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ACCELERATION OF THE TRANSFER OF REAL RESOURCES  
TO DEVELOPING COUNTRIES

Report of the Secretary-General

1. In its resolution 32/181 of 19 December 1977, the General Assembly dealt with two broad areas of the acceleration of the transfer of real resources to developing countries: first, it called upon the developed countries to implement the agreed provisions regarding the volume and terms of flows of real resources to developing countries contained in Trade and Development Board resolution 150 (XVI); secondly, it urged those countries to increase substantially their official development assistance and to implement the commitments undertaken by them at the Conference on International Economic Co-operation. More specifically, it reiterated suggestions on ways and means of increasing official development assistance flows. In paragraph 7 of the resolution, the General Assembly requested the Secretary-General to review progress in the implementation of the resolution and to report thereon to the Assembly at its thirty-third session.
2. In paragraph 6 of the resolution, the General Assembly also requested the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) to consider the question of the transfer of real resources to developing countries with due priority and to submit a progress report, together with the comments of the Trade and Development Board, to the General Assembly at its thirty-third session.
3. The present report is submitted in compliance with paragraphs 6 and 7 of resolution 32/181.
4. In a report submitted to the Committee Established under General Assembly Resolution 32/174 at its first session (A/AC.191/7 and Corr.1), entitled "Transfer of resources in real terms to developing countries", the UNCTAD secretariat provided, *inter alia*, an assessment of compliance by donor countries with the recommendations contained in Trade and Development Board resolution 150 (XVI). The report on the acceleration of the transfer of real resources to developing countries (TD/B/711), which is reproduced in the annex to the present document,

up-dates some of the information contained in document A/AC.191/7 and Corr.1 and deals with the second broad area covered by General Assembly resolution 32/181, namely, flows of official development assistance from developed countries in the light of their commitments made at the Conference on International Economic Co-operation.

5. The comments made by the Trade and Development Board on document TD/B/711 are contained in the report of the Board on its eighteenth session (see A/33/15, vol. II).

ANNEX\*

Report of the Secretary-General of the United Nations Conference  
on Trade and Development

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\* Previously issued under the symbol TD/B/711.

## I. INTRODUCTION

1. In resolution 32/181, the General Assembly, inter alia, requested the Secretary-General of UNCTAD to consider the question of transfer of real resources to developing countries with due priority and to submit a progress report, together with comments of the Trade and Development Board, to the General Assembly at its thirty-third session.

2. In document A/AC.191/7 and Corr.1, entitled "Transfer of resources in real terms to developing countries" and submitted to the first session of the Committee Established under General Assembly Resolution 32/174, the secretariat of UNCTAD dealt with the issues covered in General Assembly resolution 32/181 and highlighted the main policy issues. The present report supplements document A/AC.191/7 and Corr.1 and provides some more recent information regarding transfer of real resources to developing countries.

## II. OFFICIAL DEVELOPMENT ASSISTANCE

### A. Volume

3. Table 1 shows the performance of member countries of the Development Assistance Committee (DAC) with respect to the 0.7 per cent target during the period 1971 to 1977, though the figures for 1977 are still preliminary. It can be seen that the share of official development assistance (ODA) in DAC member countries' gross national product (GNP) has declined from 0.34 per cent in 1971 to 0.30 in 1977. In fact, the latter figure is the second lowest since statistics on development assistance were first collected in the mid-1950s.

4. As is discussed in document A/AC.191/7 and Corr.1, the disappointing performance of DAC member countries as a whole reflects the fact that some of the largest countries (in terms of both GNP and ODA disbursements), notably the Federal Republic of Germany, Japan and the United States of America, have performed markedly below the level for the group. Recent information indicates that the United States provided some \$200 million less in official development assistance in 1977 than it had in 1976 (see table 2) with its ODA/GNP ratio declining from 0.25 per cent in 1976 to 0.22 per cent in 1977. The Federal Republic of Germany provided virtually the same amount of ODA in terms of United States dollars in 1977 as in 1976 and hence a substantially lower percentage of its GNP. In the case of Japan, net ODA disbursements increased by \$300 million in 1977, but this increase was significantly less when measured in Japanese yen.

