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NOTE FOR THE HOUSE OF COMMONS SELECT COMMITTEE ON AID

THE ALLOCATION OF AID

Dudley Seers

Now that there has - at last - been a substantial increase in the British aid programme, the question of its allocation becomes very important. Many High Commissioners and Ambassadors must have been rubbing their hands at the prospect of getting at least a little more and there is a danger that the fairly substantial increase now envisaged for the next five years will be frittered away in a little here and a little there, under pressure from the Foreign and Commonwealth Office.

Aid is provided for many different reasons. Its main overt purpose is to help the "development" of countries which are much poorer than ourselves. (I shall return presently to what is meant by that). This was specified as the leading purpose of British aid in the first White Paper of the Ministry of Overseas Development and indeed is implicit in the Ministry's title.¹

Another objective of aid is to support colonies which have little prospect of development because of shortage of natural resources. The aim here is "welfare" rather than "development". This is a category of relatively minor importance now, but the administration of "grants-in-aid" raises difficult problems and the relationship between ourselves and the grant aided territories is not a healthy one.

In addition, our aid is motivated by the desire to help ourselves. It is used to protect investments, to promote exports, and to support foreign policy. The history of our aid policy towards (say) Ghana, Tanzania or Indonesia demonstrates this.² The major issues of world inequality have not yet been grasped by most senior officers in the Diplomatic Service (as the Committee can verify by questioning Service personnel or visiting posts overseas). Nor do our diplomats understand the processes by which economic and social problems are becoming more acute. For this reason, among others, the weight of F.C.O. opinion favours heavy emphasis on short-term national objectives.

It is of course possible that these various aims will be consistent with one another, especially in the long term. But it is also quite obvious that they may well not be, and certainly, the pattern of aid would be very different if the objectives were simply the development (or welfare) of others. Aid to Jordan, for example, may well be a justified use of public funds to promote peace in the Middle East, if for no other reason than our oil investments, and it has some effect on the welfare, if not the development, of Jordan, but this is not a country which would justify the outlay of several million pounds a year if we were concerned exclusively with the potential yield of aid in terms of development.

Just because a country is poor, it does not follow that helping its government helps development. In some countries the government is itself the chief obstacle to development - indeed its main aim may well be to prevent development. Such governments are often particularly willing, because of need of external support, to enter into military alliances, allow bases to be established or grant overflying rights. They also tend to be particularly disposed to rely on foreign capital and to allow entry of imports rather indiscriminately. For these various reasons, the Foreign and Commonwealth Office may well, with the backing of the Board of Trade, support them as candidates for "aid", without looking too closely into the consequences of aiding such governments. These consequences may be considerable since such assistance helps to keep a government in power, if only by signalling external support for it.

The last paragraph raises issues about the meaning of "development". I have gone into this elsewhere.³ In brief, we should not continue to confuse "economic growth" with "development". During the 1960's, economic growth, as measured by the national income, was often fast, but it has been concentrated in the modern sectors of overseas economies, and has had little effect in alleviating the human problems of poverty (especially child poverty) - which have sometimes even been aggravated. Almost everywhere, overt unemployment has grown to alarming dimensions and the distribution of income seems to have become even more unequal in most countries. Yet if the term "development" is to have a moral content, it must mean the reduction of poverty, unemployment and inequality.

In my view, aid should be concentrated on those governments which show by their actions that these are their objectives. This implies a lessening of the weight attached to British commercial and foreign policy objectives. It can be argued that in the long run such reordering of our priorities would be in the commercial and political interest of a country such as Britain, heavily dependent on export markets and vulnerable to any major war. But it is almost impossible to demonstrate this. I would prefer to put the emphasis on our moral obligations and to add that an evident policy of this kind (which might well involve us in continuing aid to governments with which we were having severe arguments) would be an inspiring act of leadership which could help improve the whole international climate. At least there is no reason to assume that its long-run commercial and political value to us would be less than that of the present pattern which gives a heavy weight to pressing commercial and political interests.

