

British Aid - 5

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Colonial Development

The British Government's aid programme to developing countries is running at £150m a year. It is administered by seven different Departments. Both the size of the programme and its present organisation are greatly influenced by Britain's relations with the colonies during the first part of the century.

This pamphlet outlines the colonial background of today's aid programme. It traces the emergence of the idea of aid specifically for development. It examines the Colonial Development Act of 1929 and the series of Colonial Development and Welfare Acts which began in 1940. Debates, reports, conferences and committees up to the middle of the 1950s are discussed in some detail and the Aid White Papers of 1957, 1960 and 1963 are also covered. The text is supplemented by tables giving statistical data. There are also sections on the important subjects of sterling balances, colonial currency systems and Commonwealth trade.

The study, which is based largely on unpublished material, is part of the ODI's factual survey of British aid (for full details see back cover), financed by the Nuffield Foundation. The author is D. J. Morgan, a member of the ODI's staff.

Most of the countries which were colonies in the period covered by this survey are now independent. The study raises questions about the future aid programme, e.g., whether some aspects of colonial aid might not usefully be extended to independent countries, and whether the old system is still wholly appropriate for those now dependent and likely to remain so.

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Overseas Development Institute

British Aid – 5

Colonial Development

a factual survey of the origins and history
of British aid to developing countries

published by

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Foreword

In the years since the war there has been a growing awareness of the problems of Overseas Development. This means the economic growth and greater use of the resources of the poorer countries of the world. Many of these countries have recently gained political independence and are determined to improve the economic lot of their people. Most of the richer countries in the world (including parts of the Soviet bloc) have recognised their obligation to help, and their interest in the success of plans for developing these countries. The unanimous decision of the United Nations General Assembly to proclaim the 1960s as 'the Decade of Development' was a public recognition of the mutual world interest.

For Britain with its old imperial and new Commonwealth ties, the problem was largely one of how to adapt existing methods to the new needs. For America too, with its successful experience in 're-developing' Europe through the Marshall Plan, the question was how to adapt those techniques to the much larger task of developing nations with little or no background of industrialisation or agricultural investment.

When Dean Rusk became Secretary of State in 1961, he suggested that the British and American governments should ask two non-governmental groups to study the changing needs of the newly independent countries, and the differing methods of the richer countries in trying to meet those needs. In America the Brookings Institution was assigned the task, and in Britain the Government asked the Overseas Development Institute – which had just been founded to provide a centre for work on development problems – to make its own surveys. Full collaboration by Government departments was promised, and we gratefully record that it is forthcoming; British firms, which help to finance the ODI, are also giving full co-operation.

The ODI studies – which started in the summer of 1962 and are financed by a three-year grant from the Nuffield Foundation – begin with a preliminary survey of British Aid for development. A series of papers was produced and discussed at a conference attended by British and American experts in this field.

These papers, revised in the light of discussion, are being published as a factual survey of British aid to developing countries – including contributions from non-government bodies such as commercial firms, universities and missionary societies.

The papers cover five, somewhat arbitrarily defined areas: Government aid (including total and capital assistance, but not educational and technical assistance in detail); educational assistance; colonial background history; technical assistance; and the private sector. These papers are factual; an additional comment paper is also being published, to underline some of the implications of the factual survey and point to some of the questions that need answering.

This paper, *Colonial Development*, covers the origins and history of British aid to developing countries. It has been written by D. J. Morgan, a member of the ODI's staff.

Introduction

This study is intended to describe the influence of the United Kingdom's trade, financial and general economic policy on territories receiving aid. What is required is therefore not a straight account of the economic and financial history of the UK since the war, but only of that part which at one time or another influenced aided territories, either favourably or adversely. No ready-made account exists, though at points many treatments have some relevance. This study is therefore in the first place concerned to show the influences which made the British aid programme what it was, and in the second place to examine some of these influences further. Necessarily, much of it was derived from a study of relevant files. That is always so unless references indicate the contrary.

The Colonies

The term 'Colonies' is used in its widest sense to include the four categories: Colonies, Protectorates, Protected States and Trust Territories. From the point of view of assistance no distinction has been made between them.

The Colonies (to the early 1950s) consisted of a broad band of islands and continental areas unequally distributed around the world in the region of the equator, with a few outside the limits of the tropics. Their total population was 77 million (1952) and their total area nearly two million square miles (world population (1950) 2,500 million and area 52 million square miles). Colonies in Africa (1952) had a population of about 60 million, or 30 per cent of the whole continent.

There were (and are) many variations in the constitutions of the territories and in the degree of their dependence on the United Kingdom. But the important point is that they were all organised and regarded as separate and self-contained administrative units, each with its own apparatus of government and its own revenue. Each was presided over by a Governor or High Commissioner, representing and responsible to the Crown, administering the colony subject only to general instructions from Britain.

Financially, a colony has been expected to be self-sufficing – to have only those services which it could afford to maintain out of its own resources. There were a few exceptions – from the end of the last century certain territories were given 'grants-in-aid' of their ordinary budgets from British Government funds, coupled with financial control by the British Treasury. But there was no general departure from this principle, no acceptance of the idea that British taxpayers should normally and regularly contribute to colonial development, until the Colonial Development Act of 1929 and, on a larger scale, the Colonial Development and Welfare Acts of 1940 and after.

Outline

Section I covers the period up to 1945. It is concerned with the legislation that provided financial assistance from Britain specifically and distinctly

for colonial 'development'. This distinction between development and other purposes is a relatively new one. Section II treats the period 1945-51 in some detail, recounting the reports and conferences quite fully. Its treatment of the later period 1951-63 acts as an introduction to the more detailed account of the present aid programme given in another pamphlet in this series*. It contains sections on the Aid White Papers of 1957, 1960 and 1963. Sections III, IV and V examine the problems of sterling balances, colonial currency systems and Commonwealth trade.

This study is intended to provide the background for a consideration of the motives for giving aid, the machinery for allocating aid, and the usefulness of various kinds of aid in the new aid system. If it suggests avenues for exploration and warns against possible pitfalls it will have served its purpose.

* British Aid—2 *Government Finance*.

I Assistance to the Colonies up to 1945

1 Exclusion of self-governing territories

Summary—Direct assistance from the British Exchequer to the dependencies was confined, until fairly recently, to those dependent territories 'lacking responsible government'. This excluded the old Dominions, India, Ceylon (after 1931), Burma and Southern Rhodesia. It included Mandates as well as Colonies and Protectorates. The finances of some of these – the 'grant-aided territories' – were under the strict control of HM Treasury.

The phrase 'responsible government' was never closely defined, though it was generally understood to apply to those territories for whose government and finance the Secretary of State for the Colonies could not be made answerable to the House of Commons. In the 1929 Act it was understood that, besides the old Dominions, India and Burma, Southern Rhodesia and Malta were intended to be excluded.

The periodic breakdown of responsible government in Malta first raised the question of exclusion in 1930, after changes in the constitution; but it was decided that Malta still did not fall within the ambit of the 1929 Act. But with the suspension of Parliamentary government in 1933 and the assumption of administration by the UK, Malta became eligible for advances under the 1929 Act. In the same year, Newfoundland became eligible, after suspension of the constitution and the taking over of financial responsibility by Britain. (Newfoundland was in danger of defaulting on its debts, largely because of the decline in trade.)

In 1947 the Malta (Reconstruction) Act permitted the advance of moneys from the Colonial Development and Welfare Fund to Malta 'notwithstanding its possession at any time of responsible government'. At that date Malta had regained responsible government with the usual exception of control over defence and foreign policy, which were in the hands of the Secretary of State for the Colonies. In 1950 the restriction of assistance to colonies 'not possessing responsible government' was removed. The Minister of State for Colonial Affairs, Mr. John Dugdale, argued (9 November 1950: House of Commons, Vol. 480, Col. 1137) that it was 'undesirable that territories should be excluded automatically from colonial development and welfare assistance when they have acquired responsible government or that special legislation should have to be enacted in each individual case'. This was finally agreed, although rather reluctantly, by the Opposition. Mr. Lennox-Boyd quoted with approval from the speech of Mr. Oliver Stanley during the debate of 24 January 1946 on the Malta Bill (House of Commons, Vol. 432, Col. 532) as follows:

'Nor do I think that it is wholly satisfactory that a government which has got real self-government and responsibility should be in receipt of annual payments . . . from this country. This country will have no

means at all, as it will in all the other colonies, of checking how the money is spent, on what purposes it is spent, and whether the expenditure, when it has been carried out, has been wise. Nor does it foster a feeling of self-reliance, which is a necessary accompaniment of governmental and ministerial responsibility, that it should be possible for a responsible self-governing colony to draw upon funds of this nature.'

The Secretary of State, Mr. James Griffiths (Col. 1781), answered this by saying that he would be accountable to Parliament for any schemes approved, whether they were to be applied within a territory possessing responsible government or not.

Thus until 1950, with the exception of Malta, it was felt that moneys should be spent only on territories for whose government and finance the United Kingdom was ultimately responsible. This requirement was met by a whole range of colonial governments from those administered directly by the Governor on behalf of the Secretary of State to those on the verge of internal self-government. Within this range were Mandated Territories as well as colonies and protectorates: no distinction was ever made between them. The Secretary of State had to possess ultimate control as well as responsibility. It was found that the Constitution of British Guiana did not ensure that the UK Government had power in the last resort to determine policy in the colony, and after enquiries and discussions the Constitution was changed in 1928 to provide this assurance. This was done by introducing nominated unofficial members into the Legislative Council so that the total number of *ex-officio* and nominated members was 15 and thus 1 more than the number of elected members. (Report of the British Guiana Constitution Committee, Cmd. 2985 of 1927.)

Within these territories the Secretary of State could disallow legislation, require reports, and offer advice and assistance. But if current revenue was insufficient to cover essential expenditure and a grant-in-aid was required to cover the deficiency, the Treasury assumed control of the territory's finances. While the rigour of Treasury control was no doubt due to the accountability of that department to Parliament and its Public Accounts Committee for expenditure, it was none the less dreaded in the overseas territories. Governors did all they could before requesting grants-in-aid and the consequential control from London of their territories' finances. Margery Perham did not exaggerate when she wrote:

'If, after what was regarded as a fair start, a dependency ran into red, it was treated – and here indeed was a fault – not to generous help to get its economy on a new footing, but to minimum grants coupled with a severe form of Treasury control. The first hesitant steps of the long progression away from this negative financial policy, which certainly delayed the advance of many of the poorer colonies, was the setting up of a modest Colonial Development Fund in 1929.' (*The Colonial Reckoning*, Collins, 1961, p. 123.)

Once additional funds for development and welfare became available from the United Kingdom, local officials could select projects from their list that would attract financial assistance from London and spend local funds on projects unlikely to be approved for assistance. But this freedom of manoeuvre was until 1940 still narrow.

2 Assistance before 1929

Assistance to colonial development and welfare from British Government funds began before the inter-war period. As Mr. Julian Amery claimed during the Second Reading of the Colonial Development and Welfare Bill (9 November 1950: House of Commons, Vol. 480, Col. 1241-2): 'It was started by Joseph Chamberlain. His work for the development of tropical medicine and for the reconstruction of the West Indies by grants-in-aid marks the beginning of the policy of constructive Government intervention in the problems of development and welfare.' A perusal of Government reports for the period immediately following the end of World War I until the passage of the Colonial Development Act of 1929 shows the dominant influence of the Chamberlain policy. From 1929 until the passage of the first Colonial Development and Welfare Act in 1940, the emphasis was largely, though not solely, on productive projects. Since 1940 the development of education and social services has been recognised as necessary to sound economic development.

Before 1929 assistance to the dependencies took the form of grants-in-aid to those in need, emergency help to those in distress, privileged treatment of loans in the London market, and research and advisory services.

Grants-in-aid of administration – subventions to the ordinary budgets of certain colonies – were first made in 1878. The present system is described in the pamphlet in this series on *Government Finance*. Colonial loans were given Trustee status by the Colonial Stocks Acts of 1877-1900, so enabling the colonies to borrow in the London market at lower rates of interest.

Before and after the 1914-18 war, various institutes and other organisations were established for research and advisory work on colonial problems (e.g. institutes of entomology, forestry, tropical diseases), and to promote development in other ways (e.g. the Empire Marketing Board, set up in 1926 to promote the sale of Empire produce). Many studies were made of ways to improve the colonial services (e.g. of training in tropical agriculture, staffing of agricultural and veterinary services, transport and the production and marketing of colonial products). In 1919 a Colonial Research Committee was established, with small but important funds, to assist research for the development of colonial resources. Examples of these institutions, of reports, and of the work of the Colonial Research Committee are given below.

Also in the 1920s, the machinery for dealing with colonial questions was improved by the separation of the Colonial and Dominions Offices in 1925, and by the appointment to the Colonial Office of a Chief Medical Adviser (1926), an Economic and Financial Adviser (1926) and an Agricultural Adviser (1929). Training courses for candidates for the Colonial Service were started at Oxford and Cambridge in 1926.

Examples of institutions and studies before 1929

Institutions

(i) The Imperial Institute of Entomology was founded in 1909, reconstituted in 1911 and renamed in 1930. It worked as a clearing house for the dissemination of the results of entomological work of economic impor-

tance, and undertook the identification of insects of economic importance received from the Dominions and Colonies.

(ii) The Bureau of Hygiene and Tropical Diseases was established in 1908 and extended in 1912.

(iii) The Imperial Institute was founded in 1887 to promote the commercial, industrial and educational interests of the British Empire. This performed intelligence and investigation work and maintained exhibition galleries.

These were added after 1919:

(iv) The Imperial Mycological Institute came into operation in 1920 with the two main functions of collecting and disseminating information regarding applied mycology and plant pathology, and the identification and study of fungi of economic importance.

(v) The Imperial Forestry Institute, Oxford, was established in 1924 for teaching, research and information-collecting.

(vi) The Imperial Shipping Committee was set up, by resolution of the Imperial War Conference of 1918, to enquire into and report on matters connected with the development of sea communications between the different parts of the Empire.

(vii) The Imperial Economic Committee was brought into being in March 1925 with advisory functions which were extended by successive Imperial Conferences to include marketing enquiries, trade surveys and special items remitted.

(viii) The Empire Marketing Board was constituted in 1926 as an advisory committee to engage in publicity to increase the sale of Empire produce, and to promote research. In practice, the Board acted as an executive body. It might be regarded as the first approach to a policy of centrally guided economic development for the Dominions, Colonies and the United Kingdom itself. It operated through five committees: research grants, marketing, publicity, film, and agricultural economics. In the first twelve months of its operation £103,000 was spent, £67,000 on publicity and £22,000 on research. The Board was a substitute for United Kingdom preferences to overseas producers, and represented an attempt to create a habit of preference by modern methods of publicity, e.g. 'Buy British' or 'Buy Empire'.

Reports

During the period 1919–1929 there were many reports making recommendations for the improvement of services in the dependent territories, including the following examples:

(i) Report of the Tropical Agricultural College Committee recommending the establishment of such a college. It was noted that such colleges had been established successfully in Puerto Rico and Hawaii, besides a university in Louisiana which possessed an unrivalled Sugar School, and the Committee felt it would be 'a reproach if Great Britain were to remain behind the United States in this matter'. (Cmd. 562 of 1920.) The Imperial College of Tropical Agriculture was subsequently established in Trinidad, becoming the Faculty of Agriculture of the University of the West Indies a few years ago.

(ii) Report of the Committee on the Staffing of the Agricultural Depart-

ments in the Colonies, recommending the employment of more and better paid scientific staff. (Cmd. 730 of 1920.)

(iii) Report of the Committee on the Staffing of the Veterinary Departments of the Colonies and Protectorates, recommending increase in personnel and improvement in salaries where not adequate. (Cmd. 922 of 1920.)

(iv) Report of the Departmental Committee on Colonial Medical Services, which recommended the appointment of a Director-General of Colonial Medical Services and improvement of salaries. Ideally, it was thought there should be a unified service like the RAMC. (Cmd. 939 of 1920.)

(v) Report of a Committee on the Rubber Situation in British Colonies and Protectorates, advocating compulsory restriction of exports. (Cmd. 1678 and 1756 of 1922.)

(vi) Report of the Committee appointed to consider and report whether, and if so what, measures could be taken to encourage private enterprise in the development of the British Dependencies in East and West Tropical Africa, with special reference to existing and projected schemes of transportation. (Cmd. 2016 of 1924.)

(vii) Report of a Committee to consider the best means of securing improved and increased production of palm oil and palm kernels in West Africa, recommending inducements to businesses to improve efficiency by the conferring of local and temporary monopolies. (Col. No. 10 of 1924.)

(viii) Report of the East Africa Commission, which concluded that further economic development of both native and non-native production was dependent on the early provision of increased transport facilities and in particular on new railway construction. It felt that unless the Imperial Government was prepared to assist liberally in financing, little or nothing would be done. It recommended that an East African Transport Loan Guarantee Bill for £10m should be introduced into Parliament. (Cmd. 2387 of 1925.) This was later done. (Cmd. 2904 of 1927.)

(ix) Report on Agricultural Research and Administration in the Non-Self-Governing Dependencies noted the developments of great value taking place annually: harbours made, railways constructed, crops saved by scientific discoveries, diseases mastered; but felt that the colonies suffered because there was nothing to strike the imagination, like the construction of the Aswan Dam, and no great names, apart from that of Cecil Rhodes. The Report said there was need for a steady supply of agricultural officers, and that more attention should be paid to the collection and dissemination of information. It recommended the establishment of a chain of research stations. The colonies would be expected to continue to pay their scientific staffs and their regional research stations, but the United Kingdom should help to endow the regional stations. (Cmd. 2825 of 1927 and Cmd. 3049 of 1928.)

Technical assistance

The 1920's saw the beginnings of technical assistance. Reference has been made to improved services, particularly the reports and so on of the staffing of colonial agricultural, medical and other departments. There were other aspects. Thus the idea of providing scholarships to enable, for

example, science graduates to turn themselves into tropical agriculturalists, which was developed by Sir Ralph Furse in the 'twenties, merits mention here. Given the circumstances of the 'twenties and 'thirties, this was a quite imaginative development, though the colonies had to provide the finance. Similarly, a great deal of technical assistance was provided through the Crown Agents on what were not onerous terms.

Colonial Research Committee

This was established in 1919, the first Chairman being Mr. Austen Chamberlain, MP, who resigned on becoming Chancellor of the Exchequer and was succeeded by Mr. (later Sir Halford) Mackinder, MP. The other members of the Committee were the two Assistant Under-Secretaries, who dealt with the Colonies and Protectorates, and a representative of the Department of Scientific and Industrial Research. In its First Annual Report for the period to 31 December 1920 (Cmd. 1144 of 1921), the Committee listed the applications for assistance either accepted or under consideration. These included:

- (i) grant for the purchase of laboratory equipment and for the supply of boring apparatus to be used in Nyasaland in a search for coal and water;
- (ii) grant for employment of a mycologist for one year in the Seychelles;
- (iii) grant towards cost of investigating wine production in foreign Mediterranean countries for the benefit of the wine industry of Cyprus;
- (iv) grant over three years for investigation of sponges in the Bahamas to see whether their cultivation might be extended;
- (v) grant to cover the cost of a year's survey of the forest resources of British Honduras, whose forests had not been examined by a trained forester for upwards of 30 years;
- (vi) grant over three years to cover half the cost of a mineralogist to examine British Honduras geologically;
- (vii) grant over three years to cover half the cost of a geological and mineralogical survey of the Leeward and Windward Islands;
- (viii) grant towards cost of agricultural survey of St. Helena;
- (ix) grant to cover cost of a report on the fishes of the colonies.

During the period, grants of £12,370 were approved and further grants of £4,200 were conditionally approved. Those colonies whose financial position was such that they were themselves able to defray the necessary expenses were helped by means of enquiries, information and suggestions. The Committee expected applications from none of the eastern colonies except the Seychelles, nor from any in West Africa, except the Gambia and Sierra Leone. The grant to British Honduras to survey the forests resulted in a valuable report, the foundation of the Forestry Department of the colony and the formulation of a policy of forestry development. Other grants were no less productive, thus fulfilling the purpose of the Committee, namely the development of the resources of those colonies which were unable to afford the funds for scientific and industrial research. The problems, although small in many cases, were important to small, poor communities often dependent on a single crop or industry.

3 Palestine and East Africa Loans Act 1926

This Act was in some respects a precursor of the Colonial Development Act of 1929. It provided that the Treasury might guarantee the principal and interest of loans raised by the Government of Palestine (up to £4½m), or by the Governments of Kenya, Uganda, Northern Rhodesia, Nyasaland or Tanganyika (up to £10m), for certain specified purposes of capital expenditure. The principal was to be repaid over 40 years (this was altered to 60 years by the 1929 Act).

An East Africa Loans Committee was appointed to advise on projects for which loans were to be guaranteed. Its functions were transferred to the Colonial Development Advisory Committee in September 1929. Its final report (Cmd. 3494, February 1930) records recommendations (including provisional ones) amounting to £8·3m.

In an earlier report (Cmd. 2701 of 1927) the Committee made the following point about the burden of recurrent costs:

'It had been decided, before the appointment of our Committee, not to adopt the recommendations of the East Africa Commission that interest on loans from the £10m fund should be met by the Imperial Government for the first five years, but to make the borrowing (East African) Governments accept responsibility for interest payments from the outset. This decision appears inevitably to imply that these loan funds can only properly be allotted in cases where the borrowing government is likely to be able to meet the recurring interest charges, and we have therefore not felt ourselves able to recommend an allotment for a project in regard to which the local authorities admit both that the project itself is unlikely to pay, and that they could not accept the loan charges as a burden on their general revenues.'

The 1929 Act permitted advances to be made for payment of interest for the first ten years on loans under the 1926 Act or for the purposes set out in the 1929 Act.

4 Colonial Development Act 1929

The Colonial Development Act was one of the first Acts to be passed by the new government of 1929. It provided, for the first time, regular funds for the development of the colonial territories. It set up a fund into which Parliament annually voted such sums as were estimated to be needed up to an annual maximum of £1m. The difference between the vote and this maximum lapsed each year. Advances were made by 'the Treasury, with the concurrence of the Secretary of State for the Colonies' and on the recommendation of the Colonial Development Advisory Committee, which was set up by the Act to consider applications for assistance and took the place of the East African Loans Committee. Expenditure under this Act amounted to £8·8m in the period 1929-40.

Purposes and conditions in the 1929 Act

The Act stated that advances were to be made by loan or grant to governments 'for the purpose of aiding and developing agriculture and industry in the colony or territory, and thereby promoting commerce with or industry in the United Kingdom'. It specified various means - improvements of agricultural equipment, transport, harbours, fisheries, forestry,

surveys, land reclamation and irrigation, water supplies, electric power, mineral development, research and instruction in methods of agriculture and industry, and 'the promotion of public health'. In all of these, except for the last two, the emphasis was on capital, not recurrent expenditure. General education was not mentioned.

The Act also provided that advances could be made towards payment of interest on loans for purposes specified in the Act or on loans under the Palestine and East Africa Loans Act, 1926 (see above, Section 3). The Act provided that 'fair conditions of labour' should be observed in works financed from the fund. A similar provision had been inserted in the Palestine and East Africa Loans Act of 1926.

5 Debates on the Colonial Development Bill 1929

Summary—Two purposes are mentioned in the Act—aid to colonial development, and benefit to the British economy. The second has been stressed in later comments. It was of course a point in favour of the Act that it might alleviate unemployment at home; but it seems clear from the debates that this was a minor consideration. Parliament regarded the first purpose—colonial development—as the main purpose.

There was general agreement on the provisions of the Act, but some argument on the nature of the statutory committee which it set up. It was suggested that this should be largely a committee of officials, with a Minister as Chairman. The Government preferred an independent committee and chairman, with officials as secretaries only.

Opening the Debate on the Address, Mr. H. Snell (Woolwich East) said:

'May I say one word on the colonies first of all. The subject peoples of the British Empire are becoming increasingly aware of their position in the human family, and they are not satisfied with it. They are asking with increasing emphasis for the protection of this House against ruthless exploitation, for the protection of their tribal land, for some education, and for some participation in the shaping of their own destinies. These things represent moral responsibility which this Parliament can neither delegate nor ignore.' (2 July 1929: House of Commons, Vol. 229, Cols. 52–3.)

Ten days later, moving the motion for the money resolution, the Lord Privy Seal, Mr. J. H. Thomas, repeated this view, linking it at the same time to the domestic unemployment problem. He said:

'As far as our colonies are concerned, we are in the main trustees, and a great moral obligation attaches to this country to do all that it can to develop them. This motion lays the foundation for a long-range policy of constructive colonial development, . . . not only is this a field that requires exploring and further developing, but surely there is no more opportune time at which to do it than when it will in some way benefit our own unemployed people at home.'

The last point is usually stressed in the later writings (see, e.g. Sir Charles Jeffries, *The Colonial Office*, Allen and Unwin, 1950, p. 150) and speeches about the 1929 Act, but a careful reading of the 1929 Debates suggests that it was a minor consideration. It was hoped that the home economy would benefit, and it was suggested that assistance might be tied

to purchases of British goods to ensure that it did. But it was realised at the time by both Government and Opposition speakers that the early contribution to demand in United Kingdom industries would be slight, a fraction of the total sum, not exceeding £1m per year, to be spent. And it was realised that any quick increase in output in the colonies was unlikely. In brief, the link with the United Kingdom's unemployment problem was never uppermost. The Colonial Development Fund was not thought of as a pump-priming expedient. The interest in colonial development was largely and essentially for its own sake. The Chamberlain phase was passing into formal policy.

Government and Opposition were united on essentials. Both wished to claim the credit for formalising policy. But that apart – the claim is still arguable – the Opposition seemed to differ from the Government only on one point, namely the constitution of the advisory committee to be set up. The Colonial Research Committee of the 1920's had been chaired by an MP and staffed by officials. Mr. L. S. Amery, the late Colonial Secretary, proposed that either the Lord Privy Seal or the Secretary of State should be the chairman and that:

'The Board shall include, besides business men – and obviously some amount of general business experience would be necessary – some Departmental representatives and also some representatives of those colonial territories which will be directly affected. I believe that in that way he will get a body more eager to get on with the work and, perhaps, not quite so jealous of their reputation if one particular item were criticised afterwards.' (12 July 1929: House of Commons, Vol. 229, Col. 1270.)