5. Of the other DAC member countries, the performance of the Netherlands, Norway and Sweden in 1977 was such that each exceeded the 0.7 per cent target by a substantial margin, and Sweden nearly reached the 1 per cent level.

Table 1

Performance of DAC member countries under the 0.7 per cent official development assistance target a/

	1971	1972	1973	1974	1975	1976	1977
<u>Countries attaining the 0.7 per cent ODA target in 1977 b/</u>							
Sweden	0.43	0.48	0.56	0.72	0.82	0.82	0.99
Netherlands	0.58	0.67	0.52	0.63	0.75	0.82	0.84
Norway	0.33	0.43	0.44	0.64	0.66	0.70	0.82
<u>Countries above the DAC ODA average in 1977 b/</u>							
France	0.65	0.65	0.57	0.59	0.62	0.62	0.63
Denmark	0.43	0.45	0.48	0.55	0.58	0.56	0.61
Canada	0.42	0.47	0.43	0.48	0.55	0.46	0.51
Australia	0.53	0.59	0.44	0.55	0.60	0.42	0.45
Belgium	0.50	0.55	0.51	0.50	0.58	0.50	0.45
United Kingdom	0.39	0.37	0.33	0.37	0.37	0.38	0.38
New Zealand	0.23	0.25	0.27	0.31	0.52	0.41	0.35
<u>Countries below the DAC ODA average in 1977 b/</u>							
Germany, Federal Republic of	0.33	0.30	0.28	0.34	0.38	0.29	0.26
Austria	0.08	0.08	0.15	0.18	0.17	0.12	0.24
United States of America	0.31	0.28	0.23	0.25	0.26	0.25	0.22
Japan	0.23	0.21	0.25	0.25	0.23	0.20	0.21
Switzerland	0.12	0.21	0.16	0.13	0.19	0.19	0.19
Finland	0.12	0.15	0.16	0.17	0.18	0.18	0.17
Italy	0.15	0.08	0.11	0.16	0.11	0.13	0.09
DAC Total	0.34	0.32	0.29	0.33	0.35	0.32	0.30

Source: OECD, Development Co-operation, 1977 Review (Paris, 1977) and OECD Press Release A(78)24, Paris, 19 June 1978.

a/ Net flow of financial resources to developing countries and territories in Africa, Asia and Latin America and to multilateral institutions as a percentage of GNP at market prices.

b/ In descending order of average performance in 1977 with respect to ODA target.

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Table 2  
Net disbursements of ODA from DAC member countries to developing countries  
and multilateral development institutions  
(In millions of dollars)

Country	1971	1972	1973	1974	1975	1976	1977
Australia	202.1	266.9	285.8	430.2	506.7	384.7	426.6
Austria	12.4	17.1	40.4	59.2	63.3	46.7	116.0
Belgium	145.2	192.3	233.3	268.4	373.8	336.5	368.0
Canada	385.8	491.5	509.6	709.3	872.8	886.0	990.0
Denmark	74.0	95.7	131.7	168.0	205.2	214.3	255.3
Finland	13.3	20.4	28.0	37.9	48.1	50.6	48.7
France	1 059.4	1 270.5	1 459.8	1 616.9	2 097.0	2 155.0	2 394.0
Germany, Federal Republic of	712.4	768.9	964.6	1 315.8	1 600.0	1 309.0	1 310.0
Italy	155.1	97.7	153.0	238.8	186.0	215.0	165.0
Japan	510.5	610.7	1 009.6	118.5	1 137.8	1 100.0	1 451.0
Netherlands	214.6	305.1	312.1	435.6	602.9	719.0	899.0
New Zealand	16.7	20.6	29.1	39.2	65.8	53.2	50.4
Norway	42.3	62.8	86.8	131.3	183.8	218.0	294.9
Sweden	156.6	197.7	275.3	400.6	566.3	606.4	779.0
Switzerland	28.3	65.1	65.1	65.2	103.8	111.0	117.0
United Kingdom	538.5	586.3	588.1	707.2	854.0	827.0	907.0
United States of America	3 241.0	3 188.0	2 993.0	3 483.0	4 030.0	4 304.0	4 100.0
DAC Total	7 508.2	8 256.3	9 165.3	11 225.1	13 497.3	13 536.4	14 635.9

