

**French Aid**

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# **The Jeanneney Report**

**5s Overseas Development Institute**

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# The Jeanneney Report

France devotes nearly 2 per cent of national income to aid for developing countries. The total, £350m in 1962, is over twice Britain's contribution.

The Jeanneney Commission was set up by the French Government in 1963 to examine independently the whole problem of French aid: its justification, its aim and its administration. The resulting Jeanneney Report is a major policy recommendation for a major donor of aid: it will probably become the basic document on aid for French Governments for some time to come. In realistic terms it forthrightly condemns out-of-date practices and suggests bold new solutions:

*25 per cent of French aid should go through multilateral channels.*

*Certain grants are expensive for the aiding country but contribute nothing to the aided country. The construction of a pyramid in the desert would be an extreme example. The construction of roads, bridges, ports of little use to the local economy is sometimes not far from it.*

*We should only be justified in wishing developing countries to model themselves on us in so far as structures copied from us favoured their development, which is probably not the case for many of them.*

*The sacrifices involved in trade adjustments would in the long run be less heavy than aid in traditional forms and they would be more effective for the development of countries whom it is desired to help.*

*Aid is too often regarded as a short-term relief to countries which are temporarily poor. It should become part of a new conception of the economic relations between unequally developed countries, lastingly based on contractual arrangements.*

Because of the importance of the Report the Overseas Development Institute is issuing this abridged translation (rather less than half the original) to bring the text before a wider public.

Not everyone will agree with all the Report's suggestions and analysis but they can hardly fail to be stimulated and impressed by this government-sponsored attempt to take a hard look at a country's aid programme.

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Overseas Development Institute

**French Aid**

# **The Jeanneney Report**

**an abridged translation of**

**La Politique de Coopération avec les Pays  
en Voie de Développement**

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**Overseas Development Institute Ltd**

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The facts and opinions in this pamphlet are taken from *La Politique de Coopération avec les Pays en Voie de Développement*. They are not necessarily therefore those of the Overseas Development Institute nor of its Council.

# Contents

<b>Foreword</b>	<b>5</b>
-----------------	----------

<b>I. Introduction</b>	<b>7</b>
------------------------	----------

1. Conditions of Economic Development
2. Recent Changes
3. Possible Contributions by Developed Countries
  - 'Intellectual' Aid
  - 'Material' Aid
  - Private Investment
4. Neo-Colonialism
5. Principles of Action

<b>II. Reasons for Aid</b>	<b>16</b>
----------------------------	-----------

1. Arguments of Self-Interest
  - The Franc Zone
  - General Advantages
2. Real Reasons
  - Duty towards Humanity
  - French Civilisation
  - Long-term Advantages
3. France's Special Aptitudes

<b>III. Resources Available</b>	<b>24</b>
---------------------------------	-----------

1. Past and Present Programmes
  - Aid Totals
  - Cost of Aid
2. Future Policy

### **1. Geographical Distribution**

**Present Situation**

**Future Policy**

### **2. Forms of Aid**

**Present Situation**

**Future Policy where France is principal Donor**

**Future Policy where France is not the principal Donor**

**New Forms of International Economic Relations**

### **3. Proposals**

**Technical Assistance**

**Science and Technology**

**Terms of Aid**

# Foreword

The Commission was set up by the French Government in March 1963 with instructions to 'study the various elements of a policy of co-operation with developing countries, both inside and outside the Franc Zone, together with the administrative and financial organisation necessary for the implementation of this policy'. It was asked to report by 1 July 1963.

The Commission was presided over by M. Jean-Marcel Jeanneney, who was formerly Minister of Industry and the first French ambassador to Algeria. It had 21 Members and a Rapporteur, M. Simon Nora. The members included politicians, army officers, senior civil servants, a doctor, banker, businessman, economist, teacher, agronomist and trade-unionist. All had had connections with developing countries but none was directly responsible for a department of co-operation or aid at the time he sat on the Commission.

The Commission held numerous interviews with officials concerned with aid, with private investors and with others qualified by experience in co-operation. In addition it required some reports from individuals, some of which are published as appendices to the main report.

The Commission did not attempt to produce an encyclopædic review of aid policies. It was set up by the Government to 'orientate action'; it therefore limited itself to extracting general principles to determine detailed policy.

In December the Government decided to publish the Report, with the exception of a small confidential section which is mainly concerned with administration.

The published part of the Report deals first with 'some general considerations concerning the relations between the countries with a high standard of living and the others, irrespective of their political and economic systems; for the division between capitalist countries, communist countries and the Third World conceals another and more significant division, that which separates the relatively rich from the relatively poor countries'. The study then

concentrates on the French case and attempts to answer three questions:

What are the reasons for a French policy of co-operation with developing countries?

How much of her resources can France devote to this policy without compromising her own development?

Where and in what way should the resources devoted by France to co-operation be allocated?

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In this translation the Report has been abridged to rather less than half its original length.



# Introduction

'The peoples of Europe, North America and a few other areas of the world enjoy greater and greater riches, whereas elsewhere the human condition remains wretched and often famine is rife and on the increase. This material well-being, spectacular but localised, is the product of agricultural and industrial techniques which men of European origin, armed with scientific curiosity and ambition, have developed through observation and analysis, reflection and calculation, inventions and experiments.'

Can the benefits of this technical progress be extended to the poor countries?

It would be dangerous to encourage the illusion that they can simply be transferred. Agricultural methods require adaptation to new climates and soils. Industries require trained personnel; research is needed into simple machines and industries which could be worked by peoples without an industrial past. And all this will be in vain if certain social conditions are not fulfilled.

## 1. Conditions for Economic Development

**The desire for well-being and the will to work.**

**Capital Formation.** In a developing country this can best be achieved not by saving – the standard of living is generally so low that it is unthinkable to lower it further – but by persuading or forcing the population to work harder even without the prospect of immediate gain. Foreign aid cannot be relied upon to provide capital indefinitely.

**Respect for a social order** – whether it be capitalist or communist. Otherwise long-term planning is impossible.

**Good administration** – since the government and administration must play a large part in development.

## 2. Recent Changes

**Improved Communications.** The spreading of knowledge and awareness of other ways of life which improved communications have made possible, have acted as a powerful spur to

development; they are also in danger of hindering it, by creating discontent and unrest.

**Medical Progress.** Improvements in health have increased people's ability to work. But since the improvement has consisted mainly in a decline in infant mortality, it has increased the number of consumers more than it has increased the number of producers.

Birth control is not yet practical; when it becomes so, it will still meet psychological obstacles, and a government will have to be sure of its position before it can advocate it. There is also a danger that control might go too far, and lead to an ageing of the population.

**De-colonisation.** Has de-colonisation improved the chances of development in the former colonies? The simple answer would be that whereas previously their resources were used for the benefit of the colonial power, they can now be used entirely for the benefit of the inhabitants. Certainly the colonial power was inclined to develop resources useful to itself, and certainly it sold its own products at high prices in the colonial market. But it often bought the products of its colony at higher prices than they would have fetched on the world market. Who benefited most? Colonisation almost always developed economic activity; order was assured, people were put to work, assets were developed. At the same time it had great blemishes; passing judgement is not very helpful.

De-colonisation has two major effects: first, the colonial power is no longer clearly responsible for the well-being of its colony; second, the leaders are masters of their fate. This may lead to a sense of responsibility, and it enables them to ask for sacrifices in the name of patriotism; but it also gives a wide liberty to sacrifice the general interest to the particular, the long-term to the short-term, the economic to the political.

### **3. Possible contributions by developed countries**

The needs of developing countries are extremely varied; in no case can external assistance provide the complete solution. But something can be done.

#### **(A) 'INTELLECTUAL' AID**

**Science and Technology.** Developed countries can help in two ways: by making their knowledge available to developing countries and by doing research that will be useful to developing

countries. It is helpful if developing countries are associated with the latter.

**Teaching.** Provision of teachers is one of the most valuable forms of aid. But teachers should not simply transpose the scholastic system of their own country, nor should they pander to a desire to collect certificates leading to comfortable employment in government service. Developing countries cannot afford the luxury of education for its own sake – it must be useful for development. For this reason training offered in the advanced countries should be considered only in the light of the contribution its beneficiaries can make to the development of their country when they return.

**Technical Assistance.** Specialists from developed countries have two duties: to ensure the smooth working of enterprises or public services; and to prepare for their own replacement by local people. The second duty is less often adequately performed than the first.

## (B) 'MATERIAL' AID

### (i) Aid for means of production

In order for aid to contribute to development, it must increase capital, and so it should provide either the means of production or money to buy them. This principle requires qualification: not every means of increasing production is beneficial. The decision of what is desirable belongs to the developing country, but the country giving the aid 'has the right, and even sometimes the duty, to oppose a use of its aid which it believes to be harmful'. When public services (roads, ports, schools, hospitals, etc.) are provided, the running costs of the new investment should not exceed either its usefulness or the fiscal resources which can be devoted to it.

### (ii) Aid for consumer goods

It would be an over-simplification to condemn all aid in consumer goods. It can be harmful if it encourages habits of laziness, but it can be useful in certain circumstances: to enable a country to overcome a political or natural calamity, for example, or, particularly, to assist internal capital formation or enable the unemployed to be put to work.

### (iii) Forms of material aid

Material aid may take three forms: grants, loans, or support for the prices of certain local products.