But the Government thought otherwise. Replying to Mr. Amery's point, the Secretary of State for Dominion Affairs and the Colonies, Lord Passfield, said:

'It will be an absolutely impartial committee, a business committee on which finance will be represented, and there will be no attempt to make it in any case ever a Treasury or a Colonial Office Committee. The only connection of the Colonial Office will be that that Department will supply the Secretary.' (House of Lords: Vol. 75, Col. 189.)

6 Colonial Development Advisory Committee 1929–40

Summary—The CDAC was a small but strong committee with members drawn initially from business, finance and trade unions. Between 1929 and 1940 it met 125 times and published 11 reports. It recommended assistance totalling £8.88m (£5.6m in grants) towards a total expenditure of £19.3m. 30 per cent was for transport projects, 16 per cent for public health and 10 per cent for water supplies and power. Assistance to various territories is shown in Tables 1–3 at the end of this chapter.

The emphasis of the 1929 Act was on capital works of an economic nature; social development – particularly education – was largely excluded. However, the CDAC was prepared to give assistance for recurrent costs for short initial periods. It did try to think in terms of long term development and encouraged the colonial governments to do the same, but it could not itself initiate projects.

Several recommendations were opposed by the Treasury, on the

grounds that free grants should not be given for revenue-producing projects, or that assistance should not be given for capital costs if the recurrent costs could not be covered by local revenue.

The members of the Colonial Development Advisory Committee at its first meeting on 1 August 1929 were:

Sir Basil Blackett, KCB, KCSI (Chairman). Entered Treasury; Finance Member, Government of India; Director, Bank of England; Director, Cable and Wireless.

Mr. Ernest Bevin, General Secretary, T&GW Union.

Sir John Eaglesome, KCMG. Entered PWD, India; Director, Public Works, Northern Nigeria Railways.

Mr. R. H. Jackson, Chairman, Lancashire Indian Committee; Chairman, Empire Cotton Growing Association.

Sir Felix Pole, Chairman, Associated Electrical Industries, 1929-45; General Manager, GWR, Paddington, 1921-29.

Mr. Alan Rae Smith, OBE, Senior Partner, Deloitte, Plender, Griffiths and Co., Chartered Accountants.

In August 1931 Mr. Bevin resigned from this (and all other) Government committees and was replaced by Sir Edward Davson, Bt., Chairman, British Empire Producers' Organisation.

When Sir Basil Blackett died in 1935, Sir Alan Rae Smith was appointed Chairman, and Sir Alan Pim (entered ICS, Financial and Economic Commissions 1932-37) and Sir George Schuster (Director of Companies; Economic and Financial Adviser, Colonial Office 1927-28; Finance Member, Government of India, 1928-34) became members. On the death of Sir Edward Davson, Sir John Chancellor, GCMG, GCVO, was appointed (Governor, Mauritius, Trinidad and S. Rhodesia; High Commissioner, Palestine).

The Committee published 11 reports covering the period 1 August 1929-7 July 1940. It held 125 meetings. It recommended assistance totalling £8,875,000, 30 per cent of which was for projects in the field of internal transport and communications, 16 per cent in the field of public health and 10 per cent connected with water supplies and water power. The assistance recommended for various selected territories is shown in Tables 1 and 2 at the end of this chapter.

The Committee took over the control of what remained of the allocation of the £10m guaranteed by the Palestine and East Africa Loans Act, 1926. This was ultimately allocated to a total of £9m, of which £6.66m went for railways in Tanganyika and Nyasaland, and the rest between ports and harbours, roads, research, and the expense of issue of loans.

In its first Interim Report (1 August 1929-28 February 1930: Cmd. 3540) the Committee remarked that:

'While the Committee has no reason to be dissatisfied with the progress thus far realised, it is not convinced that a sufficient number of new projects of a sufficiently ambitious character will be coming forward for consideration to enable full advantage to be taken of the wide vision with which Parliament has offered £1,000,000 each year for the purpose of colonial development.' (Paragraph 44.) The Report concluded: 'The Committee has given careful thought to the matter, and has recently suggested to the Secretary of State various possible

methods of increasing the usefulness of the Fund. It has invited consideration, for instance; of the proposal that selected emissaries with special engineering, agricultural, scientific or other qualifications might usefully be sent out to particular colonies to assist the local governments in reviewing the potentialities for development in the colonies, and the relevance of the Colonial Development Fund to such potentialities.' (Paragraph 47.)

During the seven months covered by this Report over 60 applications were referred to the Committee. Its recommendation was approved and acted on in the case of 42, whose cost was £5.6m over 5 years. The estimated expenditure to be incurred in this country was £2.3m, of which £1.4m would come from the Fund. Although the Committee was influenced by the possibility of substantial orders for plant and machinery in the United Kingdom – and so readily approved the scheme for a bridge over the Zambesi which was estimated to lead to expenditure of £1.15m in the United Kingdom, and the scheme for the working of the Morampa Iron Ore Concession in Sierra Leone with estimated spending in the United Kingdom of £395,000 – it made it clear that it did not regard itself:

'... as being definitely tied down to recommending only such schemes as would be likely to have the effect of providing immediate orders for British goods and materials. On the contrary, it has been unwilling to interpret its functions narrowly, and in framing its recommendations on the various applications submitted, it has envisaged a long-range policy of colonial development.' (Paragraph 40.)

Assistance was therefore recommended to help in opening up Northern Rhodesia and to improve public health in the colonies. The latter included the provision of concrete houses in the Leewards, the establishment of a Medical School for the training of native African dispensers and sanitary inspectors in Tanganyika, and the provision of pure water supplies in Soamliland and St. Lucia.

The purposes and uses of the Fund were discussed at the Colonial Office Conference, June–July 1930. The suggestion was made from several quarters that the Fund might well be used to enable a colony to bear the heavy burden of the cost of ordinary administrative services, which, owing to the world depression, they could not afford. The Committee resisted this:

'We regard it as essential that no part of the resources should be locked up in recurrent annual commitments in the way of subsidies to ordinary administrative services.' (Cmd. 3628.)

However, in their Second Interim Report (1 March 1930–31 March 1931: Cmd. 3876) they relented:

'As a temporary measure during the present period of economic and financial depression, and within the limits of the funds available, schemes of sufficient merit will not be rejected by them solely on the ground that they may involve assistance towards recurrent expenditure over a limited period of years, or that they make no provision for financial participation by an impoverished colonial government. The schemes which the Committee have more particularly in mind are sound projects which would be directly remunerative, or self-supporting after a short

period during which a reasonable measure of assistance from the Fund would suffice to relieve the colonial government of any immediate burden on its temporarily depleted revenues or balances.' (Paragraph 16.)

The Committee suggested that the Government of Nyasaland should prepare a four-year programme of development. It did so. The Committee expressed warm approval and recommended grants of £80,815, of which £66,205 was towards the cost of public health schemes. But in July 1932 the Lords Commissioners of the Treasury trusted that the Committee would not feel it necessary again to recommend free grants for revenue-producing schemes as had been done over Nyasaland's pipe-borne water supply and the system of sewage-disposal.

In the Third Interim Report (1 April 1931–31 March 1932: Cmd. 4079) it was reported that Treasury sanction had been withheld from some important recommendations until the Government was satisfied 'as the result of special enquiries which are being undertaken, that the financial position of the local governments concerned is such as to enable them to bear the recurrent expenditure of maintaining the schemes of which the capital cost is sought from the Fund' (paragraph 6).

The Committee were exercised in April 1935 over an application for a grant towards the provision of road graders, trucks and tools to assist the reconstruction of trunk roads in Northern Rhodesia. It was found very difficult to draw the line between maintenance and capital expenditure, but the scheme amounted to the construction of virtually new roads and so properly came within the purposes of the Fund.

The Committee always regarded with favour schemes for training native personnel for health services, and readily recommended the desired grant of £2,825 for medical services in Zanzibar. Equally they favoured schemes of the character of that for the establishment of a Central Veterinary Research Station for East Africa at Kabele in Kenya, and recommended a grant of £5,430.

The development and improvement of sponge fisheries in the Bahamas and British Honduras was made possible by a further grant of £19,635 and a loan of £8,000 (Cmd. 5202 of 1936). Grants were made for fundamental research in low-temperature preservation of bananas and other fruit, and for establishing a Fisheries Research Station and a Fish Hatchery in Ceylon. In such cases as these (and others), the Committee was carrying on the assistance started by the Colonial Research Committee of the 1920s.

Until the outbreak of war in September 1939, the work of the Committee proceeded normally. After September 1939 the applications in hand were reviewed in the light of war requirements, and abandoned, suspended, modified, or completed as thought necessary. However, on 20 February 1940 the *Statement of Policy on Colonial Development and Welfare* was published (Cmd. 6175 of 1940), and the Government announced its intention of introducing legislation to replace the Colonial Development Fund with its limit of £1m a year by new arrangements providing for assistance to colonial governments up to a maximum of £5m a year for ten years for development and welfare work, together with a separate sum for colonial research up to a maximum of £500,000 a year. An attempt by the Committee to follow the general lines of Cmd. 6175 in

so far as they were compatible with the 1929 Act was cut short by the events of the early summer of 1940, and a further review of schemes was undertaken to eliminate those without direct relation to the war effort or not possessing special features. With the coming into force of the Colonial Development and Welfare Act on 17 July 1940 the Committee's functions ceased.

In addition to what has already been written, it might be useful, before passing on to C D & W, to record a few further impressions of the work of the C D Advisory Committee obtained from the Reports and the Minutes of the Committee's 125 meetings. They are:

- (a) While the 1929 Act laid it down that the objects for which advances, whether by grant or loan, could be made to colonial governments were the aiding and developing of agriculture and industries in their territories and the promotion thereby of commerce with, and industry in, the United Kingdom, the Committee took a generous view of their functions. While insisting on 'Buy British' as far as possible, they tried to think in terms of a long-range policy of colonial development.
- (b) Although in principle against contributing towards recurrent expenditure, in several instances such contributions were made for a period of years when it seemed a necessary step towards development.
- (c) That the Committee helped territories receiving grants-in-aid along with others, believing that such areas especially required development to regain budgetary balance.
- (d) That the 1929 Act restricted the Committee to projects of a capital nature related to physical development. Many pressing needs would have involved long-term recurrent grants for social development. Also, poor colonies were unable to provide plans and staff to effect schemes or to formulate development programmes which the Committee would have liked to have seen. Furthermore, the Committee could not initiate schemes. It was limited to making recommendations on schemes referred to them.
- (e) The Committee during its eleven years made favourable recommendations in 596 separate cases, involving total contributions (actual and projected) of £8,875,083 towards a total estimated expenditure of £19,284,536. Of this assistance £5,671,656 was recommended as free grant and £3,203,427 as loan. The C D & W Act provided for the remission, in whole or part, of many of these loans.

7 West India Royal Commission 1938-39

The 1929 Act started operating at a time of increasing world depression, and the first half of its life was clouded by the Great Slump. The colonies were severely hit, in particular the sugar colonies (which had already been in serious difficulties before the 1929 Act), and despite the new policy of Imperial Preference inaugurated at Ottawa in 1932, their position did not quickly or substantially revive. The outbreak of riots in various West Indian islands led to the appointment of the West India Royal Commission, under the chairmanship of Lord Moyne, in August 1938.

The Commission signed its Report (published in June 1945 as Cmd. 6607) on 21 December 1939. The supplementary Report on Agriculture, Fisheries, Forestry and Veterinary Matters was written by Professor

Engledow and published at the same time as Cmd. 6608. The delay in publication (it was thought that the Reports would provide ammunition for Germany's propaganda war against us) did not involve delay in implementation of the main recommendations, the first two of which were:

- (i) that as there was a pressing need for larger expenditure on social services and development, which not even the least poor of the West Indian colonies could hope to undertake from their own resources, a West Indian Welfare Fund should be established with a grant of £1m a year for 20 years, with a special organisation to administer this fund. The objects should be to finance schemes for the general improvement of education, the health services, housing and slum clearance, the creation of labour departments, the provision of social welfare facilities, and land settlement, apart from the cost of the purchase of land;
- (ii) that the new organisation be set up in the West Indies but independent of the local governments. The Comptroller should constantly review the social problems of the West Indies, advise colonial administrations, submit an annual report and have direct access to the Secretary of State.

These recommendations were accepted. The Government gave special assistance immediately for certain schemes, and provided for further assistance to be given to the West Indies, on about the recommended scale, within the wider framework of the Colonial Development and Welfare Act of 1940. At the same time Sir Frank Stockdale was appointed as Comptroller for Development and Welfare in the West Indies and was given wide latitude in matters of detail.

8 Statement of Policy 1940

Summary—While the Royal Commission was investigating the West Indian situation, the Government was reconsidering policy towards colonial development in general. Conclusions in principle were reached before the war began in September 1939, but their publication was delayed until after completion of the Moyne Report.

In February 1940 the Government published a 'Statement of Policy on Colonial Development and Welfare' (Cmd. 6175) to introduce the legislation – the C D & W Act – of July 1940.

This was an important policy statement. It departed firmly from the principle that territories should rely on their own resources, and accepted that many needed outside help for their development. It recognised the problems of fluctuating incomes and the burden of debt. It stressed the importance of social development, especially of education, and the need for research and planning. It committed the Government to making assistance available annually on a much larger scale than before, for a very wide range of purposes, including recurrent as well as capital expenditures. And it made this commitment for a period of ten years ahead, in order to encourage long-term planning.

'The primary aim of colonial policy', said the statement, 'is to protect and advance the interests of the inhabitants of the colonies'. Much had already been done, but there was 'room for further active development of

the natural resources of the various territories so as to provide their peoples with improved standards of life'. Some colonies had made great economic progress and improvements in the social services, without outside help. In some, 'larger revenues could be raised without injustice', and in many, economic expansion could be assisted by improvements in the machinery of government and strengthening of the personnel of development services. (Paragraph 3.)

But the statement recognised the need for outside assistance 'if full and balanced development' was to be obtained and services maintained at proper standards. Few colonies had mineral wealth or manufacturing industries; most were dependent on agriculture. The statement went on: 'The value of agricultural products varies widely from year to year . . . with the result that colonial revenues provide an unreliable basis for a policy of steady development. In some cases the position is aggravated by a heavy burden of indebtedness. However able their government . . . many colonies cannot finance out of their own resources' the research and survey work, capital expenditure and expansion of staffs necessary for development. 'Nor can they always afford, in the absence of such development, an adequate standard of health and education services'. (Paragraph 4.)

The statement noted that assistance had been given, through grants-in-aid (£12m in 1930-39) and by the 1929 Act (£6.6m). It went on to propose an extension of the policy of the 1929 Act and the removal of limits to the types of expenditure permitted by that Act.

Paragraph 6 is worth quoting almost in full: 'Certain specific objects of (permitted) expenditure were enumerated . . . (in the 1929 Act). Other objects of no less importance were excluded; for example, education (apart from technical education) was outside the scope of the Act. The emphasis was throughout on material development. The intention of the Act was primarily to provide assistance towards capital schemes, though assistance towards recurrent expenditure was not in terms excluded. This intention has been followed, and grants towards recurrent expenditure have not normally been authorised . . . (except) . . . for short periods only. The existence of the Fund (1929 Act) has not involved any departure from the old principle that a colony should have only those services which it can afford to maintain out of its own resources. This principle now calls for revision, and the Government propose that in appropriate cases money from the new sources . . . should be made available for the maintenance of important works or services over a substantial period of years.'

The statement then went on to outline the proposals contained in the C D & W Bill to give increased assistance up to £5m pa, and up to £500,000 pa for research, for ten years. It specifically mentioned the need to review the position towards the end of the period (paragraphs 7-10).

The first aim was the improvement of the economic position of the colonies. The statement emphasised the need for planning and co-ordination of effort. 'Proper machinery and adequate personnel, both for planning and for carrying out plans, should be established in the United Kingdom as well as in each of the colonies . . .' The statement noted that there had already been some expansion of the staff of the Colonial Office. The Economic Department had been strengthened and a separate Social

Services Department had been set up (paragraph 11). The Government proposed to invite colonial governments to prepare long-term programmes of development for a period of years ahead. 'War conditions may retard to some extent the execution of such plans, but it is essential, as a preliminary to constructive, comprehensive and consistent progress, that considered programmes should be drawn up without loss of time'. These programmes would then be considered by the Colonial Office and Advisory Committees in London.

9 Colonial Development and Welfare Act 1940

The Act empowered 'the Secretary of State, with the concurrence of the Treasury', to 'make schemes for any purpose likely to promote the development of any colony or the welfare of its people . . .' It provided up to £5m a year by grant or loan, with a separate provision of up to £500,000 for research, for the ten-year period 1941-51 (Section 1).

Section 1 of the Act expanded the 'fair conditions of labour' clause of the 1929 Act, laying down, as a condition for assistance, that 'the law of the colony provides reasonable facilities for the establishment and activities of trade unions . . .' (This condition was specified in greater detail in a circular despatch of July 1941.)

Section 2 wound up the Colonial Development Fund (of the 1929 Act). Provision for expenditure in any one year was to be made in the Annual Estimates (C D & W (Colonies, etc.) Vote). Any amounts unspent at the end of the year lapsed.

Section 3 of the Act cancelled various debts of the dependent territories, including part of the advances, by loan, made under the 1929 Act. The total of claims waived was £10.2m.

The Government had stated its intention of setting up Advisory Committees, but the Act did not make statutory provision for this. (After some delay a Colonial Development and Welfare Advisory Committee was established, consisting of senior officials with an outside chairman.)

10 Debates on the C D & W Bill 1940

Summary—The Debates took place in May-July 1940 and the Act was passed on 17 July, six weeks after Dunkirk. It was welcomed as a necessary (and overdue) effort towards colonial development. It was recognised that its implementation would be held back by the war; some doubted whether anything at all could be done.

Mr. Malcolm MacDonald, though lately moved from the Colonial Office to be Minister of Health, moved the Second Reading on 21 May 1940. He emphasised that the Bill's proposals had been worked out before the war; they were a part of the normal peacetime development of colonial policy; they were 'not a bribe or reward for the colonies' support in this supreme crisis'. (House of Commons: Vol. 361, Col. 42.) Later he went on to claim:

'... the Bill . . . breaks new ground. It establishes the duty of taxpayers in this country to contribute directly and for its own sake towards the development in the widest sense of the word of the colonial peoples for whose good government the taxpayers of this country are ultimately responsible.' (Col. 45.)

Mr. MacDonald listed the four ways in which the Bill would help. It provided a more than fivefold increase in money. It widened the field of works and activity that might be assisted. It permitted contributions to be made towards running cost and not only to capital cost. It remitted some £11m of the £15m debts owed by the colonies to the United Kingdom Exchequer. All this was justified. But in his reference to the 1929 Act Mr. MacDonald was less than just to the spirit which moved both his father and his father's colleagues and also the House of Commons. For Mr. MacDonald said in 1940:

'Those who are familiar with the debates of 1929 will remember that even then the primary purpose of our legislation was not to help colonial development for its own sake, but in order to stimulate that development mostly to bring additional work to idle hands in this country. It was devised as part of our scheme to solve our own unemployment problem.' (Col. 45.)

This view is hardly such as could be held by anyone who had recently read through the 1929 debates.

Mr. Creech Jones, a later Colonial Secretary, felt that the Bill was overdue:

'We have not gone into empire-making with the same zest that some would-be colonial powers have shown in the past. Italy spent vast sums in trying to put up a good show in Northern Africa as to what a colony might become under her rule. Likewise, Germany, before the war, in her brief 12 years as a colonial power, spent £70m in developing 1 million square miles. During the past ten years we have spent little more than £12m in grants-in-aid and £5m in other grants out of the Colonial Development Fund.' (Col. 56.)

But there were other voices heard, sceptical voices, such as that of Colonel J. C. Wedgwood (Newcastle-under-Lyme) who said:

'We have listened this afternoon to a pre-war Minister making a pre-war speech on a pre-war Bill, and every other speaker also seems to have partaken in this play-acting. Of course, there will be no £5m a year spent. Even when the war is ended we shall not have £5m to spend on Colonies. . . .' (Col. 76.)

Sir George Schuster followed Colonel Wedgwood:

'Colonel Wedgwood has brought us back to a sense of realities. I confess that I entirely agree with him that one is discussing a measure of this kind in an atmosphere that is hardly the atmosphere of reality today. . . . We must face the fact that whatever may happen in the next few weeks it will hardly be possible to get this scheme fully under way in the near future. (Cols. 80-82.)

Sir George then talked about the handling of the new Fund:

'In starting to administer a fund of this kind we are starting, on a huge scale, a sort of investment and developing company. I want to be satisfied that there is some body analogous to a first-class board of directors, who will watch how the money is spent, who will be responsible for authorising projects, and who - and this is the most important point of all - will have to live with the results of their actions. . . . It is of great importance that there should be somebody responsible for a

continuous review of economic conditions and for watching how these projects are carried out and how they develop.'

He doubted whether a committee was adequate:

'I have always felt that this committee procedure is not entirely satisfactory. You cannot get from a committee, meeting perhaps once a month, that continuous review of the position which seems to me to be necessary for the wise administration of a fund of this kind.' (Col. 83.)

A few weeks later – 2 July 1940 – when moving the Second Reading in the House of Lords, the Secretary of State, Lord Lloyd, echoed the doubts of Colonel Wedgwood and Sir George Schuster. Early in his speech he said:

'In the few brief months since this Bill was first put into draft circumstances have so altered as a result of the intensification of the war that I am afraid that the Bill may for some time at any rate appear somewhat out of tune with the more instant and immediate military preoccupations of the present time. . . . I am afraid, therefore, that much that we had hoped to do under this Bill when it became law must wait for happier times.' (House of Lords: Vol. 116, Col. 724.)

The Secretary of State claimed that:

'The Bill embodies new principles which constitute a landmark in colonial policy.' (Col. 725.)

and felt that a new approach was rather overdue:

'I am bound personally to say that I have always felt that there was a degree of truth in the reproaches directed at us by our rivals that, whilst we controlled so vast a colonial empire, we did mighty little to develop it.' (Col. 726.)

On administration the Secretary of State said:

'It still remains our intention to appoint two Advisory Committees, one of which would consider development and welfare schemes, and the other, consisting of scientific experts, would deal with proposals for expenditure on research. But we have had to recognise that persons of the eminence and stature that we should desire will not be able to find the time for such work at the present moment in the middle of the war. So we have decided to dispense with the machinery of the Committees for the duration of the war, and we shall deal departmentally with any proposals on which progress can be made.' (Col. 729.)

The West Indies, being remote from the main theatres of war and having a great urgency of need, would get special treatment. Sir Frank Stockdale would go out as Comptroller for Development and Welfare, and an Inspector General of Agriculture would be appointed to help him.

11 Implementation of the C D & W Act 1940

The Act was at first used less than had been hoped. In a circular despatch of 10 September 1940 colonial governments were told that, apart from proposals directly related to the war effort, assistance under the Act was unlikely unless schemes could be carried out entirely with local resources of men and materials and without detriment to the war effort; no expenditure outside the sterling area was involved; and the scheme was of urgency justifying the use of UK funds. The last requirement unduly discouraged the application for funds for worthwhile schemes. So in a further circular

despatch (June 1941: Cmd. 6299), fullest use compatible with the war effort was invited. The transfer to the war effort of those who would have drawn up integrated development plans led to the adoption of a list of disconnected and almost haphazard schemes.

In 1942 there was considerable criticism in Parliament and the press because so little of the nominal £5m pa was being allocated. Thereafter the allocations increased. Those territories gained which were best able to prepare applications and carry out schemes – in particular the West Indies, which had the advantages of the Comptroller's organisation and non-involvement in the war, gained relatively to the African territories (see the 'Report on the Operation of the C D & W Act, 1940' of February 1943: Cmd. 6422). In 1940 the Government had intended to assist the West Indies on about the scale recommended by the Moyne Report, but through the general C D & W scheme. In 1940 one-quarter of the nominal £5m was provisionally allocated to the West Indies; but their share of the actual allocations was larger than this.

By March 1942 115 schemes involving a commitment of £1.5m had been approved. Of these 74 (£0.9m) related to the West Indies. By 1946 schemes totalling £30m had been approved, of which £10.4m had been spent – £5.3m in the West Indies.

Towards the end of the war the number of acceptable applications grew, and it became clear that greater funds would be required. A new Act was introduced in 1945, which raised the annual ceiling and made other changes which are discussed in the next chapter.

The wartime administration of the 1940 Act and the work of the C D & W Advisory Committee and the Research Committee are described briefly in the following paragraphs.

C D & W Advisory Committee and Research Committee

Applications for assistance under the 1940 Act were at first considered departmentally by the Colonial Office and the Treasury. But when it was found that some of the applications raised issues of principle requiring discussion, a Colonial Development and Welfare Advisory Committee was set up with senior members of the staff of the Colonial Office but an outside chairman. It held its first meeting in November 1941 under the chairmanship of the (fourth) Marquess of Dufferin and Ava, who had been Parliamentary Under-Secretary of State at the Colonial Office when the proposals embodied in the White Paper of February 1940 were being considered. In July 1942 Mr. Harold Macmillan, Parliamentary Under-Secretary of State, became Chairman until February 1943, when the (tenth) Duke of Devonshire succeeded him. Among the members was Sir John Campbell, a former Financial Adviser to the Secretary of State, who had been closely associated with the CDAC since 1929.

A Research Committee was also established in June 1942, under Lord Hailey, to advise on proposals for 'research and inquiry' under the Act, and on the whole range of colonial studies, regardless of the source of funds.

The members of this committee held, at the time, the following posts: Economic Adviser to the Treasury, Director of LSE, and Secretaries of

the DSIR, the Royal Society, the Medical Research Council, and the Agricultural Research Council.

The C D & W Advisory Committee adopted a procedure similar to that of the pre-war CDAC. It received every application for assistance under the Act, whether recommended for approval by the Department concerned or not, after the geographical or subject Department had prepared a memorandum commenting on the scheme and providing information on the financial position of the territory concerned. Urgent applications were circulated, and approved by the Chairman if he received no adverse comment within 36 hours. Straightforward applications were grouped at the beginning of the agenda for speedy disposal.

Unlike the CDAC, the CDWAC was not a statutory body. Its function was to advise the Secretary of State on any matter relating to the administration of the Act that might be referred to it.

A provisional allocation of C D & W moneys was made in May 1940; but until the commitment for any area neared ten times the annual allocation no issue arose. Meanwhile, applications were dealt with on their merits, and grants recommended where the scheme was satisfactory and the financial circumstances of the territory warranted it. Unlike the CD Fund, which produced regular and informative reports, the printed reports on the CDW Fund 1940-45 were rather few and brief. The following points deserve note.

