difficulty of offering security of tenure, or a career.

Unless a special corps is created, solutions can only be palliatives.

It could be decided, as the Jeanneney Report suggested, that personnel, upon termination of their contract, should have their salary paid for a given period (six months, for example) during which they could seek other employment, either in technical assistance or in the private sector. But this solution would be expensive.

It could also be decided that supernumerary posts would be offered in certain civil service departments to personnel originally recruited under contract who had served for a sufficiently long period in technical assistance. Such decisions could be made by a commission made up of representatives of the technical assistance departments and representatives of the 'supplying' Ministries. But this solution deviates from the established rules governing the civil service and does not seem compatible with the recruitment monopoly reserved to certain Schools (ENA). In any event, it could only apply to a limited number of cases. It would be particularly difficult to apply it to young personnel who had not worked sufficiently long in the field.

Therefore the best solution might well be to re-establish a special corps limited in numbers and reserved for specialists in specific fields of development. Subsequently these specialists could be used in various autonomous or semi-public agencies responsible for regional expansion in France. Here again it is not certain that such a solution could be adopted rapidly.

2. Training of technical assistance personnel

During the last few years, the Secretariat of State for Co-operation has made great efforts to train, and retrain, technical assistance personnel.

This effort has resulted in the organisation of courses for more than 2,000 people, designed to meet four fundamental requirements:

- first, many technical assistance experts who have served overseas for several years have had little opportunity to maintain contact with the Secretariat of State and thus to become aware of the basic objectives of present aid policy. It is therefore essential to arrange meetings with other technical assistance personnel so that they can exchange experiences, and also to enable them to discuss their views with the officials of the central administration;
- second, a great many of the young personnel, particularly those called up for military service, do not yet know Africa and must be given some initiation in the human and technical problems which may arise in African countries or in Madagascar. They must be given general information on African problems and a more precise briefing on the specific methods which must be applied in the country where they are going;

- third, many technicians (especially in agriculture, public works, health) must be given complementary specialised training to complete their technical knowledge, to adapt it to Africa and to the new tasks to which they may be called;
 - finally, it seems essential to train some candidates for overseas service in crucial disciplines requiring the application of certain techniques: economic planning, literacy campaigns, audio-visual techniques.
- This effort of 'permanent training' must be continued.

The need for increased effectiveness in technical assistance makes it essential to adapt its personnel and constantly to renew its methods. This in turn depends ultimately on there being enough qualified people available for technical assistance.

D The Co-ordination of Aid

Written by Mr. Michael Hoffman of the World Bank.

Laughlin Currie has recently observed, with special reference to Colombia, that if one tried to wage a war with the diffusion and dispersion of effort that characterises the international development effort today, the result would be calamitous. That such an observation could be made by such an observer is standing rebuke to all of us in the development field. Colombia, perhaps for longer than any other country, has been an object of the conscious and concerted international development effort that has characterised the past two decades. It is a country whose economic problems are eminently solvable in macro-economic terms. It is a country which has had the benefit, if that is the right word, of every conceivable type of advice and technical assistance, including Currie's. It is a country in which the World Bank¹ in addition to having invested \$450m has endeavoured to play a positive role in the field which is the subject of this paper. It is finally and unfortunately by no means the only country to which these strictures can be applied today.

The difficulties we face, it seems to me, are not primarily intellectual or conceptual. It is possible to dream of a model of co-ordinated external financial assistance for a developing country – Raoul Prebisch saw the vision at least as long ago as 1954. The country would produce a reasonable and internally consistent development programme to which the political leadership was clearly and deeply committed. The public investment programme for each major sector of the economy would be adorned with feasible projects, each to be carried out by competent entities. Careful phasing of financial requirements and physical inputs would yield annual sectoral investment programmes during the plan period, with appropriate provision for rounding off projects already under way and for starting up projects to be incorporated in the subsequent plan period. All this would be tied together for the whole of the public sector and placed over against realistic projections of financial resources available to the public sector from current revenues, non-inflationary domestic borrowing, non-inflationary expansion of the money supply and external finance already contracted for. Estimates of investment and production in the private sector, based on comprehensive census data and tested time series, projections of consumption patterns and the sources and uses of funds in the private sector – all these would be added to the mixture. Finally, one would be able to read off the uncovered requirements for external finance by year, by sector and by project. The country would then present its case in some international forum, its performance would be examined and evaluated, and financial commitments made that would be appropriate

¹ Here, as throughout this paper, the term World Bank is used to stand for the International Bank for Reconstruction and Development and the International Development Association, except where otherwise indicated.

to its requirements in both terms and amount.

The model remains a dream, not because there is any great disagreement among those in the business of development finance about its feasibility, given the right conditions. It remains a dream because almost none of the fundamental conditions for its functioning are present either in the developing countries or in the countries and international institutions that are the sources of development finance. The basic statistics on which to construct realistic, internally consistent development plans seldom exist in developing countries. The political commitment to development rarely has a look of convincing durability, and is seldom undiluted by other political commitments which look in other directions. All too frequently it is overwhelmed by such commitments. The capacity to translate macro-economic sector investment targets into phased investment programmes and financial requirements is limited. The ability to bring projects to the stage at which it is possible to discuss seriously their claim for finance is even more limited. The governments in the aid business are increasingly unwilling to make long-term commitments to support development programmes. Scepticism about the effectiveness, indeed even the usefulness, of comprehensive development plans is spreading. International institutions operate under explicit restraints as to the kind of finance they can provide and the terms on which they can provide it; and so on. Any of us in this business can think of a dozen more good reasons why the model remains a dream.

It is not useless, for all that, provided we remember that it is a dream. But it is simply not sensible to discuss the problems of aid co-ordination in 1966 as if we were dealing with an only slightly malfunctioning version of this development finance model which, with a few new parts here and there and a good push, could be off and running. The first point I should like to make about aid co-ordination, in short, is that the obstacles to rational handling of development finance are not primarily intellectual difficulties about how the process ought to work, and certainly do not arise from obtuseness on the part of responsible individuals in either developing countries, capital exporting countries or international organisations. The obstacles arise rather from deep political and constitutional incompatibilities, and the great difficulty, even after 20 years of experience and effort, of obtaining reliable, credible and persuasive numbers as the basis for analysis and decision.

What we need to discuss, therefore, is not how aid co-ordination ought to work, but what are the most important and most urgent things that might possibly be done now to make it work better. We also need to examine critically some of our experience to date.

Co-ordination can be attempted, of course, at many different levels and with many different proximate objectives. The general long-run objective, however, should always be to improve the effectiveness of aid. This seems obvious and non-controversial as stated. I am afraid, however, that one thing wrong with some efforts at co-ordination, including some

of the major ones, is that some or all of the participants have other, usually unstated, objectives in mind which tend to divert attention and energy from what ought to be the primary objective. It is not, I think, either wise or necessary to be very specific about this. I need only mention that in some cases ostensibly co-ordinating machinery has been regarded by some participants as a means of aggrandising the position of this or that international agency; other ostensibly co-ordinating groups have been regarded by some participants as primarily a means of getting the other fellow to put up a bigger share of the money; others have been regarded as primarily a means of getting more money *in toto* for a particular country or a particular programme.

Perhaps I should pause on this last point long enough to make my position clear on an issue that threads its way through nearly all discussion of aid co-ordination. It is my contention, and it is the view of the World Bank based on its experience to date, that improving the effectiveness of aid is a distinct, identifiable, and significant function or field of endeavour quite apart from the question of the amount of aid – whether one is speaking globally, regionally, with respect to a particular country or with respect to a particular economic or social sector. We believe, therefore, that aid co-ordination as one, but by no means the only way of improving the effectiveness of aid, can be, and ideally should be kept distinct from fund raising or burden sharing exercises. A vast amount of confusion has arisen because of failure to see or at least to accept this point. Let me also try to make clear one thing I am not saying. I am not saying that there is no relationship between making aid more effective and generating more of it. Indeed, it is a fundamental article of faith in the Bank, and has been from the very early days of its operation, that if aid can be made effective, and can be made to be seen to be effective, the problem of raising the necessary amounts of aid, however these are defined, will be very much easier to solve. This, again, is true for aid in general (looked at for example from the viewpoint of a committee of the US Congress), the flow of aid to a particular country, or of aid of a particular kind or to a particular sector such as education, agriculture and so on. But this is a very different thing from saying that a co-ordination effort serves no useful purpose if it does not simultaneously involve new aid commitments. I shall return to this point in connection with the discussion of the specific example of consultative groups as a technique of aid co-ordination.

There are at least six levels at which, it seems to me, the problems of aid co-ordination can be usefully attacked. Perhaps the most useful way of proceeding is to discuss these in turn, both with respect to what has been accomplished and with respect to what might reasonably be expected to develop in the relatively near future. The six levels or types of co-ordination I have in mind are:

1. co-ordination of aid by the recipient country;
2. co-ordination through an international financing agency;

3. co-ordination of aid from several sources to a particular recipient country;
4. co-ordination of bilateral aid policies in general among several donors;
5. co-ordination of aid from several donors for particularly large projects;
6. co-ordination of aid on a regional basis by several donors and several recipients.

1. Co-ordination of aid by the recipient country

This deserves first mention in our catalogue not because there is a great deal to be said about it in general, but because unless there is some minimum capacity within a government to control the demands for resources, including external resources, generated by the various departments of government and principal investment sectors, no other form of co-ordination is likely to be possible. On the other hand, one might argue that if a government were fully in command of its own economy and possessed machinery to control on a day to day basis requests for external assistance according to some feasible and enforceable programme, the need for other kinds of co-ordination with respect to the aid problems of that country, would certainly diminish, possibly disappear. In practice the kinds of co-ordination on a national scale that seem to be most essential, in order to enable co-ordination on an international scale to work, include: control over the public investment programme; some kind of machinery for producing projections of a public investment programme and its foreign exchange component over a three to five year period that can be made to appear reasonable to potential sources of external finance; a reasonable capacity for establishing priorities between different sectors of the economy and within them for major projects; enough co-ordination at the political level to make the priorities stick (which sets limits to the amount of corruption and purely political interference with investment decisions that can be tolerated); and some means of co-ordinating requests for, and the utilisation of, technical assistance. Assistance to developing countries in improving their co-ordination efforts in these key areas should, in my opinion, be viewed as a more urgent task than tinkering with or elaborating international co-ordination machinery.

2. Co-ordination through an international agency

The very process of creating an international financing agency is, among other things, a co-ordinating process. The principal issues that face any form of international co-ordination are either decided on a once-for-all (or once every, say, 3-5 years) basis or delegated to the international agency and resolved through its machinery. In the case of IDA, for instance, the troublesome issue of burden-sharing was resolved for the period of the initial government subscriptions during the negotiations that led to agreement on the initial government subscriptions. The

problem of fixing the terms of aid was delegated to the Association, with only the general guidance in the Articles of Agreement that they should be 'more flexible and bear less heavily on the balance of payments than those of conventional loans'. All of the complicated questions concerning use of resources and conditions of financing were delegated to the international institution. The day-to-day co-ordinating process occurs, therefore, *within the international staff* somewhat removed from the direct influence of the member governments – both those that provide the money and those with possible claims upon it.

It is interesting to note that the Association was given only two positive instructions about what it should finance: namely, that it should provide financing to 'further development in the less developed areas of the world included within the Association's membership', and that its financing should be 'for purposes which in the opinion of the Association are of high developmental priority'. The only other instructions given to the Association by the governments delegating authority to administer the money they were contributing are negative – things it may not do, such as provide financing if private finance is available on reasonable terms, provide financing if the country in whose territory the project is located objects and so on. All of the other clauses concerning the operations of the Association are simply delegating clauses which leave the Association free to form and apply its own judgement with respect to the matters covered.

I have used IDA as an illustration because it is one institution with which I am familiar. However, to a greater or lesser degree all of the major international financing agencies perform a co-ordinating function with respect to the funds they control and the countries that constitute their membership. To repeat for emphasis, the very process of creating an international financing institution requires that decisions with respect to many or most of the questions that are normally regarded as requiring co-ordination have to be taken in advance or the authority to make them delegated, as otherwise the institution will not come into being.

I do not believe I need stress for this audience the technical advantages of co-ordinating through international agencies. These are by now so widely recognised that I feel no need to apologise for expressing my view that this is by far the best and most effective method of co-ordinating aid. I am not, however, so enamoured of the method that I am prepared to say that if we cannot do it this way, there is no point in trying to do it at all. There are strong reasons why, despite what I have called their technical advantages, international agencies cannot and should not be given the whole aid task. For one thing, there are limits to the capacity of any international organisation no matter how well conceived or how well managed. There may be enthusiasts outside the World Bank group that believes these institutions ought to be given the whole of the aid task, for the non-Communist world at least. But you will not find such people in the Bank. There are many kinds of activities being done under the

heading of aid, and important things that need to be done, which the Bank recognises to be important, but which the Bank group of institutions is not now equipped to perform. To name only two at random from widely different sectors I would cite primary education, and technical and financial aid to really small private, wholly locally-owned enterprises. And yet few, certainly not the Bank, would deny that both these sectors are vitally important for general economic development or that both can use outside aid. For many reasons governments wish to keep direct control of the bulk of their aid funds, and these reasons are not all ill-founded or purely selfish. It should also be pointed out that governments are clearly not willing to devote all the resources, or delegate all the powers they wish to give to multilateral agencies to a single multilateral agency. This being so, there arises a problem of co-ordination between international agencies and international financing agencies in particular. Efforts at co-ordination between international agencies, and of course between multilateral and national agencies, involve many of the problems that I am discussing under other headings. The international institution with large financial resources and broad discretion as to their use is technically the most satisfying form of aid co-ordination, but it does not get all the weeds out of the garden. And for a long time to come we will be working in a world where the bulk of what by any definition can be regarded as aid will be flowing through other channels and require other methods of co-ordination – in which, however, the international financial institutions can still play a part.

3. Co-ordination of aid from several sources to particular recipient countries

Whenever a country is receiving substantial external aid from several sources, there is a *prima facie* case for some effort at co-ordination. While a great deal has been said about the possibility of augmenting the flow of external assistance by playing one competing donor against another, there seems to be increasing agreement among governments of developing countries that the risk of becoming saddled with ill-conceived and unworkable projects greatly diminishes the attractiveness of this approach. As a country's economy becomes more sophisticated and its aid requirements more complex, the advantages of having some kind of machinery whereby its case for external financial assistance can be put before several governments and international agencies at once, and in some sort of agreed format, become more and more evident.

There are two kinds of international co-ordinating machinery designed to focus attention on the problems of a particular country that have achieved prominence in recent years. The first is the consortium, of which examples now exist for India and Pakistan (organised by the Bank) and Greece and Turkey (organised by the OECD). The second is the consultative group, of which one now exists for each of Colombia, Nigeria, the Sudan, Tunisia, Malaysia, Thailand, Korea and Ecuador – all but the last of

these being organised under the chairmanship of the World Bank. The consultative group for Ecuador is organised by the Inter-American Development Bank.

The formal difference between a consortium and a consultative group is that, in joining a consortium, governments have undertaken that from time to time they will attend sessions in which specific pledges of aid will be made for a particular country. In joining a consultative group, no such commitment is made or implied; and there are no pledging sessions of a consultative group. Aid commitments by members of a consultative group are arranged bilaterally with the country that is the object of the exercise – which for want of a better term I shall refer to as the recipient. The Bank plays no part in these negotiations, except with reference to particular projects in which it and several other financing agencies are interested – a case which I discuss below.

While it is possible to make certain general statements about the operation of consortia and consultative groups, one thing that becomes apparent very quickly in the life history of these organisms is that each group acquires a definite personality of its own which affects the way it functions and what it accomplishes or fails to accomplish. This is partly the result of the obvious fact that no two countries' development problems are identical. It is also, however, the result of the fact that the practice to date has been that the chairman of the Bank-run consortia has been a Vice-President, while the chairmen of the various consultative groups are the respective directors of the Bank's operating departments for the areas in which the recipient countries are located. As no two chairmen will wish to conduct a meeting in precisely the same manner and as the Bank's Area Departments also by now have acquired distinct 'personalities' and styles of operation, there are these additional factors working against uniformity.

