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A GUIDE TO BRITISH AND INTERNATIONAL AID STATISTICS

1. Confusion can arise because of the many different definitions employed for assistance to less developed countries. This brief elucidates the definitions and the British record during the present decade. The five sections cover

British official aid figures in money terms

The one per cent target

The international effort and Britain's place in it

Published plans for future British aid

Official publications on aid statistics

BRITISH AID FIGURES IN MONEY TERMS

2. The expenditure covered in this section is that of public funds, not private capital. It is convenient to refer to all of this expenditure as "aid" although, as explained below, some of it is not normally described as such.

3. Aid transactions consist of the outflow of new aid from this country (gross aid), and the return flow of capital repayments and interest on old loans to this country. The difference between the two is "net aid". The following are the different definitions of gross aid used in the statistical publications of the ODM.

"Normal programme" and "additional programme".

4. In 1967 the government approved expenditure on a number of new aid items. Instead of announcing that the aid programme was being raised, it was announced that the "normal programme" was being kept static at £205 million but that the new items would be financed outside the normal programme. These additional items are now called "the additional aid programme". The distinction has no relevance except for internal Whitehall battles, the Treasury preferring to regard only the normal programme as the precedent for establishing future levels of aid expenditure. The main items in the additional programme are: contribution to the Rome Food Aid Convention; special aid to Malaysia and Singapore to offset the effects of military withdrawal; and part of our increased

contribution to the International Development Association. The normal and additional programmes taken together are called "the total aid programme".

"Adjusted aid flows".

5. Aid programme figures reflect the funds voted by Parliament. This creates a complication in respect of the Commonwealth Development Corporation (CDC). What Parliament votes for the CDC is the amount of the government's advances to the Corporation. But the CDC's actual investment overseas may, in any year, be more or less than these advances. It is the Corporation's actual investment which should count towards British aid expenditure in any year and an adjustment is therefore required to make the transition from aid programme figures to figures for what is called "adjusted aid flows".

"Total official flows"

6. Finally, there are some items of expenditure which, though not regarded as aid, do properly count as "official financial flows to developing countries" for the purposes of calculating Britain's performance on the international one per cent target (on which, see below). When these items are added the resulting figure is called "total official flows".

The "aid ceiling"

7. The idea of a predetermined ceiling figure was first introduced for the year 1966/67 when it was set at £225 million. On 12th December 1966 it was announced that the ceiling for the following year, 1967/68, would be limited to £205 million as part of the cut of £100 million in all forms of overseas expenditure which formed part of the economic measures of July 1966. In 1967 the idea of the additional items was introduced. The ceiling for the normal programme has since then been kept at £205 million, with the additional items bringing the ceiling for the total aid programme up to £235 million in 1968/69 and £227 million for 1969/70. The effect of the reduction in the ceiling from 1966/67 to 1967/68 was reflected in a reduction in actual disbursements on an aid programme basis from £207.2 million in 1966 to £200.8 million in 1967.

The record on actual disbursements.

8. For most purposes it is best to judge performance by the figures for total official flows. The following table provides the full facts on this definition for the decade. Column 4 is what counts, along with private investment and export credits, towards British performance on the one per cent target. Column 6, however, is the proper measure of the net cash cost to Britain of our aid transactions.

| <u>Total official flows</u> | | | | | | £ million |
|-----------------------------|-------|--------------------|--|----------|--|-----------|
| | Gross | Capital repayments | Net of capital repayments (this figure counts towards 1% target) | Interest | Net of capital repayments and interest | |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| 1960 | 157.1 | 12.1 | 145.0 | 10.0 | 135.0 | |
| 1961 | 172.6 | 10.4 | 162.2 | 11.1 | 151.1 | |
| 1962 | 164.7 | 10.7 | 154.0 | 12.3 | 141.7 | |
| 1963 | 164.3 | 15.6 | 148.7 | 20.4 | 128.3 | |
| 1964 | 194.8 | 18.3 | 176.5 | 23.8 | 152.7 | |
| 1965 | 197.3 | 24.0 | 173.3 | 26.2 | 147.1 | |
| 1966 | 213.6 | 30.3 | 183.3 | 27.7 | 155.5 | |
| 1967 | 208.4 | 29.4 | 179.0 | 28.2 | 150.8 | |
| 1968 | 210.2 | 32.1 | 178.1 | 27.7 | 150.2 | |

It will be seen that the last column has remained virtually static since 1961.