The idea of welfare schemes under the Act was to raise the social and economic status of the colony, pending its return to prosperity and self-sufficiency through schemes of development. Relief measures were not to be financed through C D & W but by grants-in-aid on the Colonial and Middle Eastern Services Vote. C D & W was intended to benefit the community as a whole, and not the standard of living of a selected class, unless the improvement was essential to promote development and welfare in general.

Assistance could be granted only if the territory's trade union legislation complied with the requirements indicated in the Act and in more detail in the circular despatch of 12 July 1941 that: trade unions should be treated as not criminal or unlawful for civil purposes (TU Act, 1871, s. 2 and 3); should be immune from actions of tort (Trade Disputes Act, 1906, s. 4); should be free from charges of conspiracy as regards trade disputes (Conspiracy Act, 1876, s. 3); should be exempt from liability for interfering with another person's business (Trade Disputes Act, 1906, s. 3).

Little indeed has been said or written about this aspect of policy, but it has been of great importance in the colonies both economically and politically.

12 The Extent of Aid

The following tables provide a statistical picture of the aid given to the colonies and received from the colonies under the various arrangements discussed above. Table 1 shows total assistance recommended from the Colonial Development Fund over the period 1929-40 for each territory involved. It is not surprising that, per head of population, the smaller territories received the largest sums. St. Helena, British Honduras and

Table 1
Total Assistance Recommended from Colonial Development
Fund in respect of each Territory 1929-40

Territory	Assistance Recommended			Per Head of Population					
	Loans	Grants	Total	Loans			Grants		
	£'000	£'000	£'000	£	s.	d.	£	s.	d.
Kenya	154	271	425		11		1	7	
N. Rhodesia	262	275	537	3	10		4	0	
Nyasaland	—	802	802	—			9	7	
Somaliland	—	63	63	—			3	8	
Tanganyika Territory... ..	96	760	856		4		2	11	
Uganda	—	260	260	—			1	5	
Zanzibar	25	12	37	2	1		1	0	
Gambia	—	25	25	—			2	6	
Gold Coast	73	88	161		5			6	
Nigeria	—	330	330	—				4	
Sierra Leone	505	128	633	5	2		1	4	
Basutoland	168	2	170	6	0			1	
Bechuanaland	239	76	315	18	2		5	10	
Swaziland	142	33	175	18	0		4	2	
Cyprus	2	153	155		1		8	2	
Malta	50	76	126	3	9		5	8	
Israel	—	98	98	—			1	4	
Transjordan	13	114	127		10		7	7	
Ceylon	—	119	119	—				5	
Mauritius	50	12	62	2	5			7	
Seychelles	21	55	77	13	9		1	15	9
Aden	—	4	4	—				1	7
Fiji	—	34	34	—				3	3
British Solomon Islands Protectorate	—	5	5	—				1	1
Gilbert and Ellice Islands	—	17	17	—			9	11	
Hong Kong	—	10	10	—				2	
Federated Malay States	—	2	2	—			—		
Unfederated Malay States	4	12	17		1			2	
North Borneo	—	106	106	—			7	0	
Straits Settlements	—	9	9	—				2	
Bahamas	10	21	31	2	10		6	2	
Barbados	16	32	48	1	8		3	4	
Bermuda	—	63	63	—			2	0	8
British Guiana... ..	196	152	348	11	7			9	0
British Honduras	75	329	404	1	6	0	5	13	5
Falkland Islands	—	3	3	—			1	13	5
Jamaica	50	168	219		10		2	10	
LEeward ISLANDS:									
Antigua	54	124	177	1	10	10	3	10	7
Montserrat	11	18	29	16	1		1	5	0
St. Kitts Nevis	18	34	52	9	6		17	10	
Virgin Islands	—	10	10	—			1	11	11
General... ..	—	3	3	—			—		
St. Helena	2	39	41	8	0		9	15	5
Trinidad	2	301	304		1		13	0	
WINDWARD ISLANDS:									
Dominica	36	89	126	14	3		1	15	0
Grenada	89	78	167	1	0	4	17	8	
St. Lucia	36	74	110	10	4		1	1	6
St. Vincent	67	19	86	1	3	2	6	5	
Newfoundland... ..	735	23	758	2	9	10		1	7
OTHER	—	141	141	—			—		
TOTAL	3,203	5,672	8,875	—			—		

Source: Colonial Development Advisory Committee: Eleventh and Final Report.
Cmd. 6298.

Antigua received most. The African colonies received only modest amounts. Table 2 gives the breakdown of assistance under the 1929 Act by category. Accepting that the allocation of some items to one category rather than another is somewhat arbitrary, it does show a heavy concentration on internal transport and communications (30 per cent), public health (16 per cent) and water supplies and water power (10 per cent).

The percentage (7) allocated to scientific research is worthy of notice. Table 3 shows that the aided territories provided £24m in gifts during the 1939-45 War, the richer colonies of Asia giving the bulk of the money. Table 4 is intended to summarise the position over the period 1920-45. Omitting, owing to their special nature, the very substantial grants to Palestine and Trans-Jordan of some £107m, grants to dependencies totalled £70.1m for the period, while loans raised on the London market for colonial governments came to about £90m. Against this grand total of £160m must be set wartime gifts and wartime borrowing from the colonies of nearly £50m. The net transfer to the colonies once the wartime borrowing was repaid came to around £95m from Government sources and £90m through the capital market.

Table 2
Recommended projects 1929-40 under
Colonial Development Act, 1929

<i>Category</i>							<i>£</i>	<i>Per cent of Total</i>
(a)	Agricultural Development, etc.	...	...	...	...	...	534,118	6
(b)	Internal Transport and Communications	...	...	...	...	...	2,658,290	30
(c)	Harbours	...	...	...	...	...	474,245	5
(d)	Fisheries	...	...	...	...	...	156,630	2
(e)	Forestry	...	...	...	...	...	106,640	1
(f)	Surveys	...	...	...	...	...	253,375	3
(g)	Land Reclamation and Drainage	...	...	...	...	...	444,100	5
(h)	Water Supplies and Water Power	...	...	...	...	...	923,417	10
(i)	Electricity	...	...	...	...	...	163,608	2
(k)	Mineral Resources	...	...	...	...	...	770,050	9
(l)	Scientific Research, etc.	...	...	...	...	...	597,654	7
(m)	Public Health, etc.	...	...	...	...	...	1,460,338	16
(o)	Miscellaneous	...	...	...	...	...	332,618	4
TOTAL							£8,875,083	100

Table 3

List of monetary gifts only made by colonial governments, native rulers, various bodies and individuals in the colonial empire to HMG organisations during the war

Aden	£ 77,454	Straits Settlements... ..	£ 9,479,475
Bahamas	125,200	Mauritius	301,962
Barbados	202,332	Nigeria	409,255
Bermuda	344,133	North Borneo	37,649
British Guiana	128,877	Northern Rhodesia	409,942
British Honduras	26,590	Nyasaland	164,214
Ceylon	1,096,101	Palestine	38,832
Cyprus	13,424	Sarawak	316,380
Falkland Islands	71,656	St. Helena	5,681
Fiji	169,321	Seychelles	15,762
Gambia	11,478	Sierra Leone	148,698
Gibraltar	58,172	Somaliland	7,574
Gold Coast	361,696	Tanganyika	420,988
Hong Kong	399,731	Trinidad	929,095
Jamaica	223,376	Uganda	302,118
Kenya	386,032	W. Pacific	45,032
Leeward Islands	37,262	Windward Islands... ..	58,338
Malta	35,193	Zanzibar	40,770
Federated Malay States	5,963,744		
Unfederated Malay States... ..	1,151,411	TOTAL	£24,014,948

Source: The Colonial Empire 1939-47. Cmd. 7167.

Table 4

Loans and Grants to and from the Dependencies 1920-45

(a) UK Government grants, etc., to dependencies 1920-45

	Issued 1920-45
C D Act 1929: advances	8.8
C D & W Act 1940: advances	10.3
Grants in aid of administration	28.0
Grants to Malta for war damage	10.0
Loans written off by C D & W Act 1940	10.2
	<hr/> 70.1

NOTE: These figures exclude substantial grants to Palestine and Transjordan amounting to £107m between 1921-22 and 1949-50.

(b) Wartime gifts and loans from the Colonies 1939-45

Gifts	£24m
Loans	£48.8m

These gifts and loans were made from the colonies to Britain to assist the war effort.

Gifts: "the figure of £24m includes only monetary gifts brought to the notice of the Secretary of State and not monetary gifts made direct to organisations in the UK or gifts in kind."

Loans: "at the end of 1945 a total of £48,846,000 had been raised in the colonies and re-lent to HM Government to assist in the war effort. Of this total, £16,113,000 was free of interest and the remainder at interest." (*The Colonial Territories 1939-47*, Cmd. 7167.)

Most of these loans were repaid by 1954.

(c) Borrowing on the London Market 1920-45

The total of loans raised for colonial governments in the London market in the period 1919-39 was over £100m.

II Assistance to the Colonies after 1945

1 Background: 1945

Before the end of the war a new C D & W Act was passed, increasing the amount of assistance and extending its period. This was a normal development of policy to meet growing demands. But the circumstances in which it took place were not normal. In the immediate post-war years implementation of the Act was slow and difficult.

In October 1945, after a landslide victory, the Labour Government took office. Mr. Arthur Creech Jones was appointed to the Colonial Office, first as Parliamentary Under-Secretary and later, from October 1946 to 1951, as Secretary of State. The following description of the post-war difficulties and purposes of policy is extracted from his essay on 'The Labour Party and Colonial Policy' (published in *New Fabian Colonial Essays*, 1959).

'After the war, conditions required that colonial administrations should help the territories to adjust themselves to the rigours of a different and more modern life. The immediate task of a Labour Government was obviously to inspire these men with the hope that, as never before, London would give them the tools for their work, encourage them to evolve a wide conception of their functions and responsibilities, and help them to plan economic and social development. London could assist them in their work of extending popular participation in public affairs, of furthering education, and building up for the people better standards of social life. Undoubtedly such a policy of development and change on a wide front would prove difficult to execute.

'It should be remembered that the consequences of war had been severe and the new Government in Britain had to cope with confused international relations, with anarchical economic conditions, with scarcities of supplies and low production, with complicated issues of finance, and with demands for capital and goods at home and in the Commonwealth which could not be satisfied. . . . (The) territories were now short of men, skills, materials, goods and capital . . .

'It was against this background of shortages of all kinds . . . that Labour Ministers had to carry through their policies for creating independent and responsible life in the territories and for securing better living standards and the development of economies.'

In 1945, few envisaged the rapid acceleration of the movements towards political independence that occurred in the 1950's. Certainly, growing political pressures were expected and considerable constitutional changes were planned. But, while discussions in Parliament and elsewhere may have assumed that most colonies should be gradually prepared for eventual independence, they did not assume that there was an immediate, overriding need to prepare for it to come in the very near future. 'As it proved',

wrote Mr. Creech Jones, 'within a few years the educated men in the colonies began to demand freedom from alien control; but in 1945 conditions were not ripe for British renunciation' (op cit.).

2 C D & W Act 1945

In the 1940 Statement of Policy and the Debates on the 1940 Act, it had been accepted that the amounts provided would have to be reviewed before the end of the period and that assistance would probably continue beyond 1951. As early as 1941 the question of extension had been raised as a practical issue. The Moyne Report on the West Indies had recommended assistance over a period of 20 years, and the Comptroller wished to propose that expenditure on schools be spread over this period. He was told that no formal assurance could be given beyond 1951, but that there was 'no need to refrain from submitting proposals solely because they include recurrent expenditure which might involve continued assistance beyond that date . . .' (Report on the Operation of the C D & W Act, 1940, February 1943, Cmd. 6422.)

By the end of 1944 it was becoming clear from the growing numbers of applications, and from such estimates of long-term requirements as colonial governments had been able to make, that more than £5m pa would be required.

The new C D & W Act was passed in April 1945. It extended the period of assistance by five years – to March 1956 – and provided a total sum of £120m for the ten years 1946–56, including £20m carried forward in commitments under the 1940 Act.

It also corrected a serious defect of the 1940 Act. Under that Act any money that had been allocated but was not spent by the end of one year lapsed and could not be carried forward. This had meant loss of benefit through failure to spend during the war, and it was leading to serious problems of forward planning. The usefulness of the British Government's long-term commitment was much reduced. The 1945 Act allowed the money to be drawn upon at any time, up to a ceiling of £17.5m a year, including up to £1m for research. This meant that colonial governments could receive firm allocations well in advance; it gave important help to long-term development planning.

The C D & W Bill was generally approved and passed without a division. In the debates the Secretary of State emphasised that C D & W was not meant to be the only source of funds for development; other funds would come from local revenues, accumulated sterling balances, colonial government borrowing and other private capital. Development planning was the concern of the colonial governments; London would provide advice, examine estimates and exercise overall supervision of the allocation of C D & W funds. (An account of the debates is given in the Appendix.)

3 C D & W Acts 1945-63

The C D & W Act of 1945 was the first of a series of amendments to the 1940 Act, which increased the amount of C D & W assistance and extended the period for which it was available. Each successive Act also increased the maximum amounts which could be provided in any one year in total and for research. The figures are given on page 33.

The 1945 Act removed the earlier provision that unspent allocations lapsed each year. Otherwise there was no major change in C D & W legislation until the 1959 Act, which introduced Exchequer loans and removed the annual limits.

<i>Date of C D & W Act</i>	<i>Period¹</i>	<i>Total amount provided for whole period</i>	<i>Annual maxima</i>	
		<i>£m</i>	<i>Total</i>	<i>Research</i>
			<i>£m</i>	
1940	1941-51	55 (maximum) ²	5.5	0.5
1945	1946-56	120 ³	17.5	1.0
1949	1946-56	120	20.0	2.5
1950 ⁴	1946-56	140	25.0	2.5
1955	1946-60	220	30.0	3.0
1959	1946-64	315	no limit ⁵	
1963	1946-66	340	30.0 for 1963-64	
			55.0 for 1963-64 and	
			1964-65 together	

Notes: ¹ The final date, beyond which schemes cannot continue in force, does not apply to research schemes.

² Amounts of up to £5m plus £0.5m for research could be provided in any one year; but unspent allocations could not be carried forward.

³ The £120m included £20m committed under the 1940 Act.

⁴ The 1950 Act repealed the restriction to colonies 'not possessing responsible government'.

⁵ The 1959 Act removed the limits on the sums to be paid out in any one year.

Sources: C D & W Acts 1940, 1945, 1949, 1950, 1955 and 1959.

C D & W (Amendment) Act, 1959, C D & W Acts 1959 and 1963.

4 Request for Colonial Development Plans, 1945

Summary—In November 1945 the Secretary of State addressed a despatch to colonial governments, in which he informed them of the provisions of the C D & W Act 1945 and the allocation of the £120m, and asked them to submit ten-year development plans. (Circular Despatch of 12 November 1945: Cmd. 6713.)

The despatch suggested that the plans should include all public expenditures on development and welfare, and all sources of finance, including an adequate contribution from local taxation; they should be well balanced between economic and social development. Schemes should be given priority ratings.

A separate memorandum made a number of suggestions (on recurrent costs, etc.) to be taken into account in preparing applications for assistance.

C D & W Act—purpose and allocation

On the purpose of the Act, the Secretary of State said that the increased assistance and the extension of the period 'mark an important turning point in the development of colonial productive resources and the improvement of human well-being. . . . There are great possibilities in the years that lie ahead for raising the standards of health, education, social welfare and general well-being of colonial peoples if these expanded services are based upon improved economic efficiency and increased production. The

primary requisite still is an improvement of the economic position in the colonial dependencies, the utilisation of their natural resources to the greatest extent possible and the widening of opportunity for human enterprise and endeavour'.

He explained the division of the £120m into three parts: central schemes £23.5m, general reserve £11m, allocated to territories £85.5m (see Table 1). In deciding on the territorial allocation, he said that 'no single criterion was adopted. . . . All factors which were known to be relevant were taken into account, including the size and population of the territory, its known economic resources and possibilities, the present state of development, the development schemes known to exist or to be under contemplation, and the financial resources likely to be available locally'.

The allocation to each territory was not an authority to spend; it laid down the total sum within which individual schemes could be authorised, provided that they 'are in themselves suitable for assistance and fall within an approved general plan . . . '

Development plans

Plans were to be prepared initially by the colonial governments and then reviewed by a 'central organisation' before being accepted. The machinery of the Colonial Office would be strengthened for this purpose.

The Secretary of State made proposals about the preparation of plans:

(i) The plans were to be comprehensive, covering all the objects of development and welfare expenditure which were thought to be desirable over the ten-year period (1946-56), without attempting initially to limit this to available resources.

(ii) They should take into account all the resources likely to be available, including C D & W assistance, (part of) the colony's surplus balances, local revenue (allowing for growth), and the proceeds of government borrowing in London or locally.

(iii) On the expenditure side, the plans should cover all likely major developments 'including important increases in the recurrent expenditure . . . (on) . . . public health, agricultural and other developmental services, as well as strictly capital expenditure'.

(iv) A proper balance between different objects of development and welfare must be maintained. The Secretary of State emphasised the 'fundamental character of economic development, because the possibilities of expansion in the social services are commonly immediately apparent . . . while economic development is a more general responsibility and . . . (the desirable course) is less easy to determine'.

(v) Schemes should be graded roughly by priority.

It will be noted that the phrase 'comprehensive development plan' was here used to mean 'a programme of public expenditure', financed from the government's revenue and other resources. It was not intended to mean 'a plan for the whole economy' - in most cases this would have been quite impossible. Developments in the private sector are not mentioned in the Despatch, although no doubt governments were expected to take known developments into account where possible in estimating

needs and resources. (In the C D & W Act, 1959, Section 2 (6) the phrase 'development programme' is given the same meaning.)

Elsewhere in this Despatch, the Secretary of State drew attention to the burden on the United Kingdom taxpayer and to the 'most serious worsening of the external financial position of the United Kingdom' as a result of the war. He stressed that the colonies must play their part in the joint effort, and ensure that local revenues made an adequate and fair contribution.

He also emphasised that governments should arouse the interest of the inhabitants of the colony in the work of development. 'A great part of the value of the assistance . . . will be lost if the developments . . . are regarded merely as an activity of "government" and not as the concern of the ordinary people of the country'. He noted with approval the establishment of Development Committees with unofficial representatives.

Finally, he emphasised the importance of regional consultation and, when possible, of developments on a regional basis, e.g. in research, communications and higher education.

Individual schemes

A memorandum attached to the circular despatch mentions some of the considerations to be taken into account in submitting applications for assistance to individual schemes. These can probably be taken as indicating, though in very general terms, some of the criteria used in examination of the applications.

(i) Technical advice: schemes should be based on the best technical advice. The 'cost of obtaining such advice (from outside the colony) may reasonably form the subject of an application for a free grant' from the C D & W vote.

(ii) Revenue-earning schemes: free grants would not normally be made to cover the whole cost of revenue-earning schemes. The 'appropriate form of assistance would be a grant of the whole or part of the interest payable during the initial years on loan moneys or in some cases a free grant of a portion of the cost'.

Also, 'those persons who obtain direct benefit from schemes should be made to pay at least part of the cost'. . . . The whole cost should not fall on the colonial government or C D & W Vote.

(iii) Recurrent costs: 'many schemes . . . involve continuing expenditure after the period covered by the scheme itself comes to an end'. These residual charges should be estimated carefully so that 'the colony's budget will not be excessively overloaded with recurrent charges . . .'.

(iv) Division of cost of schemes: development programmes would be financed from C D & W assistance and other sources; some schemes would be wholly financed from C D & W. It is suggested that 'particularly where recurrent expenditure is involved, a contribution towards the cost should be made from sources other than the C D & W Vote'. This would reduce the burden of adjustment when C D & W assistance ceased, 'while the payment of a contribution from local sources removes any danger that the scheme may be regarded solely as a creation of the Imperial Government, in the efficient execution of which the local community have no interest'.

Table 5
C D & W Act 1945 – Allocation

(a) Total Allocation									<i>£m</i>
Central schemes	...	...	...	...	...	...	...	...	23.5
General reserve	...	...	...	...	...	...	...	...	11.0
Territories	...	...	...	...	...	...	...	...	85.5
									<hr/> 120.0
(b) Central Schemes									
Research	...	...	...	...	...	...	...	...	8.6
Higher Education	...	...	...	...	...	...	...	...	4.5
Training Schemes	...	...	...	...	...	...	...	...	2.5
Geodetic and topographical surveys	...	...	...	...	...	...	...	...	2.0
Aeronautical Wireless Communications	...	...	...	...	...	...	...	...	1.0
Meteorological Services	...	...	...	...	...	...	...	...	1.0
Other Central Schemes	...	...	...	...	...	...	...	...	1.0
Margin for Supp. Allocation	...	...	...	...	...	...	...	...	3.0
									<hr/> 23.5
(c) Territories: Sub-totals									
West Indies	...	...	...	...	...	...	...	...	15.5
South Atlantic	...	...	...	...	...	...	...	...	0.35
Fiji and W. Pacific	...	...	...	...	...	...	...	...	1.8
Far East	...	...	...	...	...	...	...	...	7.5
Indian Ocean	...	...	...	...	...	...	...	...	2.0
Middle East	...	...	...	...	...	...	...	...	1.8
Mediterranean	...	...	...	...	...	...	...	...	1.9
West Africa	...	...	...	...	...	...	...	...	30.4
East Africa	...	...	...	...	...	...	...	...	16.25
Central Africa	...	...	...	...	...	...	...	...	5.5
South Africa High Com.	...	...	...	...	...	...	...	...	2.5
									<hr/> 85.5

Source: C D & W: *Circular Despatch* dated 12 November, 1945 (Cmd. 6713).

5 Colonial Office Reorganisation

Summary—For the examination of the overall development plans which colonial governments were asked to prepare and of individual applications for assistance, a considerable reinforcement of the machinery for dealing with economic and development policy was required.

This took two forms: a strengthening of the organisation within the Colonial Office, and the establishment of the Colonial Economic Development Council (the latter is discussed in the next section). Within the Colonial Office the improvement of arrangements for dealing with questions of colonial development, which had been going on gradually since 1930, was accelerated. A section was created to deal particularly with the financial aspects of C D & W and relations with the Treasury. At the same time the economic work of the Office was reorganised and the number of advisers on development questions in general was increased.

The development of new administrative arrangements in the Colonial Office was by no means an entirely novel process. From the time of the

original Colonial Development Act of 1929 there had been a growing tendency for both colonial administrations, and the so-called geographical departments on the basis of which the Colonial Office was then organised, to think in terms of a deliberate and integrated policy of economic and social development. From 1930 onwards the Colonial Office had both reorganised its own administrative structure by the creation of a number of so-called subject departments, and gradually added a considerable structure of expert advisers, e.g. on health, education, agriculture, forestry, fishing, social welfare, etc., and Advisory Committees associated with them. By the post-war period, therefore, the main structure of the Office consisted of a number of 'geographical' departments concerned generally with the affairs of territories in a particular geographical region, and a parallel series of subject departments concerned with, for example, personnel matters, various aspects of economic affairs, finance and development, research and social welfare, together with the group of specialist advisers already mentioned, who handled work mainly concerned with the subject departments, but who might be called in for advice by any of the geographical departments as well. Although political problems might be regarded as the primary business of the geographical departments, they were also inevitably much concerned with economic and social development, and perhaps in the best position to take a general view of long-term programmes of development.

In practice, therefore, the examination of overall programmes and specific schemes submitted for assistance under the C D & W Acts was very much a co-operative effort, in which the geographical departments always took a substantial share, but in which almost any of the subject departments and specialist advisers might be called in. There was very commonly a good deal of correspondence between the Colonial Office and individual colonial governments before any full programme was formally submitted, and, indeed, in view of the intimate knowledge already possessed in the Office of the circumstances of the particular territories, the general lines of possible development and many of the possible individual schemes would have been familiar to the offices concerned for a considerable time past. A fair proportion of those concerned on the administrative side would probably have some personal acquaintance with the territories, and the specialist advisers, since it had long been recognised that they had a special duty to pay frequent visits to the colonial territories, often had a very considerable familiarity with the local scene and local problems.

To a large extent, therefore, the machinery for the examination of development programmes and C D & W schemes grew organically out of the close administrative contact which had long existed between London and the colonies as a result of the overall control exercised by the Colonial Office. What needed to be created to meet the more intensive interest in the field of development was a section of the Office particularly concerned with the financial aspects and with relations with the Treasury under the C D & W Acts, and at the same time new arrangements for the bringing in of outside advice and the co-ordination and examination of programmes at the highest level.

In the new organisation of the Colonial Office on the economic side (in

1947), the Parliamentary Under-Secretary was *ex-officio* Head, while Sir Sydney Caine, now Deputy Under-Secretary, was official Head. Under him were the Departments of Economic Intelligence and Planning, Finance and Supplies (Mr. Gorell Barnes), Production, Marketing and Research (Mr. Eastwood), and Commercial Relations and Communications (Sir Gerard Clauson).

6 Colonial Economic Development Council, 1946-51

Summary—The CEDC was formed in October 1946 to advise on colonial development plans and general economic and financial policy. Its members were drawn from outside government; among them were several senior members from finance and industry. The Council vetted the development plans of a number of colonies in matters of balance, priorities, ability to realise projects, and the role of projects in long-term development. Its recommendations appear to have been useful and forward-looking. Its life, however, was short, and its last years comparatively inactive.

In the Debates on the C D & W Bill, 1945, it had been suggested that a committee should be set up, composed largely of business men with overseas interests, to advise on C D & W policy and development plans. This suggestion was rejected by the Government.

The idea was, however, revived and adopted by the Secretary of State in the new Labour Government. He thought that what was needed was a small high-powered committee, including commercial representatives, to supervise the work of existing committees and to tender advice direct to him. The discussions thus started in December 1945 led to the appointment of the Colonial Economic and Development Council, whose terms of reference and first six members were announced on 30 September 1946. The terms of reference were:

To advise the Secretary of State for the Colonies on the framing and subsequent review of plans for economic and social development in the Colonial Empire and on questions of general economic and financial policy.

The initial six members were:

Viscount Portal of Laverstoke, PC (Chairman); Chairman of Portals Ltd.; Minister of Works and Planning 1942-44; Chairman, GW Railway. Mr. J. Benstead, General Secretary National Union of Railwaymen; President, International Transport Workers' Union.

Sir Bernard Bourdillon, GCMG, KBE, ICS 1908; Governor, Uganda 1932-5, Nigeria 1935-43; Director, Barclays Bank DCO and Barclays Overseas Development Corporation; Member, Colonial Economic Advisory Committee.