**Grants** are the most obvious form of aid. They have the great advantage for the recipient that they impose no obligations for

the future. But they should nevertheless be accepted with care: they may impose too heavy running charges, they may be a substitute for effort of intrinsic value, or they may prevent the emergence of a national industry.

**Loans** which are given on normal commercial terms may be useful to the borrower but they are not strictly aid. Loans at low rates of interest or with very long repayment periods may be disguised grants. The government accepting them may worry little about their repayment when this will not occur for many years. Vigilance is needed to ensure that neither grants nor loans are wasted, or do more harm than good.

**Price support** is an indirect way of helping an exporting country. If the country giving the aid raises prices not by direct budgetary payments to the exporters but by giving them a preferential market, this will affect the donor's consumers, not its taxpayers, and may therefore pass unnoticed by them. The aided country receives a payment, not a gift. But these psychological advantages are minor. The essential advantage of price support is that it stimulates production by rewarding it better. But it may over-encourage export production at the expense of production to improve local food consumption; it may also encourage uneconomic production, so that the price support becomes increasingly expensive and eventually has to be abandoned. 'It is thus only permissible if it is accompanied by measures to orientate production suitably'.

### (C) PRIVATE INVESTMENT

Foreign private investment can make a major contribution to the development of a poor country, even when it is only attracted by the hope of profit. It creates employment, often at above-average wages; it pays taxes and it uses the services and goods of local enterprises. But the effects vary greatly. If the enterprise is limited to the exploitation of mineral resources with imported machinery and mainly foreign labour, if it exports its entire production and repatriates its profits, it is in effect a sort of economic enclave. Its local effects are confined to the taxes it pays and the goods it buys locally. In such a case it very easily becomes a target for local hatred. Even if it employs local people and buys locally the products which it processes, even if it sells its products locally and thus evidently satisfies a need, it may still arouse distrust.

Whatever system they adopt, the rich countries cannot contribute to the development of the others without having fairly

close relations with them. Misunderstandings, suspicions and clashes are inevitable. These are not serious unless they appear to be inherent parts of a system of relationships.

#### **4. Neo-colonialism**

The accusation of neo-colonialism is often made against countries participating in any way in the life of under-developed countries, whether or not they have been colonial powers. It implies a situation in which the rich are able to exploit the poor. It cannot be ignored: it may vitiate all attempts to help. In order to avoid the accusation, one must know as clearly as possible what it is that is denounced.

##### **(A) COLONIAL SURVIVALS**

###### **(i) Colonial Pacts**

Originally the colonial pact obliged the colonies to develop the products needed by the metropolitan power and to receive in return what it was convenient for the metropolitan power to produce. Since the colony was forbidden to trade with other countries, it was thus placed in total economic dependence. This system later became much more flexible and was abolished by decolonisation. 'But similar effects could result from the application of a liberal doctrine, more or less explicitly formulated in various places, stating that the condition and motive power for economic progress is international trade – which generates specialisations. The doctrine condemns all obstacles to this trade. Certainly it opposes the colonial pact, for it is hostile to its narrow bilateralism: but it comes close to it by favouring products in developing countries destined for export to the rich countries, with, as their counterpart, growing imports from the latter.

'But while historical experience indeed shows that a certain dose of external trade is an indispensable stimulant to progress, it shows also that, with the exception of a few small trading nations, no real national economy has sprung from anything but the intensification of internal trade, sheltered by a certain amount of protection. Only a complex economy, where the majority of products are exchanged for other national products, allows, through its diversity, the full employment of all physical and intellectual abilities. It is a guarantee of security of employment, for the risks of unemployment are diversified and the re-employment of labour easy. It is favourable to innovations, which find easily the various skills and supplies which they need. There is another point. In an economy which is too specialised, every growth of income leads to an almost equal growth in imports,

which may upset the balance of trade and set off a balance of payments crisis; in an economy which is sufficiently complex on the contrary, the supplementary incomes increase internal demand and, if the national capacities for production are able to respond, set off cumulative mechanisms of growth.

‘Even when a country, thanks to particular natural conditions, finds in strong international specialisation the means of rapid enrichment, it suffers from its dependence on the countries with which it trades. This dependence is reciprocal, but it is unequal. It is serious for the country whose whole economic life is dependent on the export of a few products; it is much less so for its more advanced partners who often have other sources of supply and always have other markets. It is barely less constricting than the colonial-type links.’

Free international trade also makes the establishment of new industries in developing countries difficult: the competition is too strong for countries which are trying to catch up. And the industries in which there is most competition are usually also the most profitable and prestigious. ‘Countries which are denied them, no longer in theory but in practice, by the application of too liberal a doctrine, may, not without reason, think that their economy is the victim of their weakness and that their independence is only apparent.’

### **(ii) Colonial Companies**

The power of colonial companies grew up in the seventeenth and eighteenth centuries as a result of their efforts to eliminate competition and to ensure the order necessary for profitable enterprise. They began to exercise governmental powers. Today they are still sometimes as powerful as the national government, even occasionally more powerful than it.

When a great modern enterprise sets itself up in a poor country, it often finds essential services lacking. It is obliged to set them up itself. The life of a town or region may begin to be centred around the foreign enterprise. Even though it may confer significant benefits on the people, resentment may well be aroused by a foreign firm which appears to be omnipresent, if not omnipotent. The situation may become very much worse if the firm resorts to bribery in order to obtain concessions from the local authorities.

### **(iii) Colonial Administrations**

At its worst, the colonial administration put itself at the service of metropolitan enterprises which were exploiting the natural



riches of the colony. At its best, it practised a sort of enlightened despotism and guided the people in what it considered was the right path.

The situation of technical assistance staff is different: generally they are in an advisory position; when, by permission of the national authorities, they exercise powers of decision, they do so under the control of the local people. But they must nevertheless exercise some authority over locals, and they may gain a certain influence; when, in the interests of course of the country in which they are serving, they support this influence with the threat of the withdrawal of aid, they may arouse the suspicion that they are acting in the national interests of their own country.

'The suspicion is born of itself in the minds of a people which feels itself to be in a position of inferiority.'

### (B) INESCAPABLE REALITIES

Certain international specialisations are justified by natural, social or historical conditions, and developing countries must buy from advanced countries certain goods requiring a high degree of technical skill for their manufacture. Such dependence is inevitable, sometimes even for the advanced countries. Attempts should not be made to avoid it by excessive protectionism, which would result in the fostering of uneconomic industries and a general lowering of the standard of living.

Developing countries often do not have the capital or the skills to develop their potential riches: they must have recourse to foreign enterprise.

Foreign experts, too, are frequently indispensable. If they acquiesce in any administrative practice or policy, even when they believe it to be wrong, they are not fulfilling their duty.

## 5. Principles of Action

'There is no chance of real success if one resorts to petty subterfuges. Civilities, propaganda, intrigues and spectacular actions can at the most create and maintain for a time the appearance of a good understanding.' If co-operation is to be fruitful, certain things are desirable:

**(a) A state of mind.** The way in which one country approaches another is the product of all kinds of historical and psychological factors. But certain simple principles should be observed: 'the respect of truth, the sincere acceptance of the independence of others, discretion, modesty, severity'.

Honesty shows that one has finally escaped from the deceptions of colonialism. More jealousies and disputes arise from conceal-

ment than they do from an honest appraisal of economic realities.

The sincere acceptance of other's independence implies no intervention in his political affairs. It does not imply the acceptance of all insults; nor does it bar the possibility of cutting off aid if insults are carried too far, for this is simply the assertion of the aiding country's independence.

Modesty prevents especially the belief in aiding countries that differences are the same thing as inferiority; it prevents also the attempt to force one's own institutions on the developing country.

As long as these duties of modesty and discretion are observed, the aiding country has the right and even the duty to be severe: not to ignore what it believes to be wrong in the aided country.

**(b) Avoidance of excessive economic integration.** This makes it easier to resolve disputes with calmness and objectivity.

**(c) Support for the search for well-adapted political structures.** Neither capitalism nor communism is suitable for developing countries; the search for systems which will suit their stage of development should be encouraged, and dogmatic support for certain political forms should be avoided.

**(d) The discovery of procedures to give protection against the effects of domination.** The usual rules of international law suppose that all nations are equally powerful; they are inadequate to deal with the relations between developed and developing countries. One possibility is the technique of collective bargaining. It has the advantage that two groups of people are more likely to be concerned with equity and the common good than are two individuals, since their discussion must be general and public; rules are slowly built up without any formal legislation. Recourse to conventional procedures of mediation or arbitration can help this process.

An idea of justice in international relations exists already in many nations, if not in all. 'Perhaps a renewed organisation of the United Nations will one day be capable of legislating under the inspiration of this idea and perhaps it will have at its disposition a police force which will impose respect of this law. Even so it would be preferable for the interested parties to agree among themselves on certain rules, rather than that these should be imposed on them. An international legislator should only intervene if such agreement was lacking'.

If states with geographic, historic or cultural affinities made agreements among themselves more often reasonable and durable relations could be built up. Such agreements might cover the following points:



a distribution among the signatories of the burden and the benefits of aid;  
an undertaking by the rich countries to devote a certain percentage of their national product to co-operation and by the recipient countries to devote a percentage of their own national product to investment;  
the taxation of foreign enterprises in developing countries;  
the local reinvestment by foreign enterprises of part of their earnings and their right to repatriate another part;  
the regulation of labour-disputes in foreign enterprises;  
procedures for avoiding the allocation of aid to investments which would duplicate others in the same part of the world;  
the conditions in which countries could nationalise enterprises on their territory; the rules and manner of indemnification.