Effect of price rises.

9. The effect of price rises is to reduce the real value of sterling to aid recipients by about 2% a year. When this adjustment is applied, the real value of even the gross programme has risen by an average of less than 1% a year since 1961. Net aid (column 6) has fallen in real value by an average of 3% a year since 1961.

The Concessional element of aid.

10. Aid on soft terms is worth more than aid on hard terms. It is useful to be able to compare the value of aid in different years, or aid from different donors, after taking into account the terms on which it is provided. Using net figures takes care of this to some extent, but a better way is to calculate what is called the "concessional element" or "grant equivalent" of aid expenditure. A loan of a given amount can be regarded as equivalent to a grant of some lower amount - how much lower will depend on the softness of the loan. In 1968, British aid disbursements had a concessional element of about 81%: that is, gross disbursements of grants and loans at £210 million were equivalent to disbursements of pure grants of about £170 million. The concessional element of British aid has risen considerably since the introduction of interest-free loans in 1965.

THE ONE PER CENT TARGET

11. The current target was established by a resolution adopted by the Second UN Conference on Trade and Development (UNCTAD) at New Delhi in 1968. The target calls on each developed country to give one per cent of its GNP in net official transfers, which means official aid, private investment and export credits taken together. The resolution requires GNP to be taken at market prices; aid is taken net of capital repayments (but not of interest), private investment is taken net of disinvestment and export credit net of discharged credits.

12. Britain's performance on this target during the decade has been:

| | <u>Official flows</u> | <u>Private flows</u> | <u>Total</u> |
|------|-----------------------|----------------------|--------------|
| 1960 | 0.56 | 0.66 | 1.22 |
| 1961 | 0.59 | 0.58 | 1.17 |
| 1962 | 0.53 | 0.40 | 0.93 |
| 1963 | 0.48 | 0.36 | 0.84 |
| 1964 | 0.53 | 0.45 | 0.98 |
| 1965 | 0.48 | 0.54 | 1.03 |
| 1966 | 0.48 | 0.39 | 0.87 |
| 1967 | 0.45 | 0.29 | 0.74 |
| 1968 | 0.42 | 0.40 | 0.82 |

THE INTERNATIONAL EFFORT AND BRITAIN'S PLACE IN IT

13. All the figures in this section are on the net basis used for international comparisons - i.e. net of capital repayments but not of interest.

Total western aid.

14. In 1968 official aid from all western donors was just under \$7000 million; in 1967 it was just over \$7000 million. Net private flows were just under \$6000 million, a big rise over 1967 (\$4200 million) and all previous years. The western effort over the decade has been as follows:

| | <u>Official flows</u> | <u>Private flows</u> | <u>Total flows</u> |
|------|-----------------------|----------------------|--------------------|
| | | | \$ million |
| 1960 | 4964 | 3148 | 8112 |
| 1961 | 6144 | 3097 | 9240 |
| 1962 | 6031 | 2497 | 8528 |
| 1963 | 5105 | 2512 | 8616 |
| 1964 | 5950 | 3192 | 9143 |
| 1965 | 6310 | 4180 | 10491 |
| 1966 | 6608 | 3856 | 10464 |
| 1967 | 7034 | 4213 | 11247 |
| 1968 | 6950 | 5905 | 12855 |

Comparative performance: in money terms.

86% of official aid in 1968 was provided by the five big donors:

| | <u>£ million</u> |
|---------------|------------------|
| United States | 3605 |
| France | 855 |
| Germany | 595 |
| Japan | 507 |
| Britain | 428 |
| All others | <u>960</u> |
| | 6950 |

During the 1960s Britain's percentage of the total has fallen:

| | | | |
|------|------|------|------|
| 1960 | 8.2% | 1965 | 7.6% |
| 1961 | 7.4% | 1966 | 8.0% |
| 1962 | 7.0% | 1967 | 7.1% |
| 1963 | 8.1% | 1968 | 6.2% |
| 1964 | 8.3% | | |

The big fall in 1968 was entirely due to the devaluation on figures based on official exchange rates.

Comparative performance: in share of GNP.