Sources and notes: DAC Chairman's Report, various issues, OECD Press Release A(78)24, 19 June 1978 and OECD, Geographical Distribution of Flows to Developing Countries. Figures have been adjusted by UNCTAD secretariat to exclude as far as possible flows to southern European countries. In years for which flows were negative (e.g., Italy for 1974) the figures reported here are higher than those reported by DAC.

6. The prospects for a substantial improvement in the official development assistance are uncertain. Since actual disbursements reflect commitments undertaken in previous years, an assessment of future prospects may be obtained by examining current ODA commitments. As may be seen from table 3, for the group of DAC member countries there has been no upward trend in the ratio of ODA commitments to GNP. In fact, the ratio fell from 0.47 per cent in 1976 to 0.44 per cent in 1977. Among the major DAC countries, the ODA commitments of Japan showed the most marked rise in 1977, nearly doubling in terms of United States dollars and rising from 0.27 per cent to 0.38 per cent for GNP between the years 1976 and 1977. Between these years, the ODA commitments/GNP ratio fell, however, in the cases of France, the United Kingdom and the United States and remained unchanged in the case of the Federal Republic of Germany. The performance of other countries has been mixed, with the Netherlands and Sweden exceeding the mark of 1 per cent of ODA commitments in relation to GNP in 1977.

7. The conclusion that emerges from the above is that, on present policies, it is most unlikely that the 0.7 per cent target for official development assistance will be met by 1980 or even 1985. In order to avert such an outcome it seems necessary for all developed countries which have not done so to initiate a vigorous programme of expansion of ODA commitments and to adopt lending techniques that would shorten the considerable time lag between commitments and disbursements. In this context, it is particularly important to ensure that "the efforts made by developed countries will be proportionately greater where they are further from reaching the target", as stipulated in resolution 150 (XVI) and in the report of the 1977 Conference on International Economic Co-operation.

#### B. Terms

8. In resolution 150 (XVI), the Trade and Development Board made several recommendations concerning the terms of official development assistance. Specifically, it was recommended that each developed country should endeavour to achieve an over-all grant element of at least 90 per cent in its ODA commitments and, in addition, it was urged that all official development assistance to the least developed countries be extended essentially in the form of grants. Table 4 presents information pertaining to the commitment performance of the DAC donor countries in selected years. In 1977, 14 DAC countries (i.e., all except the Federal Republic of Germany, Japan and the United States of America) exceeded the 90 per cent grant element called for in Trade and Development Board resolution 150 (XVI). With the exception of Japan (and, marginally, of the Federal Republic of Germany) all DAC donors in 1977 met the somewhat less stringent 86 per cent grant element called for at the Conference on International Economic Co-operation. The over-all DAC average in 1977 was 89.0 per cent, a significant improvement from the level of 82.2 per cent recorded in 1971. In fact, every DAC donor improved its over-all ODA grant element during the period from 1971 to 1977. This improvement reflects both the increasing share of grants (71.5 per cent of DAC ODA commitments of 1977 versus 58.7 per cent in 1971) and the increasing concessionality of official development loans (a grant element of 61.4 per cent in 1977 versus 56.9 per cent in 1971).