These agreements should confine themselves to the enunciation of general principles. The application of these principles to particular cases could best be done by commissions of mixed nationality, chosen for their competence and impartiality. They would be neither a political authority nor an international administration: their authority would be moral.

# II Reasons for Aid

In order to have a clear idea of the objectives and policies of aid, one must first define the reasons for it. There has been much confusion on this subject. We shall begin by setting aside, or reducing to their real significance, certain arguments of self-interest which are sometimes presented in support of our aid-effort and which are in danger of distorting its significance and compromising it.

## 1. Arguments of Self-interest

### (A) THE FRANC ZONE\*

It is sometimes said that French aid is justified by the privileged markets and supplies which it procures. The regulation of commercial exchanges and the mechanisms of the Franc Zone are said to be the instruments of this interested policy.

'The examination of the facts will show that this belief, which partly corresponded with the truth about ten years ago, is less and less justified. It would be dangerous to entertain it. It would lead the developing countries to think that we are obliged to continue this policy; this misunderstanding would, in the end, be damaging to them. It would also mislead French public opinion which would not be inclined to continue a policy of co-operation for which it had been given the wrong reasons.'

#### (i) Commercial Exchanges

In the decade after the War France sought to increase its supplies from the Franc Zone and its markets there in order to mitigate foreign exchange shortages, but even in that period trade with other countries was increasing faster than trade inside the Franc Zone. This trend was accelerated after 1958, when the overseas territories became independent and France began to pursue a

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\* By 'Franc Zone' is meant the Overseas Departments and Territories, the 14 African and Malagasy Republics, Algeria, Morocco, Tunisia, Guinea and Monaco.

policy of liberating trade and returning to convertibility. Between 1958 and 1962 trade between France and the Franc Zone remained more or less static, whereas trade with other countries doubled. The proportion of total exports destined for the Franc Zone decreased from 36 per cent in 1954 to 20 per cent in 1962, and it will be roughly 18 per cent in 1963. In the same period, the proportion of imports from the Franc Zone fell from 27 per cent to 21 per cent of total imports, in spite of the increase in imports of petroleum from the Franc Zone. The same thing happened with Great Britain and the Commonwealth.

Does the composition of the trade with the Franc Zone make it particularly advantageous?

The structure of exports to the Franc Zone is little different from the structure of exports to other countries. Imports consist mainly of tropical food and primary products of which there is no shortage in the world at the moment.

Such is the situation; the question is whether France has a selfish interest sufficient to justify considerable expenditure to maintain or obtain in the under-developed countries of the Franc Zone privileged markets and supplies.

The loss of these markets would only result in a loss of production in France if substitute markets could not be found. The expansion of a rich country's sales of manufactured goods depends primarily on the expansion of its own internal market and that of other rich countries. And in France and in other European countries there exist large regions to be developed and many unsatisfied needs.

Exports are not an end in themselves; they are a means of obtaining supplies in exchange, and it is desirable that this should be achieved on the most favourable terms possible. The terms of trade with the countries of the Franc Zone are indirectly onerous: the purchases of these countries can only be increased significantly if our aid to them is increased; if the aid which is granted to these countries is subtracted from the receipts from our exports to them, the terms of trade thus rectified are often unfavourable to France as a whole, even when they seem advantageous to individual exporters. They could only remain advantageous if France bought from these countries at prices below world market prices: but the opposite is generally the case. A secondary usefulness of exports can be the effort required to make them competitive; but exports to the privileged markets of the Franc Zone do not meet competition, and the sectors which profit from this lack of competition become lazy and less able to

compete in other markets. A similar fear has been expressed in Great Britain by those who, favouring British entry into the Common Market, accept a weakening of links with the Commonwealth. The changes in the trade with the Franc Zone are not to France's disadvantage. 'The independence of the countries of the Franc Zone is the opportunity to abandon, in their interest and ours, practices which have become irrational.'

Time must be allowed for adaptation – but strictly limited time. In exceptional cases, the progress of our key industries can be assisted by markets obtained through aid; but this must not lead to an indiscriminate search for world markets.

## **(ii) Monetary Relations**

The countries to which most of French aid goes at the moment have special monetary relations with France. They have currencies which are either freely convertible into francs at a fixed rate, or convertible into francs within certain limits and on certain conditions, but at a fixed rate and more easily than into other currencies. This complete or partial convertibility is organised in such a way that when France buys from these countries she pays with francs which are credited to their account. When they buy from her, they pay by drawing on accounts which may be in debt. When a Franc Zone country has exported to a foreign country, the currency which it receives is generally converted by it into francs and is added to the French reserves. When it must make a payment abroad, France supplies it more or less liberally with the currency which it needs in return for francs.

This system is advantageous for France basically in two sets of circumstances:

1. When France is in deficit with the countries of the Franc Zone, it allows her to regulate the deficit simply by crediting their accounts with francs. These countries thus automatically give France credit if they do not buy enough from her to balance the trade.

This occurred within the Sterling Area during the war. But it happened only rarely in the Franc Zone. Its trade balance with the Franc Zone countries has been in deficit only in 1946; it was balanced in 1947 and 1948, and from 1949 to 1961 it has been constantly in surplus, and the gap has had to be filled by aid.

2. When the countries of the Franc Zone export abroad more than they import from abroad, they add to France's reserves; this can be useful if at the same time France's own balance of payments is in deficit with the rest of the world.

Great Britain has often benefited in this way from the Sterling Area. But the external balance of payments of the Franc Zone (excluding France) has been almost constantly in deficit. It began to be in surplus only from 1960, but since that of France by then also showed a surplus, it merely added to our reserves.

The machinery of the Franc Zone is supposed to have three additional advantages:

1. The free or partial convertibility of the currencies facilitates transactions, particularly trade. But this is only an advantage in so far as the transactions are an advantage.

2. This convertibility has the advantage for Frenchmen living in Franc Zone countries that they can freely repatriate any money they earn there. But this is an advantage for individuals and may not be so for France as a whole: for if the balance of payments of a Franc Zone country is in deficit, the repatriation of money from it represents a charge on the French treasury.

3. In so far as this system amounts to pooling the foreign exchange earnings of the Franc Zone, it allows them to be used to compensate for temporal and geographic imbalances. But if France becomes the only country with a surplus in its balance of payments, it then bears the whole burden of this system.

The Franc Zone as a whole should not be judged on these considerations alone. It does allow the French authorities to maintain cohesion between the monetary policies of the Franc Zone countries and it does have advantages for the developing countries in it. But these points are perhaps enough to show that the preservation of the system is not warranted by France's self-interest.

## (B) GENERAL ADVANTAGES

Aid can contribute to the development of natural riches in the Third World, thus making more raw materials available for the industrial West. It enables the aided countries to buy more goods abroad. But if these were the only considerations in giving aid, the aid would be restricted to those countries most capable of supplying us with raw materials or those nearest the stage when they might become large markets for our goods.

The basis for a wider policy of aid might possibly be the fear that the Third World, leaning towards the East, might condemn the West to economic suffocation. This danger cannot be ignored, but it is less great than it is sometimes said to be. The developed

countries' main markets are among themselves; the loss of markets in the developing countries would not be a total disaster for them. In any case the risk is diminished by the present weak capacity of the Socialist states to supply the developing countries. Their capacity to import raw materials from them is also weak – although this weakness has not prevented certain largely political imports from developing countries, e.g. Egyptian cotton, Cuban sugar, North African citrus (often followed by re-sales of these goods in Western markets, and thus contributing to the general lowering of raw material prices). Moreover, in many cases, notably petroleum, the exports of developing countries are in competition with the exports of Socialist countries. Closer co-operation between developing and Socialist countries would enable them to create certain shortages which could hit the Western economies hard; but they would necessarily be of limited duration, since developing countries must export in order to import, and it would be possible for Western countries to guard against such shortages by the creation of precautionary stocks. Such co-operation, it is true, could have one permanent result: it might increase the bargaining power of developing countries and so enable them to raise the prices of primary products. But this would not be an unbearable burden for developed countries and is anyway what enlightened people are already vainly asking for.

In any case a fear of suffocation would lead us not to increase our aid but to increase our efforts to discover raw materials in our own territories or to develop substitutes for them.

## **2. Real Reasons**

### **(A) DUTY TOWARDS HUMANITY**

'The first reason, sufficient in itself, for a French policy of co-operation with the Third World is the feeling which France has of her duties towards humanity.'

The populations of many countries are increasing so fast that even a modest improvement in individual situations would require a long-term rate of economic growth superior to those of Europe and the United States. Over a thousand million people are in danger of suffering a drop in their standard of living. France certainly cannot change the fate of these multitudes alone. But the disproportion between her means and the immensity of the work to be accomplished is not an excuse for inaction. Even if France thought that the misery of others threatened neither her security nor her development, she should assist them simply

because it would be intolerable to be heedless of their fate. 'To fail in this duty would be to deny the civilisation which she incarnates, to destroy its inspiration, to endanger its flowering. Politics here combine with ethics.'