Sir Graham Cunningham, KBE., Chairman, Triplex Safety Glass Co. 1935-61; Comptroller-General, Ministry of Supply; Chairman, Ship-building Advisory Committee 1944-60; Member, Economic Planning Board 1947-61.

Sir William Goodenough, Bt, Director, Barclays Bank 1929-51; Chairman, 1947-51; Member, Colonial Economic Advisory Committee.

Sir Drummond Shiels, MC, MB, ChB, MP (Labour) Edinburgh East 1924-

31; Parliamentary Under-Secretary, India Office 1929; Parliamentary Under-Secretary, Colonial Office 1929-31; Public Relations Officer, General Post Office 1944-49.

Four more were appointed in October 1946 by Mr. Arthur Creech Jones, MP, who succeeded Mr. G. Hall, MP, as Secretary of State on 7 October 1946, Ivor Thomas, MP, becoming Parliamentary Under-Secretary.

The new members were:

J. McFadyen, JP, Director, Co-operative Wholesale Society.

W. Arthur Lewis, PhD, Reader in Economics, London School of Economics; a native of St. Lucia.

G. Wansborough, financial experience abroad.

Dr. R. B. Wellesley Cole, MD, FRCS, Medical Practitioner, Newcastle-on-Tyne; tropical experience.

At the inaugural meeting of the Colonial Economic and Development Council (7 October 1946), the Secretary of State said it was not sufficient for experts to go out to the colonies to advise. What was wanted also was a high-powered commission in this country which would assist the Colonial Office in dealing with the broader problems of development, a body which included men who had to cope with problems of finance and industry in their daily work. The part of the CO most closely concerned was the Development Division, under Mr. Caine, which was organised in three departments (Production, Research, Finance) and had the services of the Adviser on Development Planning, Sir Frank Stockdale, who would act as liaison between the Council and the CO. So far only four 10-year development plans had been approved: those for Nigeria, Kenya, N. Rhodesia and Zanzibar. These had been studied by the Geographical Departments, by the Development Division and Sir Frank Stockdale, and with advisers concerned, before submission to the Secretary of State for approval. The Council's main task on the development side would be to consider the broad outlines of the 10-year plans as they came to hand. It was asked also to look at the needs of the colonies so they could ask whether the proposals submitted by the local government were adequate and calculated to build up as quickly as possible the economic possibilities of the territories. Finally, the Council would take a regional view of developments which local governments were likely to neglect.

The Council usually met fortnightly, having twenty-two meetings by 25 August 1947, when it ceased to exist in its original form owing to retirements and resignations. At its second and fourth meetings the Council considered, at the request of the Secretary of State, the Report of the Groundnut Mission to East and Central Africa. It accepted and endorsed the principles of the scheme as being of great value to the United Kingdom and to the colonies concerned. It was agreed that implementation was a matter of urgency, but it was doubted whether sufficient crawler tractors would be made available to begin work by February 1947. Sir Graham Cunningham expressed the view from his experience at the Ministry of Supply that control of the scheme by a government department, either direct or on an agency basis, was inadvisable, and a government-owned corporation was the only practicable method. The Council recommended that such a corporation be set up forthwith. Sir

Graham Cunningham enquired into the availability of tractors.

At its third and fifth meetings the Tanganyika Development Plan was discussed. The discussion brought out the following points:

(i) the effective limitation on borrowing was likely to be the extent to which the Treasury would authorise new borrowing on the London market, rather than the size of the debt charge. In the Nigerian Plan, which had been drawn up and approved in 1945, the estimated cost was £55m, of which Nigeria's allocation of C D & W funds was £23m; £17m was to be obtained by loan and £15m from revenues and surplus balances. Restrictions on borrowing were therefore serious limitations to the implementation of a plan;

(ii) the general objectives of any plan should be first to see the population was adequately fed, and secondly that it was healthy; the next priority should probably be communications. Education to fit in with this scheme of things should be directed in the first place towards improving standards of feeding and health.

While these requirements were sufficiently met in the Tanganyika Plan, on the fundamental problem of finding sufficient manpower to implement the programme it was felt that a manpower budget, covering both native and European labour requirements, was essential before the plan could be usefully examined in detail.

At its seventh meeting it was noted that the response to Colonel Oliver Stanley's despatch of 27 February 1945, circulating a memorandum on the development of manufacturing industries in the colonies and asking for comments and proposals, had been disappointing. A certain amount of inertia and opposition to industrialisation had to be overcome, and some more positive directive was needed. The setting up in Nigeria and elsewhere of separate Departments of Commerce and Industries was a promising development. Although large sums would be needed to finance the proposed Development Corporations and only part of this could come from C D & W, Sir William Goodenough, speaking from his experience of Barclays Overseas Development Corporation, said that the provision of finance should not be regarded as a deterrent. Development was bound to be gradual and it would be some time before large amounts of capital were needed. He stressed the importance of having research work done outside the Corporation to avoid loading the latter with overhead charges. Even though it had practically no overheads, the Barclays Corporation did not expect to see any direct return on its capital for some time.

The Plan for Mauritius was approved, the Council suggesting that efforts should be made to develop secondary industries, particularly those using much labour and little land, and smallholders should be helped to improve their methods. The Plan for Jamaica was approved, subject to the provision of adequate research to improve the quality and quantity of local foodstuffs and to promote the development of local industries. Attention was drawn to the necessity of ensuring that, if freehold titles were given for land settlements, steps should be taken to prevent subdivision and a multiplication of land disputes.

The Council discussed a memorandum by the Chairman proposing the setting-up, by Act of Parliament, of a Colonial Development Corporation to promote increased colonial production on an economic and self-sup-

porting basis, intended particularly to encourage the production of food-stuffs and raw materials where supply to the UK or sale overseas would assist the balance of payments. The proposals were welcomed in principle. It was emphasised that the long-term interests of the colonies should be safeguarded, and the Corporation should help to improve present agriculture and encourage industrial development. The memorandum, after revision, was submitted to the Secretary of State.

In discussing the Plan for Uganda, the Council agreed with the shift of emphasis from academic to technical education made in the Plan, but felt that the possibility of increasing provision for more general expansion of education should be reviewed. It also emphasised the paramount importance of ensuring that the allocation of consumer goods from the UK to the colonies should be sufficient to provide growers with an incentive to produce the maximum output of new materials which were so urgently required, not only for industry in the UK but also for the world market.

In this first period the Council was, in effect, an Imperial General Staff for Colonial Development. The views and recommendations are now seen to have been well-founded and highly relevant. Such weaknesses as there were at this time spring from a different source, namely the initial preparation of plans. Before the end of 1946 it was clear that the plans reaching London were usually brave essays in a technique which was admittedly still in its infancy here. In most cases they had to be based on quite inadequate general information about the resources of the territories and scanty and unreliable statistics. It was felt that colonial governments would profit enormously from the technical expertise of those who had detailed knowledge of development planning. The Treasury was asked to approve the appointment of up to four Development Officers, in substitution for four other posts, to carry out this job. As the work was not a normal function of the Colonial Office but would be of direct benefit to the colonial territories, the Treasury suggested it should be applied via a specific C D & W scheme. A scheme was prepared and approved in June 1947. It was decided in September 1947 not to proceed with it. It reappeared later in a different form, and four 'economic liaison' officers were appointed to the Economic Department of the Colonial Office.

The preparation of acceptable plans was least advanced in the West Indies, despite the existence there of the Comptroller for D & W and his staff of experts. The detailed scrutiny of local plans was but indifferently done and spared the Colonial Office no effort in checking. Of course, being usually relatively small, West Indian schemes were easier to criticise in detail and, being poor, it was necessary to ask for supplementary grants if the original proved insufficient. Lack of skilled staffs, particularly in Public Works Departments, led to wide departures from the approved scheme if scrutiny was not close. Even so, it had been expected that the organisation would have helped colonies in planning and relieved the Colonial Office of much supervision. Neither was true. The organisation was concerned with procedure, and the advisers were rarely settled in Barbados long enough to handle schemes on their way to London. Such was the position to 1947.

In August 1947 Lord Portal resigned from the Council and so did Sir

William Goodenough on becoming Chairman of Barclays Bank. Mr. Benstead was due to retire from the TUC in October 1947. So the Secretary of State, Mr. A. Creech Jones, decided to reconstruct the Council, which had discussed problems of economic development in the colonies and helped to get the Overseas Food Corporation and the Colonial Development Corporation set up. Meanwhile, changes had been made in the internal organisation of the Colonial Office.

The reconstructed Council was to be chaired by the Parliamentary Under-Secretary, D. R. Rees-Williams, MP, and to include both unofficial and official members. The members were:

Dr. Wellesley Cole	}	from the original Council
Dr. Arthur Lewis		
Sir Drummond Shiels		
Lord Faringdon	}	New unofficial members
Dr. Rita Hinden		
Sir John Waddington		
R. W. G. Mackay, MP		
Sir Sydney Caine (Vice-Chairman)	}	Official members
Mr. Gorell Barnes, Asst. Under-Secretary, CO		
Mr. C. G. Eastwood, Asst. Under-Secretary, CO		
Sir Gerard Clauson, Asst. Under-Secretary, CO		
Mr. R. W. Newsam (Secretary), Principal, CO		

Each specialist advisory committee of the Colonial Office was invited to nominate a rapporteur to sit with the Council, as were the new Corporations.

The main function of the Council was to advise on broad issues, and to work out a proper balance between economic and social aspects of colonial development. The Secretary of State felt that the latest tendency had been to over-stress economic development and to forget that social development should keep pace with it. As representatives of the two new Corporations were on the Council, the latter would be able to advise them and co-ordinate their plans within a grand framework of development.

The Parliamentary Under-Secretary regarded the Council as the focal point in the Colonial Office for development projects. In implementing plans there were three main shortages: capital goods, consumer goods, and staff. The projects to concentrate on were those promising quick returns, and those already showing success, like rice production and the Nigerian railways, rather than large-scale new enterprises.

It was reported to the Council that, although the IBRD would extend loans to colonial governments for remunerative investments, the rate of 4½ per cent was 1 per cent higher than the cost of UK loans, and the Bank was prepared to loan only dollar-for-dollar expenditure. While the new Corporations might go to the Bank, it was felt that colonies should not until the matter had been further considered.

After deciding at its second meeting to meet regularly each month, the Council was told at its third meeting that, owing to the pressure of work in the Colonial Office, it appeared unlikely that it would be possible to provide adequate agenda for monthly meetings. The meeting discussed the British Guiana Ten-Year Development Plan at length, Mr. A. H. Poynton, who succeeded Sir Sydney Caine in 1948. taking the chair.

Several recommendations, mainly asking for information or suggesting that further information be sent to British Guiana, were made. Useful points were made in the discussion of this and other plans. Thus, on the Grenada Ten-Year Plan, the evil effects on agriculture of freehold leases in land settlement schemes were noted, and it was considered that in future land settlement schemes land should only be granted on leasehold tenure, with provision for ensuring efficient cultivation. On occasions the Parliamentary Under-Secretary reported on his tours and the Secretary of State addressed the Council.

But the Council lacked the crispness and decision of its predecessor. By March 1949 – eight meetings had been held between March 1948 and February 1949 – it was necessary to discuss the future of the Council. The Secretary of State felt that such a Council would give the Colonial Office the benefit of lay opinion, that it was politically necessary, but that it would be more useful if the unofficial members could be brought to appreciate the practical difficulties experienced in each field of development. New members were appointed to serve, including Sir Ralph Glyn, MP, Mr. C. W. Dumbleton, MP, Mr. Maurice Watt, Mr. A. L. Butler, Mr. George Woodcock, Professor W. K. Hancock, Mr. J. B. Hynd, and Mr. P. Whiskin. Advisers to the Secretary of State from time to time addressed the Council on their speciality. Otherwise, attention was largely devoted to a discussion of development plans, so much so that one member feared that the Council was in danger of failing to carry out its responsibility for reviewing the progress of development in the colonies as a whole. In its last two years the CEDC ceased to be an active body. In 1951 it was dissolved.

7 Report of the Select Committee on Estimates, 1948

The Select Committee on Estimates of the House of Commons inquired into colonial development for the year ending 31 March 1949. It examined the problems, serious at that time, of scarcity of capital equipment, materials and skilled personnel; it recommended that there should be systematic allocation of equipment and materials to the colonies. A sub-committee visited Nigeria; it recommended (*inter alia*) that a skilled manpower budget be constructed for Nigeria and technical education expanded. On the subject of private enterprise, the Select Committee pointed out the importance of large firms in the colonies pricing fairly, re-investing profits locally, and employing local personnel at all levels. It emphasised that it was important for the new public corporations (the Colonial Development Corporation and Overseas Food Corporation) to work in co-operation with and in the interests of the inhabitants of the territories. The full account was published as the Fifth Report from the Select Committee on Estimates (Session 1947–48, No. 181, June 1948). The following points are among those found in the Report:

(i) *Allocation of Capital Equipment and Materials*

During the war there was a system of import licensing in the colonies. After the war this was abandoned, and at the time of the Report scarce materials were allocated by an inter-departmental Materials Committee. There was no system of determining the total needs of the colonies and making an appropriate allocation of resources to them.

'Without such a system it is clearly impossible either to frame or implement efficiently a policy of colonial development' (para. 24). The need for a system of this kind had lately received a measure of recognition. The Colonial Office had recently established an Economic Intelligence and Planning Department, to work in consultation with colonial governments and the Central Economic Planning Staff. 'Your Committee hope that the result will be the establishment of a more orderly system of allocation of material and capital equipment to the colonies, and they recommend that the colonies should receive a specific allocation of exports' (para. 26). After the allocation of materials had been made, the distribution between colonies, except in matters of great importance, was decided by the Crown Agents through whom colonial governments normally placed orders. The Committee felt that the Colonial Office should decide the priority of orders for materials and machinery placed by the Crown Agents in all cases, and not only when consulted on major matters.

(ii) *Economic Interdependence of the Colonies and the UK*

As much of the colonial development involved producing foodstuffs and new materials for export, the Committee expressed surprise that the complementary nature of the colonial and UK economies had not in general been taken into account in deciding priorities. As the Committee believed that 'fundamentally, the problem is physical and not financial' (para. 31), they were led to 'recommend that schemes of colonial economic development requiring scarce capital equipment should be framed, to avoid disappointment, in consultation with a planning authority in the UK which should have the responsibility of allocating such equipment among home needs, export demands, and all forms of colonial development' (para. 32).

(iii) *Shortage of Staff*

In May 1948 there were 1,185 vacancies in the Colonial Service. By far the largest demand (315) was for engineers and architects, but there was a great shortage of administrators (168), doctors (136) and agriculturalists (110). Lowering qualifications for entry and seconding technical staff would help to relieve the shortages. Another method was to appoint Development Officers to supervise the execution of development schemes and to help in the training of African staff. They were appointed for ten years and paid for out of C D & W funds in Nigeria. The Committee suggested that other colonies should follow, appointing local candidates where suitable. Better pay and conditions of service were also recommended.

West Africa

In order to get first-hand information about the progress of colonial development, Sub-Committee B of the Select Committee visited Nigeria, and four members went to the Cameroons to see the work of the Development Corporation. For present purposes it is sufficient to note the nature of the recommendations arising. They included:

- (a) representative African opinion should be brought into active association with development work;

- (b) a skilled manpower budget should be drawn up and the technical education plan should be revised and expanded to meet needs;
- (c) administrative officers should visit areas where communal development was being carried out to see what was being done;
- (d) district officers should be enabled to authorise expenditure on small works up to a limit of, say, £500, without reference to regional headquarters.

Finally, the sub-committee reported on the West African Produce Control Board, which was concerned with both cocoa and oilseeds. With reference to cocoa, the position was that the Supplementary Estimate presented on 2 February 1948 ((H.C.49), Class II, Vote 10, Subhead C (West African Produce Control Board)) provided an additional sum of £13,875,000 required for payments to the governments of the Gold Coast and Nigeria under the West African Cocoa Control Scheme. In the Estimates for 1948/49 a sum of £2,035,000 was provided under the same subhead. These sums were not, however, 'assistance'. They appeared as a result of a transfer of surpluses earned under the cocoa control scheme, and held, until the transfer, in trust for the West African Cocoa Industry by the British Government.

The scheme is described in the Report on Cocoa Control in West Africa, 1939-43, which was presented to Parliament in September 1944 (Cmd. 6554), and in the Statement on Future Marketing of West African Cocoa, which was presented in November 1946 (Cmd. 6950). Briefly, the history of this scheme was as follows. From the beginning of the war, HMG assumed responsibility for buying and disposing of the whole West African crop of cocoa. In November 1941 HMG further undertook on the one hand to bear any eventual loss, and on the other hand to hold in trust for the benefit of the West African Cocoa Industry any profit realised in sales. To carry out this undertaking the West African Produce Control Board was set up in London, and operated with UK funds under the authority of the Secretary of State. In the 1939/40 and 1941/42 crop years losses were sustained on sales of cocoa, but over the whole period 1939-47 a profit of £25m was made.

In 1947, in pursuance of the policy laid down in Cmd. 6950, the cocoa functions of the Board were taken on by the Gold Coast and Nigerian Cocoa Marketing Boards, which were located in West Africa and composed of government officials and representatives of the African producers and the cocoa merchants. The £25m, less £2.3m that had been set aside for cocoa research and other purposes in West Africa, was transferred to these local boards.

The boards were expected to use this money for the purposes indicated in Cmd. 6950, namely: first as a cushion against fluctuations in the world price of cocoa, and secondly for other purposes of general benefit to the cocoa producers, such as research, the eradication of plant disease, and the encouragement of co-operative societies.

As concerns oilseeds, in September 1942 the West African Produce Control Board took responsibility for the purchase of all oilseeds exported from British West Africa. The Board sold to the Ministry of Food. Until February 1947 the prices charged to the Ministry were based on cost. But by that time, in spite of steady increases, these prices were becoming

increasingly out of line with world prices. The Ministry of Food, therefore, changed the basis of their buying price from costs to outside market values. In order, however, to lessen the danger of inflation arising from the shortage of consumer goods, the full world market price was not paid to the producers, with the result that, in spite of the higher prices, there was still considerable dissatisfaction. In March 1948, therefore, a further increase was paid, bringing the prices up to the level of those paid for similar products from other Empire sources. These new prices were well received in West Africa.

Although the price paid to producers of oilseeds nearly doubled in 1946-48, there was still a difference between what they received and what the Ministry of Food paid, allowing for all charges incurred from the buying point to the UK port of delivery. This 'profit' was retained by the West African Produce Control Board. As with the cocoa surplus, it was regarded as belonging to the producers, and was intended to be used similarly, i.e. to establish a fund for price stabilisation and to help the West African oilseeds industry.

Private enterprise and public corporations

As regards private enterprise, the Select Committee remarked that in West Africa there appeared to be an especially strong local feeling against the United Africa Company on two grounds. First, it was believed to have practised conditional sales. This was in 1948 the subject of a Government inquiry. Secondly, it drew a large annual revenue from mining royalties arising from the revocation in 1900 of the Charter of the Royal Niger Company. In 1943 the UAC, which had purchased these rights from the Royal Niger Company, offered to surrender them in return for a capital sum. Investigators appointed to determine the amount had not reported by 1948. The Select Committee declared:

'It is the responsibility of government to prevent an undue proportion of the trade and industry of any particular colonial area from becoming dominated by any trading organisation or group. It is desirable that prices paid to producers of primary products should be fair and in proper relation to selling prices, and a reasonable proportion of trading surpluses should, it is fair to suggest, be used for the development and welfare of the territories concerned. Adequate facilities should be granted by all employers of labour for the employment of local personnel at all levels, and steps taken to encourage local enterprises' (para. 129).

As regards the public development corporation, it was noted that this was a recently invented instrument for colonial development. The Overseas Resources Development Act 1947 established the Colonial Development Corporation and the Overseas Food Corporation. The former was restricted in its operations to colonial territories and was responsible to the Secretary of State. The latter was responsible to the Minister of Food and might operate anywhere outside the United Kingdom, but might enter a colonial territory only at the express invitation of the Secretary of State. Both Corporations were required by the Act to have particular regard to the interests of the inhabitants of the territory where they operated, and to consult with the government of the territory before establishing a new undertaking. The Select Committee recommended:

'Even at the risk of apparent inefficiency, it is essential that the work undertaken should spring from the desires of the people themselves, and that they should be partners in it at every step' (para. 134).

The progress of the East African Groundnuts Scheme to the end of November 1947 was described in Cmd. 7314 of January 1948. The Overseas Food Corporation took over responsibility for the scheme on 1 March 1948 and operational control in East Africa on 31 March. The scheme required supplies of tractors, fertilisers and railway and port equipment. The Select Committee remarked that 'all of these things are scarce and some are urgently required in other parts of the colonial empire. This is another example of the necessity for establishing a system for determining the total needs of the colonies for capital equipment, whether required for governmental schemes, public corporations or private enterprise' (para. 135).

The Colonial Development Corporation was mentioned briefly in the Report of the Select Committee. The Corporation was established by the Overseas Resources Development Act 1948, and continued under the name of the Colonial Development Corporation until it was re-named the Commonwealth Development Corporation by the Act of 1963. While previously confined to dependencies for investment purposes, though not for management, it can now also invest in any Commonwealth territory which became an independent sovereign country after 11 February 1948. This excludes India and Pakistan.

The CDC's special function is to provide a supply of capital supplementary to both private capital and C D & W funds, along with management. It is required to operate on commercial lines, having to pay its way 'taking one year with another'. It was established with below the line Exchequer loans for the purpose of assisting colonial territories in the development of their economies. It is empowered to undertake a very wide range of projects: in agriculture, factories, mining, manufacture, public utilities, transport and communications, housing and hotels, processing or marketing, and engineering construction. It is, however, expressly excluded by the Act of 1959 from providing welfare or social services like schools, colleges, hospitals, or buildings for the public service. Power and water, agriculture and housing finance have received the largest investments. The Public Accounts Committee of 1953/4 criticised 'finance-house type' of investments made on the grounds that the Corporation existed with authority to provide risk capital in the form of equity investment. The Secretary of State for the Colonies announced in the House of Commons in July 1956 that the Corporation would endeavour to ensure that such investments would not 'constitute an undue proportion of the Corporation's activities'.

At the end of 1962 £92m was outstanding in respect of drawings from the Treasury, and in all total investment was approximately £100m. This business is handled by a head office staff of 157 and the staff in the regional offices of 78, a total of 235 with an annual cost of around £500,000. Recent improvements in revenue results have led to a significant change in the pattern of financing its investments. Only half of the gross investment during 1962 of £9.5m came from an increase in drawings from the Treasury. The rest came from borrowings elsewhere, loan repayments and

cash surpluses. The Corporation is thus becoming increasingly self-sufficient. The effect for 1962 of CDC operations on the UK balance of payments was favourable. While '£4.7m were drawn from the Treasury . . . some £3.7m were remitted to, or retained in; the UK for direct expenditure incurred by the Corporation (including £2.8m interest to the British Government)', and in addition '£7m, at a conservative estimate, of UK export orders were generated by CDC projects during the year. . . . The balance of payments therefore gained by £6m during 1962'. (CDC Annual Report, 1962.)

CDC continues as a matter of policy to fill a gap in development financing and management. When a project is proposed, the main concern of CDC, after examining profitability, is to find out why it could not be financed elsewhere. Acceptable answers might be that profits would be too low for private investors, that CDC management is wanted, or that CDC's name and reputation is needed, perhaps to encourage foreign participation. An interest is taken also in the effects of its investments. Thus it will finance hotels where business hotels are needed or where it feels that tourism is a territory's best field for development. It might, therefore, be rightly claimed that 'through its enterprise, many useful undertakings have been started for the benefit of the colonies concerned which would otherwise not have come into being'. (Cmd. 237, July 1957: *The UK's Role in Commonwealth Development*, p. 10.)

8 Conference of Colonial Supplies Officers, 1949 The Dollar Gap

From the end of the war up to the time of the convertibility crises in 1947 might be called the first post-war period. The second began with all attention being turned to ways and means of closing the dollar gap which had become so apparent. The United Kingdom deficit with the dollar area was reduced from £600m in 1947 to about £290m in 1948. Compared with pre-war we had achieved a 25 per cent increase in exports with 15 per cent less imports than pre-war. Even so Marshall Aid was vital: it financed about three-quarters of United Kingdom imports from the dollar area in 1948/9. Over the next three years the sterling area had to regain balance. One method was to step up the export drive to the dollar area. Another was to develop alternative sources of supply of dollar goods in countries to which we could export our manufactured goods. From the United Kingdom's economic point of view this was the chief reason for encouraging colonial economic development.

West Africa

After accepting all this, it was strongly felt within the Colonial Office by mid-1948 that more strenuous efforts were required to supply wanted goods to colonies, especially dollar-earning colonies. Following a short visit to West Africa, Mr. (later Sir William) Gorell Barnes reported to an inter-departmental meeting in July 1948 that the colonies of the Gold Coast and of Nigeria were particularly involved because, although their imports had increased sharply in 1947 compared with 1945/46, there had been a considerable rise in their export prices, and a further unavoidable

rise of cocoa prices payable to producers as from October 1948 gave cause for concern because of the increased purchasing power and inflationary danger this created. The remedy was not only to arrange for the importation into the Gold Coast and Nigeria of sufficient goods to meet the inflationary danger, but also to supply increased quantities of items in which black markets and conditional selling prevailed. These latter items included for the Gold Coast kerosene, flour, textiles, sugar, petrol, common soap, unmanufactured tobacco, butter, cheese, Ovaltine and Swiss watches; for Nigeria UK bafts, shirting and yarn, kerosene, petrol, sewing thread, toilet soap, sugar, salt, light gauge corrugated iron sheets, Norwegian 'stock fish', fishing lines and sewing machines.

With the important exception of textiles, most of the specific items of which increased quantities were required in order to overcome black market and conditional sales difficulties were subject to allocation or some other form of control in the United Kingdom. The Supply Departments were therefore asked to consider the problem urgently. As regards other consumer goods for which there was a ready market, there was little, apart from passing on information to manufacturing firms, that Supply Departments could do. In the case of iron and steel, attempts to give preferential treatment to orders for steel from the colonies were subject to informal arrangements with the steel industry, on which the Supply Department depended for distributing direct steel exports. In this and other cases there was a genuine problem of knowing what amount was, in fact, 'vitally necessary'. In the case of tobacco and guns, for example, consumers resisted an attempt to change types in order to economise dollars. Part of the extra demand, as with butter and cheese, was due to new wants that marked a rise in standard of living, and this was difficult to assess with any pretence of accuracy.