Table 3

Commitments of official development assistance by DAC member countries a/

	Total (Million \$)					as per cent of GNP				
	1971	1975	1976	1977		1971	1975	1976	1977	
Australia	171.3	440.8	420.1	552.9		0.69	0.53	0.45	0.59	
Austria	21.1	49.1	69.2	69.1		0.13	0.13	0.17	0.14	
Belgium	173.5	447.8	490.5	595.1		0.59	0.70	0.73	0.74	
Canada	416.1	1 119.0	1 189.1	1 315.1		0.45	0.74	0.62	0.67	
Denmark	117.1	234.9	227.0	(286.4)		0.67	0.67	0.59	(0.68)	
Finland	-	59.5	57.9	40.0		-	0.23	0.21	0.20	
France	1 309.8	2 693.8	2 577.2	2 619.8		0.88	0.82	0.74	0.69	
Germany, Federal Republic of	950.7	2 171.2	2 238.2	2 562.2		0.44	0.51	0.50	0.50	
Italy	310.6	200.9	215.3	189.0		0.31	0.12	0.13	0.10	
Japan	769.8	1 636.7	1 477.0	(2 602.0)		0.34	0.34	0.27	(0.38)	
Netherlands	239.6	732.6	1 168.7	(1 217.9)		0.64	0.91	1.33	1.15	
New Zealand	-	65.5	51.7	35.8		-	(0.51)	0.40	0.25	
Norway	53.7	227.2	239.7	274.2		0.42	0.82	0.77	0.77	
Sweden	199.7	628.7	644.1	997.2		0.56	0.91	0.87	1.27	
Switzerland	31.6	113.7	133.9	(138.7)		0.13	0.20	0.23	(0.22)	
United Kingdom	713.7	1 343.7	1 154.6	1 059.2		0.52	0.58	0.52	0.44	
United States of America	3 911.8	4 327.0	7 063.8	6 175.0		0.37	0.29	0.41	0.33	
DAC Total	9 506.8	16 492.1	19 418.0	20 749.8		0.43	(0.43)	0.47	0.44	

Source: OECD, Development Co-operation, various issues and OECD Press Release A(78)24, 19 June 1978.

a/ Figures include commitments to southern European countries.



Table 4

Terms of official development assistance in light of  
Trade and Development Board resolution 150 (XVI)

	Grants as per cent of total commitments					Over-all grant element of ODA commitments					Over-all grant element to least developed countries a/				
	1971	1975	1976	1977	1971	1975	1976	1977	1971	1975	1976	1977	1971	1975	1976
Australia	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Austria	53.3	84.9	90.7	92.3	67.0	92.3	95.8	94.8	24.2	100.0	100.0	100.0	100.0	100.0	100.0
Belgium	91.4	92.2	91.7	90.9	97.0	97.3	98.2	98.3	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Canada	63.6	72.7	80.7	77.3	92.4	96.4	97.3	97.5	96.7	94.7	98.3	98.3	98.3	98.3	98.3
Denmark	69.5	74.1	81.0	(82.8)	93.0	96.0	96.6	97.1	81.0	88.6	91.5	88.6	91.5	88.6	91.5
Finland	-	63.5	70.9	89.9	-	91.5	90.8	97.0	-	87.8	84.8	87.8	84.8	87.8	84.8
France	75.7	80.9	83.4	84.8	84.3	(89.3)	90.6	(91.4)	88.5	97.0	87.9	87.9	87.9	97.0	87.9
Germany, Federal Republic of	53.7	55.8	55.9	58.9	83.7	84.8	(85.2)	85.7	85.5	93.0	91.1	93.0	91.1	93.0	91.1
Italy	24.9	83.5	85.4	93.4	50.5	90.5	93.1	97.4	52.3	100.0	100.0	100.0	100.0	100.0	100.0
Japan	32.6	35.4	48.2	(37.7)	64.9	70.2	74.9	(70.2)	85.8	86.0	72.7	85.8	86.0	86.0	72.7
Netherlands	70.3	83.9	70.6	77.3	87.2	93.9	87.0	91.1	58.5	95.0	93.1	58.5	95.0	95.0	93.1
New Zealand	..	(97.1)	95.7	100.0	..	(98.2)	97.4	100.0	..	100.0	100.0	100.0	100.0	100.0	100.0
Norway	98.5	99.6	100.0	100.0	99.4	99.8	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Sweden	75.5	95.4	98.4	98.1	96.4	99.2	99.9	(99.8)	(98.4)	100.0	100.0	(99.8)	100.0	100.0	100.0
Switzerland	81.9	66.6	77.0	(87.3)	88.6	91.2	90.9	(95.0)	100.0	90.0	98.2	(95.0)	100.0	90.0	98.2
United Kingdom	47.0	91.1	94.8	94.6	81.4	(96.9)	97.6	96.9	87.4	99.0	99.7	96.9	87.4	99.0	99.7
United States of America	59.2	58.1	58.8	67.0	84.3	85.4	85.6	88.6	90.4	92.0	82.7	88.6	90.4	92.0	82.7
DAC Total	58.7	(69.0)	69.6	71.5	82.2	(88.3)	88.5	89.0	88.8	95.4	(92.1)	89.0	88.8	95.4	(92.1)