## **(B) FRENCH CIVILISATION**

France has always experienced the need to act beyond her own frontiers. Such action must be the work of men prepared to be expatriates and of a culture aiming at universality. It is better that young men wishing to work abroad should do so in the framework of a national policy of co-operation. Such a policy should make their work as effective as possible, and their stay and return should be so organised that France benefits afterwards from their experiences.

France desires more than any other nation to disseminate her language and culture. The French language can be useful to countries whose own language is not suitable for modern ideas and techniques or is not internationally accepted.

## **(C) LONG-TERM ADVANTAGES**

### **(i) Advantages for France in particular**

France may derive diplomatic advantages from good relations with developing countries, who are increasingly concerned with what is said and done on their behalf and whose support may be valuable either in regional arrangements or in world debates.

Although strategic needs are being changed by science, France may still gain defence advantages from the goodwill of the countries of the Third World: not, as in the past, in the supply of manpower but in inter-continental facilities for telecommunications and transport.

France may also expect economic advantages from supplying in the form of aid high-quality machinery and installations: technical references are thus acquired in countries which may later become solvent and where, without the help of aid, French industries might not have penetrated. The experience gained may also be valuable.

Finally, French civilisation may be enriched by cultural contact with new countries.

### **(ii) Advantages for France as a nation of the West**

Two considerations of world import argue even more strongly in favour of a policy of co-operation. The first is economic. If French aid helps nations first to escape from misery and then to develop, 'these nations will then become partners whose young



prosperity will react on older prosperities and support them. The process of mutual development, whose benefits at the moment hardly operate outside the Atlantic economy, will be enlarged and intensified as it spreads to other continents.'

The second is political. We want to be free to live under the social system of our choice. This freedom could be endangered by the formation of a political and military bloc in Asia, Africa and Latin America hostile to our way of life. The way to prevent this is not to seek to impose liberal economic structures identical with our own; the masses, who will inevitably remain unsatisfied for a long time, would turn to whoever opposed us. Our only concerns should be that their political ideology does not induce them to fight against us, and that it favours their development. 'The effectiveness of our co-operation with the Third World will depend in the long run on our ability to help countries whose economic regime will be, to a greater or lesser extent, socialist.'

We should not attempt to make alliances with rulers who do not have the support of their people: this is more likely to be a danger than a safeguard.

But pessimism is not justified.

It is undeniable that the group of communist states has attractions for developing countries: their attacks on colonialism, the similarities of collectivism with certain tribal structures, or alternatively the novelty of new ideas, the apparent logic of central planning, the relative ease of exchange between countries with state trading systems and countries with one export crop, between planned economies and countries whose economies are becoming planned.

But in fact these attractions are limited. The aid of communist countries is relatively small, and it is often marred by clumsiness; Russian and Chinese aims often conflict; countries which have achieved their independence are unlikely to throw it away. Their present neutralism, it seems, is sincere.

'In order for it to contribute effectively to the preservation of our own independence, the West's policy of co-operation must not be an instrument of the Cold War, but must aim at fundamentals.' If aid satisfies the real needs of countries, and the idea which they have of these needs, it will reinforce the desire of most countries of the Third World to preserve their political independence. 'We must recognise and even proclaim their permanent right to a free choice of policies, do what is in our power to ensure that these choices are the choices of the nation itself, respect them and disinterestedly support their realisation.'



### 3. France's Special Aptitudes

France should feel the more bound to help since she is in many ways in a favourable position to be effective. The decolonisation of vast tracts of land is complete: France is no longer a colonial power. The French principles, proclaimed in 1789, 1848 and, in Brazzaville, in 1944, have a great power of attraction now that they are no longer in the service of imperial policies. The French reputation for the respect of other people's civilisation is good. France also attracts sympathy by the fact that she is not at all resigned to submission to countries bigger than herself; developing countries rightly suppose that she will understand their own susceptibilities and apprehensions. Her small size is reassuring, and aid from France is not compromising in Cold War terms.

Some of the characteristics of the French economy are also propitious. France, like most developing countries, has a large agricultural population. Public and private enterprises exist together: France does not have 'the mystique of private enterprise'. The French experience in planning may appeal to developing countries, who are alarmed by the rigidity of Soviet planning but to whom the market mechanisms seem mysterious and ineffective.

But this does not imply that France should impose herself as a model: merely that there are ways in which she may play a useful role.

# III Resources Available

The efforts necessary for our own development and the sacrifices imposed by aid must be weighed. 'Moreover the fierceness of the competition between developed countries allows none of them permanently to accept unproductive burdens which are notably greater than those borne by direct competitors.' Aid must have public support: it should therefore be clear exactly how much it costs. But aid is an ambiguous notion, difficult to set out in figures.

A real cost occurs only when aid deprives us of something or someone. Sometimes the cost of grants is slight. If it is impossible for a country to avoid surplus agricultural production, then the gift of this surplus is not a burden on its population. If it is impossible to avoid surplus capacity in certain industries, then the use of this capacity to produce goods to be given as aid imposes a burden much less heavy than the total cost of these goods. (But it should be noted that gifts of this nature, by masking faults in the economy of the aiding country, delay their correction.)

'On the other hand certain grants are expensive for the aiding country but contribute nothing to the aided country. The construction of a pyramid in the desert would be an extreme example. The construction of roads, bridges, ports of little use to the local economy is sometimes not far from this.

'Even this is a major simplification. . . . These flows of goods and men involve complex financial and monetary transactions which affect different parts of the nations involved. The construction of a factory abroad with French public funds involves a burden on the French tax-payer. It procures orders for the enterprises which supply the equipment. Its operation will pay (or cost) its owners according to how profitable it is. It will help the country where it is installed to a greater or lesser extent according to its degree of adaptation to the local economy, the wages and taxes which it pays, the profits which it re-invests locally and those which it exports. Its effect on the French economy will vary

according to whether the human and material resources used for its construction and operation are drawn from a fully-employed or an under-employed sector, according to the size of the orders made there, to the sales which it will make and to the use which is made of repatriated wages and profits.

'The point of all this is to show that a correct evaluation of aid would imply an analysis of the financial flows at their exit and their return, and that one must distinguish between the burden on individual Frenchmen and the burden on France as a whole.' It is only possible to make a rough evaluation here.

## 1. Past and Present Programmes

Inadequate though the method is, the measuring of aid must start from financial data. It will be seen later that other methods may contribute to a clearer evaluation.

### (A) AID TOTALS

**Table 1**

**Amount and evolution of French financial assistance\***

	1956	1957	1958	1959	1960	1961	1962
	(£m)†						
Aid from the public sector	234	295	318	300	306	339	358
– of which bilateral ...	227	292	307	288	280	313	316
– of which multilateral ...	7	3	11	12	26	26	42
Aid from the private sector	166	137	136	154	159	165	146
– of which bilateral ...	166	136	136	153	156	165	146
– of which multilateral ...	0	1	nil	1	3	nil	nil
<b>Total aid (public and private) ...</b>	<b>400</b>	<b>432</b>	<b>454</b>	<b>454</b>	<b>465</b>	<b>504</b>	<b>504</b>
Index of changes (1956 = 100) ...	100	108.5	113.9	113.9	116.2	126.1	126.2
Public aid as per cent of total aid ...	58.6	68.2	70.1	66.2	65.7	67.3	71
Multilateral aid as per cent of total aid ...	1.5	0.9	2.4	2.8	5.7	5.2	8.3

\* DAC definition.

† Converted at current exchange rates (which accounts for the drop in 1959).

**Table 2****Comparisons with certain French economic totals**

	1956	1957	1958	1959	1960	1961	1962
Total aid as per cent of Gross National Product ... ..	2.03	2.12	2.17	2.33	2.15	2.16	1.96
Public aid as per cent of Gross National Product ... ..	1.19	1.44	1.52	1.54	1.41	1.45	1.39
Total aid as per cent of gross fixed capital formation ... ..	11.24	10.92	11.30	12.29	11.55	11.09	10.00
Total aid as per cent of total receipts from taxation ... ..	5.5	6.5	6.6	6.7	6.3	6.4	6.1

**Table 3****French aid compared with foreign countries' aid 1961**

Members of DAC	Aid from each member as per cent of total aid from all members		Aid from each member as per cent of its Gross National Product	
	<i>Public and Private</i>	<i>Public only</i>	<i>Public and Private</i>	<i>Public only</i>
United States ...	53.2	57.3	0.97	0.72
France ... ..	14.5	16.1	2.41	1.78
Great Britain ...	10.0	7.5	1.32	0.66
Germany ... ..	9.0	9.6	1.17	0.88
Japan ... ..	4.3	3.9	0.93	0.53
Italy ... ..	2.7	1.1	0.78	0.21
Netherlands ...	2.2	1.1	2.08	0.62
Belgium ... ..	2.1	1.8	1.48*	0.92
Canada ... ..	1.6	1.0	0.38*	0.19
Portugal ... ..	0.4	0.5	n.a.	1.35
<b>All DAC Members</b>	<b>100.0</b>	<b>100.0</b>	<b>Average less than 1.0</b>	

\* 1960 figure.

The four biggest donors of aid (the United States, France, Great Britain and Germany) supply more than 85 per cent of DAC aid. French aid, in absolute value, comes second; in proportion to French national resources it is well ahead of the others. One result is that the countries to which French aid mainly goes, that is the countries of the Franc Zone, receive a much higher average of aid than other under-developed countries: about £6.5 per head in 1961 as opposed to about £2 in the rest of the Third World.