If we are not in earnest about helping the development of overseas countries we should say so. If we are in earnest, we should be concentrating attention on the problems which are most serious, especially those on which as a country we are particularly fitted to help, especially the working out of appropriate

industrial techniques for countries with chronic unemployment problems. This would need, of course, provision for research not merely into such techniques but into the central problems of development and for appropriate means of transmitting the results (publications, conferences, seminars, etc.) It also requires a greatly improved administration of aid. Very few posts contain personnel qualified to evaluate projects, in the light of a country's development needs.

This analysis leads to the following suggestions to the Committee:-

- (i) It should request O.D.M. to classify British aid, according to the main objectives - development, welfare, supporting our strategic position, etc. There are of course obvious difficulties in doing this, though a classification of this kind has been publicly used by USAID in the past. The Ministry should be invited to say what it understands "overseas development" to mean and to explain the rationale of British aid, country by country.
- (ii) The Committee should recommend that one of the uses of the increase in aid should be the alleviation of the problems of chronically grant-aided colonies. Instead of just increasing such aid the opportunity should be taken of internationalising it. We should take the initiative in proposing that such countries should be formed into regional groups (together with non-British territories). These groups should be supported by international development and welfare funds, to which we would of course make a heavy contribution. The exact form of such a scheme would vary by area - for example, in the West Indies one measure would be to propose a big increase in the resource of the Regional Bank. A possible, though not necessary, corollary would be the formation of regional political groupings under U.N. trusteeship, with some form of representation on the General Assembly. There are many possible variations on this - for example, a worldwide scheme rather than a regional one.
- (iii) Another priority for the new aid programme should be increased support of international organisations. It is true that these are bound by their constitutions to help governments somewhat indiscriminately, including those which are obstacles to development (and even to "growth"). But this very fact means that such aid does not in itself buttress a regime directly. Besides, while the criteria which are used (e.g. by the World Bank) raise a number of question marks, they do not so directly reflect the commercial or political interests of individual donors.

- (iv) Both technical and social research should be supported on a much bigger scale. This may involve establishing or strengthening regional and international research institutions, as well as institutions in Britain. (It is noteworthy that the Dutch have been supporting an international social research institute in Geneva.)
- (v) Fundamental training of Diplomatic Service personnel is needed in world economic and social issues. This applies not only to new entrants: it is also necessary to repair the gaps in the previous training of existing personnel, especially those of Counsellor level and above.
- (vi) Embassies and High Commissions require specialist staff capable of evaluating projects in both capital and technical assistance, and of providing technical assistance themselves (including help with project preparation). The Caribbean and Middle East Development Divisions show one type of formula which could be applied elsewhere (e.g. in Southern Africa). Strictly, this like (v) should not be a charge on the aid programme, but it would be better to finance it out of "aid" than that on grounds of economy we should allow aid to be wasted.⁴
- (vii) Pensions of former Colonial Service personnel should be paid by the British Treasury - again not strictly a charge on the aid programme.
- (viii) In order to make sure that the quality of aid is improved in the ways indicated above as a consequence of the expansion of the programme, the level of bilateral financial assistance should be allowed only a small rise. (There would be a case for freezing this at present levels, but this might perhaps be too drastic a step).

¹ Aid is however only one of the ways in which British governments effect the development of the countries of Africa, Asia and Latin-America. Another obvious influence is our trade policy (for example, textile quotas): and so are our policies on questions such as international monetary reform and the functions of international organisations, especially "the Bank" and "the Fund". But in addition our strategic policies also indirectly affect particular countries - for example our policy towards Rhodesia obviously affects the development of Zambia. O.D.M. has far too little influence in Whitehall on such questions, with the result that policies are often adopted which lead to aid being wasted.

²The elimination of aid to Tanzania because she insisted we take over the burden of paying the pensions of our Colonial Service was a flagrant example.

³See "The Meaning of Development" in the Institute's Communications series.

⁴The Institute prepared evidence for the Duncan Committee and also published commentaries on its handling of the issue of aid administration.

Institute of Development Studies
at the University of Sussex,
Stanmer, Brighton, BN1 9QJ.

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