Source: DAC Chairman's Report, various issues and OECD Press Release A(78)24, 19 June 1978.

a/ The "least developed countries" refers to the list of 25 countries drawn up by the General Assembly in resolution 2768 (XXVI) plus Bangladesh, Cape Verde, Central African Empire, Comoros, Democratic Yemen and Gambia, which have been added to the list in subsequent decisions.

9. With respect to the goal of providing ODA to the least developed countries essentially in the form of grants, the evidence is less clear since the latest available information is for 1976. Nevertheless, in that year the aid programmes of six DAC member countries - Australia, Austria, Italy, New Zealand, Norway and Sweden - to least developed countries were on a grant basis, while the assistance programmes of four other DAC countries - Belgium, Canada, Switzerland and the United Kingdom - embodied grant elements of more than 98 per cent.

III. IMPLEMENTATION OF RECOMMENDATIONS ADOPTED AT THE CONFERENCE  
ON INTERNATIONAL ECONOMIC CO-OPERATION AND REITERATED IN  
GENERAL ASSEMBLY RESOLUTION 32/181

10. The Conference on International Economic Co-operation made a number of specific recommendations to assist the developed countries in their efforts to meet the 0.7 per cent ODA target. These recommendations were reiterated in General Assembly resolution 32/181. Specifically, it was recommended that developed countries:

(a) Increase annually their official development assistance budgets by a specific percentage on a multi-year basis;

(b) Set aside at least 1 per cent of their annual gross national product increase expected to accrue to be devoted to augment official development assistance flows;

(c) Include aid volume targets in their economic planning;

(d) Undertake long-range planning in aid budgets.

11. The essential purpose of the recommendations relating to the aid budgeting policies of the donor countries is to suggest specific budgetary measures to attain the objective of the provision of development assistance on an assured, predictable and continuous basis.

12. The adoption of policies designed to mobilize and extend development finance to developing countries and multilateral institutions on an assured, predictable and continuous basis varies considerably from country to country. Some developed countries adopted such measures which, over time, resulted in the attainment of the 0.7 per cent target for official development assistance or which are designed to generate flows of that magnitude in the near future. An important element of these policies is the adoption of forward planning. While the degree of sophistication and formality of such planning varies from country to country, it generally includes a broad assessment of the economic performance and prospects of each recipient country and an assessment of its aid requirements, taking into account the time horizon of the planning period in the recipient country. Also, such programming provides a framework for the donor to communicate to at least the principal recipients of its aid the broad outlines of its intentions for several years into the future.

13. The desire of developing countries for assistance to be pledged over a longer time-frame, however, has not been easily reconcilable with the donors' desire to retain some flexibility in their aid allocations. On the whole, donors have tended to prefer greater flexibility in their long-term aid commitments. As a result, the totality of their bilateral aid programme is rarely pledged in advance. However, some countries, for example, Denmark, New Zealand, Norway and Sweden - which concentrate their bilateral aid on a few recipient countries - can effectively pledge the whole of their bilateral programme by planning forward individual country programmes. Forward planning of particular aid components (technical assistance in the case of France, Italy and Switzerland) is also a fairly common feature of bilateral programmes.