Calling the Conference

These and other problems led the Secretary of State to inform all colonies in February 1949 that he had decided that it would be of great advantage to discuss problems regarding supplies to them at a meeting in London to which every colony would be asked to send an official representative. The objects would be threefold:

- (i) to review procedure followed in preparing, and reaching decisions on, 1949 import programmes, and to consider modifications in the procedure for 1950;
- (ii) to exchange information about important commodities which were in short supply;
- (iii) to review the relative desirability of various countries as sources of supply.

The decision to call the conference was timely. On the one hand the supply of dollar goods had changed completely between 1948 and 1949. Thus, whereas dollar flow was under strict allocation in 1948, by 1949 it was under general licence and the limitation was on the buying side. On the other hand, in some West Indian colonies and elsewhere there was by 1949 considerable agitation regarding what was called compulsory purchase of high-priced British goods. It was felt that, allowing for differences in quality, British goods were in many cases more expensive than corre-

sponding dollar goods. And while the solution would be to raise the dollar ceiling, meanwhile the issue of a detailed reasoned statement, which the man in the colonial street could understand, would, it was felt locally, do much good.

The Conference meets

The conference opened on 8 June 1949 in London. Some 40 colonial delegates, representing nearly all the colonial territories, attended, and officials, both of the Colonial Office and of other United Kingdom Departments, participated in the discussions. Mr. Rees Williams, Parliamentary Under-Secretary of State (later Lord Ogmore), in welcoming the colonial delegates, said the Colonial Office was anxious to be told if things were being done 'which in the view of the colonies were wrong. Economic liaison officers had been appointed, and it was to supplement the information which we had of conditions in the colonies and to discuss certain specific important supplies problems that this conference had been called'. Mr. Gorell Barnes, saying that the conference would be a private one, hoped this would enable a very frank exchange of views to be achieved.

The colonial delegates were import controllers rather than economic advisers, and consequently concerned with the detailed working of the controls required by the UK rather than general issues of policy. Papers arguing the case for continued membership by the colonies of the sterling area were not central to their interests. They still accepted membership without question. Nor was the general strategy of HM Treasury. The colonial interests were quite naturally and properly of a more parochial nature. In fine, they wanted to know, for example, how luxuries from hard currency areas which were excluded by, say, Kenya, could be imported into the United Kingdom and then offered for sale to agents in the colonies. There was a suspicion voiced that (i) the United Kingdom was not limiting hard currency imports as strictly as the colonies were required to, and (ii) that the United Kingdom trade was using the restrictions in the colonies to gain the profit on re-exporting to the colonies goods originating in hard currency countries (e.g. caustic soda from Belgium via United Kingdom to Kenya, and paper from Canada via United Kingdom to Jamaica). So, while there was no desire to question the general thesis that colonial territories derived considerable benefit from membership of the sterling area and that the strength of sterling was of vital importance to the colonies, the issue of price differentials was a real and vexatious one. This was aggravated by the fact that colonial officials felt that they would find it difficult to confine any additional licensing of hard currency imports within the sort of limit which Whitehall was likely to be prepared to contemplate.

The suspicions of deliberate official discrimination in favour of United Kingdom traders were, in fact, without foundation. The occurrences mentioned were liable to happen as the result of any of three arrangements. First, there was a token imports scheme which admitted a certain number of inessential American goods into the United Kingdom. In all cases these were goods which had been previously imported regularly in larger quantities. The scheme was felt to be a useful form of safety valve as it

made the complaints of American exporters less cogent. Secondly, in-essential goods, for example from Switzerland, often had to be admitted under the terms of bilateral agreements. Following criticisms at the conference, an undertaking was given that the possibility of extending these arrangements to colonial importers would be explored. Thirdly, and of limited importance to the colonies, there was the arrangement whereby manufacturers in the United Kingdom could import supplies from hard currency areas to be made up into goods which could be exported to soft currency areas, providing there was a 100 per cent uplift.

Winding up the Conference

In his address to the final session of the conference the Secretary of State, the Right Hon. A Creech Jones, MP, emphasised that 'all concerned with the problem of obtaining essential supplies for the colonies were most anxious to ensure that the essential needs of the colonies were met. One of the most important and difficult problems which had to be considered was how, in view of the difference in prices of imports from different sources, to achieve this and at the same time to protect the common gold and dollar reserves of the sterling area'. He summed up thus: 'All who had attended the conference had remarked on the manifest desire of all colonial delegates to co-operate in maintaining and making more efficient those controls which it had been found necessary to impose, rather than to question the need for them'. Consequently, he concluded that 'As far as the Colonial Office was concerned there could be no question but that the Conference had been a great success'. This feeling was general. It was declared, in the final words of Mr. Gorell Barnes, who had conceived the need, largely organised and skilfully piloted the conference, that 'in the Colonial Office it was the business of all officers to represent on the one hand the interests of the colonies, and to fight for what they considered the legitimate claims and rights of the colonial territories, and on the other hand it was their business to set these against the needs of the sterling area and the Commonwealth as a whole, and formulate policy against this wider background'. Yet remote control, perhaps inevitably, tends to arouse unanswered suspicions of injustice: remote licensing controls had done so, it seems, to an extent which appeared to startle the Colonial Office in mid-1949. For one of the surprises of the conference was that, although colonial delegates naturally took the opportunity to explain some of their own particular difficulties and problems, most of the points raised concerned the machinery for co-operation between the UK Government and colonial governments. Hitherto enough had not, it was clear, been done to protect colonial interests in, for example, bilateral agreements between HMG and foreign countries. The Colonial Office undertook to pursue such matters further with the Overseas Negotiations Committee or direct with the Treasury and Board of Trade. Politically and otherwise, it was indeed well that the grievance should be taken up without further delay. It amply justified the calling of the conference, not to mention the better briefing of those about to set colonial dollar 'ceilings' for 1950.

The Conference in perspective

The two happenings – the visit of Mr. Gorell Barnes to West Africa in June 1948 and the conference in June 1949 – should not be looked at as

isolated events. They are rather illustrations that come to hand of the problems of that period and of our general strategy of dealing with them.

By the end of 1947 the colonies were both failing to spend the funds available for development and failing to fulfil their traditional role of net dollar-earners. By the middle of 1948 it was felt in the Colonial Office, largely owing to the visit to West Africa of Mr. Gorell Barnes, that the main reasons for both these failures was that, in a period when virtually everything was subject to allocation, there was no machinery for ascertaining the essential requirements of the Colonies for steel, cement, textiles, and so forth, nor way of knowing what they were in fact obtaining. In the absence of requirements programmes, the import needs of the colonies from the United Kingdom were in fact largely going by default. Development suffered, and more dollars had to be allowed than would otherwise have been necessary.

The strategy, therefore, was on the one hand to ascertain requirements and persuade home departments that reasonable allocations should be made to meet them, and on the other to persuade the colonies that, provided their essential requirements were met from somewhere, it was sensible for them, as members of the sterling area with their reserves in sterling, to restrict their purchasing from the dollar area. All this involved not only securing allocations from the United Kingdom, but also seeing that import licensing, necessary to safeguard sterling, was not used unnecessarily to protect UK industry, e.g. when better or cheaper supplies were available from the soft-currency continent, or, within the limits of the bilateral payments agreements, from Japan.

It can be claimed that the United Kingdom through the Colonial Office was tolerably successful in all this, and that the Gold Coast riots of March 1948 were the last colonial trouble due in the main to economic rather than political factors.

Certainly no colony on becoming independent seems to have done so with a feeling of soreness about the sterling area. The colonies soon became net dollar-earners once again, and expenditure in development began gradually to gather pace. Action after the June 1948 visit to West Africa and the Supplies Conference of a year later were illustrations of how the basic problems were tackled through the years 1948-52. In the latter year supplies became more plentiful and finance began to become the bottleneck.

9 External borrowing by the Colonies

Summary—The Colonial Loans Acts 1949-1952 permitted colonies to borrow from the IBRD. The controls over access to the London market were criticised. To supplement the limited supply of loan finance from the market, Exchequer loans to the colonies were suggested; but these were not introduced until 1959.

The Colonial Loans Acts, 1949 to 1952, were passed to facilitate colonial borrowing from the IBRD. As colonies are not members of the IBRD in their own right, their applications are sponsored and the loans guaranteed (under these Acts) by the British Government.

In the Debates on this legislation and at the 1951 Conference on the

Technique of Development Finance in British Colonial Territories, colonial borrowing from all sources, and in particular, the restrictions on access to the London market, were discussed.

In the Debates on the Colonial Loans Bill, 1949, the Minister of State for Colonial Affairs referred to the control over colonial borrowing in London:

'Until the beginning of the present year, the general position which the Government here were forced to take up was that owing to the acute balance of payments crisis the raising of London loans by colonial governments could not be contemplated for some time. . . . The balance of payments problem is still with us. In these circumstances, calls by colonial governments on the London market . . . must still be kept to an absolute minimum. On the other hand, we recognise that in certain circumstances colonies should be authorised to borrow in London. Such an authorisation was given in the case of Trinidad. It has also been given in the cases of Malaya and Northern Rhodesia' (House of Lords, Vol. 164, cols. 141-2).

The official view was that controls over borrowing were intended to supplement control of physical resources and to ensure that borrowing was for purposes in the national interest. At the Conference on the Technique of Development Finance, the controls were criticised on the grounds that colonial governments had failed to get access to the London market when foreign governments had succeeded, and that British nationalisation issues had stood in the way of colonial issues. In reply it was stated that in fact Commonwealth governments had had a preferential position in the London markets since the war; other governments had not normally been permitted to issue stock. On the second point it was said that nationalisation issues were not new borrowing and they were taken up by a somewhat different group of investors.

Behind the controls lay the limited capacity and willingness of the London market to absorb colonial issues. The colonies' needs for loan finance could not, in any case, be met from this source only. The Colonial Loans Acts were intended to make available to the colonies an additional source. But IBRD loans, it was argued, would involve higher interest and repayment charges (the UK Government borrowing rate being then (1951) $3\frac{1}{2}\%$ to 4%), and they would not normally be made to cover local costs. It was suggested therefore that the British Government should itself help to meet the colonies' needs by lending directly. This suggestion was opposed (in 1951) for two reasons. First, it was feared that direct Exchequer loans might entail an unwelcome degree of control of colonial finances by the British Government. Second, and more important, it was argued that to supply additional funds in this way would impose too great a strain on the real resources of the sterling area.

In the event, the amounts of loan finance raised by colonial governments in the London market reached a peak of £28m pa in 1950-52 and thereafter declined. In 1954 'the colonies as a whole were finding great difficulty . . . in obtaining accommodation in the London market' (Third Report of the Committee on Public Accounts, 1954). It was not until 1958 that the British Government relaxed its insistence that colonies and, still more definitely, newly-independent countries, should rely on building

up their own credit-worthiness and attracting finance from private investors in London or from other sources. At the Montreal conference of September 1958 it announced its intention of making direct loans to colonial and other Commonwealth governments. In 1959, recognising the 'serious shortage' of loan finance from other sources, and the adverse effects on colonial revenues and development of the fall in commodity prices, it introduced the system of Exchequer loans to the colonies (C D & W (Amendment) Act 1959). (See C D & W Acts, Report on use of Funds . . . and outline of the proposal for Exchequer loans . . . (Cmd. 672, February 1959).)

The annual average amounts raised in the London market by colonial issues of Trustee Stock between 1945 and 1961 were as follows:

<i>Annual average</i>					<i>£m</i>
1945-1948	...	...	...	...	2.5
1949-1953	...	...	...	...	24.9
1954-1957	...	...	...	...	13.1
1958-1961	...	...	...	...	2.8

These figures include amounts taken up by the Crown Agents on behalf of (other) colonial governments.

Sources: Cmd. 672 and *The Colonial Territories* (annual) 1959/60, 1960/61 and 1961/62.

10 Conference on the Technique of Development Finance, 1951

Summary—This conference discussed colonial borrowing and other problems of development and planning. It was agreed that plans should be less detailed and for shorter periods than the ten years attempted in 1945. On C D & W practice: grants should be made for revenue-producing schemes in poor territories; the C D & W Revenue was too small. On private development and taxation: double taxation agreements helped; but UK companies did not gain from colonial tax concessions.

The Conference on the Technique of Development Finance in British Colonial Territories was held in London in June 1951. In this series of confidential discussions between financial secretaries, economic advisers and other colonial and home officials, many issues were discussed apart from colonial loans. Reference will be made to four: planning procedure, C D & W practice, local taxation, and private development in the colonies.

On planning procedures, a tendency toward excessive rigidity and detail in the ten-year plans drawn up after the 1945 C D & W Act was noted. It was felt that ten years was too long to plan except in the broadest terms. The situation had been further complicated by rising prices and shortages. So virtually all the plans needed a fairly radical review. It was felt that five years was the longest period over which realistic forecasts were feasible, and even then the plans should concentrate on main objectives rather than the detailed formulation of projects in financial terms. Education, for example, was obviously long-term. The Secretary of State suggested a strategic review every three years.

It was recognised that C D & W procedure had been simplified by the Colonial Office and Treasury over recent years. It was, however, suggested that:

- (i) there should be easing of the retrospective rule which precluded reimbursement of funds spent or committed before a C D & W application was approved;
- (ii) the relationship between grant and loan assistance under C D & W Acts was capable of improvement. Under the existing legislation C D & W loans were repayable to the UK Exchequer, and the money was not available for reissue as grants or further loans. Assistance in this form was stipulated by HMG in the case of directly revenue-earning schemes. The result was that the Colonial Office and colonial governments avoided loans as far as possible and sought C D & W assistance only in respect of non-revenue earning projects. This was bad for poor territories where revenue-producing schemes might have had great intrinsic importance. It would be especially true where a scheme was not certain and could not otherwise get finance easily. An improvement would be the provision of grants for poor territories and also for revolving funds, such as agricultural credit, where profits would be ploughed back.

It was suggested that a further cause of rigidity was the inadequate size of reserves both within the territorial allocation and the central reserve. It was agreed, however, that any radical revision of allocations would be resented.

On taxation, the limitations of the extent to which funds could be raised compulsorily through the budget were due, first to the need to work through and not in spite of democratic institutions, and secondly to the need to consider the budget in the light of the heavy reliance on import duties and export duties. It was felt that local borrowing might have to be at 1 per cent or more above the UK rate. The whole of the public debt of Singapore was in local loans and some of that of the West Indies. It was a source which remained elsewhere to be tapped.

On private and semi-private development, reference was made to the possibility of providing encouragement through tax reliefs and tax concessions. To encourage new industries, pioneer industry legislation could offer tax reliefs during the promotion period. As a general stimulus, large depreciation allowances could be given on capital equipment, so that it was quickly written off. It was felt by the Inland Revenue that the double taxation relief agreements with colonial territories, by ensuring that no company or individual paid more in tax than either the UK rate or the colonial rate, whichever was the higher, had done much to stimulate development in and trade with the colonies. Even so, it precluded UK companies operating in the colonies from reaping the benefits of colonial tax concessions. It was said that the US had overcome this restriction. This issue was taken up by the Radcliffe Committee and the Royal Commission on the Taxation of Profits and Income.

11 Assistance under the C D & W Acts

The C D & W Act of 1945 made £120m available for the ten-year period, 1 April 1946 to 31 March 1956. The Acts of 1949 and 1950 increased the

annual maxima and the total amount to £140m. The Acts of 1955 and 1959 were passed, one year before the end of the period, to extend it first to March 1960 and then to March 1964; they also increased the total amount to be provided to £315m for the period 1946/47 to 1963/64. In 1963 the Commonwealth Development Act extended the period further, to March 1966, and raised the total amount to £340m.

Expenditure

The rate of expenditure under the Acts was slow in the first post-war years, being hampered by shortages of equipment, materials and technical staff. In the following table issues under the Acts (annual average) are compared with the annual average, over the life of the Acts, of the amount left to spend (periods run from 1 April of the first year shown to 31 March of the second year).

	£m				
	1946-49	1949-54	1954-58	1958-62	1962-66
Issues (annual average)	5.1	13.9	17.6	24.1	—
Remaining provision* (annual average)	12.0	17.8	22.5	26.6	22.1

*Total amount provided, less amount issued up to the start of the period shown, divided by the number of years of the remaining life of the Acts.

Sources: C D & W Acts Reports on use (etc.) of Funds (Cmd. 9375, 1955, and Cmd. 672, 1959) and C D & W Act, Return of schemes made . . . 1961/62 (H.C. 232, 1962).

Later, the rate of expenditure increased, as supplies became more easily available and development programmes got under way. In 1959, when Parliament was debating the £95m increase (1959 Act), the Secretary of State explained that, generally, it was now finance that set the limit to the rate of colonial development, and no longer shortages of technical personnel. But such a shortage persisted in a number of colonies. Indeed, proposals that still more finance was needed and should be provided were rejected on one occasion in the Debates on the grounds that more could not be used — in some colonies there were too few technical personnel, while others could not wisely undertake greater expenditure that would raise the future burden of recurrent costs to be borne from local resources.

Two of the subjects to which attention was given in the Debates were the purposes of C D & W expenditure and the local contributions.

Type of Scheme

Particularly in the Debates of 1949 and 1950, it was suggested that too large a proportion of C D & W funds was going to social rather than economic expenditure. The distribution of commitments by type of scheme is shown in the following table:

Table 6

C D & W Commitments: distribution by type of scheme 1946-1962

Figures are percentages of the total commitment for the period

<i>Type of Scheme</i>					1946-54	1946-59	1959-62
					%	%	%
Administration and Surveys	...	...	...	...	7.1	6.7	5.4
Communications:							
Roads	...	...	...	...	11.3	16.9	15.4
Other	...	...	...	...	4.3	4.6	7.4
Economic:							
Agriculture, Fisheries, Forestry	...	...	...	...	13.9	14.1	12.5
Electricity, Power, Industrial Development	...	...	...	...	n.a.	0.5	10.3
Other	...	...	...	...	5.4	4.4	4.1
Social Services:							
Education	...	...	...	...	17.8	19.0	21.8
Health	...	...	...	...	11.3	9.1	5.6
Housing and Water Supplies	...	...	...	...	11.6	11.3	6.8
Other Development Schemes	7.0	5.3	5.0
Research	10.3	8.0	5.8
Total (per cent)	100.0	100.0	100.0

Total £m	120.2	204.5	298.5
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Grants £m	—	202.5	287.7
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Loans £m	—	2.0	10.8
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Sources: C D & W Acts, *Report on administration and use of Funds* (Cmd. 9375, January 1955).

Colonial Development and Welfare *Return of Schemes* 1960, 1961, 1962.

Commitments for expenditure on the social services were 40 per cent of the total in 1946-1954 and 34 per cent in 1959-1962. These are relatively high proportions, but, as was pointed out in the Debates, C D & W is only one of several sources of funds for the public sector development programmes. The development programmes as a whole gave priority to economic development. But colonial governments which could raise loan finance from other sources used this for their revenue-earning projects and devoted their C D & W funds (in grants) to non-revenue-earning projects in health, education and other social services.

Other sources of finance for development programmes

The extent to which colonial governments have been able to call on other sources - loans, local revenue, 'surplus balances' - varies greatly from one territory to another. The 1955 Report on the use of C D & W funds divided the territories into three groups. First were the richer colonies (e.g. Gold Coast, Northern Rhodesia), whose C D & W allocation provided only a small part of the finance for the development programme. For territories in the second group (e.g. Nigeria, Tanganyika, Jamaica), C D & W funds had been about one-third of the total. The Report noted that because part of their programmes was grant-financed, these governments were able to concentrate loan finance (from other sources) 'on economic work which would help to meet the servicing charges. Grant aid has thus

had the indirect effect of lightening the net burden of loan charges and so increasing the capacity of the territories to raise loans' (Cmd. 9375, 1955).

In the Report's third group were the many small territories which could make little or no contribution from local resources and could 'afford to raise loans only for directly revenue-earning projects' (e.g. British Honduras, the Leeward and Windward Islands, Somaliland, St. Helena). Most or all of their public development programmes are financed from C D & W funds.

The allocations of C D & W funds took some account of local resources; but the differences in the proportions mentioned above are much more the result of differences in size of the development programmes than of deliberate differentiation in C D & W allocations (see Part E, III, Section 1, where allocations per head are discussed).

A table in the Appendix to this chapter shows the sources of finance of post-war development plans in colonial territories. It shows totals for about 33 colonies for plans with periods up to 1955 and from 1959 to 1964, and separate figures for 44 individual territories, on the basis of 1956 information about their plans, for the intermediate period - 1955-1960.

In the totals of plans for which complete information is given in this table, C D & W funds accounted for 18 per cent in the plans to 1955 and 8.6 per cent in the plans to 1960. In both periods one-third of the total plan was to be financed by loan and the remainder from local resources. (The sources of finance of some of the current plans are not known.)

The variation in dependence on C D & W finance is illustrated below:

Table 7

<i>Total Plan (1956)</i>				<i>Sources (per cent)</i>		
				<i>C D & W</i>	<i>Loans</i>	<i>Local Resources</i>
	£'000					
St. Helena	163			91	—	9
Montserrat	254			79	21	—
Gambia	975			88	—	12
British Honduras ...	3,405			88	8	3
Kenya	27,600			21	41	38
Uganda	34,000			2	41	57

12 Aid Policy at the end of the 1950's

1957 White Paper

Official views of the aims and limitations of British Aid policy up to 1957 were summarised in the White Paper on 'The United Kingdom's Role in Commonwealth Development' (Cmd. 237), which was presented to Parliament by the Secretary of State for Commonwealth Relations in July 1957.

The paper began with strong emphasis on the importance of the 'strength of sterling', the need to attract capital from outside the Commonwealth, and the predominant role of private capital.

It laid down five guiding principles:

- (i) the ability of the United Kingdom to provide resources 'depends upon the maintenance of the strength of sterling and the successful

- development of the United Kingdom's own economy';
- (ii) the strength of sterling is of vital interest to members of the sterling Commonwealth;
 - (iii) Commonwealth sources cannot provide all the capital required; additional capital must be sought elsewhere;
 - (iv) 'It is through the investment of privately owned funds that the United Kingdom has made its most valuable contribution to development in other Commonwealth countries, and Her Majesty's Government considers that this should continue. . . . 'Direct private investment forges the most permanent trading links . . . and opens up the field . . . for the exchange of technical skills';
 - (v) provision of technical knowledge is of parallel importance to the provision of capital.

The paper went on to stress again the limited resources and the needs for an adequate surplus on the United Kingdom's current balance of payments and for an adequate supply of domestic savings. It noted the competing demands for capital for essential external investment outside the Commonwealth and for modernisation and re-equipment programmes at home. Of the latter it said, however, that 'this will bring benefits to Commonwealth countries generally, both by increasing the demand in the United Kingdom for their primary products and by providing the resources and capital equipment' they require for their own advance.

Aid to Independent Countries

The paper then considered the Government's responsibilities to the various countries of the Commonwealth. To the colonies, the Government had always recognised a 'special responsibility', and this was the justification for applying Exchequer funds to their development through the C D & W Acts and the Colonial Development Corporation.

On the newly independent countries, the paper said the 'Government retains the closest interest in their well-being and economic development. But the special responsibility . . . (to the colonies) . . . ceases when they achieve independence. The Government therefore does not envisage government to government loans as a normal means of assisting such countries. Their interests can better be served if they build up their own credit and . . . 'raise money in London or elsewhere.

For other independent Commonwealth countries, 'the existing pattern of private investment in Government loans, and direct private investment . . . goes some way to meet the manifold needs. . . .'

The paper described the flows of private and Government funds to the Commonwealth. After describing the Colonial Development Corporation, it referred to the Corporation's role in newly independent countries. It 'should be able to continue . . . with projects in existence . . . before independence . . . but it should not invest money in new schemes; . . . this would be inappropriate for a UK statutory corporation . . . ' But the Government was prepared to allow the CDC to undertake the management of projects, without investing funds, in any Commonwealth country that asked for its assistance.

The paper mentioned that tied credits had been granted, 'in very special circumstances' under Section 3 of the Export Guarantees Act, 1949,

to Pakistan in 1954 (£10m) and to India, agreed in 1956 (£15m). It also noted that in 1953 the UK Government had announced its intention to make available, over a period, £60m of its subscription to IBRD for lending to Commonwealth countries in the sterling area for schemes which would (*inter alia*) improve the area's balance of payments.

Proposed Development Agency and Bank

After describing Commonwealth co-operation in Technical Assistance and in the field of Nuclear Science, the paper referred to proposals for a Commonwealth Development Agency, to collect and provide information about development possibilities and to determine priorities, and for a Commonwealth Development Bank. On the latter, it said that as the UK was the only Commonwealth country which is a net long-term investor abroad, such a Bank would not increase the amount of capital available. An Agency, laying down priorities for the Commonwealth as a whole, would 'present insuperable difficulties' for many governments. The paper pointed out that there was already machinery for exchange of information, including the Commonwealth Economic Committee, with its office in London. There were also frequent meetings of Finance Ministers and Prime Ministers.

The 1957 White Paper was written just after one sterling crisis and published just before the peak of another. They were both severe crises. To meet the crisis at the end of 1956, £200m had been drawn from the IMF, a waiver of interest on the US Canadian loans negotiated, and other large credits arranged. Although, in the first half of 1957, an overall surplus on the balance of payments was restored and the reserves increased, speculation against the pound continued. In the third quarter the reserves fell by nearly £200m. In September 1957 the Bank Rate was raised to 7 per cent and various other internal and external measures were taken to bring speculation to an end. It is perhaps understandable that the 1957 White Paper laid so much stress on the balance of payments limit to the supply of development capital from Britain and on the 'strength of sterling'.

Just over a year after the publication of the 1957 White Paper, in September 1958, a Commonwealth Trade and Economic Conference met at Montreal. At that Conference the British Government announced a major change of policy – its intention to provide capital for development by loans from Exchequer funds to both dependent and independent countries.

1960 White Paper

In March 1960 the White Paper on 'Assistance from the United Kingdom for Overseas Development' (Cmd. 974) was presented to Parliament by the Chancellor of the Exchequer. This paper did not have a background of sterling crisis, although in the balance of payments there was no longer the large overall surplus that there had been at the time of the Montreal Conference.

The 1960 paper contrasts sharply with the 1957 paper. It begins, not with the strength of sterling, but with a recognition of the needs and efforts of the 'less developed countries of the world'. It deals almost

entirely with Government assistance, recognising that 'many of the poorer countries cannot under present conditions attract all the private capital they need', and it acknowledges the responsibility of the industrially advanced countries to provide 'finance for the social and economic progress of the rest'. It is concerned with assistance to the 'less-developed countries', not only to colonies or Commonwealth, and including assistance through international organisations. Balance of payments difficulties are mentioned at the end of the paper, but treated as difficulties to be overcome.