Nevertheless, insofar as consultative groups are concerned, we are endeavouring to develop some general standards and practices as to how these groups should operate and what the Bank's role should be as chairman. As the Bank has stated that it does not propose to organise any more consortia on the India/Pakistan pattern, the following discussion will be phrased in terms of consultative groups which, at this point in time, appear to us to be the most promising method for co-ordinating aid from various sources to particular recipient countries. But I should stress that, insofar as their co-ordinating functions are concerned, what follows can also be applied to Bank-organised consortia.

In agreeing to organise a consultative group, the Bank assumes the following general responsibilities:

- (a) making periodic comprehensive reports on the country's development possibilities, problems and performance as a basis for the group's deliberations;
- (b) commenting on the country's estimate of its aid requirements, making recommendations as to the types and terms of aid

appropriate for it, and highlighting any problems arising from unduly burdensome debt accumulation;

- (c) helping the recipient government to prepare or revise a development programme, or advising on problems of execution, where such assistance is desired;
- (d) assisting the government, as may be necessary and desired, in identifying projects, in their preliminary screening, in arranging for feasibility studies, etc., and in relating other technical assistance to the needs and priorities of the investment programme; and
- (e) advising the government and group members as to the sectors and, where adequate feasibility studies exist, the projects that deserve priority for external financing.

A mere listing of these functions suggests one of the principal conclusions we have so far been able to draw about how to make this kind of aid co-ordination effective. It is that while a consultative group must from time to time hold meetings, by far the most important part of a consultative group is not the formal sessions but the work done by the Bank staff, the government of the recipient country and the responsible ministries in the member countries between meetings. Ideally, in my view at least, a meeting of a consultative group ought to be primarily an occasion for putting a number of things on record, the groundwork for which has already been done: the recipient country's intentions with respect to major development problems; its views of its requirements for external assistance in as much detail as possible; the Bank's evaluation of the country's plans and performance; the consensus, if one exists, among members of the group as to the recipient country's performance and prospects; any statements of general aid policy towards the recipient country that members may be prepared to make; some statement by the Bank of its own intentions; plans for financing projects in the recipient country, if any; and finally, such guidance as the members may wish to give the chairman on what the next steps should be with respect to any matters that come within the scope of the consultative group's deliberations. In order to achieve a result of this kind at a consultative group meeting, it is clearly necessary that there should be continuous contact between the staff of the Bank and the recipient country; between the Bank staff and the active members of the consultative group; and between the recipient country's ministries and those of the members of the group. It may also be that for certain problems and for certain countries it will prove useful to have less formal meetings of some members of the group with the Bank and other international financing agencies to discuss particular problems, such as terms of export credits or particular projects that are possible candidates for joint financing operations.

Among the Bank's major responsibilities is clearly that for being at all times prepared to provide members of the consultative group with up-to-date and authoritative information concerning the country's general economic performance and needs. One result of the Bank's assuming

this responsibility is that we must do a much broader kind of economic survey and report than would be required merely for the purpose of determining whether a country is eligible for Bank loans or IDA credits. It will be readily understood that all this has major implications with respect to staff, the nature, composition and frequency of Bank missions and the timing of consultative group meetings. I would not want to give the impression that we are satisfied with the Bank's performance in any of these respects. But I can say that the President of the Bank is determined that whatever is necessary on the Bank's part to make consultative groups function effectively will be done, and we are constantly working on a number of fronts to improve our performance.

Finally, under this heading I should like to draw attention to two basic obstacles to the satisfactory functioning of consultative groups as a means of aid co-ordination. By way of preface, it should be noted that there are inherent differences in the way in which the various participants in a consultative group operation look at the enterprise. The members of the consultative group presumably are interested in assisting the claimant country's development programme. But each of them approaches the group under different legal, financial and political constraints as to what it can do. To put it a bit crudely, the potential donors are interested in getting the most for their development dollars and are, therefore, likely to approach the exercise with a critical eye on the economic performance of the claimant country and the reasonableness of its claim for external assistance. Furthermore they can never ignore the fact that they have valuable commercial interests in the claimant country that are affected by, even if they do not determine, the shape of their aid packages. The claimant country, on the other hand, is interested in obtaining a maximum amount of external assistance to augment its own resources on terms as easy as possible. It is also, of course, extremely conscious of the political and administrative obstacles to raising the rate at which resources for development can be extracted from its own, usually very poor, population. Again putting it rather crudely, it is interested in getting the most from the donors for the least painful effort on its own part. The Bank also operates under well-known restraints as to kinds, terms and amounts of finance it can make available but, as compared to the donor countries and the claimant country, it is almost equally concerned about both increasing the general flow of development finance to worthy countries and encouraging maximum mobilisation of domestic resources in recipient countries and steadily improved general economic performance. It is also very much concerned about the terms on which finance is made available. I think conflict of interest is too strong a term to apply to the different attitudes with which the members of the group and the recipient country approach each other. It is, nevertheless, in bringing consensus out of the interplay of these various attitudes and shades of emphasis that the art of operating a consultative group lies. If, over a period of years, either the member governments, the recipient government,

or the Bank feel that they are getting nothing of value from the exercise, the consultative group is not likely to endure. In particular, if over a period of years a recipient country whose performance is judged by the Bank to be satisfactory and whose utilisation of external finance has proved on the whole to be effective finds that it is getting neither a larger inflow of assistance nor significantly better terms than it feels it could get on its own, it is likely to conclude that aid co-ordination of this particular kind is not worth the trouble.

Bearing in mind these conditioning factors, the first general difficulty in making a consultative group function effectively to which I would briefly draw your attention, without by any means exploring all the ramifications, is that most multilateral and bilateral financial assistance is, for what in my opinion were originally sound reasons, in the form of project finance. Projects can, of course, be very broadly defined. On the other hand, we are more and more frequently discovering, in the course of our studies-in-depth of the economies of countries, that the planning of public investment programmes, and in some cases the projections of requirements for major inputs in the private sector, have developed to the point at which it is possible to identify and quantify with a reasonable degree of persuasiveness foreign exchange requirements that cannot be covered even if all the feasible projects receive the necessary external finance. To put the matter somewhat differently, there are cases in which it is possible for the Bank to agree with a government that during the plan period the capability exists in the country for carrying out a given total of useful development projects of the type suitable for conventional external financing. It may be possible to say that the foreign exchange component of these projects can largely be met through conventional forms of development finance plus owned external resources accruing during the period. It may be possible to assert that even if this is true, there is no likelihood that enough local currency resources can be generated in an uninflationary manner to make it possible for all these projects to go forward. In such a situation, unless there is external financial assistance which generates non-inflationary local finance, development will be retarded. It is precisely countries whose economies have become sufficiently complicated, and whose economic management has become sufficiently sophisticated to fit this pattern that are likely to be the object of a consultative group exercise. For such countries, the availability of what is somewhat loosely called programme finance will have a considerable bearing on the effectiveness of a consultative group. The same kind of difficulty arises when project-tied aid is used in an effort to assist a country whose main difficulty is an unbearable concentration of debt service and repayments in a period of a few years. In many cases no conceivable amount of project-tied aid will enable such a country to avoid rescheduling or default.

The second unfavourable feature that I see in the climate within which consultative groups are presently operating is the reluctance, indeed,

with fewer and fewer exceptions, the refusal, of governments with substantial foreign aid programmes to enter into commitments over a period of more than a year. They are not only unwilling to make long-term commitments, they are increasingly unwilling to give general statements of intent with respect to the volume of assistance they might be prepared to consider (with all appropriate qualifications) for a given country. On the one hand, consultative group members expect to be given well-thought-out development programmes by the recipient country to show where it thinks it is going in the course of three, four or five years and what it thinks it needs to get there. They are not content with annual budget figures. On the other hand, they refuse to tell the recipient whether they will or won't do anything over the planning period as a whole to meet its requirements. This is a dilemma from which I see no nearby exit. It does not make a consultative group exercise impossible or useless but it certainly greatly reduces the chance that it can become regarded as an unqualified success.

4. Co-ordination of bilateral aid policies in general among several donors

This is a vital and continuing task which will never be completed. It is, of course, *par excellence*, the task of the Development Assistance Committee. Therefore, I speak primarily as an observer, not a participant under this heading, though of course a good deal of the raw material on which DAC works originates in the Bank and we are definitely affected by the extent to which DAC succeeds in its task.

The DAC is essentially an exercise in self-discipline. Governments, at the highest political levels, are aware that economic development and aid are too serious and too new a business to be left entirely to the traditional ministries, following their traditional practices and reflecting their ancient conviction that there is identity between the policy that fits them most comfortably and the national interest. Governments have also realised that their long-term national interests cannot in fact be served by aid policies, which, if all other principal countries in the business acted the same, would defeat the purpose of promoting economic development in the effort to make aid look financially respectable. Finally, governments, at least when they are thinking in broad terms about development, have become mature enough to realise that without the assistance of some outside agent through which the common objective and the common long-run interest in development can be expressed, their ministries and agencies are likely, in fact, to behave in a manner that will ultimately be self-defeating. They have recognised, in short, that there must be some co-ordination of aid policies in general.

The DAC is the international voice for formulating and expressing this common interest. Through the reports of its chairman and its recommendations to governments the DAC provides a frame of reference against which governments can measure their performance and against which their

performance can be critically examined by political oppositions and other elements in the community. This frame of reference is in no sense an ideal aid policy. It is rather a limited set of objectives which responsible officials aware of their own and each other's aid policies and problems believe to be feasible enough in the light of all the circumstances to be worth trying to establish. Co-ordination under this heading, therefore, is co-ordination with limited objectives. In practice, apart from the problem of burden-sharing, DAC has concentrated on the improvement of the terms of aid and what is called harmonisation.

The DAC has occasionally made more or less successful forays into other aspects of development finance and other kinds of aid co-ordination with varying success. Its main contribution to the whole aid effort, however, has clearly been its influence on the gradual improvement in the terms of aid and its steady pressure on the rich countries to achieve harmonisation at the level of the best and most generous aid programmes, not at that of the tightest and worst. In the face of rising interest rates, DAC members have achieved a small but significant and steady reduction in the weighted average interest rate on all loans and credits reported to DAC and a steady increase in the weighted average repayment period. The improvement in loan and credit terms has largely, though not entirely, offset the growth in the rate of increase of the debt burdens of developing countries caused by an equally steady reduction in the proportion of total aid made in the form of grants. DAC's efforts in this area have been strongly supported by its continued review of the debt service burdens of developing countries, based on gradually improving statistics, in the preparation of which the Bank is playing a central part. DAC has also strongly supported the Bank's insistence that tied aid is an inferior form of development finance which tends to raise costs all the way around. On the important issue of when and how it is appropriate to provide local currency finance through external borrowing, the DAC has been somewhat in advance of the Bank in urging capital exporting countries to broaden the project approach to development finance. Finally, DAC has emphasised the importance of co-ordinating technical assistance, particularly 'on the spot.'

It is my impression that in all these efforts to co-ordinate various aspects of aid policies among the principal governments in the aid business exceedingly useful though not spectacular results have been achieved. DAC, or any organism of its genus, is bound to wax and wane in effectiveness in accordance with changes in the general climate of political and economic co-operation among the principal powers. It can never move too far out in front of positions that its principal members regard as politically sound. The kind of operation it conducts by its nature will always be vulnerable to critics who become impatient with half a loaf because they believe they see how they could get three-quarters or a whole one. It would, in my view, be a serious error, however, to abandon the effort to achieve aid co-ordination at this level.

As a final note under this heading, I would make the more or less obvious point that the more effective DAC is, the easier is the task of the Bank in carrying out its responsibilities as chairman of consultative groups. The fact, for instance, that there is a DAC recommendation on financial terms and conditions which expresses views as to the appropriate terms for aid makes it unnecessary to reargue the case for generally improved terms of aid in each consultative group. Not all DAC members follow the so-called DAC standard; but it is very difficult for any of them to argue today that this standard is unreasonable or objectively wrong.

5. Co-ordination of aid from several donors for particularly large projects

This is perhaps an overlong bit of modern jargon to describe something that has been going on for centuries – namely, finding partners when you are on to a good deal that is too big to handle yourself (some might word this the other way around – finding partners when you are stuck with a bad deal and want somebody to share the risk). (This is a kind of ‘co-ordination’ to which the conceptual separation between fund-raising and co-ordination referred to above obviously does not apply because of the very nature of the problem.) There is almost no limit to the variety of schemes that might be described under this heading, from the operation of the Shrine of Apollo at Delphi to the financing of the Nam Ngum dam in Laos. I will confine myself to a few observations based on our recent experience.

In the first place, it is my impression that joint financing of large projects, which is what we are really talking about, is almost always more difficult than it would seem to any rational mind that it ought to be. This is mainly due, I suspect, to the fact that while it is often fairly easy to see how the package ought to look when complete, and even to get the participants to agree on how it ought to look, the putting together of the package is a process in time. And getting the various things that have to happen before the package is complete to happen at the right time is extraordinarily difficult. The timing problem may involve anything from an election or a legislative session to the absence on holiday of an executive vice-president. And if important steps are taken in the wrong order, the whole package may fall apart. The upshot is that there are likely to be long and irritating delays which may involve some or all of the interested parties in very heavy expenses, for instance for maintaining in being teams of specialists who cannot get on with their work in the field because some preliminary agreements cannot be reached.

The effect of all this is that while joint financing is likely to appeal to boards of directors and committees of parliament, and even presidents of republics and presidents of banks, it is likely to be extremely unpopular with operating officials interested primarily in getting projects under way. Nevertheless, there have been some important successes in recent years such as the Volta River power and aluminium complex, the Nam Ngum

dam, the Rosieres dam and irrigation projects, the external financing for the Mexican power industry on the order of \$145m provided by the World Bank and a number of participating countries, and, perhaps pre-eminently, the Indus Basin water control project. This suggests that despite the unpleasantness involved, there are overwhelming reasons for attempting this kind of co-ordination in certain cases. One reason, of course, is that some projects by their sheer size are simply too big, or anyway too big in the context of any particular aid source's programme for the country in question, to be financed by one government or institution. If these projects cannot be financed jointly, they will not be financed at all. Therefore, the effort must be made.

I pass over the possible political attraction to a recipient country of not being dependent on one external source of finance for large and vital projects. But there are purely economic advantages in certain kinds of joint financing which appeal to the borrower, to the World Bank, and to those elements in the capital exporting countries that are concerned about the diseconomies of tied aid but unable to do anything to eliminate them. It is possible to eliminate many of the cost-raising effects of tied loans by arranging that a country's export credit or aid institutions should finance whatever contracts for a particular project are awarded to suppliers in that country as a result of international competitive bidding. Each of a number of countries will lend to finance all or a substantial portion of the cost of the equipment to be procured within the country for the project. One reason this kind of joint finance is a serious possibility in certain cases is that in countries where the Bank has had a long experience with the results of competitive international bidding for projects in various sectors, it is possible to tell in advance to a degree that always astonishes the uninitiated what contracts will go to what country or countries. The pattern of international competitiveness does not change rapidly enough to throw such estimates very far off. So given the project and its location, the Bank and the borrower can come pretty close to telling a prospective source of finance how much it will have to finance if competitive international bidding takes its normal course. The loans are still tied, but the borrower is getting the advantages of international competition all the same.

A second advantage arises from the fact that the World Bank can become a party to joint financing of this type. By doing so, it not only lends its good offices to the task of arranging the terms, but makes it possible for the borrower to obtain terms appropriate to the project even if the 'best' terms possible for the various national lending agencies are not appropriate. It can do this by adjusting the amortisation schedule of the Bank's own loan to the schedule of the other participating financing agencies in such a manner that the annual amortisation payments required of the borrower will approximate to those which the borrower would have made had the entire financing been done by the Bank.

It is not yet clear how often this combination of joint financing through

several bilateral programmes combined with international competitive bidding can be used. The difficulties of putting a package together are, as noted above, horrendous. (These are special negotiating difficulties connected with this kind of joint finance discussion of which would lead into too much detail.) But for very big projects the prevalence of tied loans as a mechanism of development finance will continue to give the idea a strong attraction to all who are concerned about getting more development per dollar of aid. It may even be possible to extend the pattern to cover groups of projects in a sector – e.g. power – or even groups of countries.