## **(B) THE COST OF AID**

The following are methods of evaluating the true cost of aid:

### **(i) Implications of aid**

1. The figures above do not include French Government expenditures in certain countries (diplomatic and military expenditures, expenditure of common interest to both countries, pensions) since their object is not to contribute to development. But they none the less help, since they put monetary resources at the disposal of the recipient countries. They are also linked to the French presence in these countries: it is therefore appropriate to take them into consideration in the assessment of the cost of this presence to the French tax-payer. Public aid for development, as defined by DAC, was only 40 per cent of the total monetary resources put at the disposal of the countries of the Franc Zone from French public funds in the three years 1960-62.

2. Conversely, French assistance to the Franc Zone was more or less balanced by its visible and invisible trade deficit with France, by repatriations of profits and wages, and by transfers of capital to France by private individuals – either Frenchmen who have sold assets to locals and are repatriating the proceeds, or locals who prefer to invest in France. But only repatriations of wages and profits and transfers of capital by Frenchmen can be considered as diminishing the cost of French aid; it is impossible to discover how much these amounted to. When French goods are paid for with aid, the exporters do not suffer loss, but the French economy does: this loss can be expressed in monetary terms by the value of the aid, and in real terms by the loss of substance which is involved in the export of goods (with no imports in exchange and no creation of credit). And when nationals of the aided country transfer capital to France, they merely become creditors of France.

## **(ii) Flow of Goods and Services**

The ambiguities in the measurement of aid in monetary terms encourage the attempt to measure it in real terms. Aid in real terms results from the fact that France supplies the aided countries with more goods and services than she receives from them. If the trade surplus of France with the Franc Zone countries, the value of the services linked with movements of goods and the expenditures on technical assistance are added together, the result is remarkably close to the financial valuation of aid (even though adjustments would be required to make it accurate): for the three years 1960-62, the aid to the Franc Zone expressed in real terms was 92 per cent of the aid expressed in financial terms.

## **(iii) Cost in Men**

The real cost to France of technical assistance experts is best measured not by the cost of their salaries to the tax-payer but by an examination of the activity of which their absence deprives France.

Although it is difficult to make a complete count, the aid in personnel at the moment being provided by France can be estimated at 46,000 people, including only the technical assistance provided by French ministries and excluding that provided by semi-public and private organisations. Their distribution by type of activity is roughly as follows:

								<i>Per cent</i>
Teaching ...	...	...	...	...	...	...	...	70
Social work	...	...	...	...	...	...	...	5
Economics ...	...	...	...	...	...	...	...	12
Post and telecommunications	...	...	...	...	...	...	...	5
General administration	...	...	...	...	...	...	...	10

The great majority of the technical assistants (nearly 32,000) are thus teachers, whose absence may create difficulties. Of the remainder, only about 1,000 are real experts on an international level. The others are middle level, and their absence must do little damage to the functioning of the French economy. Nevertheless there may be strong competition for skills in such sectors as agriculture, hydrology and forestry.

## **2. Future Policy**

In order to measure precisely the amount of aid that would be compatible with the growth of the French economy, extremely

detailed information would be required: such information is not available. It would be worth while for the government to ask the relevant departments to supply it. Meanwhile certain observations can be made.

Is the limit in goods and services? It seems that the proportion of business turnover attributable to aid is so small as to create no major difficulties; at the most, it would be helpful if the rhythm and growth of aid could be foreseen in advance.

More serious is the call on men. Technical assistance will no doubt become less demanding in numbers, but more demanding in skills, of which the scarcity in France is already significant and is in danger of increasing. On first consideration one might think that the requirements of co-operation are so slight compared to total French requirements that either France will be able to satisfy both or she will be able to satisfy neither.

But in order to discover how much aid is really compatible with our own growth, it is not enough merely to consider total availabilities of men and goods: the precise areas in which needs might compete must also be studied.

As far as men are concerned, the needs of developing countries in some fields may be barely less than those of France. Care must be taken to ensure that there is a sufficient supply of such specialists.

Most of the financial resources for co-operation, are drawn from public funds, and will increasingly be so in the future, however much care is taken to stimulate private investment. It is therefore necessary to consider aid not so much in relation to the National Product, as in relation to public expenditure. Any sudden increase in aid would have an intolerable effect either on the burden of taxation or on the functioning of services dependent on public funds; even a steady increase in aid would weigh on sensitive points in French politics. For example in 1961 the ratio between Gross National Product, receipts from taxation, and public aid was approximately 100:23:1.5. Supposing that the volume of public aid were doubled, the increase would have absorbed only 1.5 per cent of the GNP, but it would have necessitated either an increase in taxation of 6.4 per cent, or a corresponding reduction in other public expenditures. This could have severely upset public finances and reacted on prices or on investment possibilities for industry.

"The relation of the volume of French aid to the needs of developing countries would necessitate a serious study on the connection between external assistance and development. This



cannot yet be done, through lack of perspective and necessary statistical information; through lack, also, of knowledge of what can be expected from better economic administration in developing countries and from better use by them of an aid programme better conceived by France.' The conclusion reached by the only approach to the problem which appeared possible was that it will undoubtedly be impossible to satisfy the needs of the Third World for aid. This being so, it has been considered here that the only problem was to determine how much it was possible for France to offer.

If GNP increases according to plan at the rate of 5 per cent a year, and public aid is maintained at the 1961 rate of 1.5 per cent of GNP, the sums available for public aid will increase by 5 per cent a year, to approximately £420m in 1965, £550m in 1970 and £680m in 1975\*.

If the scale of the needs induced greater efforts, the proportion of public aid to GNP would have to be:

2 per cent to obtain approximately £570m in 1965, £730m in 1970 and £940m in 1975.

2.5 per cent to obtain approximately £700m in 1965, £810m in 1970 and £1,160m in 1975.\*

An increase in the proportion of aid from 1.5 per cent of GNP to 2 per cent would involve an increase in taxation of 2.5 per cent; an increase of aid to 2.5 per cent of GNP would involve an increase in taxation of 5 per cent. Alternatively the increase in the rate of aid might be obtained by reducing other public expenditures, as long as this could be done without impeding French growth.

The second limit is created by what other developed countries do. The pressure for higher standards of living is likely to continue; an increase in aid would probably reduce not consumption but capital formation: an increase in the percentage of aid from 1.5 per cent of the GNP to 2.5 per cent would be likely to entail a decrease in capital formation of 5 per cent. This would damage our growth in comparison with that of the countries competing with us. And France is at present at the head of the developed countries in the proportion of her GNP devoted to aid.

'In the present state of affairs, it seems possible to maintain, but reasonable not to exceed, the present rate of public aid of 1.5 per cent of GNP, which would allow a doubling of the resources devoted to aid by 1975, if the expected growth of

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\* at present exchange rates.



GNP is realised. An increase in this rate would only be admissible if it was linked to a similar effort by the other main industrial countries or if priority was explicitly given to the objectives of co-operation, at the expense of others which were not essential to our economic growth.'

It is in any case desirable that the decision on the scale of aid should be a long-term one applying over a considerable period.

## IV. Distribution and Terms

There are many possible applications of aid. The best cannot be determined *a priori*: it depends on the particular situation of the country and the amount of aid available. It also depends on whether French aid is to be deployed among a maximum number of countries, or concentrated in a few with which she has particular historical links.

‘The empiricism and absence of geographical innovation which at the moment characterises French aid is understandable. What was most urgent had first to be faced. That has been done and, considering the difficulties, done well.’

In fifteen years France has given independence to twenty countries. The links with these countries were stronger than most other colonial links; they were not principally commercial; they were ‘generally animated by the hope, illusory but noble, of integration’. In so far as efforts in this direction were successful, they left these new states with higher hopes, but also with heavier recurrent costs. ‘In many countries we are in the trough of the wave, between the departure of the old educated classes and the maturing of the new. The projection into the future of the disillusion of the present should therefore be avoided.’

### 1. Geographical Distribution

#### (A) PRESENT SITUATION

The independence of territories which once belonged to the Empire has not so far modified the geographical concentration of French aid. In 1961 and 1962 the countries of the Franc Zone continued to receive more than 85 per cent of the public and private bilateral aid granted by France and more than 95 per cent of public aid alone.

**Table 4**

**Distribution of French bilateral aid 1961**

					<i>Public and Private</i>		<i>Public only</i>	
					<i>£m</i>	<i>per cent</i>	<i>£m</i>	<i>per cent</i>
<i>Franc Zone Countries</i>	...	...	...	...	409	85.9	303	97.0
Overseas territories and departments					37	7.8	35	11.2
Algeria	...	...	...	...	231	48.4	156	50.1
African and Malagasy States				...	122	25.5	99	31.7
Morocco and Tunisia			...	...	17	3.6	10	3.2
Unallocated	...	...	...	...	2	0.6	2	0.8
<i>Countries outside Franc Zone</i>			...	...	67	14.1	9	3.0
Cambodia, Laos, South Vietnam			...	...	5	1.1	4	1.2
Others	...	...	...	...	62	13.0	6	1.8
<b>Total</b>	...	...	...	...	<b>476</b>	<b>100.0</b>	<b>312</b>	<b>100.0</b>

**Table 5**

**Distribution of French technical assistance  
personnel 1963**

<i>Africa</i>	...	...	...	...	...	...	...	43,629
North Africa	...	...	...	...	...	...	...	32,928
Black Africa and Madagascar	...	...	...	...	...	...	...	10,399
Rest of Africa	...	...	...	...	...	...	...	302
<i>Rest of the world</i>	...	...	...	...	...	...	...	2,492
Asia-Oceania	...	...	...	...	...	...	...	1,215
Near East	...	...	...	...	...	...	...	452
Latin America	...	...	...	...	...	...	...	563
<b>Total</b>	...	...	...	...	...	...	...	<b>46,121</b>

More than three-quarters of all technical assistance personnel are concentrated in the three countries of North Africa and more than a fifth in the States of Black Africa and Madagascar. They are to be found in relatively large numbers outside the Franc Zone only in Cambodia, Laos and Vietnam (over 1,000).