The paper ends:

'There is an urgent need to continue, and if possible increase, this effort. In so far as this assistance comes from the Exchequer, it is a cost to the British people which is borne because of the need it meets and the benefit it brings. But it cannot be provided at all unless the economy continues to develop on sound lines. The export trade will need to expand at a rate sufficient to provide an adequate margin of funds to be used for overseas assistance without calling on the gold and foreign currency reserves. . . .'

1963 White Paper

In September 1963 the White Paper (Cmd. 2147) on 'Aid to Developing Countries' was presented to Parliament by the Chief Secretary to the Treasury. The purpose was to outline the important developments that had taken place since the previous White Paper was published and to provide an account of the current aid effort.

It stated that the purpose of aid is to help developing countries one by one to 'achieve self-sustained economic growth'. While in a sense therefore the era of aid will in time pass, it recognised that the end is not yet in sight.

On the growth of British overseas aid it noted that 'our aid programme doubled in size between 1957/58 and 1961/62. This is the fastest rate of growth of any sector of Government expenditure of comparable scale. One of the important steps which led to the increase in the rate of expenditure was the decision in 1958 to make Commonwealth Assistance loans to independent Commonwealth countries, and Exchequer loans to the colonies. A further factor has been the large provision made in connection with the transition of many Commonwealth territories to independence'.

The amount available for aid is said to depend 'primarily on the state of our balance of payments', but also on 'the trend in public expenditure as a whole and the general state of the economy', and on 'the make-up of the aid programme', in particular the tying and terms of aid.

The White Paper has sections on British private investment, capital aid and technical assistance. It is estimated that around £150m a year is invested in the developing countries, mainly in the Commonwealth, from private sources. British capital aid to independent Commonwealth countries rose from £3.8m in 1957/58 to £52m in 1962/63, as a result of the introduction of Commonwealth Assistance Loans and the increase in the number of independent Commonwealth countries. In the section on technical assistance the purpose and working of the Overseas Service Aid Scheme is outlined. This scheme was devised to provide a basis for British Officers to continue working in territories that became independent. It is reported that some 15,400 officers were covered at a cost to the British

Government of about £15m a year. It is added that 'it is likely that within the next three or four years the number of officers on contract will exceed the number of permanent and pensionable officers'.

The Extent of Aid

For the period 1920-1953/54 there is a detailed breakdown given in a Parliamentary answer. This is reproduced below. Gifts totalled £166m with a further commitment of another £100m. C D & W is seen to be the largest item.

The 1963 White Paper gave the geographical distribution of British aid for the years 1954/55 to 1962/63. That table is also reproduced below. The doubling of aid expenditure 1954/55 to 1961/62 is seen, as is the group which received the bulk of it, namely independent Commonwealth countries.

Table 8
Gifts of Dependencies 1920-1955

	<i>Issued 1920 to 1953-54</i>	<i>Estimated 1954-55</i>	<i>Further amount Promised</i>	<i>Totals</i>
	£	£	£	£
C D & W	104,233,042	18,000,000	48,435,958	170,669,000
Grants in aid of Administration	38,729,029	2,413,348	—	41,142,377
Grants in aid of reconstr. and rehab.	6,970,884	1,344,000	725,362	9,040,246
Grants to Malta for war damage	20,492,000	2,651,718	6,856,282	30,000,000
Far East war damage compensation	20,816,667	—	—	20,816,667
Grants for Internal Security (Malaya, Africa, West Indies)	20,302,159	14,533,000	4,000,000	38,835,159
Cost of Forces in Malaya	18,910,000	—	—	18,910,000
Food Subsidies	2,567,000	—	—	2,567,000
Miscellaneous	9,834,456	1,469,269	443,750	11,747,475
TOTALS	242,855,237	40,411,335	60,461,352	343,727,924

CLAIMS WAIVED

Loans written off under C D & W Act, 1940	10,150,000	—	—	10,150,000
Cost of military administration in Far East	10,000,000	—	—	10,000,000
Defence Expend. in Fiji	2,068,000	—	—	2,068,000
Cancellation of N. Borneo commitments for period prior to 31.12.46	1,095,000	—	—	1,095,000
TOTALS	23,313,000	—	—	23,313,000

GRAND TOTALS 266,168,237 40,411,335 60,461,352 367,040,924
Source: Written answer by the Chancellor of the Exchequer to a Parliamentary question, 21 December, 1954, by Mr. T. Reid. *Hansard*, House of Commons, Volume 535, column 263-264.

Note: These figures exclude:

- (a) grants to Palestine and Trans-Jordan of £107,309,800 between 1921-22 and 1949-50;
- (b) loans from the consolidated Fund to the CDC; and
- (c) advances to the Overseas Food Corporation; and
- (d) £55.4m of claims on Burma arising from the 1939-45 war.

Table 9
The Geographical Distribution of British Aid

£m

	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63
Bilateral aid:									
Colonial Territories ¹ (total)
Grants
Loans
Independent Commonwealth (total)
Grants
Loans
Other Countries (total)
Grants
Loans
Total bilateral aid
Multilateral aid ²
Total aid

¹ Includes aid given before independence to territories now independent, and to the Federation of Rhodesia and Nyasaland.

² Includes drawings by the International Bank from the United Kingdom's sterling subscription; our subscription to the International Finance Corporation; drawings by the International Development Association from our subscription; contributions for the following United Nations' purposes - the Expanded Programme of Technical Assistance, the Special Fund, the Relief of Palestine Refugees, the Children's Fund, the Korean Reconstruction Agency, Civil Assistance to the Congo; and our contribution to the Indus Basin Development Fund.

Note: Technical assistance, where given and as far as it can be evaluated, is included in grants.

Source: Aid to Developing Countries. Cmd. 2147, September 1963.

Table 10

Financing of Post-war Development Plans of British Colonial Territories

Territory		Planning Period	Total Plan (£'000)	Sources from which financed (£'000)		
				C D & W funds (a)	Loan funds	Local resources
34 Colonial Territories ¹	...	1946 up to 1955	526,595	88,038	153,415	206,793
Development Plans in 1956²						
Gambia	...	1955-60	975	859	—	116
Gold Coast	...	1951-57	120,386	3,000	29,386	88,000
Nigeria:						
Federal	...	1955-60	91,336	4,150	51,300	36,300
Northern Region (d)	...	1955-60	89,220	6,646	14,000	68,574
Eastern Region	...	1955-60	5,200	3,450	500	1,250
Western Region (d)	...	1955-60	104,860	700	24,860	79,300
Southern Cameroons	...	1955-60	1,560	1,560	—	—
Sierra Leone	...	1956-59	10,000	2,481	4,958	3,061
Kenya	...	1954-57	27,596	5,775 (c)	11,350	10,471
Tanganyika*	...	1955-60	25,849 (b)	4,650	14,200	4,772
Uganda	...	1955-60	34,000	800	15,500	19,500
Zanzibar	...	1955-59	1,380	473	—	907
Aden Colony	...	1955-60	7,681	314	3,489	3,878
Aden Protectorate	...	1955-60	1,742	892	—	850
Northern Rhodesia	...	1954-59	28,500 (b)	1,410	11,150	14,746
Nyasaland	...	1955-60	9,430	2,170	5,860	1,400
Somaliland Protectorate	...	1956-60	1,250	1,250	—	—
Mauritius	...	1955-60	9,780	1,100	5,380	3,300
Seychelles	...	1955-60	313	202	—	111
St. Helena	...	1955-60	163	148	—	15
Fiji	...	1949-60	12,541	1,926	6,584	4,031
Gilbert and Ellice Islands*	...	1955-60	390	240	—	150
British Solomon Islands Protectorate*	...	1955-60	1,200	580	80	540
Cyprus†	...	—	38,000	—	—	—
Gibraltar	...	1955-60	3,000	500	1,520	980
Malta	...	1955-60	631	580	—	51
Falkland Islands	...	1955-60	215	50	—	165
Barbados	...	1955-60	10,421	724	6,061	3,636
British Guiana	...	1956-60	19,000	4,375	12,125	2,500

* Plans being revised. † Detailed information not available.

(a) The figures in this column for the most part show the amount of Colonial Development and Welfare funds allocated to the individual territories, but in some cases the plans also include the territories' shares of other allocations such as the 'central' sums set aside for specific services (e.g. research).

(b) Includes anticipated expenditure for which the source of finance is not yet known.

(c) Includes £500,000 free grant, which is not C D & W, towards the Swynnerton Plan to intensify the development of African agriculture.

(d) Includes all recurrent plus capital expenditure planned for the period 1955-60.

Sources: ¹ Colonial Development and Welfare Acts: Report on the administration and use of funds provided under the C D & W Acts. January 1955. Cmd. 9375.

² The Colonial Territories 1956-57. Cmd. 195, page 171.

Sources from which financed
(£'000)

<i>Territory</i>	<i>Planning Period</i>	<i>Total Plan (£'000)</i>	<i>CD & W funds (a)</i>	<i>Loan funds</i>	<i>Local resources</i>
British Honduras ...	1955-60	3,405	3,010	280	115
Jamaica*† ...	—	—	—	—	—
Leeward Islands:					
Antigua ...	1955-60	1,111	796	167	148
Montserrat ...	1955-60	254	234	20	—
St. Christopher-Nevis*† ...	1955-60	—	—	—	—
Virgin Islands ...	1955-60	159	127	32	—
Trinidad and Tobago*† ...	—	—	—	—	—
Windward Islands:					
Dominica ...	1955-60	1,109	909	200	—
Grenada ...	1955-60	687	687	—	—
St. Lucia ...	1955-60	1,280	1,280	—	—
St. Vincent ...	1955-60	954	594	360†	—
Federation of Malaya ...	1956-60	130,200	4,400	—†	—†
North Borneo ...	1955-60	5,495	1,400	2,625	1,470
Sarawak ...	1951-60	19,400	2,198	3,587	13,615
Singapore ...	1955-60	65,600	601	41,783	23,216
Total: (44 Colonial territories) ...	—	885,873	67,441	267,457	387,168

Development Plans in 1962 (mostly running to 1964)³

33 Colonial territories ...	1959-60	365,272	64,394	109,650	123,476
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* Plans being revised. † Provisional. ‡ Detailed information not available.

Sources: ² The Colonial Territories 1956-57. Cmd. 195, page 171.

³ The Colonial Territories 1961-62. Cmd. 1751, page 125.

Of the plans listed for 1956, the 1962 list excludes Gold Coast, Nigeria and Cameroons, Sierra Leone, Tanganyika, Northern Rhodesia, Nyasaland, Somaliland, Cyprus, British Honduras, Jamaica, Federation of Malaya. It includes New Hebrides, Basutoland, Bechuanaland and Swaziland, all missing from the 1956 list. In nine instances the source of finance for the 1962 plans was not known: hence the discrepancy between figures for the total plan and sources of finance.

Table 11

Post-war Dates of Independence of British Colonies and Dependencies

India ...	15 August, 1947
Pakistan ...	15 August, 1947
Ceylon ...	4 February, 1948
Ghana ...	6 March, 1957
Federation of Malaya ...	31 August, 1957
British Somaliland ...	1 July, 1960
Cyprus ...	16 August, 1960
Nigeria ...	1 October, 1960
Sierra Leone ...	27 April, 1961
South Cameroons (became part of Cameroun) ...	1 October, 1961
Tanganyika ...	9 December, 1961
Jamaica ...	5 August, 1962
Trinidad and Tobago ...	31 August, 1962
Uganda ...	9 October, 1962
Federation of Malaysia ...	16 September, 1963
Zanzibar ...	10 December, 1963
Kenya ...	12 December, 1963
(Nyasaland ...)	6 July, 1964)

Appendix to Section II

Parliamentary Debates on C D & W Bills

1 C D & W Bill 1945

The Secretary of State (Col. Oliver Stanley), in moving the Second Reading, explained the need to increase the provision:

'... in the year 1944/5, the total expenditure will be £3,000,000, or more in this year than has been spent in the whole few years of the life of the Act. In an Estimate . . . I shall have to ask for within a few thousand pounds of the full sum – £5,000,000 per year – permitted by the 1940 Act. It is clear, therefore, that the increase which will be made by this Act has become now not a matter of theory, but a matter of practical necessity' (7 February 1945: House of Commons, Vol. 407, 1944/5, Cols. 2094–5).

The Bill provided for the expenditure of £120,000,000 over the ten years 1946 to 1956. Furthermore, as the Secretary of State went on to say:

'... the most important change (made by the Bill) is that it abolishes this principle of annual accounting and the surrender to the Exchequer of any sum which has not been spent in the particular year. . . . The great benefit, therefore, of this new method of granting a capital sum over the whole 10 years, subject only to the limitation that no more than £17,500,000 may be spent in one year – a limitation introduced simply to prevent upsetting the equilibrium of our Budget here by including in one particular year perhaps half of the whole sum provided – is that it will enable us to spend the money according to the dictates of a properly worked-out and adhered-to long-term plan' (ibid, Cols. 2095–6).

Owing to the absolute increase in funds and to the abolition of the annual period, the increase was in fact more than double. Even so the question of adequacy could be raised. Adequate for what? Colonel Stanley addressed himself to this question.

'... this fund is not, is never intended to be, and never could be, the sole and permanent support of all the social requirements of the whole of the colonial empire. . . . In the long run the social standards of a country must depend upon its own resources, must depend upon the skill and energy of its own people, and the wise and full use which they make of their internal wealth. It is not right and it is not healthy to attempt to maintain permanently out of the skill and efforts of our people the social standards of the colonial territories . . . it is to be in the nature of a pump primer to enable people to start their education and health services, to develop their communications and to deal with their water power in the confident belief that when they have been able to make that start it will lead to an increase of their own resources, and that out of their resources they will then be able to maintain a decent social standard' (ibid, Cols. 2098–9).

Other sources of funds for development would come from the accumulated sterling balances of oversea territories and from private capital.

The Secretary of State warned intending investors that they would get no more than reasonable profits, would not get a privileged position and would

'... have to come into the territory as a partner, and not as a master. There can be no question again in the future of private enterprises acquiring, as in the past they sometimes did in some corners of the colonial empire, what was almost a dominant position, from which they attempted to threaten the authority of the Government itself' (ibid, Col. 2100).

After referring to the appointment of Sir Frank Stockdale and disclaiming any idea of doing detailed planning for the colonies from London, the Secretary of State argued that two different duties remained here. One was a kind of mechanical supervision of plans, estimates, contracts and the taking of necessary technical advice. This was the work of an official committee. The other was an overall supervision of the allocation of funds as between territories and as between purposes. He concluded:

'... That kind of supervision which is essential for the wise expenditure of this sum has to be exercised from this country, and it is to that that I am looking to Sir Frank Stockdale for invaluable help' (ibid, Col. 2106).

Even so, the various schemes approved would not in many cases be capable of immediate implementation because of the serious shortage of technically-trained people. The Secretary of State concluded:

'... for that reason the early setting up of a decent standard of higher education in the colonial territories is an absolute necessity for the proper development of the territories themselves and for the implementation of the sums which, I hope, Parliament is now going to give' (ibid, Cols. 2106-7).

The Bill was generally approved and passed without a division. Colonel Sandeman Allen (Birkenhead, West) favoured expenditure on health and education.

'... Until we have a healthy population, until the figures for venereal diseases, which are appalling, are considerably lower than they are at the present moment, we shall never get a population which is really able - it is not a question of being willing - to carry on' (ibid, Col. 2140).

As a comment on the adequacy of the fund proposed, Mr. John Dugdale (West Bromwich) said:

'... During 1943 no less than £60,000,000 was spent on education by the people of this country, and rightly spent, and there are in this country approximately the same number as, or indeed rather less people than there are in the whole colonial empire' (ibid, Col. 2104).

Earl Winterton (Horsham and Worthing) looked forward to a

'... long-term policy to do something to remove a stain from the escutcheon of British policy, which has for so long left the colonial empire in a state of stagnation and arrested development' (16 February 1945: House of Commons, Vol. 480: 1944/45, Col. 541).

In the Second Reading Debate in the House of Lords, several peers suggested the help of businessmen should be sought by the Colonial Office. Viscount Elibank said:

'... I think that at the Colonial Office there ought to be an Economic Advisory Committee composed principally of businessmen who under-

stand and have taken part in overseas business, who will appreciate all the snags and difficulties involved, and who should be supported by scientists and technicians such as engineers, medical men, and so on . . .' (House of Lords: Vol. 135: 1944/45, Col. 963).

But the Duke of Devonshire, Parliamentary Under-Secretary of State, replied:

' . . . I really cannot see why various noble Lords have stressed the desirability of the Secretary of State being assisted by a board or committee of some kind. . . . I really cannot see how a committee sitting in the Colonial Office or anywhere else would be an improvement on a department of the Office charged with a particular task' (ibid, Cols. 65-6).

2 C D & W Bill 1949

By 1949 it was felt necessary to introduce a further C D & W Bill into Parliament 'to increase the amounts payable in any financial year out of moneys provided by Parliament for the purposes of schemes under Section I of the C D & W Act 1940'. The Secretary of State (Mr. A. Creech Jones), moving the Second Reading, said:

'The slow progress, the delays and the non-expenditure in the earlier years will involve us in the second part of the period of the ten years in a rising expenditure - a greater degree of annual expenditure - than was originally foreseen, and there will undoubtedly have to be, as the result of these delays, a recosting of some of the projects already adopted. It is because of these circumstances that we are asking that the annual ceiling should be raised by this Bill from £17,500,000 to £20,000,000, (27 May 1949: House of Commons: Vol. 465: 1948/49 Col. 1603).

Answering a general complaint that there was a tendency to over-emphasise social as against economic schemes, the Secretary of State said:

' . . . the Economic and Development Council, together with my officers and myself, have always tried to correct territorial programmes where the social services were calculated to outrun the likely economic means of supporting them. . . . We regard social expenditure on education, health, housing and welfare services as economic expenditure for promoting the greater efficiency of the worker and preventing a great deal of waste. . . . Social improvements need to be sustained by increased productivity, but they are themselves essential to expanding economy' (ibid, Col. 1603).

On the distribution of C D & W money, he said that:

' . . . at least half is going into directly productive economic activities, a further third into the maintenance and expansion of public utilities essential to development, and less than one-sixth into social services' (ibid, Col. 1603).

Mr. Lennox-Boyd (Mid-Bedford) spoke for the Opposition. He said:

'We welcome the Bill. . . . Many of us disliked the annual limitation of the amount of money that would be spent on research and development, and we are glad to see these sums increased. . . . I am sorry they (i.e. the Government) have not gone the whole way and abolished the annual ceiling altogether' (ibid, Cols. 1608-9).

He went on to refer to the underspending of the past two years and continued:

'We talk, for example, of raising research expenditure annually to £2,500,000. Actually we have not spent more than £500,000 on research for the last two years, and to suggest that in this coming year we can spend £2,500,000 on research when last year we spent only one-sixth of that sum must argue a very definite improvement in the situation of which, unfortunately, there seems to be no indication or no proof' (ibid, Col. 1610).

Referring to the Report of the Select Committee on Estimates he asked:

'Have we at last a proper allocation of capital goods to the colonies?' (ibid, Col. 1611).

Answering criticisms, the Parliamentary Under-Secretary of State (Mr. Rees-Williams, MP) said:

'We have developed the system started by Mr. Oliver Stanley as a war measure. Not only have we bulk buying but we also have bulk selling and marketing arrangements which provide for research and for reserves against a rainy day so far as the producer is concerned. These reserves now stand at something like £81m as a cushion for the producer when prices fall severely' (ibid, Col. 1669).

Referring to the under-spending in earlier years, the Parliamentary Under-Secretary mentioned that:

'The Economic Department of the Colonial Office has been almost entirely overhauled and reorganised and is now working very smoothly. We have four economic liaison officers, one for each quarter of the colonial empire. Their duty is to keep the territories constantly in touch with what we are thinking and to bring back to us the views and opinions of the colonial territories, and, where need be, seek out manufactured goods in short supply which the colonies need' (ibid, Col. 1673).

3 C D & W Bill 1950

The C D & W Bill, 1950 was introduced to increase the funds available and, in particular, to replenish the central reserve, which had been found inadequate. In November 1950 it received its Second Reading. Moving that Reading, the Minister of State for Colonial Affairs (Mr. John Dugdale, MP) said:

'... Rather than allocate the money to individual colonies, it will be kept in reserve from the start to be used for individual schemes as they develop from whatever colony it may be' (9 November, 1950: House of Commons: Vol. 480, Col. 1136-7).

Winding up the Debate, the Secretary of State (Mr. James Griffiths, MP) claimed that:

'... The C D & W Act . . . and the CDC have now become by common consent . . . the major instruments for the furtherance of that part of our policy in the colonial territories which aims at establishing the economic and social functions upon which responsible democratic self-government within the Commonwealth can be based' (ibid, Col. 1243).

He quoted with approval from the Report of the CDC for 1949 as follows:

'... the indispensable foundations of developments must be the provision of ports, roads and railways, schools and hospitals. These fall within the sphere of colonial government finance, assisted by the C D & W funds. Upon this basis must be built the agricultural and industrial activities which will raise the level of production, living standards, and exports, partly by way of new undertakings, partly by the reinforcement, technical and financial, of existing enterprises, and partly by the progress of indigenous producers in mode-techniques' (ibid, Col. 1244).

Later he declared:

'... I do not want a superstructure of social services, which will at some time collapse because the economic foundations under them are not sound. We shall attach considerable importance and give prime consideration to schemes intended to strengthen the economic foundations' (ibid, Col. 1246-7).

He added:

'... I want to see a tremendous development of producer co-operation in every colonial territory. I have therefore encouraged these marketing boards. They are accumulating funds to act as a cushion in case falls in prices and depression were to come again, and I think they are right' (ibid, Col. 1249).

Winding up at the Committee stage, the Secretary of State explained:

'Under the 1945 Act the Colonial Office proceeded at once, in consultation with the colonial governments, to invite them to prepare, and to submit to the Office for consideration, ten-year plans for development and welfare. These ten-year plans were from 1946 to 1956, which is the rate set out in the Bill, and for which the original sum of £120,000,000 was provided. . . . In the plans submitted the division is roughly this. One-third of the cost of these schemes is met from funds provided from the C D & W Funds, one-third is provided by colonial governments from their own resources, by revenue and taxation, and one-third by loan. For every £1 which we provide the colonies themselves are providing £2. For that reason, do not let anyone get too excited about what we are giving them.

'We also retain certain sums at the centre. First, we retain a sum for research, which is of very great importance and which we want to sustain and indeed to expand. Secondly, we keep a reserve fund of £11,000,000. One reason why we are putting forward this Bill which provides an additional £20,000,000 is that we have found, particularly in the last few years, that we are getting urgent calls. For example, we had a call from Malta for another £1,500,000, and some time ago we had a call from the town of Costrios which was destroyed. . . . We think it is essential that this £20,000,000 should be provided as an addition until 1956' (ibid, Col. 1780).

During the Second Reading stage in the House of Lords on 28 November 1950, Viscount Swinton, following Viscount Hall, spoke about the use of C D & W money thus:

'... I do not think there is any conflict among us about the retention by Parliament of its responsibilities for a grant to what is called a "responsible government". After all, the Secretary of State decides on, and is responsible for, commending to Parliament any particular scheme

which it is proposed to help out of this fund. I believe there have been cases in the past (I am glad to say not many) where the fund has been used for a general grant-in-aid of a budget deficit in a colony. . . . There may have been good reasons for doing that in one or two cases, but the Act was certainly not intended for purposes of that sort, and I hope they will be avoided in future. The Act was intended to further and assist, in partnership with the colonies, schemes for the benefit, expansion and development of the colonies. Therefore, the Secretary of State remains responsible and has to justify to Parliament the expenditure of the money which the British Parliament grants' (28 November 1950: House of Lords, Vol. 169, Col. 536).

Clearly the 'Treasury view' was not without its strong supporters.

4 C D & W Bill 1955

In January 1955 a White Paper (Cmd. 9375) was issued to report on the administration and use of the funds provided under the C D & W Acts, as a preliminary to the introduction later that month of a further C D & W Bill. Although the Act of 1950 was not due to expire until 31 March 1956, it was thought to be desirable, in order to ensure continuity in planning and avoid uncertainty in the colonies, that there should be a year's overlap of legislation. The new Bill extended the life of the Acts until 31 March 1960 and provided a further £80,000,000. Together with the unspent sum of £40,000,000 it provided a total of £120,000,000 for the five years 1955-1960. Questions were asked during the Second Reading Debates on the Bill concerning the amount of the new vote. The Minister of State for Colonial Affairs (Mr. Henry Hopkinson, MP) explained:

'Before a decision was taken about the amount which we now ask the House to vote, three considerations were taken into account. First, there was the cost of development which it was thought could be carried out between 1955 and 1960; secondly, the amount which could be financed from the colonies' own resources; and thirdly, the amount that could be financed from loans on the London market. These estimates were considered in the light of the physical ability of the governments to carry out the work' (2 February 1955: House of Commons, Vol. 536, Col. 1212).

At this time the provision of finance for colonial development was a matter of considerable discussion. The Secretary of State (Mr. Alan Lennox-Boyd, MP) gave particular attention to the colonies' sterling balances in his speech moving the Second Reading. He said:

'I believe that it is true to say that colonial reserves and assets at the present moment total £1,400m. That sounds a formidable sum but, of course, it is dispersed all over the place and is not necessarily in the territories that today must need the pump to be primed. . . . First, £300m represents the London reserves of commercial banks operating in the colonies. . . . Another £380m represents the sterling holdings of colonial currency authorities. This is the external backing for colonial currencies and ensures their automatic conversion into sterling. Colonial currencies are backed at present 100 per cent by sterling or sterling securities. This occurs automatically, because colonial currency authorities issue currency against sterling and this accumulates sterling *pari*

passu with the growth of the currency supplies. In the Debate in December 1954 it was stated . . . the Government are quite agreeable, in principle – subject to a review of the individual circumstances of each territory – to a small part of the backing being used to take up locally issued securities . . . anything we authorised would be based on our confident assertion that automatic convertibility would in no way be jeopardised. . . . Thirdly, among the many assets which the colonies themselves have are the very large sterling assets of the marketing boards and of the price assistance funds. These total a great sum of money (about £140m) but are largely centred in two or three rich territories, and a good deal of the money is centred in territories which do not need – either at all or in large part – C D & W money. Those sums cannot be used as a fund to be spread over the whole colonial field, for they are the property of individual territories. They are also, of course, a cushion against fluctuations in prices.