6. Co-ordination of aid on a regional basis by several donors and several recipients

The outstanding example of this kind of co-ordination is the complex of organisations built up in the Western Hemisphere and now covered under the general umbrella of the Alliance for Progress. Indeed, outside the Western Hemisphere there is as yet no functioning machinery of any significance to be discussed under this heading. Even in the Western Hemisphere emphasis under this heading has to be on the 'several recipients'. A better heading might be 'Co-ordination of Aid and Development Policies on a Regional Basis'. For while other governments are active in the aid business in a small way in certain parts of the Western Hemisphere, and, indeed, the World Bank has formed or is in the process of forming consultative groups for certain Latin American countries, the co-ordinating machinery that has developed over the years is primarily concerned with relations between the United States on the one hand and Latin American countries on the other. We can still justify the 'several donors' in our heading only by reason of the close relationship to this co-ordinating machinery of the major international financial institutions – the World Bank, the International Monetary Fund and the Inter-American Development Bank. The latter, indeed, is both an aid source and part of the formal co-ordinating machinery.

This is not the place and I am not the person to expound the rather long and very complicated history of the efforts of governments in the Western Hemisphere to find an effective means of relating US efforts to assist economic development of Latin American countries to the varied aspirations and capacities of the recipients. A filmed version of such a history would somewhat resemble a minuet, with the United States on the one side alternately advancing bold proposals and withdrawing as if scorched from too close an approach to Latin realities; and on the other side 18 to 20 highly individualistic partners alternately advancing claims for greater responsibility in the allocation of aid resources and proposals for a more intimate hemispheric co-operation, then withdrawing when the consequences of either being achieved become apparent. Yet the institutions that have grown out of all this are by no means negligible and from their experience one can draw a number of lessons that are certainly relevant to our present purpose.

The key co-ordinating body today is the Inter-American Committee for the Alliance for Progress, invariably referred to by the initials of its Spanish title – CIAP. CIAP is an elected committee with a full-time chairman appointed for three years. Its seven members are chosen for 2-year terms by the regional groups who elect executive directors of the Inter-American Development Bank. The members, however, are supposed not to defend the interests of the countries that elect them but to consider the interests of the area as a whole. Ex-officio members include the President of the Inter-American Development Bank, the Executive Secretary of the UN Economic Commission for Latin America, and the Secretary General of the Organisation of American States. CIAP was designed primarily to give an impulse to development and to change the Alliance for Progress from what was essentially a bilateral relationship between each Latin American country and the United States, with the power and influence all on one side, into one in which responsibility is shared.

The pattern of co-ordination being developed by CIAP is that the Latin American countries subject their own policies and programmes to high-level international review on the one hand while the United States subjects its aid programmes and its economic policies towards Latin America to review by the same body. The composition of CIAP, the way it conducts its meetings and the sense of permanence about it, compared to previous co-ordination efforts, have combined to raise it very quickly to a position of authority held by no other intergovernmental committee linking sources of aid and recipients. CIAP is formally an organ of the Inter-American Economic and Social Council of the Organisation of American States. Indeed it is the principal body for formulating a development strategy for Latin America and pressing for its implementation. The Inter-American Development Bank is formally designated as the technical arm of CIAP in matters concerning development finance. The principal headings under which CIAP has so far divided its work are: general questions relating to the development effort in Latin America; foreign trade; external assistance; economic integration; and the review of country programmes.

I have selected for comment only one aspect of the CIAP experience which seems to me especially significant in its implication for the problems of aid co-ordination in other parts of the world and in other frames of reference.

I refer to the extent to which CIAP has been able to gain acceptance of the idea that it is neither an infringement of sovereignty nor a confession of weakness for a government to submit its economic development plans and policies to examination by its peers in committee assembled. The extent to which the country review exercises of CIAP are developing into serious and objective critiques of national economic performance does not seem to be widely recognised outside circles directly involved in Western Hemisphere affairs. This development is astonishing to anyone familiar with the long history of co-operation and co-ordination efforts that have foundered on the rocks of Latin American sensitivity to outside criticism. Only in the OECD is any similar collective review of national performance regularly

carried out, and the circumstances there are different, although it is worth recalling that the OECD practice originated at a time when many of the then members of OEEC were also aid recipients. CIAP works in private and has developed procedures that emphasise the mutuality of the review process. As a result of its operations, I have the impression that in Latin America, more than in any other part of the world, it is increasingly accepted that performance commitments by a government to an impartial international body are not only an appropriate, but an essential part of a rational and mutually beneficial relationship between governments and agencies which are sources of development finance and recipient countries. The World Bank and the International Monetary Fund have, of course, for years sought and sometimes obtained performance commitments based on recognition by a country that its long-run interest would be thereby served. The great thing that CIAP has contributed in this domain is the simultaneous recognition by aid sources and recipient countries that not just one or two countries and not just badly performing countries, but *all* developing countries can benefit from objective reviews of economic performance and regular discussions in an international forum. The standing of the country whose programme is being examined is that of a member, not a petitioner. I would hope that other regions, in which there is much talk but little evidence of the desire for regional co-operation of various kinds, would not wait as long or suffer as many frustrations as the countries of the Western Hemisphere before undertaking the kind of commitments to each other that are involved in the establishment and operation of CIAP.

Perhaps I should note in passing that the World Bank works very closely on an informal basis with CIAP, and provides the Secretariat with a vast amount of material derived from its own economic and technical missions in the region. It is interesting, I think, to note that the establishment of the Inter-American Development Bank and the improvement in recent years in the regional co-ordinating machinery in the Western Hemisphere has not, as some observers expected, resulted in any diminution of either the financing or technical assistance activities of the World Bank in the Western Hemisphere. On the contrary, both have increased rather dramatically. The experience as a whole is a rather good illustration of the validity of the Bank's conviction, expressed earlier in this paper, that improvement in co-ordination and the effectiveness of aid operations will almost inevitably lead to increases in the amount of development finance flowing to a country or region.

In connection with consideration of aid co-ordination on a regional basis, I should perhaps pay my respects briefly to the Colombo Plan, by now a venerable institution which I am bound to confess I find it extremely difficult to classify under any general heading. Indeed, I have the impression that the meetings, reports and committee work which together constitute the activities carried out under the aegis of the Colombo Plan overlap nearly every other national and international activity that most of us would

recognise as part of the aid business. The Colombo Plan was born of the Commonwealth, but long since ceased to confine itself to the Commonwealth. Its region is south and southeastern Asia, but it includes Korea. And it does not include all non-regional countries with substantial aid programmes in its region. There was a kind of plan for a 6-year period running from July 1951, but the Colombo Plan today is certainly not a plan in any ordinary sense of the word. Nevertheless, under this title a great deal of co-operation, co-ordination and other useful work has gone on and continues. The identification of an activity as being under the Colombo Plan loosens parliamentary purse strings and practically ensures what is generally known as a good public image in many countries. I have found in my own travels that some of the happiest relations between donors and recipients originated in the Colombo Plan. The Annual Meetings of the Consultative Committee provide a useful occasion for exchange of progress reports and plans for future activities. The Annual Report of the Committee contains, among other useful information, what is probably the most complete information available on the technical assistance programmes of the members in the various countries of the region. Whatever kind of an animal it is, and wherever it may be classified among aid co-ordination efforts, we in the Bank wish it a long life and a prosperous future.

Having completed this survey of the problems of co-ordination of aid under the six headings which I set out to discuss, I am conscious both of the fact that this paper is already overlong and of the fact that I have only scratched the surface of the subject. I hope it will be clear that I do not consider aid co-ordination to be one problem to be handled in one way, by one mechanism or at one level. There are many problems in the general area loosely defined as aid co-ordination. Co-ordinating efforts are necessary at many levels and in many places. Nevertheless, while I do not exclude the possibility that major new pieces of co-ordinating machinery may be developed, it does seem to me after this review that the important problems for the immediate future lie in the area of making our existing machinery work somewhat better, which means, in effect, putting more political steam behind it in both developing and capital exporting countries. I judge this to be particularly true of the consultative group technique. I believe that we can say that we now know a good deal about how to make a consultative group work. I believe the World Bank will be able to extend its role in connection with consultative groups gradually to enable governments, if they choose, to use this technique for co-ordinating aid to countries that receive 80% to 85% of the total international flow of development finance from public and private sources. I have pointed to some of the present obstacles to successful functioning of consultative groups but these obstacles do not seem to me to be insuperable. I should think that a general support for policies of participating in this kind of co-ordinating activity would be one of the most effective ways citizens of advanced countries could help in the world-wide development effort.

I also believe that the application of the CIAP type of co-ordinating

techniques to other regions would be highly desirable when the conditions are right. Unfortunately, it does not seem to me that conditions in any other readily identifiable regions are likely to be right in the near future. Perhaps one of the most important roles of the Asian and African Development Banks will be to create around their operations an atmosphere of mutual co-operation which will enable CIAP type exercises to develop in their respective regions.

E Measures to Ensure the Effective Use of Aid

Written in the AID, Washington, DC.

Introduction

What constitutes effective aid from the donor's viewpoint varies in different countries and at different times, depending on the donor's objectives and on the recipient's level of development.

Most donor countries intend their aid to serve several major objectives, including accelerated development in the recipient country, strengthened political ties with that country, and expanded trade and investment opportunities. For many of its country assistance programmes, the United States would add to this list of goals heightened internal or external security; progress towards a system of government which is reasonably responsive to public aspirations and stable enough to encourage development; a more equitable distribution of wealth, income and services among classes, regions and/or ethnic groups and between urban and rural areas.

This paper concentrates on ways to increase foreign aid's effectiveness in supporting development. This reflects both the central concern of the Conference, and the primary focus of the US economic assistance programme. Over the past fifteen years, US aid has shifted from a heavy emphasis on security towards much greater stress on development, with the exception of our programmes in those few countries where there is an acute security threat. However, US economic aid remains a multipurpose instrument – the actual assessment of its effectiveness in particular countries and the design of measures to increase its effectiveness must therefore still take into account security and political as well as development objectives.

Confining our attention to development goals, the criteria of effective aid must be further modified according to the recipient country's level of development. The yardstick applied to programmes in a country with extremely limited administrative and technical cadres and institutions, e.g., some countries in Africa, would be much too modest for programmes in countries like Chile or Turkey. Not only are different yardsticks appropriate, but they should be used to measure different kinds of achievement. Effective development aid is aid which is applied to the priority requirements at a particular stage of development, and requirements change as the country progresses.

In the past five years, AID has pursued two major lines of action to increase aid's development effectiveness: The programme planning process has been refined and elaborated, by requiring broader and longer-term analyses of each recipient country's problems and prospects, and more precise identification of aid goals and targets as a framework for determining the volume and composition of aid to a country. Considerable effort has gone into recruiting more economists and other analysts and training staff already in the agency to conduct better analysis. AID has increasingly recognised that economic aid can promote development not simply by

supplementing the host country's limited capital and technical resources but also by exerting influence on host country policies and programmes. As we have become more aware of aid's potential leverage role, we have experimented with techniques for exercising such leverage more effectively.

However, it should be noted at the outset that development of theory has outpaced application in practice. Many conceptual problems remain, and administrative problems hinder implementation of ideas which are well worked out in theory. Therefore, the discussion below states AID's current thinking regarding aid goals and targets and the use of influence, and also indicates the extent to which these ideas are actually applied and some of the reasons for the gap between theory and practice.

A. Defining Goals and Targets

The US approach to determining the volume and composition of assistance to particular countries has passed through several stages. During the Marshall Plan, aid levels were determined largely by balance of payments considerations. As US assistance shifted to the less developed countries during the mid-1950s the balance of payments approach gave way in many cases to a project approach, since the developing countries lacked the institutional and managerial capacity to ensure effective use of a large volume of commodity imports. A number of selection and evaluation procedures were developed to ensure that projects were soundly planned and that funds were not wasted through diversion, inflated costs, lags in delivery of material or arrival of technicians, host country failure to provide agreed local cost support, or other problems. While projects which clearly contributed little to economic progress were avoided, a systematic effort to determine optimal overall use of aid resources developed only gradually.

With time, however, it has become increasingly clear that a collection of sound projects does not necessarily add up to accelerated growth, much less bring about the structural changes required to increase savings and foreign exchange earnings and lead ultimately to self-sustaining growth. AID's contribution is increased by concentrating both resources and influence on particular strategic problems within each sector of the underdeveloped society. AID is increasingly trying to focus aid resources and influence in each receiving country on a limited number of such goals selected in the context of a broad analysis of the country's development prospects and problems.

1. Selecting Goals

(a) *The Analytic Framework*

In all countries where the USA conducts large or moderate assistance programmes – roughly 45 out of the close to 70 countries to which some US economic aid is extended – assistance goals are selected in the context of a rather comprehensive, continuing analysis of the country's development

problems and prospects. Field missions are asked not only to examine the current situation and immediate prospects and requirements, but also to anticipate trends for several years into the future. In eight or nine countries where data permit and the scope of the US programme warrants, such projections usually take the form of a macro-economic model, and include estimates of the results of alternative assumptions regarding key variables. The usefulness of such projections does not depend on very accurate data, since the main purpose is not to predict progress but to test which policy variables are most important in determining the rate and pattern of growth.

Ideally, macro-economic analysis along these lines must be supplemented by depth studies of problems and prospects in key sectors, or in fields which cut across sectors, such as export promotion. In estimating possible progress over, say, a five-year period, existing government policies, priorities and administrative capacity should not be taken as immutable, but rather regarded as policy variables. On the other hand, the estimate should not assume radical, therefore highly unlikely, changes in policies, priorities or efficiency. The purpose of the analysis is, in fact, to pick out those key changes which are both necessary to realise potential growth and feasible in the light of major constraints, including competing claims upon limited capital and administrative skills, social and cultural attitudes, and political pressures.

Such an analysis is too time-consuming to attempt for all development fields in a country. Therefore analysis normally narrows in scope as it proceeds from more general to more detailed levels, identifying at each stage those sectors or problems which seem to play a key role and therefore warrant closer examination.

Even rather crude analysis along these lines permits aid resources and influence to focus on key changes necessary to accelerate growth and restructure the economy. As analysis is carried further, aid goals can be more sharply defined. (It might be noted that sharper definition does not imply narrower scope.)

(b) *AID Experience with Establishing Goals*

An aid agency's ability to devise its programme fully as a consequence of this kind of analysis is evidently circumscribed by 'real world' factors (in addition to the existence of non-developmental objectives of foreign assistance).

First, it is obvious that other considerations enter into selection of aid goals, in addition to the identification of those fields or problems on which progress is most essential in view of the country's level of development and potential areas of comparative advantage. A donor interested in maximising the development effectiveness of its assistance would select from among a list of priority goals those which (i) were not being addressed by other donors, and (ii) called for types of aid which it could administer effectively, i.e., fields of activity for which it could provide required skills

and commodities at competitive or better-than-competitive prices and quality.

Second, the volume and composition of project aid in any given year is largely determined in the short run by activities already under way, except in those rare cases in which a new country programme is started or a limited programme is greatly expanded.

Third, in many developing countries AID is prepared to provide a flow of loans for sound capital projects which substantially exceeds the host country's ability to identify, prepare and propose sound projects. Increased assistance for pre-feasibility and feasibility surveys eases the problem only slightly. Therefore in many countries AID is likely to finance a capital project which looks economically and technically sound and for which funds on suitable terms are not available from other sources, even if the project has little or no relation to the goal structure of the rest of the country assistance programme. As a result, capital project assistance is often poorly integrated with other AID activities.

Fourth, poor data and a still inadequate understanding of the development process hamper analysis at every stage. However, once certain sectors or problems have been selected as particularly important, continued efforts to gather information over the longer term will permit considerably improved analysis and performance.

Fifth, despite vigorous attempts to recruit more general economists and specialists in sector analysis (e.g., education planners, agricultural economists, etc.), the best-staffed field missions at present have perhaps two or at most three thoroughly trained general economists and very few missions have any qualified sector analysts. International and domestic US demand for education planners, good agricultural economists and other sector analysts greatly exceeds supply, and AID has found it very difficult to attract the kind of talent it needs to conduct the analysis sketched above. We are now experimenting with using contract teams for sector analysis; for example, Education and World Affairs is conducting a two-year study of education problems in Nigeria, and The RAND Corporation is considering helping in Turkey and Colombia.

Because of these problems, many of the 'goals' outlined by field missions still serve more as labelled receptacles for the set of projects being carried out under the supervision of the individual technical divisions in the mission, rather than a *de novo* grouping with its own internal logic and strength. The projects may be well- or ill-planned individually and as a group, but superficial 'packaging' by itself adds nothing to their effectiveness.