The geographical distribution of British aid is in the same way a legacy of the past: in 1962 96 per cent of British aid was to Sterling Area countries. German aid on the contrary is not based on particular links: in 1962 44 per cent of its aid credits were for Asia, 25 per cent for Europe, 19 per cent for Africa and 12 per cent for Latin America; moreover recipient countries vary significantly from year to year. The principal beneficiaries of American aid in 1962 were India, Pakistan, Egypt, Korea, Brazil, Vietnam, Turkey, Argentina, Chile, Ghana; US aid is thus widely dispersed, the principal effort outside Latin America being devoted to countries bordering on the Communist bloc.

## **(B) FUTURE POLICY**

### **Concentration**

The arguments advanced for maintaining the present concentration of aid can be summarised as follows:

- France has a duty to maintain fully her effort in the countries where she once had a predominant responsibility;

- French co-operation in these countries is desired and welcomed; human and other links are strong;

- they are relatively near to France;

- well-established activities are more effective than new ones;

- there is a better chance of obtaining results if the effort is concentrated;

- responsibilities for large areas in the fight against misery might be allocated to particular donor countries.

### **Deployment**

The arguments advanced in favour of a greater deployment of aid are as follows:

- the union with Africa is in danger of disillusion;

- excessive concentration is leading to paternalism or to waste or even both;

- by restricting herself to Africa, France is unable to be present in places where the world balance is much more decisively at stake;

- French industry would gain outlets in richer countries whose products may be more complementary to ours;

by creating more varied demands, deployment of our aid would help our industries to compete with those of other industrial countries;

this would be in the interest of the aided countries, since it would put an end to the existence of almost exclusive zones of influence.

There is merit in both sets of arguments. 'The conclusion will be that co-operation with Africa must remain a priority, but that it must no longer be so exclusive.'

French aid could not make a decisive contribution to the development of the vast Asian and South American continents. But it is possible that it might contribute decisively to the 'take-off' of the African economies. This would justify the maintaining of a priority in Africa. But we must neither wish to be the only contributor to French-speaking Africa, nor abstain from acting elsewhere ourselves. 'France should, deliberately and systematically, persuade her European partners to commit themselves in Africa at her side.'

If this policy is successful, it will be possible to direct outside Africa, or in the parts of Africa where we do not intervene today, a larger share of French aid.

On the assumptions outlined above, that French public aid will continue to be 1.5 per cent of GNP and that GNP will double between 1961 and 1975, the resources available for public aid would increase from £339m to about £680m in 1975.\* If the overseas departments and territories, which now receive 12 per cent of public aid, are excluded (as they will be in the following discussion), the resources available for independent countries would increase from £306m to about £610m.\* It has been estimated that the needs in aid from public sources of the independent countries of the Franc Zone will be about 10 thousand million francs (or £727m) in 1975.

It may tentatively be suggested that:

'(i) we should supply bilaterally only 50 per cent of the needs of the independent countries of the Franc Zone, the other 50 per cent coming either from multilateral sources (in which we should play a greater part), or from other bilateral sources.

'(ii) we should decide to put 25 per cent of our public aid in 1975 through multilateral channels (instead of the present 8 per cent) so as to meet the pre-occupations of aided countries

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\* At present exchange rates.

who often consider that their sovereignty is better preserved by the intervention of international organizations.'

This would give the following figures,\* on the assumption that public aid is 1.5 per cent of GNP (no attempt will be made to forecast the distribution of aid among countries).

**Table 6**

**Suggested Distribution of Aid 1975**

	1961		1975	
	£m	per cent	£m	per cent
Total bilateral aid to independent countries ... ..	280	91.4	456	75
<i>Total Franc Zone</i> (excluding Overseas Departments and Territories) ...	268	87.5	363	60
<i>Other Countries</i> ... ..	12	3.8	93	15
Multilateral aid ... ..	26	7.8	152	25
Total public aid to independent countries ... ..	306	100.0	608	100

Thus the public bilateral aid to the present Franc Zone would increase by only 35 per cent, whereas the aid to other countries would be multiplied eight times, and multilateral aid five times.

In 1975, 60 per cent of French aid would still go directly to the Franc Zone: this is because it has been thought desirable that the aid to these countries should increase in absolute value, and that France should remain the principal donor in these countries.

This would not allow us to play a dominant role outside the Franc Zone. 'Our co-operation, in order to be effective there, will therefore have to be associated with the contributions of other countries.'

Supposing that the ratio between multilateral and bilateral aid, and the absolute value of aid to the Franc Zone, are both settled, our bilateral effort in other countries could only be increased if the total volume of aid were increased. Thus, supposing that a decision were made on political grounds to increase the percentage of GNP devoted to aid from 1.5 per cent to 2 per cent, it would then be possible in 1975 to devote nearly £250m to bilateral aid to countries outside the Franc Zone, or 30 per cent of total aid.

\* At present exchange rates

## 2. Forms of Aid

### (A) PRESENT SITUATION

The continuity of French activity in the former Colonial Empire is clear.

If our aid is to help the aided countries to attain economic independence, the projects invested in should produce the maximum future revenue and impose the minimum recurrent costs. French aid has been concentrated too much on infrastructure, at the expense of directly productive investments.

French personnel intervening directly in the functioning of services in these countries should be replaced by nationals; apart from teachers, there should only be high-level advisers. In Tunisia and former Indo-China, teaching remains the only sector in which there is massive assistance. But in Morocco and Algeria, Frenchmen still play quite an important role in the general administration. In Black Africa, where assistance is not very different from what was once the colonial administration, it plays an excessively important part in the general administration. Undoubtedly a massive departure of French personnel would be dangerous and impossible now, but their replacement by trained nationals does not seem to be proceeding rapidly enough.

French Government expenditure remains too high in certain countries which have become independent. In the African and Malagasy States alone French military expenditure in 1962 was more than £55m, to which must be added more than £8m in contributions by France to the national armies of these states. In addition France spent £18m in 1962 on her own civilian services in these countries. Further costs were incurred through responsibility for certain services considered to be of common interest: e.g., lighthouses and buoys, meteorology, aerial security.

The finances of the aided countries are often unbalanced. On independence they took over administrative machinery based on the French model, which bore little relation either to their size or to their financial resources. Wages set to satisfy expatriate Frenchmen have not been abandoned; the temptation to mark the accession to power by sumptuous building has not always been resisted. Taxation receipts are inelastic, owing to the poverty of the taxpayers. They are mainly derived from the taxation of imports and exports; but excessive tariffs provoke smuggling, and taxes on exports raise their price on the world market and are thus in reality borne by industry or by peasant farmers, or, if the exported products enjoy a privileged market

in France, by the French consumer. In 1962 budget support by the Fonds d'Aide et de Co-opération for the African and Malagasy States amounted to nearly £15m to which were added £3m of Treasury advances.

France in effect renounces the possibility of refusing to finance initiatives taken unilaterally by the African governments; in return the States accept a certain monetary tutelage, particularly in the matter of deficit financing. The policy followed in the past at least had the merit that it brought countries to independence with no financial or economic crises. Whatever changes are made in the future, France should not appear to be aiming at rupture with her former colonies.

#### (B) FUTURE POLICY WHERE FRANCE IS THE PRINCIPAL DONOR

##### **French co-operation must lead to the reinforcement of the economic independence of the aided countries.**

Economic dependence is the result of the weak productivity of backward economic structures, predominantly agricultural and artisan, generally accompanied by vast under-employment of men and also often of natural riches. It is not enough to break archaic social structures; there must emerge either active entrepreneurs who will work a capitalist system, or loyal public servants who will work a socialist system. It is very rare for this to happen spontaneously.

'France's most urgent task is therefore to encourage the establishment of a political and social structure which, taking into account the real possibilities of the aided country, makes possible the elimination of the most flagrant economic disequilibria.'

Poor countries must avoid the temptation of thinking of their economic growth as a short cut to the level of the most advanced industrial countries. This would condemn them to *increased* dependence. The establishment of ultra-modern industrial enclaves is not helpful, and the fascination of modern techniques must be resisted.

A second temptation to be avoided is the desire for an administration modelled on that of France.

France must not over-estimate the role her aid can play. It can build infrastructures, create great industrial complexes, participate in the creation of light industries, train personnel -



notably high-level agriculturalists – but it cannot take charge of daily life. In the most vital and difficult task – the mobilisation of agriculture – France can play only a very small part. The scope of external aid should be limited to ‘technical’ help in the operations necessary for the fulfilment of a development plan; it must fit into structures laid down by the aided country. Aid must not exceed certain limits; beyond these, it may add nothing to achievements and merely lead to waste. Each country has a saturation level.