‘Fourthly, some £550m represents government surplus revenues, and special funds such as sinking fund, savings bank, pensions and renewals. . . . This £550m is made up of £240m-odd special funds and £300m comprising the uncommitted reserves of colonial governments which must be held against fluctuations. Much of these reserves have accrued as a result of money coming into the colonies during the period of high prices for certain primary products. . . .

‘Finally, there are two or three other forms of aid on which the colonies can call. There is the International Bank . . . there is the immensely important field of private investment. . . . There are, lastly, colonial loans, whether loans on the London market, local loans, or inter-colonial loans either taken up by the Crown Agents, or specially from one territory to another’ (ibid, Cols. 1126–8).

The Minister of State answered further points raised in the Debate with this statement:

‘I think we are agreed about the great value of some of the Commonwealth Agreements, but we are not agreed on, and I would not subscribe to, the view of the Opposition on bulk purchase. The real prosperity of the colonies depended five years ago, and will depend in the future, on the creation of favourable economic conditions in the sterling area as a whole. The aim must, therefore, be to strengthen the reserves of the sterling area and to avoid world inflation. In short, the welfare of the colonies themselves must depend upon a healthy world trade’ (ibid, Col. 1215).

While some territories lagged, others prospered. There was no clear-cut uniformity. This is shown clearly in the speech of Lord Balfour of Inchrye in the Second Reading Debate in the Lords. He said:

‘Most colonial territories are producers of primary products. The policy of HMG is aimed at an expansion of world trading, at multi-lateralism, and adherence to the General Agreement on Tariffs and Trade, with no restrictions or discrimination in trade . . . one effect . . . is that the colonial economies are exposed to the full blast of world price fluctuations in primary products which these territories produce. Sometimes that is to the advantage of colonial territories. The cocoa industry in West Africa, for example, is doing splendidly; and tin-miners

in Malaya are getting satisfactory economic prices. . . . In Dominica, for instance, there is very considerable unemployment today because HMG have thought it wise to put lime oil on general licence. In certain West Indian territories there is great difficulty because they are not going to be able to sell their citrus fruit juice, owing, so it is said, to American-subsidised competition. I know that we cannot hope artificially to insulate any colonial territory against the facts of world price levels for all time; but we can, and should, shelter them from sudden shocks and rapid price movements which have exaggerated detrimental effects on economies that are dependent upon one particular product. One example is that we are able to help colonies in the West Indies by the Commonwealth Sugar Agreement' (24 February 1955: House of Lords, Vol. 191, Col. 477-8).

5 C D & W Bill (Amendment) 1959

To implement the Montreal undertakings for the colonies, the C D & W Bill was introduced early in 1959. In moving the Second Reading, the Secretary of State (Mr. Alan Lennox-Boyd, MP) said:

' . . . four years or so ago this problem frequently turned not on money but on the difficulty of getting supplies and trained personnel. It now looks, however, as if it is finance that is the major hurdle over which we have to get. It is the purpose of this Bill to provide means of doing so' (2 March 1959: House of Commons, Vol. 601, Col. 64).

Later on in his speech the Secretary of State said:

' . . . C D & W grants, market and Exchequer loans will make increased capital development work possible, but in the long run colonial governments must be able to bear in their revenues the recurrent charges involved in improved modern services. This implies that our efforts must be directed primarily to the type of development which will increase the resources of the territories. In this context, the measures taken to expand Commonwealth trade are, of course, of the first importance' (ibid, Col. 70).

The Bill was generally welcomed, though strong criticism came forth on at least two points. The first was the old one of procedure and it followed the earlier pattern. Mr. James Callaghan (Cardiff, S.E.) complained:

'From what the Under-Secretary says, it means that a civil servant in the Colonial Office has to have the major responsibility for these decisions. They cannot all be considered in full detail by Ministers. Is there not a lot to be said for having a group of people to whom these matters could be submitted and who could advise the Colonial Secretary in the light of their knowledge of the colonial territories? It would submit the judgment of the civil servant to the arbitrament of people who are at least as able as he to make a choice between priorities' (ibid, Col. 154).

But the Government did not intend to revive the Colonial Economic and Development Council that had been brought to an end by Mr. Oliver Lyttelton in 1951. The Government saw no useful purpose. As the Under-Secretary of State (Mr. Julian Amery, MP) put the point:

'I think the Colonial Office is the machine best equipped for this

purpose. The whole Department gives a good deal of its mind to it, and all the different regional departments within it bring their thoughts to bear on these matters which are gone into very thoroughly' (ibid, Col. 155).

The other complaint was about the amount of the vote. When the Bill was considered in Committee, Mr. James Callaghan made a plea for greater assistance, explaining:

'We do this for a number of reasons. First of all, the need of the colonial territories is very great. It is not getting less, it is getting greater for this type of aid. Secondly . . . in the past it has not been the limitation of money which has been the limiting factor but the limitations in the supply of technicians and of equipment that could be sent from this country to raise the standards of these under-developed territories. Therefore, we believe that now that these limitations have been removed, there is an even better case for saying to the Government that, if there is no limitation except that of money, they should dig a little deeper into the pockets of the Treasury and spend a little more in the next two or three years. The third reason is one of self-interest. It is that as long as there is in this country unused resources we can say that by making long-term loans or grants of this description we are stimulating our own export industries, and particularly our own capital goods industries. It is in the capital goods industries that the falling-off has been experienced in the last few months' (25 March 1959: House of Commons, Vol. 602, Col. 1361).

Whether he realised it or not, in making his third and final point, Mr. Callaghan was echoing some of the arguments of thirty years before made during the debate on the original Colonial Development Bill which has been so unjustifiably criticised ever since for mentioning employment in the UK as a reason for assistance to colonial territories. The Under-Secretary of State saw the limitations on assistance as outside the UK, for in his reply to Mr. Callaghan he argued:

' . . . we are faced with two difficulties when it comes to increasing the expenditure on development and welfare. . . . There is one difficulty which . . . is becoming less . . . that is the difficulty on the human side, that of finding the skilled staff, recruiting the necessary organisation and drawing up the plans. . . . Others suffer – this is the growing problem which we face – from the difficulty of financing the recurrent costs of the development schemes which development and welfare grants help to bring about' (ibid, Cols. 1397–8).

The limitations to colonial development were in part to be tackled by a more ambitious programme of technical assistance, and in part to be reduced with every measure improving colonial revenues, if the Under-Secretary's diagnosis is accepted.

III Sterling Balances

At the end of the war the United Kingdom found itself with a total of £3,567m owed to other countries in the form of sterling balances held by them in London. This indebtedness, which compares with a total which fluctuated in the 1930s between £400m and just over £800m, arose largely from wartime activities.

The countries which owned these balances fell into two main groups: £1,240m was held by non-sterling countries and £2,327m by overseas sterling countries. The latter group normally maintained substantial London balances, which in fact very largely constituted their external reserves. The exceptionally large increase in the amounts held by some countries such as India and Egypt (including the Sudan) is attributed to heavy defence expenditure by the United Kingdom in these countries during the war. In other cases, including many colonies, balances were accumulated because wartime restrictions limited the volume of imports and thus created export surpluses.

Since 1945 overseas sterling holdings have fluctuated, but although the composition and distribution of the liabilities have changed the total is much the same. Such overall increase as there has been is largely attributable to the increased holdings of non-territorial organisations like the IMF.

The main changes in overseas holdings of sterling can be summarised as follows:

- (i) There was a large initial reduction in the holdings of non-sterling countries: between 1945 and 1956 these had been reduced by almost one-half to £692m. Thereafter they rose, reaching £805m at the end of 1959; in the following year, as a result of a heavy capital inflow, they reached £1,405m, but when this short-term capital left in 1961, the balances fell to £915m and to £826m in 1962.
- (ii) The trend for sterling countries has been different in that the total has tended to rise rather than fall; by 1951 it had reached £2,585m as against £2,327m at the end of the war. In the next ten years it fluctuated between £2,478m and £2,822m and in 1962 it stood at £348m more than in 1945.
- (iii) The appearance of a new category of holdings owned by non-territorial organisations which by 1962 amounted to about 15 per cent of the total.

Within categories (i) and (ii) above there have been considerable changes as among individual countries and groups of countries. Thus, whilst colonial holdings of UK sterling securities rose from about £400m at the end of the war to £1,300m in 1956 (see Tables 13 and 14 at end of section), that of independent sterling countries declined over the same period by about £450m. The Radcliffe Committee evidence showed the following movements between 1951 and 1956:

Non-Sterling Countries	...	...	...	—£369m
Independent Commonwealth	...	...	...	—£517m
Colonial Territories	...	...	...	+£646m
Middle East Oil Countries (Iraq, Jordan, Libya and Persian Gulf)	...	...	...	+£267m
Net total	...	...	...	+£27m

Thus whilst the total remained fairly steady over the period the balances of individual countries fluctuated widely. This was also true of other periods – for instance, India, whose balances remained fairly steady over the 1951–1956 period (the drawing down of the balances of the independent Commonwealth countries in those years was mostly done by the ‘older’ Commonwealth countries), drew heavily on her resources in 1946–1951 and again between 1956 and 1958. The Radcliffe Report stated that India’s sterling holdings were £780m in 1948 and only £170m in 1958; for Egypt the figures were £340m and £110m respectively.

The large balances accumulated during the war by India, Pakistan, Ceylon and Egypt were of course of great concern to Britain. Before the war the UK’s gold and foreign exchange holdings were about equal to her sterling liabilities: after the war the ratio was 1:4. Hence the agreements with the above four countries, whose holdings in 1948 were together actually higher than Britain’s reserves, for the gradual release of their holdings under a system of ‘blocked’ accounts. Financial agreements were signed in 1947 with undivided India and Ceylon.

Table 12
Overseas Sterling Holdings (Net), 1945–1962

	1945	1951	1956	1960	1962
Total overseas sterling countries ...	2,327	2,585	2,730	2,478	2,675
including:					
India, Pakistan and Ceylon ...	1,352	782	541	198	138
Caribbean area ...	53	64	111	116	148
East, Central and West Africa ...	204	531	720	529	427
Malaysia, Brunei, Hong Kong and Burma ...	142	391	490	678	749
Total non-sterling countries ...	1,240	992	692	1,405	826
including:					
Dollar area ¹ ...	34	38	37	303 ⁴	80
Other Western Hemisphere ² ...	163	57	32	63	27
OEEC countries ³ ...	351	328	193	699	521
Non-territorial organisations ...	—	566	669	549	606
Total overseas sterling holdings (net)	3,567	4,143	4,091	4,432	4,107

Notes: ¹ For 1960 and 1962 United States and dependencies, and Canada.

² For 1960 and 1962, other independent countries of the American continent.

³ For 1960 and 1962, European members of OECD together with their dependent territories, and Andorra, Finland, Vatican City and Yugoslavia.

⁴ Includes 131 acquired by the Ford Motor Co. of America in December 1960 for the purchase of the minority interest in its UK subsidiary in the first quarter of 1961.

Source: Bank of England Quarterly Bulletin, December 1963.

These were re-negotiated in 1950/1 to provide for the release of all sterling from blocked accounts by 1957. As a group, India, Pakistan and Ceylon have drawn down their sterling from £1,352m at the end of 1945 to under £200m at the end of 1960, the impact of development expenditure in India and Pakistan being particularly noticeable from 1955. The East, Central and West African group built up their sterling to an end-year peak of £755m in December 1954 and have since been drawing on it, largely to finance development plans. In contrast, the holdings of both the Far Eastern group, including Malaysia, and the Middle East group (Persian Gulf territories, Libya and Jordan) have continued to rise. These offsetting movements have, of course, greatly eased the pressures on the United Kingdom's balance of payments that would otherwise have been experienced.

The sterling holdings of international organisations are a special category which emerged after 1945, and largely originated from the United Kingdom's sterling subscriptions to the IMF and IBRD. They are held mainly in the form of non-interest-bearing notes, until sterling is required by the organisations concerned.

Colonial Sterling Balances

Tables 13 and 14 below show changes in colonial sterling balances by area and by type of holding since the war. The totals differ from those in Balance of Payments White Papers since Tables 13 and 14 cover the colonies' total sterling assets, not only UK securities.

Table 13 shows that the total of colonial balances increased between 1946 and 1961, even allowing for the fact that Ceylon, Ghana, Malaya, Cyprus, Nigeria, and Sierra Leone ceased to be colonies. One can get some idea of the size of the increase in total holdings of all those who were colonies in 1946 by looking at the figures for 1956 before the independence of Ghana and Malaya, when the figure for colonial sterling assets was £1,454m, compared with £600m in 1947. Since the UK authorities do not list overseas sterling holdings by country, one has to rely on comparisons between two sets of figures for the same year, one including and the other excluding a colony achieving independence. Thus, by comparing the two sets of figures in Table 13 for 1956 one can deduce Ghana's holdings were then about £180m and Malaya's £280m. Similarly, one can compare the 1960 figures for an indication of Nigeria's and Sierra Leone's holdings – about £200m – although it is more difficult to be precise in this case since Gambia appears in one series in West Africa, and in the second series as 'other'.

Table 13 shows that most of the increase in colonial sterling balances took place during the period 1949–1955, and that the increase was particularly great for the West African territories and Malaya. This was of course the period of high prices for primary products following the Korean War, and the balances reflected this. Another factor which may have contributed to the accumulation of balances, at any rate at the beginning of the period, was the shortage of materials, which caused delay in utilising overseas earnings for development programmes. After 1955 the level of the colonial sterling balances remained fairly steady, although there were movements within the overall total such as the decline in East

African balances and the offsetting rise in those of Hong Kong. A feature distinguishing colonial balances from those of, say, India is that the colonial balances have never been placed in 'blocked' accounts. Unlike India and Egypt during the war, the UK paid the colonies on current account for military services, so that the colonies had not accumulated embarrassingly large balances in 1945 – the increase in their balances came later. Consequently they have always been technically free to use such parts of their balances as are not committed for other specific purposes.

In fact a closer analysis of the types of colonial sterling holdings (see Table 14) reveals that there is not any great degree of freedom to use them for development purposes.

1 Currency Board Holdings and Currency Funds

These sterling holdings are the statutory backing for colonial currencies. In the early post-war period the local colonial currency had to have up to 110 per cent sterling backing, but this was later modified, provision being made for small fiduciary issues (i.e. backed by local securities) in some cases. When overseas investment or improved trade conditions bring about increased economic activity in the colonies, the banks purchase the local currency for sterling, and the currency authorities' sterling balances automatically increase; similarly a trade recession in the colonies may well involve the need for the currency authorities to redeem the local currency, and their London balances would accordingly fall. The system has some advantage for the colonies in that they can earn interest on the resources tied up in backing their currencies; on the other hand, the colonies might argue – and did – that requirements for sterling backing of their currencies involve over-insurance against economic collapse, and that the resources thus tied up could often be used more fruitfully in some other way. At any one time about a third of the sterling balances was committed in this way.

2 Government Funds with the Crown Agents

(a) *Special*.—These are funds set aside for specific purposes and future commitments and consist of, for example, savings bank resources, sinking funds for Government loans, investment of pensions and provident funds, renewal funds (depreciation on costly capital equipment, etc.). Thus these funds, which amounted to some 15–20 per cent of the total, were also tied up.

(b) *General*.—These include unspent general revenues of colonial governments, and the proceeds of loans raised in London which await spending. These general funds are normally regarded by the colonies as development funds, and have usually amounted to some 15–20 per cent of sterling balances.

3 Miscellaneous Known Official Funds

These are funds of such institutions as West African marketing boards and East African price assistance schemes. A part of the surpluses accumulated in the early 1950s has been devoted to general development purposes.

Table 13

Colonial Sterling Balances – Distribution by Area

(end of year, £m)

	Old Series (excluding Marketing Board Funds)										New Series (including Marketing Board Funds) including Ghana, Malaya, and Singapore									
	1946	1947	1948	1949	1949	1950	1951	1952	1953	1954	1955	1956	1956	1956	1956	1956	1956	1956	1956	1956
West Africa	115	125	145	155	200	256	333	362	400	488	507	481	302	192	192	192	192	192	192	192
East Africa ¹	100	105	105	110	138	172	217	209†	220	217	197	192	192	192	192	192	192	192	192	192
Malayan Area ² (including Borneo Territories)	125	115	100	105	107	164	252	283	282	305	363	369	83	83	83	83	83	83	83	83
Hong Kong	n.s.	75	80	70	68	94	116	120	132	135	132	143	143	143	143	143	143	143	143	143
West Indies ³	n.s.	n.s.	n.s.	n.s.	67	78	81	91	107	123	118	133	133	133	133	133	133	133	133	133
Other	340	180	180	185	90	88	91	107	110	120	127	136	136	136	136	136	136	136	136	136
TOTAL	680*	600†	610	625	670	852	1,090	1,171	1,251	1,387	1,444	1,454	988	988	988	988	988	988	988	988
of which: non UK Sterling Assets (Sterling Commonwealth and Colonial Securities)	(100)	(90)	(90)	(90)	(97)	(122)	(145)	(137)	(154)	(166)	(165)	(168)	(118)	(118)	(118)	(118)	(118)	(118)	(118)	(118)

	New Series excluding Ghana, Malaya, and Singapore; including Nigeria, Sierra Leone, and Cyprus										New Series excluding Nigeria, Sierra Leone, and Cyprus									
	1956	1957	1958	1959	1960	1960	1961	1961	1961	1961	1960	1960	1960	1960	1960	1960	1960	1960	1960	1960
West Africa	302	296	278	270	218	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
East Africa	192	186	172	170	166	166	178	178	178	178	166	166	166	166	166	166	166	166	166	166
Malayan Area (including Borneo Territories)	83	94	104	119	140	140	148	148	148	148	140	140	140	140	140	140	140	140	140	140
Hong Kong	143	140	155	167	183	183	196	196	196	196	183	183	183	183	183	183	183	183	183	183
West Indies	133	147	148	138	140	140	150	150	150	150	140	140	140	140	140	140	140	140	140	140
Other	35	142	146	141	136	126	124	124	124	124	126	126	126	126	126	126	126	126	126	126
TOTAL	988	1,005	1,003	1,005	983	755	796	796	796	796	983	983	983	983	983	983	983	983	983	983
of which: non UK Sterling Assets (Sterling Commonwealth and Colonial Securities)	(118)	(122)	(123)	(130)	(134)	(115)	(118)	(118)	(118)	(118)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)	(115)

* Including Ceylon; excluding Palestine (£120m).

† Earlier stated to be £259m and £1,222m respectively; no explanation given for change.

‡ Excluding Ceylon and Palestine.

1 Including Aden, Somaliland, and Zanzibar.

2 Including Malaya, and Singapore (up to 1956) and Borneo territories.

3 Including Bahamas and Bermuda.

n.s.—Not specified.

4 Funds with British Banks

These are funds of private commercial institutions, mostly colonial branches of UK banks. Any surplus funds accumulated by local banks tend to be invested in London, where the more developed money market gives higher yields. Most of the deposits are in fact those of local branches of UK-based firms and their associates, and it is erroneous to think of this part of the sterling balances as being owned by the colonies at all. It is also somewhat anomalous that these funds should be counted as colonial sterling assets when all other private sterling assets owned by colonial citizens and institutions are not so counted.

Thus the colonial sterling balances are not a single undifferentiated entity. They are made up of several distinct components and are by no means all freely usable reserves.

They serve to provide backing for colonial currencies and are often earmarked to meet specific obligations such as the payment of pensions. Furthermore they to some extent represent working balances which are used for meeting obligations arising in London. The colonial financial structure is such that increased raw material prices and greater activity in the colonies, an increased currency circulation, more personal savings, more colonial borrowing on the London market, higher pay and pensions, or bigger colonial civil services, all tend to bring about a rise in the sterling balances: depressed economic conditions and a decline in business activity cause a fall. In these latter circumstances, however, it would quickly become apparent that a great part of the colonial sterling balances would 'evaporate' as currency was withdrawn from circulation; and that many of the funds deposited by colonial branches with British banks would be withdrawn into the UK. It may or may not be the case that the development of the colonial economies would proceed faster if the structure of colonial financial institutions were different; but it should be borne in mind that the apparently large colonial sterling balances do not simply consist of funds being kept idle in London when they could be used for development in the colonies. The colonies are not in fact as rich as the size of their balances makes them appear.

IV Colonial Currency Systems

A study was sponsored by the Colonial Economic Research Committee, 1948-50, and published in 1953 under the title *Colonial Monetary Conditions*, by Dr. Ida Greaves (HMSO, Colonial Research Studies, No. 10). This study covers the historical background of colonial currency systems, bringing the story up to the end of 1950. There appears to have been no similar general study made for the last decade. Even regional studies, of which *Money and Banking in British Colonial Africa*, by W. T. Newlyn and D. C. Rowan (Oxford, 1954) is notable, do not cover the last decade of change. It has not been possible quickly to cover the gap except to the extent of consulting the more recent Reports of the East African Currency Board. What follows is grouped into three parts: the general nature of the colonial currency system, its merits and limitations, and the changes brought about in East Africa.

As with most British institutions, the colonial currency system was fashioned to answer a felt need. Traders and bankers favoured in the years before 1914 the Bill on London as the way of financing their trade rather than the transfer of gold. This preference became formalised in the creation of sterling currency boards. The first was instituted for West Africa in 1912/13 and provided the pattern. Some functioned from London, like that of West Africa and that of East Africa; others functioned in the region concerned, like that of Malaya in Singapore. Their operations were mechanical, exchanging the local currency into sterling and back again at fixed rates, subject to a small commission for the service. As they were required by law to issue and redeem currency at their stated charges to anyone on demand, the commercial banks could not for long charge more for making remittances. The ability of the currency boards to maintain the convertibility of their currency was guaranteed by the requirement that their current issue of local currency was usually fully backed by sterling assets and there was often in addition a reserve of anything up to one-tenth. Providing sufficient of the backing was kept in cash or near-cash to cover likely calls, the rest could be invested in sterling assets. The currency boards thus obtained a steady income which accrued, apart from an allocation to the reserve fund, to the local Treasury.

These provisions guaranteed convertibility and built confidence in the currency. Small territories were thus, like large, fully integrated into the sterling system. They could not have balance of payments problems any more than can Wales or the Isle of Wight. If a colony became unable to meet its external obligations, it was because of lack of income in local currency, not because of lack of foreign exchange. As long as it possessed local money it could obtain its foreign exchange requirements by exchange into sterling. For this reason colonies had interest rates lower than comparable foreign countries and could borrow in London on terms more favourable than comparable foreign countries.

The system has been criticised. Thus it has been argued that the mechanical nature of the currency board procedure meant 'nothing more nor less than that the increments and decrements of the localised currency

are strictly determined by the balance of payments' (see *Mining, Commerce and Finance in Nigeria*, edited by Margery Perham, London, 1947, p. 185). This proposition would only be true if currency was the only form of money, i.e. there were no banks. The following quotation from the Report of the East African Currency Board for the year ended 30 June 1961 states:

'A decline in the total of deposits with the commercial banks, due to the outflow of funds, was partly offset by an increase, in the period from January to September 1960, inclusive, in the banks' advances. To this extent the banks in effect replaced their London funds by advances in East Africa, which at one stage rose as high as 95 per cent of deposits. The running down of their London funds, however, reduced their liquid resources to unusually low proportions: indeed for a time they were net borrowers from their head offices abroad. This abnormal situation obliged them to take corrective measures in the second half of 1960' (para. 10).

Since the end of the war, and largely as a result of the economic, social and political changes it ushered in, the pre-war system has been criticised on two grounds. In the first place, it has been argued that the currency fund was unnecessarily large and colonies were meantime losing the benefits that would come from the use of the excess reserves. Within limits that will vary, as any banker knows, from time to time and from territory to territory, something less than full external cover will be satisfactory providing the reserve is sufficiently liquid. A graduation of maturities to support strictly liquid assets is built up and maintained. As the result, there has been a demand for permission to create a fiduciary issue. As mentioned earlier, HMG have agreed to this when requested, though it was not always used when granted. The second criticism of the old system has concerned its purely mechanical action. A less passive role has been sought.

The Report of the East African Board already quoted illustrates the response to these two criticisms. The Board was transferred from London to Nairobi in 1960, and the Report quoted is for the first full year of the Board's operation from its new domicile. In its first paragraph the Board claimed that:

contact was made and maintained with governments and banking institutions in East Africa to an extent that would not have been possible under the former system;

and in its second paragraph it promised that:

by virtue of powers recently obtained the Board is likely to move further away from the purely automatic functioning of the old currency board system.

But it then quickly assures those who hold its money:

neither the altered constitution nor the broadening of the basis for the Board's activities, however, detract in any way from the basic principles which have made the East African shilling a trusted and freely acceptable currency within and even beyond the constituent territories. These principles are in the main the Board's obligation at all times on demand to issue and redeem its currency at a fixed parity against sterling, the chief currency of East Africa's external trade and payments; and the

Table 14

Colonial Sterling Balances (By Type of Holding)

(end of year, £m)

	1950	1953	1956 (including Ghana and Malaya)	1956 (excluding Ghana and Malaya)	1959 (including Nigeria, and Cyprus, and Sierra Leone)	1959 (excluding Nigeria, Cyprus, and Sierra Leone)	1960	1961
Currency Board Holdings and Currency Funds with Crown Agents	282	372	464	308	300	252	253	253
Funds with Crown Agents:								
(i) Special	151	189	238	165	167	137	137	140
(ii) General	114	235	384	252	245	178	188	184
Miscellaneous known official funds*	83	144	118	81	52	17	17	17
Funds with British Banks	219	240	250	182	241	160	160	202
TOTAL	849	1,171	1,454	988	1,005	744	755	796

Ghana and Malaya are included in figures up to Col. 3 (1956) and thereafter excluded. Nigeria, Sierra Leone and Cyprus are included up to Col. 5 (1959) and thereafter excluded.

* Uganda cotton and coffee buying organisations and West African Marketing Boards.

Source: The Colonial Territories.

requirement that the Board shall maintain at all times a substantial backing of realisable assets abroad against its outstanding notes and coin (para. 3).