On the other hand, where the approach has been taken seriously and supported by adequate analysis, it has led to significant changes in programme design, and to better directed and co-ordinated activities and influence. For example, one goal in the Pakistan programme is that East Pakistan achieve self-sufficiency in rice production by 1970, while increasing rice yields per acre to permit crop diversification. Crop diversification may

in turn lead to improved nutrition and the increased production of export crops. This goal of producing more rice and higher acreage yields provides a unifying focus for technical assistance, project and commodity dollar loans, local currency loans and grants, and influence directed to many types of activity, including improved planning, agricultural extension, training, improved supply of fertiliser, pesticides, seeds and other production requisites, irrigation, marketing, credit, coastal embankments, flood control, and rural works. Most of these kinds of activity were already under way when the goal was formulated, but questions of volume, phasing, location, and specific emphasis (for example, what kinds of pest control to emphasise) are now determined by considering their contribution to the goal of increased total production and acre yields of *rice*.

2. Defining Targets

(a) *Purpose and Nature of Targets*

Fairly precise achievement targets associated with each goal serve three purposes. (i) They facilitate precise planning, by focussing attention on how much and what kinds of progress is feasible and desirable; identifying the total inputs, in terms of resources skills, and changes in policies and procedures, necessary to achieve this progress; and finally suggesting the share of total resources and the kinds of influence the donor should provide. (ii) Time-phased targets also permit a running evaluation of progress, so that steps can be taken to correct lags. (iii) Finally, targets or benchmarks permit an after-the-fact assessment of performance, which may make it possible to apply experience with one problem in one country to similar problems elsewhere.

One or two hypothetical examples may illustrate the kind of targets we believe to be helpful in planning and evaluation. Assume that increased foreign exchange earnings represent one key goal in a relatively advanced developing country where the growth of exports has failed to keep pace with progress in other fields. In this case it is possible to set a quantitative target associated with the goal – say a 50% improvement in export performance over a five-year period. This target in turn reflects detailed estimates of potential increases in earnings from commodity exports, tourism, remittances, and other sources. Therefore the overall target can be supplemented with targets for increased earnings from those sources which are expected to make the greatest contribution to the total increase in foreign exchange earnings – let us say, an 80% increase in earnings from mineral exports, and a 200% increase in earnings from tourism. The next step is to identify the actions which must be taken if the targets are to be achieved. In the case of an overvalued exchange rate this may require a certain amount of devaluation. Meeting the minerals export target may require capital inputs such as modernised mining equipment and easier access to credit, technical inputs such as application of improved mining techniques, and policy inputs such as revision of the mining code and adjustment of

freight and loading charges for certain types of ore. These conclusions will point to the need for new or continued aid activities, and for experts to encourage and assist the host government to take the needed policy measures.

Another goal might be reorientation of the formal education system to better serve manpower and other developmental needs. Although no single overall target can be associated with this goal, a number of contributing targets can be identified. One such target might be a shift in the distribution of students at secondary and higher levels from generalist to technical and professional fields of study. If a key bottleneck to such a shift were poor mathematics and science preparation in the early secondary-school years, another target might be a specified increase during a five-year period in the number of qualified mathematics and science teachers at this level. Still another target might be the introduction over the five-year period of terminal technical and commercial programmes at secondary and sub-university level, on a scale adequate to train a specified number of students annually.

As these examples suggest, targets may be quantitative, e.g., percentage increase in mineral exports, or qualitative, e.g., revision of the mining code. Since many of the most important tasks in the developing countries are essentially qualitative, insisting on artificial quantification is not helpful and may be self-defeating. What is important is that the target be precise enough to permit formulation of a course of action to achieve it, and of 'mid-term' and 'terminal' assessment of whether it has been achieved.

The examples also illustrate our view that meaningful targets must be framed in terms of host country accomplishments, rather than in terms of accomplishments attributable directly and entirely to aid and the donors. This reflects the fact that the essence of the aid process is bringing about desired changes in the host country situation with marginal inputs – marginal resources and marginal influence. Efficient construction of a capital facility or successful completion of a technical training project is not significant in isolation. Only if the facility or the skills are coupled with other actions to bring about priority changes is the assistance really 'effective'. Recognising this from the start – stating targets in terms of changes in the host country situation and considering the full range of action needed to achieve the targets – may lead to better project selection and design, increased complementarity among projects, and more systematic use of influence.

(b) *AID's Experience with Establishing Targets*

AID's experience with establishing targets and using them for planning and evaluation purposes is very limited thus far. Fairly specific targets have long been included in the field missions' annually up-dated descriptions of each technical assistance project. But these targets relate solely to the individual project. While they are useful in assessing whether the project is

proceeding as planned, they do not help us assess whether the project is really worthwhile and is having the intended broader effect.

Several years ago an effort was made to require broader quantified targets attached to each major programme goal. However, the requirement was at once so general and so rigid that field missions either ignored the instruction or submitted meaningless targets.

A more flexible and detailed system of five-year goals and targets is being attempted this year on an experimental basis for nine major country assistance programmes. If the experiment proves useful as a planning and evaluation device, the requirement that output targets be established will be extended from these nine programmes to all or most other AID country programmes.

Partial results available thus far suggest that where a goal is well-defined and aid activities are systematically related to the goal, it is fairly simple to construct rather precise five-year targets and to spell out the most important host country and AID actions necessary to achieve the target. However, it becomes quite difficult to construct meaningful targets if a goal is less well thought through, and aid activities are less well articulated. This suggests a need for tighter analysis, rather than discrediting the concept of targets. In our limited experience, while it is easier to establish *quantitative* targets for inherently quantitative goals (e.g., increased production, increased supply of trained manpower, etc.) than for institutional development goals (e.g., reorientation of an education system), it is not difficult to construct reasonably precise qualitative targets with respect to institutional development and policy changes. Finally, it may be worth noting that AID country desk officers in Washington found it much more difficult to spell out targets and associated inputs than did field mission staff who are much more thoroughly familiar both with the host country situation and with details of the aid programme.

B. Using Influence Effectively

The discussion of goals and targets applied both to the effective use of aid as additive resources and to effective use of aid to influence host country self-help measures. In the long run, aid's 'influence potential' is much more important than its resource contribution. This is true for two reasons. Total aid from all sources has probably contributed roughly 20% of total investment in the developing countries in the past few years. The use made of the remaining 80% is clearly much more important in accelerating growth than is the use of aid alone. Furthermore, policies and procedures – import licensing arrangements, investment codes, marketing board pricing policies, power transportation rate structures, tax provisions, to name only a few – affect economic development at least as powerfully as the presence or absence of adequate infrastructure or technical skills. Successful efforts to influence macro-economic and sectoral policies are likely to have a greater impact on growth than the added capital and skills financed by aid.

1. Types of Influence

It is useful to distinguish between the more general concept of influence and the narrower concept of leverage. Leverage goes beyond influence and persuasion to condition aid, explicitly or implicitly, on specified host country action. Leverage may be negative or positive: aid may be withheld unless certain conditions are satisfied, or additional aid may be made available if host country performance achieves specified standards. Positive leverage is sometimes called 'incentive programming'.

It is also useful to distinguish between rewarding overall performance by generous aid allocations (thereby presumably encouraging continued good performance, and perhaps inducing other countries to improve their policies), and using current aid negotiations to encourage specific future self-help measures. The first approach is general and '*ex post*'; the second approach is specific and '*ex ante*'. The 1961 Report of the President's Task Force on Foreign Assistance relied on persuasion as the primary technique for influencing aid recipients to undertake reforms. It stressed the need to concentrate US assistance in those countries which performed best, thereby both placing our assistance where it would be most effectively used and inducing other countries to improve their performance. However, the pattern of US aid allocations has not always favoured good performers clearly enough to exercise a strong demonstration effect. Moreover, specific self-help measures call for decision and action by individual host country officials or agencies. Except for very major macro-economic decisions taken at the highest levels, the connection between specific decisions and the possibility of increased aid available in the future to the country as a whole (not necessarily to the agency which must implement the reform) is too tenuous to have much direct impact. Therefore during the past three years AID has tried to develop techniques for using current aid negotiations to encourage specific self-help measures.

2. The 'Influence Potential' of Different Forms of Aid

Potentially, all forms of aid can be used to exercise influence. Some forms of aid are better suited to influencing macro-economic policies; others relate more readily to sector or sub-sector policies.

Much *technical assistance* is primarily designed to influence policies and procedures directly through providing technical advice, or indirectly through training and association designed to influence attitudes and increase analytic skills. However, with rare exceptions, technical assistance has been used for *leverage* only to facilitate the operation of the project itself, e.g., refusal to enter into or continue a project unless adequate counterparts are provided or the host country fulfils commitments regarding office space, transportation or other supporting services. The fact that technical assistance projects are rarely used for leverage on host country actions beyond the scope of the projects themselves reflects the

assumption that host governments are probably not so eager to get or keep specific technical assistance that they are willing to alter sectoral or sub-sectoral policies or procedures. Most technical assistance projects are relatively small. Often they reflect the donor's view of what needs to be done more than the host government's priorities. Many countries do not count technical assistance as part of the aid level.

There is another constraint on using technical assistance to exert leverage. Effective technical assistance depends much more directly and heavily than other forms of aid on good relations between the foreign technicians and the organisation or officials with whom they work. Pressure for reforms, say, in sectoral or sub-sectoral policy might or might not require decision or action from the counterpart organisation itself. If it did, and if the pressure were resented, the gains from the immediate improvement in policy might be vitiated by reduced long-run effectiveness of the technical assistance itself.

Project capital assistance can be used to exert both general influence and specific leverage on host country actions. At the simplest level, virtually all donors, bilateral and multilateral, insist that engineering and technical criteria essential to the success of the capital project itself be satisfied. Most donors call for some host country contribution to local costs. These requirements themselves may have a constructive influence, by educating host country officials in what constitutes a well-planned project. However, these conditions also slow the rate of commitments and disbursements. The proper balance between maintaining a given level of project standards and maintaining or expanding the investment programme depends on individual country circumstances.

Moreover, AID, the IBRD, and other donors have not infrequently attached to capital project aid conditions going beyond the scope of the individual project. Narrowly conceived, most often conditions relate to the efficient use of the project – e.g., provision for adequate maintenance, or altered rate structure (for a power project). But they may also effect the performance of the entire sector or sub-sector. For example, a sizeable AID loan for road construction in Afghanistan was conditioned on the Government's establishing, staffing and budgeting for an adequate road maintenance organisation. Loans for power stations in Korea were conditioned on changes in rate structure designed to encourage a more economical use of electricity and enhance the investment in the power field.

Perhaps the most important constraint on the use of capital project aid for leverage is the fact that for many developing countries the volume of assistance available from all sources for well-designed capital projects substantially exceeds the availability of project proposals which meet technical and economic criteria. If donors are competing for good projects, they are deterred from attaching conditions extending beyond the scope of the project. Even if competition is not a factor, political pressure to maintain a flow of aid discourages any delay in obligations or commitments of funds for sound projects.

AID is currently exploring new techniques to increase influence on overall and/or sector policies through project lending. One possible approach is to select a sector or problem area (in the context of country analysis described in A above) and indicate to the host government an interest in giving in-depth assistance for the development of that sector. We would either offer to finance or ask the recipient to finance a thorough study of the sector – of its prospects, its development relative to the growth of the entire economy, its requirements, and alternative means of satisfying those requirements. Such a study would include feasibility studies of a number of projects in the sector. Upon completion of the survey, we would offer to finance a specified number of projects at a specified sum and to supply or finance technical assistance for the projects and the operation of institutions within the sector. The offer would be conditional on the host government's undertaking the policy adjustments and other measures identified in the sector study as necessary for real progress in the sector.

AID has thus far found *programme (commodity) assistance* the most powerful and flexible form of aid for influencing macro-economic policies. This is true for several reasons.

- (i) Commodity aid is almost always larger in volume than individual projects; in a number of countries US commodity assistance substantially exceeds total project aid.
- (ii) Most donors are reluctant to provide commodity aid. Yet it may be badly needed at certain stages of development, to permit fuller utilisation of existing facilities and to support widely scattered small capital improvements which are difficult to finance on a project basis. Moreover, commodity aid flows quickly; its effects on the economy are prompt. Therefore commodity aid is strongly desired and has high scarcity value.
- (iii) Since commodity aid provides equipment, raw materials and spare parts for the economy as a whole, linking commodity aid to macro-economic policies is more likely to appear reasonable and appropriate to the recipient. Therefore programme loan negotiations permit access to discussion of a wide range of issues. The volume of programme lending is usually based on an analysis of balance of payments requirements. This can easily be broadened into a general review of the economic situation, conducted jointly with the host government, and resulting in decisions both about the volume of aid and about required self-help actions. Recent programme loan agreements with Brazil, Chile, Colombia and Korea have provided for joint quarterly reviews of the economic situation and of progress on particular problems.
- (iv) Since commodity aid can be increased or decreased at the margin or delayed in timing, it provides a credible incentive. The programme loan agreements with Brazil, Chile, and Colombia mentioned above provide that assistance will be released in quarterly tranches, contingent on host country performance as measured by agreed indicators.

A recent agreement with Korea provided 'incentive funds' for five specific policy reforms: progress on any one of them would be 'rewarded' with a small increment in the total programme loan, and adequate performance on all five would result in release of the full \$10m provided under the loan agreement.

- (v) Some of the most important self-help measures needed in many developing countries require external support at the time the measure is taken as a precondition for its success. For example, US willingness to make a larger part of its total aid available in the form of commodity assistance, helping to meet a possible surge in foreign exchange requirements, played a significant part in Pakistan's decision to liberalise import controls in July 1964. Measures to stimulate private sector activity may also require programme loan support.

3. Maximising Influence

While AID's experience with systematically maximising influence is limited, a few broad principles are clear.

The first principle is obvious: the donor must understand the country situation well enough to identify the most important self-help measures needed. While easy to state, this is not easy to do. Therefore the kind of analysis described in A above is essential for the effective use of influence.

The second principle is mutual respect and the open exchange of views between the donor and recipient. The developing countries themselves increasingly accept the idea that donors have a legitimate interest in the development policies and programmes of aid recipients. But the relationship is inherently delicate. Even if the host government is receptive, there are always groups within the country ready to cry 'interference'.

Moreover, unless the host country really understands and accepts the need for measures it is urged to undertake, it may conform to the letter of the agreement while finding ways to defeat its purpose. Or it may simply fail to meet its commitments. For example, in March 1963 an agreement between the USA and Brazil (known as the Bell-Dantas agreement) was concluded in which Brazil agreed to take measures to curb inflation and improve its financial situation, while the USA agreed to make available, subject to applicable legislation and contingent on Brazilian performance, approximately \$400m for the period March 1963 through May 1964. (This sum included Export-Import Bank and Treasury credits and PL 480 commodities as well as AID assistance.) It gradually became clear that Finance Minister Dantas lacked sufficient support within the Brazilian Government to implement his programme. Dantas was replaced in June 1963. Beyond the initial tranche that had been released immediately, the USA limited further assistance during the remainder of the Goulart régime to PL 480, project assistance, and programmes in the Northeast.

Even where the host government understands the need for and is

committed to implementing agreed reforms, no mechanistic formula is adequate to ensure effectiveness. In Chile, for example, a programme loan agreement concluded in 1963 (negotiated in collaboration with the IMF, the IBRD, and other DAC donors) stipulated that Chile take certain stabilisation measures and achieve a substantial surplus on current account from which the bulk of public investment would be financed. IMF and AID officials reviewing Chilean performance later in the year agreed that the conditions were met, yet severe inflation and other major problems persisted. In this case explicit leverage attached to precise targets was effective in a narrow sense but failed of its real goal. This suggests both a need for improved understanding of the problem and the importance of continued close consultation with the host government.

The most outstanding examples of effective influence – e.g., import liberalisation in Pakistan – were based on months or years of discussion with host government officials, and the gradual reinforcing of the views of those within the government who favoured the reform. The opportunity to maintain such a dialogue is one of the strongest arguments for substantial field missions and sustained field mission input.

Despite the importance of basing influence on informal and continuing discussion with host country officials and influential private individuals, AID is convinced that it is useful to make an understanding explicit and formal by incorporating it into aid agreements and providing for periodic review.