15. In 1968 the performance of western donors in relation to GNP was as follows:

| | <u>Official flows</u> | <u>Order of donors</u> | <u>Private flows</u> | <u>Order of donors</u> | <u>Total flows</u> | <u>Order of donors</u> |
|----------------------|-----------------------|------------------------|----------------------|------------------------|--------------------|------------------------|
| Portugal | 0.82 (P) | 1 | 0.62 (P) | 4 | 1.45 (P) | 1 |
| France | 0.72 | 2 | 0.52 | 6 | 1.24 | 3/4 |
| Australia | 0.56 | 3 | 0.11 | 16 | 0.67 | 10 |
| Netherlands | 0.54 | 4 | 0.56 | 5 | 1.10 | 6 |
| Germany | 0.45 | 5 | 0.79 | 2 | 1.24 | 3/4 |
| Belgium | 0.44 | 6 | 0.71 | 3 | 1.15 | 5 |
| BRITAIN | 0.42 | 7 | 0.40 | 9 | 0.82 | 7 |
| United States | 0.41 | 8 | 0.24 | 13 | 0.65 | 12/13 |
| Japan | 0.36 | 9 | 0.38 | 11 | 0.74 | 8 |
| Canada | 0.34 | 10 | 0.15 | 15 | 0.49 | 15/16 |
| Sweden | 0.28 | 11 | 0.21 | 14 | 0.49 | 15/16 |
| Norway | 0.26 | 12 | 0.39 | 10 | 0.65 | 12/13 |
| Austria | 0.25 | 13 | 0.41 | 8 | 0.66 | 11 |
| Denmark | 0.21 | 14/15 | 0.34 | 12 | 0.55 | 14 |
| Italy | 0.21 | 14/15 | 0.49 | 7 | 0.70 | 9 |
| Switzerland | 0.10 (P) | 16 | 1.31 (P) | 1 | 1.43 (P) | 2 |
| DAC members combined | 0.42 | | 0.36 | | 0.77 | |

p=provisional

Comparative performance: concessional value

16. Comparative figures are available only in respect of new commitments undertaken, not of actual disbursements. When calculated in the manner described in paragraph 10 above, the latest figures are:

Concessional element expressed as %
of total commitments

| | |
|-------------------|-----|
| Australia | 100 |
| Belgium | 97 |
| Norway | 96 |
| Sweden | 96 |
| Denmark | 90 |
| Canada | 89 |
| Netherlands | 84 |
| BRITAIN | 82 |
| France | 80 |
| United States | 75 |
| Japan | 75 |
| Germany | 63 |
| Austria | 46 |
| Italy | 31 |
| All DAC donors | 74 |

"Official development assistance".

17. Some official flows, although legitimately counting towards the one per cent target, are not intended to be concessional in value or developmental in character, e.g. loans on commercial terms for the purchase of exports. The DAC wishes to distinguish in future between such commercial funds and what it calls "official development assistance". The exclusion of the other funds would have some effect on all the above figures. It should be noted that the calculations in the Pearson Report are based upon figures for "official development assistance". This explains why Pearson makes current performance on official aid equal to 0.39% of the GNP of western donors and not 0.42% as in the table in paragraph 15 above. The new Pearson target of 0.70% in respect of public funds relates only to "official development assistance". This will make no difference to Britain since all Britain's official flows qualify as "official development assistance".

PUBLISHED PLANS FOR FUTURE BRITISH AID

18. The latest publication of the British government's proposals for future expenditure on aid was given on page 6 of the White Paper on public expenditure 1968/69 to 1970/71 (Cmd 3936). The figures relate to the normal and additional aid programmes taken together and are:

| | |
|---------|--------------|
| 1969/70 | £227 million |
| 1970/71 | £235 million |

A further White Paper containing projections on all programmes up to 1974/75 is to be published in December 1969.

OFFICIAL PUBLICATIONS ON AID STATISTICS

19. The Ministry of Overseas Development publishes each year two collections of aid statistics, one giving figures for calendar years, the other for financial years. They are both called "British aid statistics". The calendar year volume is on sale from HMSO. The financial year volume is available from ODM but is not on sale.

20. The basic source for international statistics is the annual review of the Development Assistance Committee of the OECD. It is called "Development assistance, efforts and policies of the members of the Development Assistance Committee". A new volume containing figures for 1968 will be available soon.

Sources: The sources of the statistics in this note are:
British Aid Statistics published by ODM.
ODM Press release of 13 October 1969.
Hansard.
OECD: Development Assistance ... 1968 Review
OECD: Press release of 11 July 1969

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