14. While advance commitments to individual recipients can often be made by the aid agency without approval of the legislature, there are considerable variations in donor practice in this regard. In the Federal Republic of Germany, advance commitments require the formal approval of Parliament which establishes a commitment ceiling that may not be exceeded. Legislative approval of most of Denmark's grants and all of its development loans is in theory required, though in practice it is rarely sought. Parliament may delegate its authority to the aid agency, allowing it to make forward pledges within a given ceiling either for individual projects or complete programmes. Alternatively, in those countries where Parliament exercises limited control over advance commitments (Belgium, Canada, New Zealand and the United Kingdom), the aid agency may proceed to commit funds in future years, bearing in mind both the framework figures and the expected level of appropriations. The close scrutiny exercised by the United States Congress over the aid budget means that in practice forward commitments that are legally binding cannot be undertaken unless funds have already been obligated. However, within broad limits the Agency for International Development (AID) can indicate, in the context of country programming exercises undertaken in consultation with prospective recipients, the general level of development aid that may become available subject to Congressional approval. In Sweden, the practice of authorizing the Government to make commitments up to a ceiling representing three times the level of current annual appropriations appears to be a model for countries which wish to give recipients firm forward planning totals.

15. One of the means suggested at the Conference on International Economic Co-operation, and reiterated in resolution 32/181, for developed countries to meet the 0.7 per cent target was for each donor country to set aside annually at least 1 per cent of its expected increase in GNP to be devoted to increased ODA. The rationale underlying this proposal is clear: in taking into account the difficulties encountered by a number of donor countries in mobilizing an adequate volume of ODA consistent with international norms, this method provides a means by which donors can attain the 0.7 per cent level during the time-frame that would ensure that the additional effort would not be disruptive of their budgetary appropriations. It would, at the same time, provide a certain degree of continuity to the donors aid appropriations while ensuring that countries furthest removed from ODA levels would undertake the greatest effort. In this way, it would bring about a greater equity in the burden-sharing efforts.

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Table 5

Possible evolution in DAC member countries' ODA/GNP ratio in 1977 had each DAC member country annually allocated 1 per cent of increment in its GNP to official development assistance since 1971

DAC	Actual ODA ratio		Hypothetical <u>a/</u> ODA/GNP ratio in 1977	Incremental <u>b/</u> ODA/GNP ratio
	1971	1977		
	(1)	(2)	(3)	(4)
Australia	0.53	0.45	0.81	0.40
Austria	0.08	0.24	0.68	0.33
Belgium	0.50	0.45	0.82	0.43
Canada	0.42	0.51	0.73	0.59
Denmark	0.43	0.61	0.76	0.74
Finland	0.12	0.17	0.66	0.20
France	0.65	0.63	0.85	0.61
Germany, Federal Republic of	0.33	0.26	0.71	0.20
Italy	0.15	0.09	0.53	0.01
Japan	0.23	0.21	0.74	0.21
Netherlands	0.58	0.84	0.85	1.00
New Zealand	0.23	0.35	0.61	0.47
Norway	0.33	0.82	0.76	1.10
Sweden	0.43	0.99	0.74	1.47
Switzerland	0.12	0.19	0.66	0.23
United Kingdom	0.39	0.38	0.65	0.35
United States of America	0.31	0.22	0.62	0.10
<u>Total</u>	0.34	0.30	0.69	0.29

Source: UNCTAD secretariat.

a/ Column 3 has been constructed to illustrate the likely evolution in each DAC member country's ODA/GNP ratio by 1977 had each DAC country, through a process of forward budget planning, allocated 1 per cent of its incremental GNP to ODA since 1971.

b/ Column 4 illustrates the actual share of increased GNP that was allocated by DAC member countries to official development assistance between 1971 and 1977.

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16. In order to clarify the advantages of this approach, table 5 illustrates the evolution in the ODA ratio that would have prevailed in 1977 had each DAC donor followed this policy throughout the decade of the 1970s (i.e., since 1971). <sup>a/</sup> Total ODA, which actually totalled \$14.6 billion in 1977, would under this method have amounted to more than twice as much, i.e., \$32.1 billion. The over-all ODA ratio would have been 0.69 per cent, only marginally below the target of 0.7 per cent. As the table illustrates, 10 of the 17 DAC donors would have met the target. Of the remaining seven, four would have had ODA ratios of more than 0.65 per cent, two of more than 0.60 per cent, and Italy would have attained a ratio of 0.53 per cent or six times the ratio actually observed in 1977.