It is easier to reach agreement on specific self-help measures if there is a mutually agreed framework of general principles. The Charter of Punta del Este to some extent precommits Latin American governments to the principle of reform. The annual reviews conducted by the Panel of Wise Men of the Inter-American Committee for the Alliance for Progress (CIAP) reinforced and provided a multilateral context for US efforts to encourage improved performance in Latin America.

In many cases, the USA is of course not the only donor country, nor even the major donor country. The IBRD-IDA, the IMF and other multilateral institutions also play an important role in many countries where the USA has assistance programmes. Clearly, where more than one major donor is involved, co-ordination is important not only for most efficient resource use but also to make most constructive use of influence. It follows that we should seek ways to agree with other donors on the scale of requirements, the self-help efforts which may be desirable, and the best ways of influencing the recipient country.

In a number of cases, consortia or consultative groups, sponsored by the OECD, World Bank, or Inter-American Development Bank, have provided a useful forum in which donors could co-ordinate their views. The United States has encouraged those groups of which it is a member to give greater emphasis to identifying and encouraging needed self-help measures, in some cases as a precondition for assistance. Although multilateral institutions may feel they need to move more gradually and care-

fully than bilateral donors in insisting on adequate self-help measures by countries which are members of those institutions, there is a clear trend towards greater recognition and acceptance of performance requirements in the multilateral context. Indeed, multilateral institutions, free from actual or suspected political motivations and acting in concert with bilateral donors, may be able to encourage greater self-help efforts than would result from strictly bilateral negotiations. Even where there is no formal consortium or consultative group, the USA has found it helpful to conduct negotiations for explicit self-help understandings parallel to, and where possible jointly with, negotiations between the recipient and the IMF (where stabilisation is involved), the IBRD, other multilateral lending institutions, and other bilateral donors.

For maximum influence on development policies, incentive programming must not only build on past and facilitate future discussion and persuasion, but must also be coupled with the *ex post* approach of allocating aid among countries roughly in accord with their achievements.

C. Evaluation

The term 'evaluation' is used by AID to apply to at least four different functions:

- (i) compliance control, e.g., observance of legislative and administrative requirements;
- (ii) management improvement, e.g., evaluation and improvement of Agency-wide procedures and administration; analysis of specific management problems and formulation of solutions for these problems;
- (iii) assessment of project implementation, e.g., evaluation of the efficiency with which specific assistance activities are being carried out, in terms of the original work plan and targets;
- (iv) assessment of actual contribution to development.

Compliance control, including audit and inspection mechanisms, are used by all responsible financing institutions, and presumably are not of particular interest to this conference.

All large organisations also have arrangements for assessing and improving management and procedures, and for breaking administrative and implementation bottlenecks. In AID, the Office of Management Planning has a wide range of responsibilities of this kind. There is also an Operations Review Committee, chaired by the Deputy Administrator and composed of senior AID/Washington officials, which acts as a high-level 'bottleneck breaker'. An Operations Evaluation Staff, consisting of five senior evaluation officers (often former mission directors), is attached to the Administrator's Office. Members of this staff look into problems both in Washington and in the field missions, and submit brief written reports and more extensive oral reports. The Operations Evaluation Staff is concerned with problems of management, project implementation

and the overall composition of country programmes; it thus performs a variety of evaluation functions.

This conference is primarily interested in techniques of evaluating development effectiveness. AID finds that while evaluating implementation and evaluating development effectiveness are conceptually distinct, in practice they tend to merge. Field mission technical divisions are responsible for continuously reviewing the progress of particular projects in their fields. Whenever new funding is required – annually, or less frequently in the case of projects being implemented under longer-term contracts – projects presenting special problems or of doubtful value are singled out for higher-level review, starting with the mission director and proceeding as necessary through various echelons of Washington review. These periodic reviews usually include both an appraisal of implementation and a reassessment of the project's developmental value.

The annual programme review process is the major channel for evaluating whether current assistance efforts as a whole appear adequate in volume and composition to achieve stated objectives and goals.

Since most programmes consist largely of continuing activities, the review process inevitably requires a reassessment of current efforts as well as judgements regarding proposed new activities. The review process is conducted successfully within the field mission, in the appropriate regional bureau in Washington, and finally (for all major country programmes and selected smaller programmes) by the Administrator or his Deputy. Until this year, this entire process was compressed into the July-October period. This year the process is being started earlier (in May) to permit a fuller exchange of views and questions.

The evaluation component of the annual reviews is supplemented by *ad hoc* visits to field missions on the part of Operations Evaluation Staff members or regional bureau teams or senior officers.

While *ad hoc* field trips and the annual reviews may attempt some evaluation of the contribution of current activities to current growth, these efforts are handicapped by the fact that the developmental impact of many aid activities may take a number of years to become evident. Moreover, indirect effects often are as important or more so than direct effects.

Therefore, to learn more about the effectiveness of different assistance forms and techniques of aid administration, it is important to evaluate the impact of *past* activities on development.

AID has sponsored a rather comprehensive retrospective assessment of US economic aid to Taiwan over the fifteen-year period 1951 to 1965. This study was conducted under the direction of Dean Neil H. Jacoby of the University of California at Los Angeles, and evaluates the broad effects of aid on the rate and pattern of economic growth and on social and political evolution, as well as the more specific accomplishments and shortcomings of aid allocation and administration.

AID has also conducted studies of the impact of specific types of assist-

ance, drawing samples from a number of countries. For example, a study has been made of the effectiveness of participant training in terms of the use made in the developing countries of returned trainees.

Finally, the Programme Co-ordination Staff conducts continuing cross-section analyses of the relationships between the volume of assistance and recipient performance measured in terms of selected macro-economic variables (rate of growth of GNP, marginal savings and investment rates, trade volume and pattern, etc.).

Although we believe that these studies are valuable, it is clear that far too little effort has been devoted to retrospective analysis of the actual contribution to development of specific aid programmes and activities. Over time, we hope to build up a much more extensive body of analysis to supplement the continuing assessment of on-going programmes.

F Motives and Objectives of Aid

Written in the Overseas Development Institute.

Economic aid in its present form exists, ostensibly, because there are great disparities of wealth between countries. But there is no general agreement that the primary objective of aid is the development of poor countries. Aid is frequently supported on the grounds that it furthers the political and economic self-interest of the *developed* countries. Some advocates of aid feel that this self-interest can be promoted irrespectively of whether aid contributes significantly to the development of the recipient countries. Others believe that the political and economic interests of the rich countries are served directly and specifically by the development of the poor countries. Others support aid simply because they are committed to the idea of development, but they may have a variety of possibly unformulated intellectual, moral or habitual reasons for this commitment.

This absence of general agreement within rich countries on why they give aid does seem to have more than theoretical importance. It may have adverse effects, of a practical kind, on the prospects of economic development in poor countries. There are three main reasons for thinking this. First, there appears to be increasing disillusionment with the traditional political and economic self-interest arguments for aid, and aid is therefore in danger of declining below a level at which it can hope to make an effective contribution to development. Second, if the developed countries are not clear about what they want to achieve with aid, aid is likely to be badly used. Third, in certain circumstances the promotion of the donors' political and economic interests may actually conflict with efforts to achieve the economic development of recipients.

This paper is a tentative effort to clarify the issues underlying the main reasons given for supporting aid. It discusses first the economic and then the political arguments of self-interest, including those which are not specifically connected with the development of recipients, and those which are. It then indicates, again tentatively, other possible reasons, largely of a moral nature, for a concern with the development of poor countries. We believe that these reasons should, as far as possible, have priority over the pursuit of immediate political and economic advantages through aid by the rich countries. We also believe that they are ultimately the only basis on which to argue for an increased effort to develop poor countries.

Economic self-interest

One apparently simple reason for giving aid is export promotion. Developing countries sometimes appear to believe that this is the only reason. Certainly it seems to be a very important consideration in several countries' aid programmes, or at least in part of their aid programmes. It is claimed that aid tied to exports, or aid for surveys by consultancy firms or technical

assistance personnel of the aid-giving country, introduces the country's products into new areas and opens new markets. This is often specifically stated in official publications on aid. But if the purpose is to promote exports, is aid the best way of doing this? Certainly export promotion through aid does not infringe rules on international trade, and is therefore politically acceptable. It may also be useful for countries without traditional connections in developing areas, or in new areas for countries which do have some traditional trading relationships. The latter may also consider it important to use aid to maintain or expand markets or sources of raw materials in their ex-colonies; among the most vociferous supporters of aid in donor countries are private companies historically dependent on colonial markets or sources of supply. Such sectional interests undoubtedly often do well out of aid. But it is likely that the direct benefits from aid to the donor country *as a whole* will only rarely outweigh its cost; certainly exports financed by aid reduce the donor's balance of payments burden of giving aid, but that is not to say that they are an actual gain to the donor's economy.

It is again possible that aid may benefit individual rich countries in their competition with one another. But if all donors compete in this way, any advantages are likely to be only temporary and the competition self-cancelling in the longer run. Clearly the donors cannot benefit as a group. Even the East-West rivalry, and possible attempts by the former to exclude the latter from their markets and sources of supply in poor countries, are of little actual importance in this context. About 70% of developing countries' trade is with the industrialised West, and only 5% with the Communist countries; the latter are unlikely to be able to replace, in the foreseeable future, the developing countries' imports now obtained in the West, or to be able or willing to buy a high proportion of the primary products now exported to the West. But even supposing that this should happen because the West does not provide sufficient aid, the West could no doubt, with some readjustments, maintain living standards and economic growth without the markets and sources of supply provided by the poor countries; it could certainly do so much more easily than the poor could without those provided by the West.

Aid given for such reasons does not necessarily contribute to the development of poor countries. It may merely add to their burden of debt repayment. But it is sometimes argued that in the long run the prosperity of the rich and the poor countries is linked; that the development of the former depends on the expansion of the markets and production of the latter, and that this can be achieved by giving aid for the development of poor countries. Clearly the rich countries will benefit to some extent by an increase in the prosperity of the countries which are now poor. But to go on from there to argue that the rich countries, if they are concerned solely with their own prosperity, can promote their interests better by spending money on developing poor countries than by spending it in other ways, seems excessive. It is more likely that the same amounts

of money could more usefully, from the point of view of the aid-giving country's economic growth, be spent internally on investment in research, education, equipment, etc., or in other developed countries whose capacity to increase imports is far greater than that of the developing countries.

Political self-interest

The political objectives of aid may also be unconnected with the development of poor countries. Some countries appear to give aid because this is the way to prove that they belong to a privileged group of countries, rather like possession of the bomb; other people support aid because it is the usual way of wooing allies and fighting Communism (or capitalism) in the Third World. Others want to diffuse their language and culture. If the objective of aid is to please particular clients, this aim may be better served by the creation of an airport, or even a sportsground, than by the slow and patient development of an agricultural region. Efforts to dissuade recipient countries from prestige projects are often necessary and unpopular, and it requires determination to pursue them. Alternatively, the long-term development of a country may require very radical changes, but the donor country may not be prepared to contemplate them because they might involve a change of political allegiance, or the risk of Communism, or the damaging of the interests of private citizens of the donor country, or the eroding of its cultural position. The simplest solution from the point of view of the donor's immediate political interest is quite likely to be to support particular régimes which happen to be well-disposed and appear to be fairly stable. In this kind of situation, it is difficult to avoid cutting off aid to a country if its government makes some adverse political move, even if the country in question is making good use of the aid in raising the living standards of its people, and even if its development prospects are likely to be seriously affected by aid being cut off.

But efforts to gain and maintain allies, or even neutrals, by giving aid with the implicit threat that it will be cut off if certain political conditions are not met, have been notoriously unsuccessful. There is much, justifiable, disillusion with such efforts. Their failure is likely to reinforce doubts about the usefulness of spending money on gaining the support of countries which are in any case weak. If the rich countries are worried by the potential hostility of the developing world, and especially if attempts to woo its friendship are likely to be unsuccessful, their best policy might be to build up their own defences, and to avoid strengthening developing countries with aid. If the developed countries of the West merely want to prevent the formation of a united and enlarged Communist bloc, there is little danger of this happening. Even if the West gave no aid at all, developing countries would be unlikely to become immutably hostile to the West and loyal allies of Communist countries.

There are other arguments for supporting aid on political grounds which involve the linking of the political objectives of donors with the

economic development of recipients. These arguments are sometimes highly sophisticated. They state that the objective of aid is not to win or maintain allies. It is to build up countries with strong governments able to resist subversion. The objective will be perfectly well achieved if the country remains uncommitted and non-aligned. The aim is precisely to enable it to be independent of the major power blocs and not to be forced from weakness or a need for economic support to offer strategic facilities to the other side. Further, it is hoped that aid will create well-balanced, stable, satisfied countries which will not, for instance, need to distract attention from internal problems by engaging in external adventures. The danger is not that the poor countries will attack the rich countries – they are too weak to do so individually and it is very unlikely that they will unite – but that they will start off local conflicts which will develop into wider conflicts in which the rich countries will become involved. Therefore, logically, the aim of aid should be to promote the economic development that is expected by the Third World, and this aim should not be prejudiced by short-term political considerations.

These arguments are closely linked to the Cold War, for if there were no fundamental conflicts between rich countries, there would be little temptation for them to intervene in conflicts between poor countries and these conflicts would be of minor importance as far as the political interests of the rich countries were concerned. But perhaps it is a reasonable assumption that great-power rivalries will continue in the foreseeable future; the unstable condition of the world may well justify all attempts to create greater stability.

The question remains whether aid for development is in fact likely to promote stability. It seems that development might equally promote *instability*; and it will certainly, if it is successful, make the developing countries stronger and give teeth to their ambitions. The argument is that the ambitions of the developing countries are now such that they are bound to lead to upheavals of one kind or another; the requirement is to channel their ambitions in peaceful directions. Aid may help to achieve this; but it may have the opposite effect.

The moral case

Giving aid seems to be largely an instinctive reaction. It is part of an observable phenomenon: the area of our concern for other people has been progressively widening. A sense of solidarity has made remarkable progress in the last hundred years within states, and it is now more or less accepted that certain levels of poverty within a rich country are intolerable. It seems that this feeling is becoming extended to the world as a whole. There is an obvious parallel between the situation and attitudes of the privileged classes within states in the nineteenth century and the situation and attitudes of the developed countries in the world now.

This widening of our interests and concern is probably one of the major achievements of civilisation. Life for Europeans is presumably more

satisfying now, after five centuries of expansion, than it was in the Middle Ages, when most people were narrowly concerned with parochial affairs. The values embodied in the welfare state have become an important part of our civilisation. To stop now, to reverse the movement towards concern for the well-being of the world as a whole, would be a retrograde step. It would mean a retreat into a *laager* mentality, self-centred and inbred.

To pursue and broaden these interests, on the other hand, is possibly the great hope of progress. East and West have learnt much from their contacts with each other, and certainly could learn more. One of the great losses for the world is that most of the energies of two-thirds of its population are absorbed by the mere business of survival. Some of the greatest achievements of civilisation in the past have originated in what is now called the 'Third World'. But poverty has obscured achievements and thwarted progress. We are now inclined to judge others by their material progress; but material progress is no more than the condition for other kinds of progress. If the two-thirds of the world which is now poor could reach some acceptable standard of life, the gain for the rest of the world, not in a material but in a general sense, could be very great.

The pursuit of such objectives necessarily involves some positive efforts by the rich countries to promote the development of the poor countries. Mere *laissez faire* policies are unlikely to alter the present balance of material forces in the world. Even aid in its present form, confused as it is in its objectives, is not making an adequate contribution to development. Indeed, there are some who criticise it on the grounds that it actually retards the development of recipients. Those who do so are, or should be, criticising not the principle of aid but the methods. We believe that the methods are more likely to be successful if there is agreement that the overriding objective of aid is that it should contribute to the economic development of poor countries, and that giving aid has little to do with either long-term or short-term national power-politics or economic self-interest.

