



1st October, 1969.

The Pearson Commission on International Development

The Implications for British Policy

A comment by the Overseas Development Institute

The Overseas Development Institute warmly welcomes the report of the Pearson Commission on International Development, published today. We see it, first, as an authoritative and much needed appraisal of what has been achieved so far in the international aid effort, and of what could be achieved if the developed countries choose to provide the means.

The Commission's assessment is that, while the need for aid will not disappear over a few years, it is not a permanent feature of relations between the rich and poor countries; and that policies can be devised to make further aid unnecessary by the end of this century. To reach that goal the developing countries need to achieve annual growth rates of 6%, and the Commission considers that one necessary condition for this is that the rich countries actually provide 1% of their G.N.P., which they have adopted as their target, and that within that target they provide 0.7% of their G.N.P. in official aid as distinct from private investment.

The hope held out is one that should excite the enthusiasm of the governments of the rich countries and enable them to enlist the support of their parliaments and electorates. For its fulfilment would contribute to a solution of what the Pearson Commission considers a central issue of our time - the disparities and inequities of our world community.

The report should be seen, not merely as a detailed analysis of development problems, but as a basis for action. If it is not, then a chance to approach the Second Development Decade with a clearer and more concerted strategy than was devised for the first will have been lost. It is with this in mind that we distinguish between initiatives that the British government can take independently, and now, in support of the

strategy outlined, and areas of international negotiation in which the United Kingdom has a particularly significant part to play in concert with other developed nations.

The most effective way in which the British government can support the Commission's proposals is to give a firm pledge to meet the target set for official aid, accepting in this respect a commitment comparable to those already undertaken by countries such as Canada and the Netherlands. This would mean announcing that official British aid will reach 0.7% of G.N.P. by 1975, and that in the coming financial year it will be increased by an amount appropriate to the subsequent attainment of that target.

We also strongly endorse the Commission's insistence on seeing aid in the broader context of the whole economic relationship between rich and poor countries, a relationship which includes trade and overseas private investment. In this respect, we draw particular attention to the Commission's proposal that governments should individually strengthen their incentive schemes for investment in developing countries.

In the framework of international negotiations, what we would emphasise is that there are several issues on which the British government has already taken positive initiatives, and that now is the time, in the light of the Commission's report, to follow up these initiatives more forcefully. We have in mind, particularly, a generalised non-reciprocal scheme of preferences for the developing countries' exports of manufactured and semi-manufactured goods, a greatly increased replenishment of the resources of the International Development Association for the period 1971-75, and, above all, debt relief.

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BRITAIN'S PERFORMANCE ON AID DURING THE DEVELOPMENT DECADE

	<i>(million pounds)</i>							
	1961	1962	1963	1964	1965	1966	1967	1968
GROSS AID	172.6	164.7	164.3	194.8	197.3	213.6	208.4	210.2
Repayments to Britain								
Capital	10.4	10.7	15.6	18.3	24.0	30.3	29.4	32.1
Interest	11.1	12.3	20.4	23.8	26.2	27.7	28.2	27.9
Total	21.5	23.0	36.0	42.1	50.2	58.0	57.6	60.0
NET AID	151.1	141.7	128.3	152.7	147.1	155.6	150.8	150.2

Note that net aid has actually declined over the period. During this time GNP has risen by £14,000 million.

THE ONE PER CENT TARGET

The target covers official aid, private investment, and private export credits; the total of these is expressed as a percentage of Gross National Product.

	1961	1962	1963	1964	1965	1966	1967	1968
Official resources	0.59	0.53	0.48	0.53	0.48	0.48	0.45	0.42
Private resources	0.58	0.40	0.36	0.45	0.54	0.39	0.31	0.41
Total	1.17	0.93	0.84	0.98	1.03	0.87	0.76	0.83

The increase from 1967 to 1968 is entirely due to higher private flows, especially export credits which nearly doubled, mainly because of big credits for military purchases. Note the steady decline in official aid as a percentage of GNP; this would have been worse if interest receipts had to be deducted when calculating performance on the target and not only repayments of capital.

PLANS FOR THE FUTURE

Published plans for gross aid over the next two financial years are as follows:

	<i>(million pounds)</i>
1969/70	227
1970/71	235

Even if these figures were fully achieved they would at best keep the percentage of GNP going in official aid static at about 0.42%. But the amount spent has usually fallen short of the published ceiling by 10 or 15 million pounds. If that happens present plans will probably result in official aid falling below 0.4% of GNP for the first time since 1958.

COMPARISON WITH OTHER DONORS

In 1968, the last year for which comparable figures are available for all countries, Britain was seventh among western donors for performances on the one per cent target. The top six were Portugal, Switzerland, France, Germany, Belgium, and the Netherlands. For percentage of GNP going in official aid alone, Britain also came seventh among the sixteen western donors.