17. A further insight is provided by examining the actually observed incremental ODA/GNP ratio over the period 1971 to 1977, i.e., the percentage of increased GNP in DAC member countries which was in fact devoted to increased ODA flows. As is shown in that table, for DAC as a whole this ratio was only 0.29 per cent, i.e., of each dollar increase in DAC GNP over the period 1971 to 1977 only 0.29 per cent, or \$0.0029, went to providing official development assistance. This latter ratio, viewed as a measure of each DAC country's effort, provides an explanation for the decline in the observed DAC ODA/GNP ratio from 0.34 per cent in 1971 to 0.30 per cent in 1977. Only three DAC donors (Netherlands, Norway and Sweden) had an incremental ratio exceeding 1 per cent. It is therefore not a coincidence that these three were the only countries to meet the 0.7 per cent target in 1977. The incremental ODA/GNP ratios of the three major DAC countries - the United States of America (0.10 per cent), Japan (0.21 per cent) and the Federal Republic of Germany (0.20 per cent) - provide much of the explanation for the decline in DAC ODA relative to GNP thus far in the 1970s.

#### Special Action Programme

18. The developed countries participating in the Conference on International Economic Co-operation agreed to contribute to the Special Action Programme, subject to legislative approval, where necessary, \$1 billion which would be provided to the recipient countries as additional and, as far as possible, quick-disbursing aid through multilateral channels, or through bilateral assistance or debt relief, all of comparable quality. In the light of the limited debt service capacity of the recipient countries covered by the Special Action Programme, it was agreed that contributions should be highly concessional, aiming at IDA terms over-all. Appropriate arrangements would be made among donors for the co-ordination of the Programme.

19. The following table summarizes the agreed contribution of the developed country participants at the Conference on International Economic Co-operation to the Special Action Programme:

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<sup>a/</sup> For the purposes of this exercise, it is assumed that actual and anticipated increases in GNP will be identical.

(In millions of United States dollars)

Country	Total	Multilateral	Bilateral	Debt relief
Australia	18	9 <u>a/</u>	9 <u>a/</u>	-
Canada	51	16 <u>a/</u>	-	35
European Economic Community	385	385	-	-
Japan	114	-	114	-
Spain	2	-	2	-
Sweden	29	2 <u>a/</u>	-	27
Switzerland	26	-	-	26
United States of America	375	-	375	-
Total	1,000	412	500	88

a/ Breakdown announced after the Conference.

20. The total contribution by Australia of \$18 million will be disbursed in the form of additional contributions to international development assistance and partly as grants to eligible countries on a bilateral basis. At this time, it is not anticipated that disbursements will in fact take place in 1977/1978 since no contribution has been made for such a purpose in the 1977/1978 budget.

21. Of Canada's contribution of \$51 million, \$35 million will be in the form of debt relief, the balance to be disbursed through multilateral channels.

22. The European Economic Community (EEC) decided at the Conference on International Economic Co-operation to contribute \$385 million to the Special Action Programme and to have the funds administered by IDA. To this end, a management agreement was signed between the EEC and its member States, on the one hand, and IDA, on the other, and is in the process of being ratified in those member States which have need of this procedure.

23. The breakdown of the aggregate contribution among EEC member States is as follows:

	<u>In millions of dollars</u>	<u>Per cent</u>
Belgium	15.9	4.1
Denmark	11.3	2.9
France	56.5	14.7
Germany, Federal Republic of	119.1	30.9
Ireland	1.0	0.3
Italy	34.9	9.1
Luxembourg	0.5	0.1
Netherlands	30.8	8.0
United Kingdom	115.0	29.9
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	385.0	100.0
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24. The International Development Association for its part will see to it that the funds contributed are committed within six months of the agreement coming into force and disbursed within two years of the same date. Credits granted to recipient countries will be in addition to the IDA's normal operations: they will be paid on its usual terms and used to finance quick-disbursing projects or programmes including sectoral projects.