3—Fact Sheets

A Aid administration

(i) France

1. Home Administration

In the reorganisation of the Government which followed the presidential elections of December 1965, almost all the departments responsible for aid were put under the authority of the Ministry of Foreign Affairs. The position now, which is recognised to be transitional, is that aid is administered by the following five main departments, the first three of which are attached to the Ministry of Foreign Affairs:

- (i) The Secretariat of State for Foreign Affairs in charge of Co-operation. From 1961 to the end of 1965, the departments comprising this Secretariat of State formed the Ministry of Co-operation. Their functions have not been changed. The Secretariat of State is responsible for virtually all aid to the 14 African and Malagasy States¹ and for small amounts of financial aid to Congo-Leopoldville, Rwanda and Burundi. There are two main departments in the Secretariat of State: one – the *Direction de la coopération culturelle et technique* – is responsible, roughly speaking, for aid in the cultural and social fields; the other – the *Direction des affaires économiques et financières* – is responsible for aid for the economic infrastructure and for production, and also has certain responsibilities in monetary and commercial matters. There are in addition administrative officers with a geographical competence, and a *Mission d'études*, attached to the *Direction de la coopération culturelle et technique*, which acts as a kind of brains-trust. The aid administered by these departments is channelled through the FAC (*Fonds d'aide et de coopération*).
- (ii) The Secretariat of State for Foreign Affairs. This Secretariat of State has dual functions. Since 1961 it has been responsible for political relations with the African and Malagasy States and other tropical African countries, under the authority of the Ministry of Foreign Affairs. In January 1966, the Secretariat of State became responsible for the matters previously dealt with by the Secretariat of State for Algerian Affairs (which was set up in 1962 and attached directly to the Prime Minister's office); these include political relations with Algeria and virtually all aid to Algeria. This aid is channelled through the CEDA (*Caisse d'équipement pour le développement de l'Algérie*).
- (iii) The *Direction générale des affaires culturelles et techniques*, one of the four main departments of the Ministry of Foreign Affairs. This *Direction*

¹ Ex-French West Africa minus Guinea, ex-French Equatorial Africa, Togo, Cameroun, and Madagascar.

has a *Service de coopération technique* which was created in 1956 to deal with all technical assistance to Morocco, Tunisia, Laos, Cambodia and Vietnam (then virtually the only form of official French aid to these countries); with part of technical assistance – in the cultural, social, administrative and agricultural fields – to countries which had not been under French rule; and with French contributions to United Nations technical assistance agencies.

- (iv) The *Service de coopération technique* in the Ministry of Economy and Finance. This corresponds to the *Service* in the Ministry of Foreign Affairs and was also set up in 1956. It is responsible for the other part of technical assistance – in the industrial and commercial fields – to countries which have not been under French rule.
- (v) The Ministry of State for the Overseas Departments and Territories. This is responsible for special financial aid to the remaining French dependencies; for the Overseas Territories this aid is channelled through the FIDES (*Fonds d'investissement pour le développement économique et social*) and for the Overseas Departments through the FIDOM (*Fonds d'investissement pour les Départements d'Outre-Mer*). The Ministry of State is also responsible for the expenditures of the French State in the Overseas Territories. (For the Overseas Departments, such expenditures are the responsibility of the relevant French Ministries.)

There is no special administrative arrangement for the official loans made since 1960 to Morocco, Tunisia, Laos, Cambodia and Vietnam, and to some countries which have not been under French rule. These are administered directly by the Treasury in the Ministry of the Economy and Finance, as are French contributions to the World Bank, IDA, IFC and the European Development Fund. (The Treasury has also provided substantial short-term advances to various countries of the Franc Zone, which are not included in official aid figures.) Some of the loans to Morocco, Tunisia, Laos, Cambodia and Vietnam have been channelled through the *Caisse centrale de coopération économique*, a public organisation whose main functions are now to act as paying agent for the FAC, FIDES and FIDOM (see above). The *Caisse centrale* also makes some loans to some of the ex-French countries under its own authority.

In addition, most of the 'technical' Ministries have specialised sections which assist with recruitment and studies for the departments mainly responsible for aid; and they provide a few residual direct forms of aid for ex-French countries.

There are also exceptionally large numbers of public, semi-public or private organisations which specialise in the problems of developing countries. These, as well as doing research and surveys, carry out aid projects at the request of the aid administration. Most of the administrative departments concerned with aid have set up their own organisations for recruitment, training, the reception of students from developing countries in France, etc. Many of these organisations are directly sub-

sidised from aid funds; some of them are partly financed by the private sector.

The concentration of most aid under the authority of the Ministry of Foreign Affairs at the beginning of 1966 was one step towards its re-organisation and concentration in one institution (or set of institutions). This institution is now almost certain to be attached to the Ministry of Foreign Affairs; the main alternative solution was that an enlarged and separate Ministry of Co-operation should be responsible for aid to all developing countries.

2. Overseas Administration

The Ministry of Foreign Affairs has Embassies in all the ex-French countries except Algeria. In each of the 14 African and Malagasy States, there is in addition a *Mission d'aide et de coopération*, set up by the Ministry of Co-operation and responsible directly to this Ministry (and now to the Secretariat of State in charge of Co-operation). They do not correspond through the Embassies but must keep them informed of their activities. Each mission has a director and three or four specialists. Their role is to assist the 14 States, when asked to do so, in formulating their requests for aid; to inform themselves on the particular needs and difficulties of each State; to supervise the carrying out of projects and ensure that they fulfil the conditions prescribed; and to administer the technical assistance personnel seconded to the States. They work very closely with the local administration, and can exercise considerable influence on the projects presented to France for financing. Their activities are supplemented by frequent missions from the central administration.

In Morocco, Tunisia, Laos, Cambodia and Vietnam there are quite large semi-autonomous sections within the Embassies which deal with aid. They each have a director, five or six specialists, and their own budgets. Elsewhere, the officials in charge of cultural or commercial affairs in the Embassies simply have aid as part of their jobs; in a few countries, they are assisted by one member of the embassy staff responsible solely for aid.

(ii) Germany

1. Home Administration

Virtually the entire administrative machinery of the German aid programme consists of organisations or departments set up, or at least specially adapted for the purpose, during the past seven years. Unlike Britain and France, Germany had no machinery for colonial administration on which to build the administration of its aid programme.

In the 1950s, the main elements in German assistance to developing countries were a small technical assistance programme, run by the Federal Ministry for Economics and the Foreign Office, the purchase of IBRD

bonds by the Federal Bank, and the provision of private export credits guaranteed by the government-sponsored Hermes Credit Insurance Company. Official bilateral financial assistance began with a consolidation agreement covering credits amounting to DM 66m for the Rourkela Iron and Steel Plant in India, in February 1958.

In the autumn of 1960, an Inter-Ministerial Committee for Questions of Development Policy was set up, with representatives from the Foreign Office and the Ministry for Economics, the Ministries for the Interior, Finance, Food, Labour, Transport, and Federal Property, the Office of the Federal Chancellor, and the Federal Bank. A year later, a Federal Ministry for Economic Co-operation was established.

The division of responsibilities between the new Ministry and the Ministries which had previously administered economic aid was not fully defined until October 1964, when it was laid down that:

- (a) the Ministry for economic Co-operation (BMZ) was responsible for general policy questions and co-ordination, in consultation with the other Ministries;
- (b) the capital assistance programme would be planned by the BMZ and the Ministry for Economics jointly, and administered by the Ministry for Economics;
- (c) the BMZ was responsible for technical assistance;
- (d) the Foreign Office was responsible for all political questions, and was to have a voice in the principles and programme of development policy.

In addition to the planning and implementation of policy, as carried out in the Ministries, a characteristic of German aid administration is the widespread use of autonomous executive agencies. These include: *Kreditanstalt für Wiederaufbau-KfW* (Reconstruction Loan Corporation), originally a credit institution designed to facilitate German economic recovery, which was re-organised in 1961 in a way that enabled it to handle capital assistance for developing countries – the KfW administers all capital assistance loans, and carries out project evaluation and control; GAWI (German Company for the Furtherance of Developing Countries) is the principal agency for the recruitment and appointment of technical assistance personnel; the *Carl-Duisberg-Gesellschaft* (CDC) is responsible for the welfare of technical trainees in Germany.

In addition, mention should be made of four institutions with a special status, as being exclusively concerned with aid and operating under the general supervision of the BMZ. These are (i) *Deutsche Stiftung für Entwicklungsländer* (the German Foundation for Developing Countries), which was set up in 1959, organises seminars and meetings, is responsible for the co-ordination and documentation of research, is active in publicising the German aid programme, and maintains specialised centres for public administration, industrial training, and agriculture; (ii) the *Deutsche Entwicklungsgesellschaft* (German Development Company), which is a

limited company, set up in 1962, which provides funds for investment in small and medium-sized enterprises in developing countries, preferably in partnership with a German private company; (iii) *Deutscher Entwicklungsdienst* (German Development Service), which is the organisation responsible for Germany's volunteer programme – it came into operation in 1964; (iv) *Deutsches Institut für Entwicklungspolitik* (German Institute for Development Policy), founded in 1964 to act as an inter-disciplinary research centre, providing one-year courses in development studies for high-quality German graduates – the intention was to build up a cadre of German development experts, and thus to make good what was felt to be a deficiency in German experience.

2. Overseas Administration

Germany does not maintain aid missions abroad. Practical questions concerning aid to individual countries, i.e. the conduct of day-to-day aid relations, are normally in the hands of the ordinary diplomatic officers in the German Embassies. In principle, the German diplomatic service has no overseas posts exclusively concerned with aid, and no aid attachés. The KfW, however, sends periodic missions to appraise or supervise projects.

Recently, as part of an attempt to evaluate the impact of German aid, missions from the federal ministries have also become more frequent.

(iii) United Kingdom

1. Home Administration

British aid was initially directed exclusively to the colonies and was handled by the Colonial Office. Later, when technical assistance to independent countries was given under the Colombo plan in the early 1950s, and when financial aid began in the later 1950s to be given on a significant scale to independent countries, the Foreign Office and Commonwealth Relations Office became involved. In 1961, technical assistance administration was brought together under the newly-formed Department of Technical Co-operation; financial aid remained the responsibility of the Colonial, Commonwealth Relations, and Foreign Offices. In October 1964, a Ministry of Overseas Development was established and was given overall responsibility for both capital aid and technical assistance. The only parts of the aid programme for which the Ministry is not primarily responsible are Britain's relations with the World Bank and its affiliates, which are handled by the Treasury, and budgetary assistance for the colonies, which is under the Colonial Office.

The Ministry of Overseas Development is headed by a Minister of Cabinet rank. On the official side, the Ministry is headed by a Permanent Secretary; under him are a Deputy Secretary and eight Under-Secretaries, each of whom heads an administrative Division. One of these – the International Division – deals with general aid policy and relations with inter-

national aid bodies; there are three Divisions constituted on a geographical basis dealing with Africa, Latin America and the Caribbean. The other four Divisions deal primarily with technical assistance and respectively cover Overseas Appointments, Education, Natural Resources and Personnel Services, and Social Development and Training.

In addition to its central administrative core, the Ministry contains or has attached to it:

- (i) the Economic Planning Staff, responsible for the Ministry's work in the economic and statistical fields, headed by a Director-General;
- (ii) a corps of some 30 professional Advisers on technical subjects;
- (iii) various organisations engaged in direct technical assistance such as the Directorate of Overseas Surveys, the Anti-Locust Research Centre, or the Tropical Products Institute.

In financial terms, the Ministry of Overseas Development's vote in 1965/6 covered nearly half the total aid programme of over £200m. Items *not* on the Ministry's vote included Colonial Grants in Aid – about £16m – on the Colonial Grants and Loans vote; subscriptions to the International Development Association – £11.5m; and various items financed by government borrowing, including loans under Section 3 of the Export Guarantees Act administered by the Export Credits Guarantee Department, borrowing by the Commonwealth Development Corporation and Exchequer loans to the colonies under Section 2 of the Colonial Development and Welfare Acts.

2. *Overseas Administration*

Britain does not maintain separate aid missions overseas. Aid administration operates through the British Embassy or, in Commonwealth countries, the High Commission. At the end of 1965, there were 43 full-time posts for aid administrators in British Embassies and High Commissions. Elsewhere the aid programme is administered on a part-time basis by officers who also do other work. The actual personnel handling aid administration are generally full members of the Diplomatic Service. There is no special corps within the Diplomatic Service of people specialising in this type of work. In a few cases, however, staff have been seconded to British diplomatic posts from the Ministry of Overseas Development.

Where specialist advice is needed in connection with aid administration, this is usually arranged through visits by the Professional Advisers based in London, of whom there are at present 29. Consideration is, however, also being given to the appointment of technical advisers based on the more important diplomatic missions overseas; an Agricultural Adviser has been appointed to the staff of the High Commission in Lagos.

In two areas – the Middle East and the Caribbean – Britain also maintains what are known as Development Divisions. They are separate from (but co-operate with) Embassies and High Commissions and each operates on a regional basis. The Divisions come directly under the Ministry of Overseas Development. They are staffed by experts in a number of pro-

fessional fields. Their task is to study developments in the area in their particular field of interest and to maintain liaison with the appropriate overseas authorities. They advise the British Government on overseas needs and are also available when requested to give advice and assistance to overseas governments. The Middle East Development Division has been in existence for some twenty years and at present has eight professional staff; the Caribbean Development Division is starting operations this year with some six professional advisers.

(iv) United States

1. Home Administration

Two Acts of Congress provide the legal authority for the bulk of present US aid. They are the Foreign Assistance Act of 1961 (FAA), covering most financial and technical aid, and the Agricultural Trade Development and Assistance Act of 1954 (usually known as Food for Peace or PL480), covering aid in the form of surplus agricultural commodities. In addition, bilateral financial aid is provided through the Export-Import Bank and the Social Progress Trust Fund, and some technical assistance by Peace Corps volunteers.

Responsibility for the direction, planning and co-ordination of all aid activities is vested with the Agency for International Development (AID). The Agency takes direct administrative responsibility for all programmes under FAA, and shares the administration of PL480 with the Department of Agriculture and other Government departments.

AID is an autonomous agency created within the State Department. It is headed by an administrator who reports directly to the President; but at all levels AID officials work closely with their counterpart (political) officials in the State Department. The Agency is organised into four Regional Offices – Far East, Near East and South Asia, Latin America, Africa – which are the main policy and planning centres for their respective areas. They are served by a number of technical divisions, education, institutional development, agriculture, industry, etc. Co-ordinating the work of the four Regional Offices is the Programme Co-ordination Office, which is also responsible for laying down general guide-lines and developing overall aid strategy.

2. Overseas Administration

AID maintains sizeable missions (separate from the Embassy) in countries which receive substantial amounts of US aid. Elsewhere, aid is handled by special officers attached to the Embassy.

The routine function of an aid mission is to administer aid – this involves feeding information to Washington on which aid decisions can be made, and supervising aid activities in the field. The mission has many other responsibilities; the American philosophy is that it should take an active interest in the development process of the recipient. This it does by under-

taking independent analyses of the development plans and economic policy of the recipient and suggesting areas for improvement. It can recommend the concentration of aid into sectors which it regards as critical (especially if the recipient tends to neglect them), or make aid conditional on the recipient taking specific 'self-help' measures. The mission is also active in the area of project initiation, selection and preparation by helping the recipient to pinpoint problems and organise surveys, feasibility studies and pilot projects. Finally, the mission is responsible for appraising the impact of aid activities and evolving criteria by which the effectiveness of aid can be judged.

The effectiveness of the mission depends to a large degree on the working relations it establishes with the government officials of the country in which it operates. Good personal relations, together with a sound knowledge of local problems, enable the mission officials to exert influence on policy – often informally – and set in motion improvements not necessarily related to actual aid projects.

B Terms and conditions of aid

(i) France

Nearly all French aid is bilateral. In 1964 multilateral aid was only 1% of total French aid (although it was 8% in 1962). Loans in 1964 were less than 15% of total aid. The other 85% was grants.

These grants consist of capital aid (a little less than one-third), direct budgetary support (a little less than one-quarter), and expenditures on technical assistance (about half). Capital aid grants are made almost exclusively to Algeria, the African and Malagasy States and the Overseas Departments and Territories, which receive nearly all their aid from France in the form of grants. Morocco, Tunisia, Cambodia, Laos, Vietnam, and countries which have not been under French rule, receive virtually no aid in grant form apart from technical assistance.

Loans are about 15% of total French aid. French aid to the countries traditionally receiving it has on the whole not been in the form of loans. But part of the 'aid for industrialisation' to Algeria under the 1965 oil and natural gas agreements is to be in the form of twenty-year loans at 3% interest rates. The FAC has recently made one or two loans to the African and Malagasy States, with maturities ranging from two to twenty years and interest rates of 1%. The *Caisse centrale* makes loans to the African and Malagasy States on its own authority; these are generally long-term, with interest rates of 2.5% to 3%.