**French co-operation must be based on a choice of priorities.** There can be no question of making aid completely dependent on a comprehensive and perfect development plan. But at least it should be required that aid should be used as part of a coherent programme.

In countries where agriculture represents 70 per cent or 90 per cent of activity, obviously this is the first priority. Its modernisation is the condition of all other progress; better nourishment is an end in itself and a stimulant to development in general. Agrarian reform is necessary and is the task of the country itself; but it can be encouraged.

The increase in population cannot be entirely absorbed by agriculture. The probable evolution of the terms of trade between industrial products and primary commodities justifies industrialisation.

Aid should give priority to light industries which make use of local raw materials, absorb the maximum labour and satisfy the needs of the local market.

Large enterprises aimed at the export market can be justified when they use local raw materials and are assured of profitable and stable outlets on the world market. Their principal value is not in solving the problems of local development but in the foreign exchange which they earn and which can then be used for activities more relevant to local conditions. For political as well as financial reasons, it is better if such large enterprises are financed by international organisations or by several countries together.

**France should restrict certain of her activities and expand others.**

**(i) Activities to be restricted.** Obviously prestige investments, palaces and spectacular but unprofitable public works should be avoided. So should vast schemes for agricultural improvement which affect only small sectors of the population

— except where they are useful as a demonstration of what could be done by local people.

Equally, many great industrial and mining investments in tropical Africa have done little to raise the standard of living.

Restraint would also be wise in French civil and military expenditures which result from the survival of a post-colonial situation.

Certain technical assistance costs should automatically be reduced as local people are educated.

**(ii) Activities to be expanded.** The priorities should be: the creation of educated classes, agricultural development and the revival of artisanship.

We should offer to organise practical professional training. If part of it must be carried out in France, then it is better to invite men who have already had two or three years' experience in their job and who will look for concrete solutions to problems; students who are too young may not know where to begin and may waste their time. The need for basic education is particularly important in agriculture, where trained men are needed to put into practice the ideas of research institutes.

Aid for hydrological works, for seed and stock improvement, for the eradication of disease in plants and animals could usefully be provided.

The development of small local workshops should be encouraged, particularly by training instructors and leaders of co-operatives.

**French co-operation should favour the establishment of regional economic organisations.**

**(i) Regional industrialisation.** No industrialisation of any importance is possible without the creation of a local market large enough to provide profitable outlets. In order to fulfil this condition, it is essential that small countries should co-ordinate their development plans and thus avoid duplication. France should give preference to projects which are planned in a regional setting. But it would be unwise to attempt to extend such regional planning to the whole of Africa: the distances are too great, and often it is easier to gain access to areas outside Africa than to other parts of Africa itself.

Regionalisation implies that the internal trade of an area should be freed from customs duties, at least for the products of the industries to which the regional planning applies. It is

also essential that this area should have the possibility of protecting its new industries. This is in fact permitted in the second Convention agreed between the associated States and the EEC; it is one of the most effective forms of aid.

**(ii) The Franc Zone.** The Franc Zone, as has been seen, has lost its original usefulness. But it may have a new one, if it helps to avoid an excessive 'balkanisation' of African economies. The monetary arrangements, and the degree of French control which they imply, could be made more flexible; but some countries may wish to retain French support for their currencies, possibly in a modified form. The monetary arrangements may also facilitate certain aid transactions.

### **(C) FUTURE POLICY WHERE FRANCE IS NOT THE PRINCIPAL DONOR**

It is not possible to make detailed proposals, but certain ideas can be put forward.

Bilateral aid may be preferable to multilateral aid even when France is not the principal donor. For instance, when countries do not wish to rely entirely on aid from one source, it would be possible for France to make a more or less token intervention. But generally France should concentrate the limited funds which will be available for aid outside the Franc Zone on a few well thought out projects, so as to make a decisive effect on the development of the country or sector even when responsibility is not shared with another nation.

The progressive deployment of French aid will lead to greater flexibility in the procedures of financing, and a lessening of the differences in procedures for countries inside and outside the Franc Zone. Already the Franc Zone's traditional grants and budgetary support are being supplemented by guaranteed export credits; outside the Zone there is an inverse trend. Originally developing countries asked for short-term credits and were relatively indifferent to interest rates; but now that more and more expensive equipment is required, and local costs are increasing, new procedures have become necessary. Since 1960 France has been able to guarantee commercial credits theoretically for unlimited periods, but in practice generally for about 10 to 12 years; and, also since 1960, government loans can be given outside the Franc Zone as well, on more flexible terms. This easing of terms is essential: if the aid given over the years in the form of grants had been in the form of normal loans, the total contributions which developing countries are receiving

today would be barely adequate to service their debt. The French legislative devices and banking procedures are now adequate to meet the situation (with one exception: the problem of financing local costs has not been properly resolved). But a major defect of the system is that there is no central administrative machinery for supervising the total aid effort.\*

Because France's resources are limited, in many cases her aid must be combined with the contributions of other countries. If French multilateral contributions are increased, it is essential to take steps immediately to ensure that Frenchmen have places in international organisations corresponding in number and in level to those contributions. France should also be in a position to supply fully qualified experts.

The danger is that the more participants an organisation includes, the more ineffective it will be. There are advantages in organisations like the Aid India Consortium with small numbers of participants. The Common Market, a relatively narrow framework, could also constitute a convenient and effective channel. This could counter-balance the preponderance of the United States. Since the Common Market is the principal importer of primary commodities, it could play a decisive role in the regulation of their prices. But it does not yet have instruments suitable for this.

France should give preference to actions where financial and technical assistance are combined. Our intellectual assistance must not be confined to teaching the French language; we must prove that it is not only of cultural value, but also of practical use. Three kinds of intellectual assistance are particularly to be recommended: advice in planning, the training of administrative personnel, and the study of industrial programmes.

Industrial studies should lead to action: they should have close links with suitable industrial groups and with public bodies in France or in the Common Market which might help with financing.

## (D) NEW FORMS OF INTERNATIONAL ECONOMIC RELATIONS

### (i) Trade

**Primary commodity prices.** The anarchy of the international market leads to brutal fluctuations in prices. During the

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\* Suggestions for improvements are contained in the unpublished part of the Report.

last 50 years, the 18 principal products which represent 90 per cent of all tropical products have suffered average annual fluctuations of 14 per cent of their price, 19 per cent of their volume and 23 per cent of their value. Remuneration to producers is still more erratic.

France knows from experience that all price stabilisation policies tend to turn into policies of price support, even of price increase. Such a tendency has dangers, but it also has a justification. The deterioration in the terms of trade of the developing countries has led to severe losses in their export receipts which represent a large proportion of the aid they have received and which have even, for some countries, exceeded this aid. The FAO index of primary commodity prices has moved from 97 in 1950 and 119 in 1951 to 91 in 1961; the index for manufactured goods has moved from 86 in 1950 to 110 in 1961. But long-term support for primary commodity prices is difficult to achieve and must be accompanied by agreements designed to diversify production and assure outlets for it. Certainly it cannot be the work of isolated industrial countries.

'Nevertheless a world policy for the prices of primary commodities, decisive for the development of the countries which would benefit from it, is the form of aid which would best placate their political sensitivity. As long as it is lacking, generous declarations will be in vain.'

**Manufactured goods.** In order for industrialisation in the developing countries to be possible, it is not enough for them to protect their own markets: they must find outlets for their goods in the advanced countries. It is fallacious to believe that a general abolition of tariffs would benefit developing countries: it would intensify competition, specialisation and higher productivity in the industrialised countries, and would in fact accentuate the historical or natural handicaps of the developing countries. 'In order for this liberalism to benefit developing countries, it would have to be arranged in such a way that privileges are granted to exports from the under-developed countries which one wishes to favour. Without ignoring the GATT's objections or underestimating either the difficulty of drawing up a list of States to be benefited which would not be arbitrary, or the possibilities of fraud, France could suggest an international study on the possibility of granting developing countries the benefit of preferential customs rates on imports into the industrial countries of certain of their manufactured products.'

In order to avoid the creation of artificial industrial enclaves requiring protection, in the aided countries, it might be stipulated that a certain proportion of the products for which privileged outlets were granted in the industrial countries would have to find an outlet in the national market or, better, in a local common market.

Such a measure would not be effective unless individual countries found that a certain share of the imports of developed countries was reserved for them. This 'organisation' of their exports alone seems capable of protecting their trade against competition.

If success was achieved in this formula, it would involve fairly major readjustments in certain sectors of the economies of industrial countries; but studies that have been made show that they would be less important than has been feared – so long as they were properly planned and foreseen in advance. The sacrifices involved would in the long run be less heavy than aid in traditional forms and they would be more effective for the development of the countries whom it is desired to help.

## **(ii) Private Investment**

Inevitably most aid will be from government to government. But it would be absurd to exclude foreign private investment, which can become a nucleus for local industrial development.