25. Japan's contribution of \$114 million is believed to be in the form of quick-disbursing bilateral assistance to low-income countries on highly concessional terms during or after the 1977 fiscal year. It is not possible to determine the precise magnitude of the disbursement undertaken by Japan.

26. Information is not presently available to determine the commitments procedure for Spain or the time-frame within which the funds committed will be disbursed.

27. Sweden announced at the Conference on International Economic Co-operation (a) the cancellation of debt service over the period from 1977/1978 to 1981/1982 for least developed countries and most seriously affected (MSA) countries; and (b) a quick-disbursing bilateral aid programme amounting to 10 million Swedish kroners.

28. According to the information supplied by the Swedish authorities, the debt service of seven countries (Bangladesh, Botswana, Ethiopia, India, Kenya, Sudan and United Republic of Tanzania) has been cancelled for 1977/1978, and the Swedish authorities intend to ask Parliament to approve cancellation in respect of the years 1978/1979 to 1981/1982 as part of the Budget and Finance Bill for 1978/1979. In the meantime, Sweden announced at the United Nations that it would cancel the entire ODA debts of all the least developed countries and the MSA countries (in this instance, the seven above-mentioned countries plus Pakistan). This measure

is included in the 1978/1979 Budget and Finance Bill. It is specified that cancellation applies to all debts in respect of ODA for the least developed and most seriously affected countries but does not extend to the debts of the East African Development Bank.

29. In 1977, Switzerland submitted to Parliament a draft Federal Order concerning its contribution to the Special Action Programme in favour of lower income countries. This Order, which was approved by Parliament in December 1977, provides for the conversion into grants, with effect from 1 January 1978, of credits totalling Sw.Frs. 179.2 million with a discounted value of Sw.Frs. 67.4 million, i.e., \$26.9 million.

30. The United States contribution of \$375 million has not been separately identified in its budgetary appropriations but is believed to consist of the increase from the fiscal 1977 level of bilateral assistance to IDA eligible countries. The United States contribution will be committed during the years in which it is appropriated, i.e., 1977/1978 and 1978/1979.

31. In assessing the response of the donor countries to the agreements arrived at the Conference on International Economic Co-operation, two questions arise: first, whether the commitments are additional to previously planned levels of assistance and, second, whether the actual process of translating the pledges made at the Conference through timely commitments and disbursements is in fact in general conformity with the decision to provide a quickly disbursable assistance programme to meet immediate needs of individual low-income countries.

32. On the basis of available information, it is difficult to determine with a great deal of certainty whether the Programme in its totality is additional to what might otherwise have been undertaken by donor countries. With respect to the EEC contributions, for example, it appears that the contributions to the IDA resources are additional to the aid programmes of the Community. As has already been noted, when the agreement reached between the Community and IDA is ratified, the funds are expected to be committed over the following six months and disbursed over the following two years. In principle, therefore, it is unlikely that a significant volume of funds would begin to be disbursed before 1980 and hence the process of disbursements may well extend beyond 1980.

33. Information regarding the United States programme cannot be identified separately and therefore it is difficult to answer with a great degree of certainty whether the United States programme is additional and whether it will be disbursed in a timely fashion. Additionality can be fully evaluated only in the context of publicly-announced levels of assistance which donors intend to conform to over a given time horizon. In the absence of such information, it is difficult to judge whether the Special Action Programme is additional to planned levels of assistance or whether it might not have materialized in some form even in the absence of such commitments.



34. Contributions to the Special Action Programme in the form of debt relief remain the most effective form for disbursing assistance in a timely fashion. Barring Sweden and Switzerland - which together have pledged virtually the entire amount of their contributions in the form of debt relief, and Canada, which has pledged to provide nearly 70 per cent of its contribution in this form - all the rest have decided to allocate their contributions in the form of contributions via multilateral or bilateral channels.

35. It is clear that as of 1979 a very small proportion of the \$1 billion is likely to be disbursed. Indeed, with respect to the pledges undertaken by the United States and EEC, which together account for 76 per cent of the total level of commitments under the programme, the prospects of a significant volume of disbursements by the end of 1980 seem unlikely.

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