The financial aid committed since 1960 for Morocco, Tunisia, Cambodia, Laos, Vietnam and some countries which have not been under French rule has been entirely in the form of loans. These official loans have generally had interest rates of 3% to 4% and maturities of 20 to 25 years. They have nearly always accompanied private export credits; the latter have usually been officially guaranteed (by the COFACE – *Compagnie française pour le commerce extérieur*) and have had their interest rates reduced to about 5% and their maturities extended to up to thirteen years by official intervention. The official loans accompanying them have in a sense merely amounted to a further softening of their terms.

Tying

Capital aid to the African and Malagasy States and to the Overseas Departments and Territories is tied to procurement in the Franc Zone – i.e., for practical purposes, locally or in France. There is said to be no limit on the amount which may be spent locally. The arrangements of the Franc Zone make it likely that the aid spent on local costs eventually leads to additional imports from France. This aid is also strictly tied to projects.

Part of French aid to the African and Malagasy States and to the Overseas Departments and Territories is direct budgetary support; this is not tied.

Part of French aid to Algeria is tied to projects and to procurement in France or locally; the rest is completely untied.

The official loans to the other recipients of French aid have all been tied to projects and have generally been used for imports from France; part of them has occasionally been available for local costs.

Uses

Capital aid to the African and Malagasy States was at first heavily concentrated on infrastructure. There is now a change towards more emphasis on production, particularly on small agricultural projects. Aid is also being provided for new industrial projects.

There have been few new projects in aid to Algeria since 1962. Most of the aid has been used to honour commitments made to French firms under the 1959 Constantine Plan, and to prevent financial collapse in Algeria after independence. But there are now plans to provide aid for industrialisation on the basis of Algeria's oil and natural gas resources.

There is much emphasis in all French aid programmes on education and training, and in particular on setting up training institutions in developing countries.

Budgetary aid is provided only to some Franc Zone countries. In 1964 the African and Malagasy States received 94.9m francs in direct budgetary support (compared to 194.6m francs in 1960). In 1964 Algeria received 290m francs as untied aid, much of which was used for current expenditures. Some Franc Zone countries receive in addition 'Treasury advances'; these amounted to 351m francs in 1963 and 110m francs in 1964; they are repayable in not more than two years and are not included in official aid figures. An additional and indirect form of budgetary support is French payments for the salaries of French operational personnel in Franc Zone countries, which account for roughly a third of total French aid.

(ii) Germany

By far the largest part of the German aid programme consists of bilateral financial assistance, in the form of loans. Net bilateral lending in 1964 amounted to DM 1,204m (\$301m), or 66% of total net official disbursements of DM 1,838m.

Most German capital assistance is for projects, and the terms of loans are normally fixed in accordance with the nature of the project. For revenue-earning projects, loans are usually repayable over a period not exceeding 15 years, at rates of interest around 5½%. For infrastructure projects, repayment is usually over 20-25 years, at 3% to 3½%.

Tying

German capital assistance loans are in principle not formally tied to the purchase of German goods and services, but exceptions are frequent. In 1963, 55% of new loan commitments (including official export credits)

were tied. In 1964, the proportion was 42%. The Minister for Economic Co-operation frequently points out that in fact a far higher proportion of German capital assistance is actually spent on German goods and services (nearly 85%) than the proportion that is formally tied.

In principle, German loans are tied to specific projects. A relaxation of this ruling, however, is becoming more and more frequent for selected countries. About 30% of current commitments to India, Pakistan and Turkey are in the form of programme loans, usually for maintenance imports. In 1964, 89% of all new capital assistance commitments were for specific projects.

Uses

Nearly 40% of new project commitments in 1964 were for industrial projects. Transport and communications accounted for 28%, power 21%.

The Federal Government has devoted particular attention to development banks, as a channel for financing small and medium-sized enterprises. By the end of 1964, nineteen development banks in sixteen countries had concluded or were negotiating agreements with the Federal Government for loans amounting to DM 470m.

(iii) United Kingdom

The British Government calculates its gross aid at £191m in the financial year 1964/5 and £196m in the calendar year 1965. The 1965 total is made up of £93m bilateral grants (including technical assistance), £83m bilateral loans (including £10m in respect of Commonwealth Development Corporation activities), and £19m multilateral assistance.

In 1965, official bilateral loans to developing countries have been made under four main programmes:

- (i) Section 3 of the Export Guarantees Act, 1949 (loans administered by ECGD) amounting to £49m.
- (ii) Colonial Development and Welfare (CD&W) Section 1 – £0.2m;
- (iii) CD&W Section 2 – £1m;
- (iv) loans on the votes of the ODM and Colonial Office – £25m.

In the British Government White Paper of August 1965 it was stated that in offering concessions on the terms of aid 'we shall have regard to the economic position of the country concerned. We believe this rather than the nature of the project or other purpose of the loan should be the decisive economic criterion for the terms of aid.'

The average maturity of new British aid loans in 1965 was 22 years; in suitable cases, the Government is prepared to extend the repayment period for as long as 30 years. Grace periods on the repayment of capital have been granted to a number of countries for periods up to 7 years.

Waivers of interest for up to 7 years have also been granted to some countries since 1963. In 1965, Britain announced the decision to grant interest-free loans in appropriate cases. The weighted average rate of

interest on British loan commitments fell from 5.9% in 1962 to 3.9% in 1964. Of loans committed during 1965, £26m were interest-free and £38m were interest-bearing. On interest-bearing loans, the average rates charged were: 5-10 year maturities 6.7%; 10-19 years 4.3%; 20-24 years 4.4%; 25 years and over 4.1%.

Another source of loans to developing countries is the Commonwealth Development Corporation. It makes loans and direct investments, often in partnership with private capital. Its activities are restricted to developing countries in the Commonwealth, except for India, Pakistan and Ceylon. The Corporation's funds are derived mainly from borrowings from the Government; these have traditionally been on unsubsidised terms, though recently waivers of interest have been introduced to cover the period while an investment is fructifying. The CDC can finance the local costs of investments as well as the import content; in supplying imported goods it is expected to buy from Britain, but may buy elsewhere if British goods are not competitive.

Tying

A significant proportion of British official bilateral financial aid is formally tied to purchases of British goods and services. Broadly speaking, the position is that Section 3 loans and some of the Ministry of Overseas Development's voted loans are legally tied to British goods and services. CD&W grants and loans, overseas investment by the Commonwealth Development Corporation and a few grants made by the Ministry of Aviation are partly tied. The remainder of British official aid, the voted grants and loans (leaving out of account aid for pensions and compensation, debt servicing and technical assistance), is virtually free of procurement tying.

In 1965, almost £44m out of £145m of bilateral financial aid was tied to specified projects.

Uses

Of the £44m of bilateral financial aid which was tied to projects, £7m was given on a multi-project basis, £9m was for transport and communications, £5m was for industry, £13m for agriculture, £3m for energy, £2m for education, and £1m for health.

Of the remaining £101m of bilateral financial aid, £23m was in budgetary assistance, £62m was for general development, including loans to finance general imports; and £16m was 'general financial support', including disaster and emergency relief, assistance towards cost of pensions and compensation and debt servicing.

(iv) United States

Just over 50% of bilateral aid (excluding PL480) is in grant form, including Supporting Assistance and technical assistance. The rest is in loans, either directly from AID or from the Export-Import Bank. With some

exceptions, AID loans are for 40 years (with a 10-year grace period) and carry an interest rate of $2\frac{1}{2}\%$ (1% during the grace period). Until recently, the interest rate was three-quarters of 1% for the whole life of the loan. EX-IM Bank loans are mostly for periods of between ten and twenty years, and carry various interest rates; the most common rate charged recently has been $5\frac{1}{2}\%$.

Tying

US bilateral aid is, for all practical purposes, completely tied to US procurement and is not available for local costs. Exceptions are very rare. (It must be stressed, however, that where the local cost problem presents a significant obstacle, PL480 and *programme* aid – even though tied – can be used to generate the local funds required.) Tying has been progressively tightened in the 1960s; AID is stressing this fact in all its public and congressional relations literature in the belief that possible adverse balance of payments effects of aid loom large. However, together with most other donors, the USA officially favours joint action to end tying, once its balance of payments position improves.

In 1964, \$1,240m or 38% of bilateral financial aid commitments (including use of PL480 counterpart funds) were also project-tied. Taking AID loans only, the figures of project-tied aid were about 60% in the financial years 1962–4, and 38% in the financial year 1965.

Uses

The distribution amongst sectors of project-tied aid (\$1,240m) was as follows: Agriculture, Forestry and Fishing \$100m; Transportation and Communications \$335m; Energy \$285m; Industry \$285m; Social Infrastructure (health, education, housing, etc.) \$170m; and others \$75m. Non-project aid came almost exclusively under the DAC heading of 'contributions to finance current imports'.

Surplus Agricultural Commodities under PL480 (Food for Peace)

Almost 30% of all US aid disbursed in 1964 was in the form of surplus agricultural commodities. The bulk of these are sold to the recipients (under Title I of PL480) for local currencies (counterpart funds). The USA retains some 20% of these for its own use in the country (e.g. Embassy expenses); the rest is granted or loaned back to the recipient for use on development projects or programmes. In this way the USA hopes to maintain some 'leverage' to direct funds into priority projects.

Under Title II commodities are available as direct grants for famine relief, school lunch programmes, etc., or for use as part payments of wages in kind for community development projects and labour-intensive public works. Other commodities are made available to US voluntary agencies, or are sold for dollars on long-term credit.

C Technical assistance

(i) France

About 40% of total French aid is spent on technical assistance. Nearly half of this is accounted for by payments for the salaries of French technical assistance personnel in operational posts in Algeria, Morocco, Tunisia and the African and Malagasy States. These countries contribute to varying extents, and mainly according to their budgetary possibilities, to the salaries of these personnel. Except in Morocco and Tunisia the salaries of French operational personnel are paid wholly in France; the recipient governments merely reimburse a token monthly sum for each of them.

In the Overseas Departments, the French Government is responsible for the salaries of all central government personnel; in the Overseas Territories, for the salaries of the personnel operating in the fields which remain in the competence of the French State.

'Experts', or non-operational personnel, are generally paid wholly by France, although in countries which have not been under French rule there is usually some local contribution.

Nearly half of all French technical assistance personnel are ex-colonial civil servants, all of whom were retained in government service unless they wished to retire or to move to the private sector; these are mainly in operational posts in the administrations and technical services of Franc Zone countries. But an increasing proportion – in 1966 it will be about 10% – of French technical assistance personnel are national servicemen seconded to technical assistance (*militaires du contingent*). There is no career service for technical assistance personnel. There has been no recruitment to the colonial services since 1958 and ex-colonial civil servants are therefore diminishing in importance as a source of recruitment. Most of the new technical assistance personnel are teachers on two-year contracts; a few are seconded from the central administration.

In 1965 there were 36,372 French officially recruited and financed technical assistance personnel in independent developing countries. Of these 23,358 were teachers: 1,950 were in the general administration of developing countries; 1,051 in the financial and economic administration; 2,472 were in health; 1,370 were in agriculture; 3,647 in energy, construction, public works, transport and telecommunications; 2,118 were *militaires du contingent*, most of whom teach. Of the total, 10,884 were in the African and Malagasy States, 14,030 in Algeria, 7,208 in Morocco, 2,697 in Tunisia, 426 in Cambodia, 236 in Laos, 445 in Vietnam, and 446 in other countries.

France also, of course, provides scholarships and training for the nationals of developing countries, both in France and, increasingly, locally. France provided in 1963/4 3,542 scholarships for the nationals of the African and Malagasy States in France and 6,969 in the universities set up by France in the African and Malagasy States. France has also set up training institutions in Latin America and elsewhere which are

primarily intended to train middle-level manpower in various technical fields.

Finally, France, and in particular the Secretariat of State in charge of Co-operation, finances exceptionally large numbers of research institutes operating in France and overseas, and supports other organisations which specialise in the problems of developing countries either directly or by using them to carry out aid projects. Some research is also conducted within the administrative departments responsible for aid, again mainly in the Secretariat of State in charge of Co-operation. The Secretariat of State carries out, or commissions, considerable numbers of studies both at the request of the States and on its own initiative.

Most of the various administrative departments responsible for aid have their own organisations for the recruitment and training of technical assistance personnel and for the arrangements for students from developing countries in France. There is also a *Centre de formation pour les experts de la coopération internationale* which is supported by most of these departments; but the numbers trained by it are limited.

(ii) Germany

In the calendar year 1964, German official expenditure on bilateral technical assistance amounted to DM 319m (\$80m), in the form of grants. In addition, the German contribution to the technical assistance agencies of the UN was \$8m (DM 32m). Expenditure on bilateral and multilateral technical assistance amounted to 19% of total official German expenditure in favour of developing countries.

German technical assistance activities are of two main kinds; first, the provision of facilities in Germany for students and trainees from developing countries, and, secondly, technical assistance in the developing countries, in the form of training institutes, pilot projects, and the services of experts and advisers.

The former is the longer-established side of the technical assistance programme, but it is an aim of technical assistance policy to shift the emphasis as much as possible to activities in the developing countries. At the end of 1964, there were 7,610 students and trainees from developing countries in Germany, wholly or partially financed from German public funds. Of these, approximately half were receiving instruction in the field of industry and commerce.

By the end of 1964, German official assistance had been given to 169 training establishments in developing countries and 263 pilot projects. (The term pilot project is used here very loosely, and can cover such things as the giving of a mobile clinic.) Most of the training institutes are to provide instruction in crafts and industries. In principle, the Federal Government only finances the staffing and equipping of these institutes and projects, but there has recently been an increased willingness to cover local costs also.

German experts, advisers, and other professional technical assistance personnel in developing countries numbered 1,357 at the end of 1964. Again, there was a heavy concentration in industry and commerce, largely accounted for by the staffing of technical training institutes. In addition, official support is given to the technical assistance programmes of the Catholic and Evangelical Churches. These programmes received \$54.5m from public funds in FY 1964. In the calendar year 1964, the Churches themselves provided DM 64m for their technical assistance programmes.

(iii) United Kingdom

In the financial year 1964/5, technical assistance expenditure accounted for about £32m, about one-sixth of British economic aid expenditure. Of this, nearly £4m was multilateral expenditure mainly through the UN Special Fund, UNEPTA and UNICEF; the remainder was bilateral. In the calendar year 1965 the total was raised to over £36m.

The largest single scheme of British technical assistance is the Overseas Service Aid Scheme (OSAS) which is designed to help overseas Commonwealth governments (mainly African), both independent and colonial, to afford the cost of employing British personnel in their public services by 'topping up' salaries and giving other allowances. The Scheme cost Britain £17.7m in 1965 in respect of some 10,127 people serving overseas. Next in importance are the Regional Programmes of technical assistance under which advisory experts, consultancies and surveys, training and technical training equipment are provided to developing countries. In total, these Regional Programmes absorbed some £8.1m in 1965, the largest allocations being for countries under the Colombo Plan, Special Commonwealth African Assistance Plan and Central Treaty Organisation. Commonwealth Educational Co-operation schemes accounted for a further £1.5m: they finance Commonwealth Scholarships (academic) and Commonwealth Bursaries (for teacher training) and the topping up of certain British teachers overseas. Apart from the three schemes mentioned above, technical assistance expenditure is directed mainly to research, surveys (mapping), and volunteer programmes.

In personnel terms, Britain had some 18,424 people overseas in developing countries at the end of 1965. Of these, 604 were wholly financed by Britain; 13,174 were partly financed (i.e., their locally paid salaries were 'topped up' by Britain), including 1,335 volunteers and 731 in the service of international aid agencies; and 4,646 had been recruited by British public organisations but were not financially assisted. The total number of British personnel overseas has, however, been declining as former colonial service officers return home. Recruitment in 1965 was 4,989 persons. Of these, 460 were wholly financed; 3,818 were assisted, including 1,335 volunteers and 139 under multilateral programmes; and 711 were unassisted. Apart from the Ministry of Overseas Development,

other public bodies recruiting for developing countries include the British Council, the Crown Agents, the Inter-University Council, etc.