Such investment will not occur unless it is assured of reasonable profit and reasonable security. It is for the private investors alone to determine profit; it would be harmful for the public authorities of the aiding or the aided country to substitute themselves for capitalist risks, and thus assist the creation of uneconomic enterprises. But certain conditions can legitimately be expected on wages, taxation, the freedom to make transfers of capital and, eventually, tariff protection. The investors must also be able to make long-term economic calculations; if they cannot, they are likely to charge excessive risk premiums, make panic liquidations and repatriate too much capital; more serious, they are unlikely to set up new enterprises. Security implies either the existence of appropriate legislation in the aided countries (codes of taxation, codes of investment, guarantees of repatriation), or, in important cases, long-term contracts. But these do not give absolute protection: a sovereign State may modify its law or even break its contracts.



It is often suggested that the consequences of this political risk should be reduced by insurance schemes, as is done in Germany, the United States and in Japan. But such a guarantee might lead the Government giving it into expense which it would be unable to justify to its taxpayers, and it is difficult to calculate rationally the premium for political risks. Only a system of mutual guarantee would be suitable for the nature of the risk: but there are many ways of making the continued existence of a foreign enterprise impossible other than by direct and easily defined expropriation; and there is the difficulty of distinguishing political from ordinary economic risks.

Such guarantees would be easier to give in an international framework. There could be a 'collective convention' linking several aiding and aided countries. 'The donor countries as a whole would bind themselves to indemnify the victims of expropriation by deductions from the amounts which they had promised to devote, not to such and such a country but to all those who had adhered to the Convention. The latter would accept this threat of collective amputation with the reservation that the true facts and the true reasons for them would be established and vouched for by an international investigation. The signatory aided States would thus mutually guarantee each other, not by binding themselves to provide the indemnities – for they might find themselves insolvent – but by agreeing to renounce part of the aid on which they were counting. As counterpart to the risk they were taking, the advantage which they would gain would be establishment of foreign enterprises in their territories in preference to countries which had not adhered to the convention.' Only a realisation by the aided countries of their own interest can ensure the security of foreign investment; an insurance system whose risks would be borne exclusively by the donor countries would in fact have a reverse demonstration effect. The behaviour of the foreign enterprises concerned can contribute to this realisation if they take trouble to fit in with the development plan, to participate in the building of an infrastructure, and particularly to train local people.

France should stimulate international discussion on the problems of business enterprises of rich countries operating in developing countries, and on the conditions for the eventual and progressive transfer of their property and their management to nationals of the aided country.

### 3. Proposals

#### (A) TECHNICAL ASSISTANCE

**Experts.** If enough good people are to be recruited, it is essential that:

they should be sure of receiving their salaries and benefits, which means that an organisation must ensure the total payment and have itself reimbursed as agreed by the aided country. This organisation might be an Agency for the administration of technical personnel;

they should continue to receive the same family allowances, pension rights and social insurance benefits as they would if they were in France;

they should be exempt from all personal taxes raised by the aided country, but should remain liable to French taxation.

Those who were already employed by the government in France should be seconded to the Agency proposed above, and receive a basic salary not lower than what they were receiving in France. This basic salary would be affected by a 'zone coefficient', identical for all technical assistance personnel, which would take into account the cost of living, the distance from France and the amenities of the area to which they were going. During their secondment they would receive promotion in their original department corresponding to the average for all employees. On their return they would have priority for posts where they were working before their departure.

Those who were becoming technical assistants at the moment of their entry into public service would be assigned before their departure to the part of France where they were to work on return, so that they could make provision for housing and for the education of their children.

The technical assistance experts sent by the government who were not public servants should be attached to the Agency and should receive a salary based on the functions they were to perform in the aided country, affected by the same zone coefficients as the others. On their return to France they could ask for a 'contract of readaptation' of one year or more, which would involve the payment of their basic salary and their employment by the Agency or another organisation concerned with co-operation. If they later became public servants they could ask for the



time spent in the service of the Agency to be counted in their pension rights.

Frenchmen engaged directly by a foreign government would enjoy none of these advantages.

**International service.** Changes in the army are reducing manpower needs. It might be possible to make arrangements which would enable young men to be excused from military service in return for a commitment to serve the needs of co-operation abroad for a minimum period.

**Technical assistance firms.** Sometimes the local administration is not able to run efficiently services essential to the smooth working of the economy. Numerous technical assistance experts may not be the best solution. Private firms might be formed in France which could be hired by developing countries and would then have complete responsibility for the running of the service; they would hire Frenchmen and locals and would be bound to prepare the latter to run the service within a certain period (e.g. 5 or 10 years).

## (B) SCIENCE AND TECHNOLOGY

Co-operation in science and technology has great advantages and attractions for France; it allows us to extend our cultural and linguistic influence and to renew one of our greatest national traditions.

**Research.** French policy should encourage the activities of the numerous societies and institutes in France, particularly those concerned with agricultural and industrial techniques, whose work can be valuable for developing countries.

**Consultants.** There are consultants in France, either attached to businesses or independent, whose business is to make surveys, feasibility studies, etc. Naturally they are prepared to work in developing countries, and many have already done so, but some of their activities have been criticised, sometimes apparently with justification. It would be useful to establish a set of rules for correct practices; a list could then be kept of consultants prepared to adhere to the rules and capable of doing so.

**Scientific attachés.** Scientific representation is generally inadequate in French diplomatic missions. But in many countries there is much for them to do. They should organise exchanges of scientists in higher education and research, supervise documentation centres, ensure that more space is given in the foreign

press to French science and technique. In order to fulfil these tasks the scientific attaché should be able to talk on at least equal terms with scientists of the country to which he is accredited. He should be closely in touch with travelling French scientists. Men doing high-level research should be asked to spend three to six months abroad as French representatives.

**Books.** It would be a form of technical co-operation of the greatest value to allocate aid funds to the supply of French books to university centres and libraries, and to balance the currency losses on books sold commercially in countries whose currency is not convertible. In addition books of a suitable kind and a suitable price should be especially prepared for developing countries.

### (C) TERMS OF AID

**General aid or project aid.** Most countries with no particular relations with one part of the Third World devote nearly all their aid to specific projects. When France is one among many donors, it may be found that the tying of aid to a project is the only way of meeting our legitimate requirements that the aid is properly used. But this method clashes with the developing countries' desire to have free use of the loans which are granted to them.

The way to reconcile these preoccupations might be to create a 'Regional Fund' to which general loans would be committed once the criteria for their allocation had been agreed. These criteria would establish the sectors to have priority, the optimum dimensions of enterprises set up in these sectors, and the regional agreements necessary to ensure their profitability. This system would have the additional advantage of encouraging regional co-ordination and interdependence.

**Tied and untied aid.** Tied aid means that aid funds must be spent in the donor country. The DAC has distinguished three attitudes in donor countries:

- a first group of countries, including Canada and Japan, systematically tie all their aid;
- in a second group of countries, including particularly the United States and Italy, tying remains the basic principle, but exceptions are allowed in certain circumstances; about 90 per cent of the public aid of this group is tied;
- finally, in a third group of countries, notably France, Great Britain and Germany, only about a quarter or a third of the total is tied, either because of the local costs financed by aid, or out of respect for the principle of untied aid.

But these percentages have only a very limited significance: aid can be tied in fact without being so in theory when there are powerful economic and commercial links between donor and recipient country.

Developing countries appear to have two main requirements. The first is that as much as possible of the aid should be spent on local costs: this amounts to giving preference to local goods and services for the execution of a particular project. Within certain limits this preference would be advantageous to the developing country even when the terms offered locally were more onerous than the terms offered by foreign competitors. The next requirement is that once the resources of local enterprises have been exhausted, developing countries should be able to obtain what they need at the lowest possible price – which is not necessarily in the donor country.

Aid tying is not reprehensible in itself: it amounts to giving aid in kind rather than in money. A country giving or lending on very advantageous terms is entitled to do this. Moreover tying aid is often a useful argument for increasing contributions. It is for the developing country to decide whether the acceptance of a particular offer of tied aid will in the end be more expensive than using its own resources, or than accepting a smaller amount of untied aid.

**International tax and country contributions.** The time when a real international tax could be raised by an international authority for the benefit of developing countries does not appear to be near. But this does not preclude moves in this direction. If all countries contributed in proportion to their national product as much as France does, the amounts available would be more than doubled.

The following suggestions are worth noting:

that studies such as those made by OECD and DAC should be pursued and if possible improved, so as to establish exactly what each country's contribution is;

that norms should be fixed for contributions, either in relation to the national product, or in relation to the national product per head;

that States should be asked to adhere to these norms.

There might in addition be a proportionate minimum for multilateral aid.

This might take place in the framework of the Common Market or, preferably, in a wider framework – the OECD or the world.

\* \* \*

Aid is too often regarded merely as short-term relief to countries which are temporarily poor. It should become part of a new conception of the economic relations between unequally developed countries, lastingly based on contractual arrangements.

# Overseas Development Institute

160 Piccadilly London W.1 Hyde Park 2654

It is now generally accepted that the problems of the developing countries in Asia, Africa and Latin America will be increasingly decisive in national and international politics during the next ten years. The industrialised countries are faced, in particular, with the problem of how to help in the development of these others.

To study this problem the Overseas Development Institute was set up in London in the autumn of 1960 as an independent, non-governmental body financed by a grant from the Ford Foundation and by donations from British industrial and commercial enterprises. Its policies are determined by its council under the Chairmanship of Sir Leslie Rowan; its 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 where necessary; at present on a grant from the Nuffield Foundation it is undertaking a broad study of the relation between methods of aid and the problems of development;
- 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;
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