The Board's fiduciary limit has been fixed at £EA20m. Part was invested in longer-dated local issues of governments, but part was used to hold local Treasury Bills or similar shorter-term paper. In November 1960 the Board asked for and obtained authority from the Secretary of State for an enlargement of its powers, designed to permit the discount and rediscount of internal bills and other approved instruments, drawn or issued in respect of the processing or marketing of crops. The purposes behind this additional power were, first, to ensure that 'even in tight money conditions, the export crops could be financed. Secondly, in so far as it could encourage the use of bills and allow the Board to act as a lender to the banking system, it would represent an important advance in financial practice' (para. 16). The issue was limited to £EA5m at any time.

The Currency Board is thus moving in the direction of a central bank. Within its realm, political changes are rapidly taking place. On 9 December 1961 Tanganyika became an independent state, Uganda followed on 9 October 1962, Kenya on 12 December 1963, two days after Zanzibar. Whether the Currency Board will become the central bank of the region or be split up remains to be seen. What for the present purpose is relevant to note is the smooth transition of the old currency board to the new, and the possibility of a final easy transformation into a central bank when that is required. Over the past decade Central Banks have been set up in the Federation of Rhodesia and Nyasaland, Ghana, the Federation of Malaya, Nigeria and Jamaica. Others will soon follow. Much of the explanation of the decision to set up central banks is that it is felt that sovereign independent status requires it. However, on the economic plane, such banks can, subject to the adequacy of their reserves and the quality of their management, insulate the countries concerned to some extent from UK monetary policy and provide them with a means of controlling bank credit.

The last decade has thus seen the move from the old Currency Board system with its largely automatic working, through the more flexible stage where currency did not have in general to be fully backed by sterling (or, in the case of Malaya, in part by dollars), to independent Central Banks. As always, greater discretion involves greater ability of control. Where this ability has been shown, the changes of the last decade have benefited the economies concerned.

V Aspects of Commonwealth Trading

1 Main Movements of Commonwealth Trade

From the 1930s until the late 1950s there was a general increase in inter-Commonwealth trading. In 1929 inter-Commonwealth accounted for 25.7 per cent of total Commonwealth trade. In 1932 it accounted for 29.1 per cent, and by 1936 it had risen to 30.6 per cent. The percentages for the years 1958-62 were 37.0, 36.2, 35.8, 34.1 and 32.5 respectively.

Here, however, concern is with the trade of the United Kingdom with the colonies and former colonies, i.e. the Commonwealth excluding Australia, Canada, New Zealand, India, Pakistan, Ceylon, Federation of Rhodesia and Nyasaland and South Africa. From Table 15 it is seen that, as a percentage of trade with all countries, UK trade with the colonies and former colonies rose from 4.5 for 1929 to 7.5 for 1937 and 18.8 for 1949 for UK imports, while for UK exports the percentages were 7.5, 10.6 and 15.8 respectively. It is noteworthy that the biggest percentage increase in UK imports over the period 1929-49 was for articles wholly or mainly manufactured (from 1.8 per cent to 6.9 per cent), registering the new trading pattern of some of the developing economies, and the relative liberality of the UK tariff as applied to them, i.e. ease of access to the UK market.

Trade between the UK and all other Commonwealth countries reached a peak in 1960 but thereafter declined sharply. Over the period 1958-62 the share of UK exports to all other Commonwealth countries declined from 38 per cent to 35 per cent. On the import side the share went down from 35 per cent to 31 per cent. Turning again to Table 15 it is seen that UK trade with the colonies and former colonies as a percentage of trade with all countries fell sharply after 1949. For imports the fall was greatest for articles wholly or mainly manufactured, thus completely reversing the earlier increase and dropping below the 1937 share. In 1963 there were signs of a revival of UK imports from the Commonwealth, spread over all the major groups.

2 Causes of these Movements

Of the many forces working in one or other direction, three are of immediate relevance in explaining the earlier growth and the more recent decline in the UK trade with the developing territories of the Commonwealth. In the 1930's the relative stability of sterling helped sterling area trade to revive. From 1932 on this was assisted by tariff preferences. It is hardly necessary to argue in any detail the relative importance of exchange stability and tariff preferences, but it might be mentioned that the increase of non-preferential sterling area trade compared in the 1930's favourably with that of preferential sterling area trade. During the war and post-war years, shortages coupled with exchange control protected sterling area trade. In the earlier section where the Conference of Colonial Supplies Officers is discussed, the extent of discrimination against dollar goods is

Table 15

United Kingdom Trade with the Colonies and former Colonies as Percentage of Trade with all countries

	<i>Imports</i>					<i>Exports and Re-exports</i>						
	1929	1937	1949	1959	1960	1961	1929	1937	1949	1959	1960	1961
Food, drink and tobacco...	...	...	...	...	...	...	15.1	20.4	32.0	27.8	27.9	22.0
Raw materials and articles mainly un-	...	...	...	...	...	...	1.5	1.8	2.9	2.7	3.0	3.4
manufactured ...	...	...	...	...	...	...	7.4	11.0	15.5	14.6	14.3	12.7
Articles wholly or mainly manufactured	1.8	3.4	6.9	9.7	8.3	4.2						
TOTAL ALL ITEMS	4.5	7.5	18.8	15.7	14.7	12.5	7.5	10.6	15.8	14.6	14.0	11.7

United Kingdom Trade in Major Commodity Groups as Percentage of Total Trade with the Colonies and Former Colonies

	<i>Imports</i>					<i>Exports and Re-exports</i>						
	1929	1937	1949	1959	1960	1961	1929	1937	1949	1959	1960	1961
Food, drink and tobacco...	35.9	39.7	19.3	25.4	23.7	20.3	19.7	16.8	12.1	12.0	12.1	11.5
Raw materials and articles mainly un-												
manufactured ...	51.4	40.1	37.4	58.1	58.0	68.2	3.1	2.8	1.2	1.6	1.9	2.4
Articles wholly or mainly manufactured	11.2	19.1	8.3	16.3	18.1	10.7	71.4	74.5	83.5	82.6	84.8	89.7

Source: Annual Statement of Trade of the United Kingdom, Volume I.

'Colonies and Former Colonies' refers to the Commonwealth, excluding Australia, Canada, New Zealand, India, Pakistan, Ceylon, Federation of Rhodesia and Nyasaland and Union of South Africa.

From 1959, the classification is: Food, beverages and tobacco; Basic materials, Minerals, fuels and lubricants; Manufactured goods.

shown, as is the anxiety to raise the dollar ceiling and to import dollar goods direct.

The relaxation of exchange control as the dollar position improved led, therefore, inevitably to some diversion of Commonwealth demand away from UK goods. Price, quality, delivery dates and irritation with earlier tying to UK goods all contributed to varying extents.

By this time, too, preferences amounted to very much less than they had in the 1930's, as is shown in the following table:

Table 16

Proportion of UK Imports from the Commonwealth Enjoying Preference and Average Margins of Preference

	1929	1937	1948	1957
Percentage enjoying preferential margins of:				
10 per cent or less	2	27	39	36
over 10 per cent, not over 20 per cent ...	1	24	12	10
over 20 per cent	4	9	4	1
Total percentage enjoying preference ...	7	60-61	54-56	47
Average percentage margin of preference:				
on all goods enjoying preference	29-49	17-20	11-13	9
on all goods	2-3	10-12	6-7	4

Source: Commonwealth Preference in the United Kingdom, PEP, August 1960, page 9. For 1929, 1937 and 1948 the figures are taken from the study by Sir Donald MacDougall and Mrs. Hutt in *The Economic Journal*, June 1954.

Thus Commonwealth preference has declined continuously from the high level of 1937. One factor in this decline has been the working of the Commonwealth Sugar Agreement since 1951, with its guaranteed prices: in the absence of the Agreement – or alternatively if the sugar covered by the Agreement were included in the calculation of tariff preference – the figure for 1957 would in fact be slightly higher. Food, beverages and tobacco is the largest group enjoying preference on entry into the UK, preference being not more than 10 per cent and averaging about 6 per cent. Most manufactured goods receive preference, and the margins are high, averaging around 12 per cent.

If attention is focused on the main colonial beneficiary of preference, namely the West Indies, it is found that:

‘During and since the war there were again special influences at work, in particular currency restrictions, which reduced the volume of trade in dollar goods both in the Caribbean and in the United Kingdom. The full effects of the erosion of Imperial Preference by a combination of tariff reductions and price increases has, therefore, been tempered by the survival of other and stronger influences which worked to maintain shelter for Caribbean and United Kingdom goods. The principal exports of primary products from the Caribbean have meanwhile received special treatment. The preference on bananas entering the United Kingdom was revised in April 1956 from the pre-war level of £2 10s. per ton to £7 10s. per ton. Taking an average of 80 stems to the ton, this new preference was roughly equivalent at the 1956 price to 20 per cent. Sugar has been bolstered by special agreements. . . . As has been written in the official *Annual Report on Jamaica, 1955*: “but for the long-term arrangements negotiated between Commonwealth

sugar producers and the United Kingdom, the sugar industry of the British West Indies would today find itself in a precarious position". In 1955 a Price Assistance Scheme was introduced to help the West Indian citrus industry. This was additional to the Ten-Year Contract for orange juice, which began in 1950 and has greatly benefited the industry. During 1959/60 both the Price Support Scheme and the Ten-Year Contract were re-negotiated for a further period. . . . Tariff preferences are consequently no longer central to the provision of shelter for West Indian products. Methods have changed while the need has remained.' (D. J. Morgan: 'Imperial Preference in the West Indies, 1929-55', *The Economic Journal*, March 1962, pp. 104-133.)

3 Low-cost Manufactures

Before turning to these other methods, let us look briefly at the preference on manufactured goods from the Commonwealth. The main items receiving preference are: leather of various kinds, mostly undressed leather from India, receiving a 10 per cent preference; cotton fabrics from India and Hong Kong; jute fabrics and jute sacks from India; carpets from India; items of 'clothing', which include shirts, coats, gloves and other articles, from Hong Kong; items of 'footwear', which include rubber boots and tennis shoes, from Hong Kong. The preferential rate in the United Kingdom is zero in most of the commodities in which the developing countries are interested. This is likely to have contributed to the rapid growth in imports of manufactures from the Commonwealth, for of the total imports of manufactures from the developing countries into the United Kingdom over 70 per cent come from Commonwealth countries. However it should be noted that somewhat higher preferential margins enjoyed by the French Community countries in France have not had a similar effect there.*

It is in the export of cheaper textiles that the developing countries† have made most rapid progress in recent years. Total exports of all types of textiles from them to North America and Western Europe increased from \$220m to \$410m between 1956 and 1961. Most of these exports come from India, Pakistan and Hong Kong; the share of Latin America and Africa was slightly less than a quarter of the total. The share of developing countries in total imports of all forms of textiles in 1960 amounted to under 4 per cent in the countries of the European Economic Community, 14 per cent in the countries of the European Free Trade Association and 22 per cent in North America. The bulk of EFTA imports entered the United Kingdom, the totals rising from \$79m in 1956 (of which the UK accounted for \$70m) to \$140m in 1961 (\$109m to the UK). Virtually the whole of the increased imports from India, Pakistan

* This might in part be due to a very low general level of development, as shown by the fact that imports of manufactures from the French Community account for less than 30 per cent of total French imports of manufactures from all developing countries.

† i.e. countries other than those of North America, Western Europe, Australia, Japan, New Zealand, South Africa (the developed countries), or those of Eastern Europe, mainland China, Mongolian People's Republic, North Korea and North Viet-Nam (the centrally planned economies). See *World Economic Survey* 1962, Part 1, United Nations, 1963, particularly chapter 3.

and Hong Kong entered the UK, the totals rising from \$73m in 1956 (\$70m to the UK) to \$110m in 1961 (\$107m to the UK). To slow down this growth, which was increasing competition against a contracting industry, the UK made bilateral agreements with Hong Kong (1958) and with India and Pakistan (1959), making cotton textile exports subject to voluntary quota restrictions. This followed the example dating from 1956 of the US with regard to Japanese textile exports. Following a further increase of textile imports into the US in 1959-60, the US called for an international cotton textile conference under the auspices of GATT, to avoid 'market disruption' and to adopt measures for 'orderly expansion' in textiles. The conference met in July 1961 and adopted both short and long-term plans, the latter for the period 1962-67. A slower rate of expansion than that for 1956-61 is implied in the existing arrangements. It is relevant to note that in 1962 18 per cent less were employed in the textile industry of the United Kingdom than were employed in 1954, textiles thus sharing with coal-mining and quarrying the greatest contraction over the period. Production of textiles fell by only 9 per cent while the value of textile exports fell by 21 per cent. A continuance of this trend would in time permit a raising of the quota quantities to the advantage of India, Pakistan and Hong Kong.

4 Bulk Purchase

The developing countries depend mainly for their export earnings on raw materials, such as copper, bauxite and petroleum, and staple products, like sugar, cocoa, rubber, tea, ground-nuts, palm oil and so forth. In the war and early post-war years these commodities were traded under so-called bulk purchase arrangements.

In a few instances bulk buying was introduced early in the war with the primary aim of maintaining the income of the producers. The clearest example was that of Jamaican bananas, which were bought by HMG at negotiated export prices and sold locally at much lower prices because shipping could not be spared to bring them to the UK. West African cocoa and East African sisal are other examples. But these are the exceptions. The rule was that wartime bulk purchase was intended to ensure supplies to the UK. It was the UK's need that was uppermost in selecting commodities. Those selected included sugar, coffee, cocoa, oilseeds and vegetable oils, cotton, copper and tin. The arrangements were continued for varying periods after the war, while shortages continued or dollar saving was required. The advantage claimed for the system was that it gave producers an assured market for their exports. But colonial producers shared this benefit very unequally. West Indian sugar producers were undoubtedly better off than under the pre-war tariff preference. East African coffee planters obtained a guarantee of minimum sales. But West African oilseeds, entering a sellers' market, found the assured market had become a tied market. And it should be remembered that long-term contracts were not regarded by the Ministry of Food as part of HMG's aid policy.

In negotiating agreements with colonial producers it felt no special obligation to confer preferential treatment or to encourage new developments. Bulk buying was meant to be good business, not disguised aid.

P. T. Bauer answered the allegation that the UK also limited the use of sterling arising from the bulk purchases. Discussing the policies of West African marketing boards he wrote:

‘... I feel that the access I have had to the official files does place me under an obligation to attempt to qualify a matter of some political importance. It has been forcefully put to me, both in West Africa and in this country, that the boards have been subjected to and have complied with pressure from the United Kingdom Government. Higher producer prices imply a higher demand for imports, which in turn means either an increased allocation of foreign exchange to West Africa or increased supplies of exports from the United Kingdom, thus reducing the volume of resources available for use in this country or in the production of British exports. The superficial plausibility of this explanation is confirmed by the constant preoccupation in West Africa with the shortage of commodities (whether real or alleged), and the emphasis on the need to constrict incomes in view of the shortage of imports; these arguments imply considerable regard for the interests of the United Kingdom. It should therefore be stated explicitly that there is no evidence whatever in official documents that the marketing boards have been influenced by official pressure designed to minimise West African demands on sterling area resources and foreign exchange reserves. Quite possibly pressure in this direction would not have been necessary (even if thought desirable), since the policies of the marketing boards have forestalled the need for it. But while these policies were no doubt welcome to the British authorities by reducing the claims on the British economy, there is much evidence to suggest that the British authorities were prepared to make available additional resources to West Africa, and that accordingly the restriction of incomes was not required by a shortage of imports.

‘Thus the widespread belief that the British authorities have influenced the marketing boards or their price policies is unfounded. But when statutory monopolies operate in colonial territories such suspicions are not easy to allay.’ (*West African Trade*, OUP, 1954, p. 342.)

This conclusion by an independent researcher who had access to files in both London and West Africa merits serious attention.

Little more on marketing boards is relevant to a study of UK policies, for at an early date after the end of the war the various marketing boards moved their headquarters to the territory concerned and became autonomous. Thus, to take but one example, between 1947 and 1949 the London-based West African Produce Control Board was transformed into a system of marketing boards in each of the West African territories. In Nigeria, the system originally consisted of separate boards for the four main export crops, namely cocoa, ground-nuts, cotton and oil palm produce. The boards were established by local ordinance as independent bodies with the purposes of orderly marketing, stable prices and improvement in quality, to provide funds for research in the producing industries and to finance economic development schemes in the areas of production. An assessment of the measure of success achieved by these boards is beyond the scope of this study.

5 Commodity Agreements

(i) *Sugar*

The principal commodity agreement operated by the United Kingdom for the benefit of Commonwealth primary producers since the end of the war has been the Commonwealth Sugar Agreement. This was signed on 21 December 1951 and has operated since 1 January 1952. Originally for the period 1950-59, it has been extended and now runs to 31 December 1969. The Agreement took the form of a long-term contract, providing a guaranteed market in the United Kingdom for a proportion of Commonwealth sugar exports at an annually negotiated price which provided a reasonable return to efficient producers. The United Kingdom undertook to buy, and the exporting territories undertook to sell, some 1.5m tons annually at the negotiated price, this amount being the 'negotiated price quota'. This amount was a little less than two-thirds of the exports of the exporting countries which, in turn, undertook to limit their exports to the United Kingdom and Canada taken together to 2.375m tons. A further condition of the Agreement was that the exporting territories should participate in any International Sugar Agreement that might be concluded. The suspended Agreement of 1937 was in fact revived in 1953 with an additional principle, relating adjustment of export quotas to market prices. Following the revolution in Cuba in 1960, the 1961 world sugar conference failed to agree on basic export tonnages, and the Agreement has therefore been in suspense, quotas for 1962 and 1963 being formally abandoned. Sugar prices have risen and fluctuated more sharply than before, raw sugar reaching its 43-year peak of £103 10s. per ton in October 1963.

Until recently the negotiated price under the Commonwealth Sugar Agreement has been usually above the free market price, and the Agreement has been effective in stimulating the economic development of the territories concerned. This has been due not merely to the usually higher price obtained, but also to the greater steadiness and certainty brought about by the Agreement. The importance of the Agreement has naturally been most marked in the West Indies, British Guiana and Mauritius, where relative dependence on sugar exports is highest.

Several factors explain the UK's willingness to negotiate the Agreement. One was the desire at the time to expand non-dollar supplies of sugar. But as important as any was the desire to provide assistance to depressed colonies where it would have a maximum effect on employment. Although part of the benefit has inevitably gone to investors in sugar mills and plantations, a large number of whom are resident in the UK, the major share of the benefits has indubitably remained with the local communities in the form of bigger incomes, more investment and improved public services. At the same time substantial investments have been made in modernising factories and more recently in mechanisation of field work. This has resulted in a rise in wages and the release of workers to other industries and to other countries.

(ii) *Coffee*

The International Wheat Agreement has no direct relevance to British aided territories, and so the only other Agreements to mention are those concerning coffee and tin. Agreements on a yearly basis for coffee started

in October 1957, with export restrictions applying only to Latin American countries. These were joined by the French Community and Portugal on behalf of their African territories in October 1959, and by the United Kingdom on behalf of territories in East Africa in October 1960. Even so, prices have declined and, despite increased sales from 36.1 to 42.8 million bags 1957-60, export receipts fell by \$450m. The text of an International Coffee Agreement was approved on 28 September 1962. It is another export regulation agreement. Additional obligations are not undertaken by importers of coffee, apart from a general willingness to investigate ways and means of progressively reducing obstacles to increased coffee consumption, both tariffs and excises being involved. The architects of the agreement felt it was an improvement on previous attempts. The Agreement entered into full force on 27 December 1963, having been ratified by 20 producing countries, representing 82.4 per cent of world coffee exports, and by 12 importing countries, representing 80.6 per cent of coffee imports. Entry of the Agreement into full force means that the International Coffee Council now assumes its responsibilities in such fields as quota adjustment, the setting of price differentials and the promotion of consumption. The Council is required to recommend production goals for each producing member and for the world as a whole, and there is provision under the Agreement for an International Coffee Fund to further the objective of limiting production.

But much of the earlier enthusiasm for the Agreement appears to have waned with the return of higher prices. Indeed, it would seem that for coffee, cocoa and sugar, commodity agreements best succeed when the producers are receiving rock-bottom returns, i.e. in states of glut rather than of shortage. This does not hold, however, in the case of tin.

(iii) *Tin*

The first post-war International Tin Agreement was concluded in 1956 for the period 1 July 1956 to 30 June 1961. The USA, Western Germany and the countries of the eastern bloc did not participate. The Agreement took the form of a buffer stock with export controls. At one date (November 1957) the manager was unable to finance further stock holding at the floor price, and the market price consequently slumped below that price. In the second Agreement there have been two failures of the opposite kind, namely buffer stock supplies of tin have been exhausted. The exhaustion in June 1961 did not cause surprise, because at the time an absolute shortage of tin appeared unavoidable, the more so as attempts by the International Tin Council to secure releases of tin from the US Government between the spring and autumn of 1961 had failed. But the exhaustion of 28 October 1963 came as a shock, because it was generally thought the buffer stock was larger than it turned out to be. Also the US Government is authorised to supply more tin for years to come than necessary to bridge the gap between requirements and production. As the result of these breakdowns it is a matter of opinion whether the Agreements have substantially assisted producers. But it can be said on the one hand that the Agreements have probably moderated price fluctuations, and on the other that the source of the breakdowns has been in part due to policies of countries outside the Agreement.

Thus, sugar apart – admittedly a most important exception – the United Kingdom has not been able to help producers in developing territories to any marked extent through international agreements. Even sugar has been helped under the Commonwealth rather than the International Agreement. It would go beyond the scope of the present study to discuss the general issue of assistance for primary producers, and the reader is referred to the pamphlet by Sir Sydney Caine: *Prices for Primary Producers* (Hobart Paper 24, October 1963). But it is relevant to note that while some metropolitan countries, notably France, are more anxious than the United Kingdom to be involved in various forms of 'market management', the United Kingdom provides easy access to an enormous market for the products of developing countries. The United Kingdom, despite recent trends, remains the most important market for all Commonwealth countries except Canada, Hong Kong and Malaysia; and with the added exception of India and Pakistan, whose import bills are distorted by tied aid from the United States, the United Kingdom remains the most important supplier.

VI General Conclusions

British Government assistance for economic, social and educational advance in the colonies and dependencies has a long history stretching back to the nineteenth century. From the first its development and extension has not been easy; it has come up against criticism and opposition. Miss Margery Perham's *Life of Lugard*, Vol. II, shows very clearly the limits that were imposed on Chamberlain by his unwillingness to run against the hostility of Parliament to United Kingdom expenditure on colonies, and this was no doubt greatly increased and his position correspondingly weakened by the colossal expenditure involved in the Anglo-Boer War. Railways and, to some extent, what would now be called the economic infra-structure were the great exceptions to the predominantly *laissez-faire* conceptions of colonial development. Railways had been an exception for some time: not only were they financed by governments, but they were actually constructed in many cases by governments. Girouard, who succeeded Lugard in Northern Nigeria, was expressly appointed with railway construction in mind, and was himself a railway man, rather than an administrator, by previous experience in South Africa and Egypt. But the fundamental assumption was that there should be no more than a degree of responsibility by the government for the provision of the economic infra-structure without which private enterprise would not be willing and could not be expected in general to operate. Chamberlain managed to do a little more than that in the West Indies, but in Africa it is very hard to discern any deviation from this outlook.

As time passed the early *ad hoc* assistance became formalised, notably by the legislation of 1929 and 1940. Assistance became less a matter of emergency aid to particular territories because of natural disasters, or of finance for major capital projects, and more a result of systematic examination of schemes and projects put forward by oversea governments on the invitation of the home government. The 1929 Act created the machinery for the examination of projects on their individual merits, and the machinery worked extremely well. But it was no more than a halfway stage. The requirement that projects should both aid and develop agriculture and industry in the colonial territories, and thereby promote 'commerce with or industry in the United Kingdom', was not in practice, it is true, seriously restrictive. But the exclusion of education (though not health or general research) was. Again, the sharp distinction between capital and recurrent expenditure tended to favour richer colonies, which were able to finance maintenance costs, as against poorer colonies which could not. Increasingly, as the decade of the 1929 Act passed by, it was felt that projects should be assessed not singly but as part of comprehensive development plans. There was never, it seems, any serious discussion, certainly no open discussion, of the feasibility of a new financial relationship between the home government and the governments of the aided territories. The UK might, for example, have taken responsibility for, say, educational expenditure throughout these territories, thus relieving colonial budgets of an increasing burden, and improving the ability of poorer colonies to

provide recurrent finance in other fields. France did just this in her empire, and it remains one of the major differences between the aid systems of the two countries.

The 1940 Act corrected deficiencies of the system that had been tried over the previous ten years. It voted more funds. It widened the purposes of 'schemes' to cover 'any purpose likely to promote the resources of any colony or the welfare of its people', and explicitly included expenditure on education. It required comprehensive development plans to be submitted. It discontinued the Advisory Committee procedure. Only a later historian with access to official papers can estimate the strengths of the various influences which fashioned the Act of 1940, in particular the influence of the Report of the West India Royal Commission and of the circumstances that led to its enquiry.

The sums available were allocated on the basis of needs for finance on the one hand, and ability to find and use finance on the other. Thus poorer or discontented territories, often the same, were given bigger allocations per head than others not so circumstanced. Part of the funds voted were reserved for central schemes, usually concerned with research, higher education and training, which benefited more than one territory. This was a valuable innovation, possibly the first systematic attempt to deal with general problems of growth in the colonial territories. With the benefit of hindsight it is to be regretted that the central allocation was not much larger, even at the expense of the territorial allocations.

In 1955 an attempt was made to alter the territorial allocations in the light of potential for development on the one side and ability to finance development on the other. But, however praiseworthy the conception, it was found to make little difference in practice, because funds could not be denied for political reasons to territories with little potential for development. Indeed, the exercise of 1955 highlighted the nature of development and welfare assistance. A former official has summed up the position in these words:

'Probably the net effect of the Colonial Development and Welfare system has been to increase the total sums available for development expenditure; to increase rather less the actual amounts spent on such development, the balance going to the increase of colonial resources; but to make comparatively little difference to the kind of project undertaken except in the field dealt with by central schemes. To some extent the system has come to be a rather complex method of general supplementation of colonial revenues.' (Sir Sydney Caine in *Progress*, autumn 1957, p. 84.)

It might be said that the complexity of the method was unpopular with recipients, while the 'general supplementation' was an unavoidable rather than intentional outcome of the process of administering the funds. But while the system of approval of projects might be criticised as cumbersome, and procedure tended to be biased against novel schemes, it should be remembered that the accountability of permanent heads of government departments to some extent explains this caution. A notable example was that of the Mona reservoir scheme of Jamaica. The original estimate of £382,000 was approved in December 1942. A further £80,900 was granted in 1945 to meet increases in cost, bringing the total to £462,900

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