Nearly all British public recruitment is now on a contract basis. Contracts are generally with overseas authorities and institutions, but those who are wholly financed are directly employed by Britain.

In the study and training field about 52,000 students and trainees from developing countries were enrolled for courses in Britain in the academic year 1964/5. There were some 3,734 under British Government auspices at the end of 1965, the greater part of them under the official aid programme but 450 were under the British Council.

Apart from its own work of recruitment and placing trainees, the Ministry of Overseas Development finances wholly or in part a number of other organisations in the technical assistance field. Advice and recruitment in the fields of university and technical education are provided through the Inter-University Council and the Council for Technical Education and Training for Overseas Countries. The private organisations sending volunteers overseas are subsidised by the Government. The Ministry maintains a Directorate of Overseas Surveys which provides survey and mapping services to developing countries. Specialist research organisations maintained by the Ministry include the Anti-Locust Research Centre, the Tropical Products Institute, and the Tropical Stored Products Centre. In addition, special sections dealing with overseas countries are maintained (at the ODM's expense) in the Road Research Laboratory, the Building Research Station, and the Geological Survey and Museum.

The Ministry of Overseas Development has a total of 29 specialist advisers on technical subjects and a number of advisory committees.

(iv) United States

The USA supports UN technical assistance activities by voluntary contributions to the Development Programme and other UN agencies (\$85m in 1964/5). One category of bilateral aid, described as Development Grants and Technical Co-operation, is devoted entirely to technical assistance (\$300m proposed for 1965/6, or 14% of total FAA funds). A small proportion of Development Loans also finance technical assistance activities, as well as a part of the counterpart local currencies obtained by the USA in payment for PL480 agricultural commodity shipments.

Activities undertaken under the head of technical assistance include surveys, feasibility studies and pilot projects; financing of US experts and advisers; training of personnel in the USA or a third country; financing of buildings and equipment needed for education, training, research, etc., and for technical assistance activities.

Technical assistance is usually carried out by means of a 'project'. Its essential features are these: it is controlled and run jointly by the USA and the recipient (who also bears the local cost); the USA supplies or finances experts who perform a certain task, but who at the same time

train counterparts to take over from them; where necessary, training in the USA of local personnel is arranged; equipment for the project is financed by aid. The technical assistance project can take the form of a feasibility study or pilot and demonstration project, or it can be used to set up and develop an institution (e.g., an agricultural college, a rural credit bank, etc.), or it can be attached to a planned or existing capital project. This last is an effective means of ensuring that capital projects are well conceived, correctly operated and adequately maintained.

Many of these projects are contracted out to private American organisations, such as universities, trade unions, professional associations, or consultant firms.

In personnel terms, US aid financed nearly 7,000 experts in overseas posts in 1964, and the training of some 10,800 recipient country nationals in the USA, and 1,700 in other developed countries.

D Aid statistics

(i) Official Aid Expenditure by DAC Countries, 1964

						US\$m	
		Britain	France	Germany	United States	Other DAC	Total
Bilateral							
1. Grants	... ..	235.4	667.7	147.8	1,203	257.3	2,511.2
of which:							
Technical Co-op.	...	69.9	328.2	79.7	377	67.4	922.2
2. Loans repayable in local currencies	...	—	—	—	228	0.9	228.9
3. Sales for recipient currencies	... ..	—	—	1.7	1,054	—	1,055.7
4. Loans over 5 years	...	187.9*	154.1	301.1	823	292.8	1,758.9
of which:							
loans over 20 years (gross)	... ..	201.5	19.0	89.7	912	66.5	1,288.7
10-20 years (gross)	...	18.7	136.0	207.6	216	125.8	704.1
5-10 years (gross)	...	3.2	50.3	52.5	25	181.1	312.1
loan repayments	...	-46.0	-52.3	-48.7	-330	-105.5	-582.5
5. Other long-term capital	... ..	22.9†	—	—	—	1.9	24.8
Total Bilateral, net	...	446.2	821.8	450.6	3,308	528.0	5,554.6
Multilateral, net...	...	44.3	19.6	8.9	225.7	68.2	366.7
Total Official Aid	...	490.5	841.4	459.5	3,534	595.9	5,921.3

* Including \$10.5m, the maturity of which not yet determined.

† Treasury advances to Commonwealth Development Corporation.

Source: OECD, *Development Assistance Efforts and Policies*, 1965 Review. Table 6.

(ii) Average Financial Terms of Official Bilateral Commitments by DAC Countries, 1962-4

			<i>Grants* as Percent- age of Bilateral Commitments</i>			<i>Weighted Average Maturity of Loan Commitments†</i>			<i>Weighted Average Interest Rate of Loan Commitments†</i>		
			1962	1963	1964	1962	1963	1964	1962	1963	1964
			%			Years			%		
Britain ...	...	38	49	38	24.3	21.1	24.0	5.8	4.8	3.9	
France† ...	...	84	80	76	(17.0)	(15.0)	15.0	(4.0)	(4.2)	3.1	
Germany...	...	33	24	40	15.2	18.5	18.1	4.4	4.3	3.9	
United States	...	64	62	56	28.6	32.5	33.4	2.5	2.0	2.5	
<hr/>											
All OECD Coun- tries ...			60	56	54	23.9	24.6	27.6	3.6	3.4	3.1
(inc. the above)											

* Includes grants and grant-like contributions.

† Includes official loans with maturities of more than 1 and up to and including 5 years.

‡ Gross disbursement data 1962 and 1963.

Source: OECD, *Development Assistance Efforts and Policies*, 1965 Review. Table 10.

(iii) Technical Co-operation and Related Activities: Expenditure, 1964

US\$m						
	Britain	France	Germany	United States	Other OECD	Total
Bilateral						
Students and Trainees...	10.28	—	31.48	22.00	16.57	80.33
Experts and Volunteers	47.45	—	15.42	137.00	34.70	234.57
Equipment Costs ...	2.92	—	16.75	61.00	1.90	82.57
Other and Unspecified	9.27	328.20	16.02	157.00	14.19	524.68
Total Bilateral	69.92	328.20	79.67	377.00	67.36	922.15
Multilateral (UNEPTA and UNSF)	10.00	2.97	7.94	56.00	25.46	102.37
Grand Total	79.92	331.17	87.61	433.00	92.82	1,024.52

— Not available separately but included in total.

Source: OECD, *Development Assistance Efforts and Policies*, 1965 Review. Tables 12 and 13.

(iv) Personnel under Bilateral Technical Co-operation Programmes, 1964

	<i>Britain</i>	<i>France</i>	<i>Germany</i>	<i>United States</i>	<i>Other OECD</i>	<i>Total</i>
Teachers	2,419	27,017	463	451	3,489	33,839
Operational Personnel ...	9,232	15,715	894	—	1,809	27,650
Advisers	155	1,462	†	5,305	1,671	8,593
Volunteers	883	*	—	8,486	534	9,903
Total	12,689	44,194	1,357	14,242	7,503	79,985

* Not available separately but included in total.

† Included under Operational Personnel.

Source: OECD, *Development Assistance Efforts and Policies*, 1965 Review. Table 12.

Note: Data for Britain and Germany refer to 'number overseas at given date'.
Data for France refer to 'number overseas at given date' in the case of Operational Personnel, and to 'number financed during the year' for advisers. Experts assigned to French Overseas Departments and Territories are excluded.
Data for United States on teachers refer to 'new arrivals during fiscal year' and for advisers and volunteers to 'number overseas at a given date'.

(v) Students and Trainees under Bilateral Technical Co-operation Programmes, 1964

	<i>Britain</i>	<i>France</i>	<i>Germany</i>	<i>United States</i>	<i>Other OECD</i>	<i>Total</i>
By place of training						
Received by reporting government	5,350	10,245	7,610	9,085	7,515	39,805
Trained in country of origin	*	1,147	—	216	304	1,667
Trained in third countries	*	—	—	1,697	27	1,724
Total	5,350	11,392	7,610	10,998	7,846	43,196

By field of study						
Education	1,507	1,780	362	1,619	627	5,895
Agriculture	135	467	687	1,573	647	3,509
Industry and Trade ...	1,147	2,749	3,906	2,074	1,719	11,595
Health and Sanitation ...	552	1,221	331	556	645	3,305
Economics and Administration	1,585	2,609	282	2,693	721	7,890
Other and Unspecified...	424	2,566	2,042	2,483	3,487	11,002
Total	5,350	11,392	7,610	10,998	7,846	43,196

* Not available separately but included in total.

Source: OECD, *Development Assistance Efforts and Policies*, 1965 Review. Tables 12 and 14.

Note: Data for Germany refer to 'numbers present at a given date'.
Data for Britain and United States refer to 'new arrivals during fiscal year'.
Data for France refer to 'numbers financed during the year'; French data also exclude students and trainees from French Overseas Departments and Territories.

(vi) Geographical Distribution of Net Bilateral French Aid, 1964

						US\$m		
						Grants (including technical assistance)	Loans	Total
1. Franc Zone Countries:								
African and Malagasy States	...	...	...	...	...	264.8	8.6	273.4
Algeria	...	...	...	...	...	167.8	23.4	191.2
Morocco	...	...	...	...	...	17.4	44.5	61.9
Tunisia	...	...	...	...	...	18.7	1.9	20.6
Overseas Departments	...	...	...	...	...	130.6	37.0	167.6
Overseas Territories	...	...	...	...	...	32.2	6.0	38.2
Total Franc Zone	...	...	...	...	...	631.5	121.5	753.0
2. Non-Franc Zone Countries:								
Cambodia	...	...	...	...	...	3.0	—	3.0
Laos	...	...	...	...	...	2.4	—	2.4
Vietnam	...	...	...	...	...	3.7	8.9	12.6
Other countries	...	...	...	...	...	27.1	28.1	55.2
Total non-Franc Zone	...	...	...	...	...	36.2	37.0	73.2
3. Total Bilateral Aid	...	...	...	...	...	667.7	158.5	826.2

(vii) Main Recipients of Net Bilateral German Aid, average of 1962 and 1963

						US\$m		
Israel*	...	...	...	...	...	64		
India	...	...	...	...	...	49		
Liberia	...	...	...	...	...	33		
Pakistan	...	...	...	...	...	31		
Turkey	...	...	...	...	...	26		
Chile	...	...	...	...	...	19		
Others	...	...	...	...	...	151		
Total	...	...	...	...	...	373		

* The \$64m to Israel was all in grant form. Of the remaining \$309m, only \$75m was in the form of grants. A breakdown by country into grants and loans is not available.

**(viii) Geographical Distribution of Gross Bilateral British Aid,
1965**

							£m		
							Grants (including technical assistance)	Loans (gross)	Total
1. Colonies ...							31.2	1.6	32.8
of which:									
Aden ...							9.3	0.2	9.5
2. Independent Commonwealth							49.7	69.4	119.1
of which:									
India ...							0.7	27.1	27.7
Pakistan ...							0.9	9.1	9.9
Kenya ...							7.3	8.9	16.2
Malawi...							9.5	1.5	11.0
Nigeria...							2.0	8.3	10.3
3. Foreign Countries							8.1	12.3	20.4
of which:									
Turkey...							0.4	6.7	7.1
Total Bilateral, gross							89.0	83.3	172.3

**(ix) Main Recipients of Net Bilateral United States Aid,
average of 1962 and 1963**

							US\$m		
							Grants (including technical assistance)	Loans (net)	Total
India ...	...	...	...	...	...	...	392	246	638
Pakistan ...	...	...	...	...	...	...	255	100	356
South Korea...	...	...	...	...	...	...	225	12	237
Turkey ...	...	...	...	...	...	...	187	7	194
South Vietnam	...	...	...	...	...	...	184	—	184
Egypt ...	...	...	...	...	...	...	155	20	175
Brazil...	...	...	...	...	...	...	83	66	149
Yugoslavia ...	...	...	...	...	...	...	103	31	134
Others	...	...	...	...	...	...	1,066	313	1,379
Total	...	...	...	...	...	...	2,650	795	3,445

Glossary of Initials

AID	Agency for International Development
BMZ	Bundesministerium für Wirtschaftliche Zusammenarbeit
CD&W	Colonial Development and Welfare
CDC	Commonwealth Development Corporation
CDG	Carl-Duisberg-Gesellschaft
CEDA	Caisse d'Equipement pour le Développement de l'Algérie
CENTO	Central Treaty Organisation
CIAP	Inter-American Committee for the Alliance for Progress
COFACE	Compagnie Française pour le Commerce Extérieur
CRO	Commonwealth Relations Office
DAC	Development Assistance Committee
DTC	Department of Technical Co-operation
EEC	European Economic Community
ECGD	Export Credits Guarantee Department
ENA	Ecole Nationale d'Administration
EX-IM	Export-Import Bank
FAA	Foreign Assistance Act
FAC	Fonds d'Aide et de Coopération
FAO	Food and Agriculture Organisation
FIDES	Fonds d'Investissement pour le Développement Economique et Social
FIDOM	Fonds d'Investissement pour les Départements d'Outre-Mer
GAWI	Deutsche Förderungsgesellschaft für Entwicklungsländer
HMG	Her Majesty's Government
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
KfW	Kreditanstalt für Wiederaufbau
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
ODI	Overseas Development Institute
ODM	Ministry of Overseas Development
OSAS	Overseas Service Aid Scheme
RAND Corporation	Research and Development Corporation
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNEPTA	United Nations Expanded Programme of Technical Assistance
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations International Children's Emergency Fund
WHO	World Health Organisation

The Ditchley Foundation

The Ditchley Foundation was created for the purpose of education, especially in matters concerning the peoples of the United States of America and Britain, together with the Commonwealth, by providing opportunities for men and women from both sides of the Atlantic and elsewhere to meet in quiet surroundings for the discussion and study of problems of common concern.

The Foundation has established at Ditchley Park, a large country house of great beauty near Oxford, the gift of Mr. H. D. H. Wills, a place where such meetings are held and such study is carried on.

Ditchley can accommodate in comfort conferences of thirty to forty people, as well as smaller and more intimate gatherings.

Some of the conferences are organised entirely by the Foundation, others in association with professional or specialist bodies in a wide variety of fields. When the house is not required for the direct functions of the Foundation, it is available as a conference centre to other organisations whose purposes are related to its own.

Overseas Development Institute

The Overseas Development Institute is an independent non-government body aiming to ensure wise action in the field of overseas development. It was set up in 1960 and it is financed by grants from the Ford Foundation and British foundations and by donations from British industrial and commercial enterprises. Its policies are determined by its Council under the Chairmanship of Sir Leslie Rowan. The Director is William Clark.

The functions of the Institute are:

- 1 to provide a centre for the co-ordination of studies on development problems;
- 2 to direct studies of its own;
- 3 to be a forum where those directly concerned with development can meet others and discuss their problems and share ideas;
- 4 to spread the information collected as widely as possible amongst those working on development problems;
- 5 to keep the urgency of the problems before the public and the responsible authorities.

Forthcoming ODI Publications

A Pledge for Development

In drawing up economic plans, most developing countries have to make a guess about the availability of foreign aid. If they guess wrong, even the most carefully worked out plan can be thrown out of gear.

For India, Pakistan and Turkey, the aid-giving countries collectively operate consortia, in which they pledge stated amounts of aid each year. Under the leadership of the World Bank, similar collective efforts have been initiated for several other countries, in the form of consultative groups, but in these groups no pledging takes place.

A Pledge for Development is a study of the record of consortia and consultative groups. Its main theme is the interrelationship between the policies of the givers and the receivers of aid; and its main conclusion is that one of the essential functions of all such groups must be to provide an assurance of appropriate support for an approved plan, whether formal pledging takes place or not.

The study is the first in a series examining the role of multi-lateral institutions in relation to bilateral aid programmes. The author is John White.

Aid Programming

This study is concerned with the contribution donors can make to maximise the effectiveness of the aid they provide. First, three pre-conditions for a good bilateral aid programme are put forward: a clear and consistent donor policy; close donor/recipient co-operation; and co-ordination of various donors' efforts. Second, the problem of planning and implementing country aid programmes is examined in detail by means of a case study. Special attention is paid to the role of permanent overseas aid missions and the considerations which should guide donors in selecting projects and aid forms, techniques and terms appropriate to the development needs of recipients.

The author of this study is Andrzej Krassowski.

These publications will be available from:

Research Publications,
18 Victoria Park Square,
Bethnal Green,
London E2, England.