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ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

International flow of long-term capital and
official donations, 1951-1959

Report of the Secretary-General

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EXPLANATORY NOTES

The following symbols have been used in the tables throughout the report:

Three dots (...) indicate that data are not available or are not separately reported

A dash (-) indicates that the amount is nil or negligible

A full stop (.) is used to indicate decimals

A comma (,) is used to distinguish thousands and millions.

Use of a hyphen (-) between dates representing years, e.g., 1956-1959, signifies the full period involved, including the beginning and end years.

References to "dollars" (\$) indicate United States dollars.

The term "billion" signifies a thousand million.

Details and percentages in tables do not necessarily add to totals, because of rounding.

Certain abbreviations have been used: IBRD for International Bank for Reconstruction and Development; IFC for International Financial Corporation; IMF for International Monetary Fund; EEC for European Economic Community; OEEC for Organisation for European Economic Co-operation. "Rhodesia and Nyasaland" stands for the Federation of Rhodesia and Nyasaland.

Data for the Union of South Africa (since 31 May 1961, the Republic of South Africa) cover transactions of the Union and the territories of South-West Africa, Basutoland, Bechuanaland and Swaziland.

The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country or territory or of its authorities, or concerning the delimitation of its frontiers.

FOREWORD

In its resolution 1522 (XV) of 15 December 1960, the General Assembly requested the Secretary-General to prepare an annual report on the extent of progress towards increasing the flow of international assistance and capital to the under-developed countries so as to reach as soon as possible approximately 1 per cent of the combined national incomes of the economically advanced countries. Earlier, through its resolution 780 (XXX) of 3 August 1960, the Economic and Social Council requested the Secretary-General to assemble data and related information which would facilitate the study of the international flow of public and private capital, particularly to the under-developed countries. The present report has been prepared in response to both these resolutions.

For the international flows relating to the developed and under-developed countries, estimates have been derived mainly from the balance of payments statements. For the centrally planned economies, since balance of payments data are not available, estimates of economic assistance refer to commitments made by contributing countries. In the balance of payments statements, long-term capital flows are defined as investments without maturity, or maturing after one year.

Definitions and country coverage in this report differ in some respects from those in "International economic assistance to under-developed countries: statistics of contributions in 1960" (E/3556), which has been prepared in response to Economic and Social Council resolution 662 A (XXIV) of 30 July 1957. The latter report deals exclusively with official economic assistance and is based largely on replies to a questionnaire distributed by the Secretary-General to the contributing countries.

The "International flow of long-term capital and official donations, 1951-1959" has been prepared by the Division of General Economic Research and Policies of the United Nations Secretariat.

I. THE FLOW OF FUNDS FROM DEVELOPED COUNTRIES

A. Aggregate flow during 1951-1959

1. During the years 1951 to 1959, the net flow of long-term capital and official donations from the United States, Japan and the capital exporting countries of Western Europe reached a cumulative total of nearly \$54 billion (see table 1). The United States accounted for well over two-thirds of the flow, followed by the United Kingdom of Great Britain and Northern Ireland, the Federal Republic of Germany, Switzerland and France, in that order of importance. The remaining countries of the group contributed less than 4 per cent of the aggregate flow.
2. Approximately one-third of the net flow of long-term capital and official donations was in the form of donations by Governments, and another quarter took the form of official and banking loans. Loan and investment funds supplied by the private sectors were considerably greater - about 90 per cent in the aggregate - than those provided by official agencies and banks. This was notably the case in the traditional capital exporting countries, such as the United States, the United Kingdom and Switzerland. Belgium, likewise, relied primarily on the domestic capital market for the export of investment funds, which were directed mainly to the under-developed countries within its own monetary area. By contrast, the Federal Republic of Germany and France placed greater emphasis on official and bank loans in their long-term capital transactions with the rest of the world. In the case of the Federal Republic of Germany, this pattern resulted partly from a relative weakness of the domestic capital market, especially during the early nineteen fifties, and partly from the fact that the Government had

TABLE 1

Developed countries: balance of payments on capital account, by country, cumulative totals for 1951-1959^e
(Millions of dollars)

Country	Net long-term capital and official donations				Net private donations	Net short-term capital, changes in gold and foreign exchange reserves and errors and omissions account		Balance of payments on capital account
	Long-term capital					Private	Net	
	Total	Official donations	Total	Official and banking				
Capital exporting countries								
Belgium-Luxembourg	-759 ^{b/}	18	-777 ^{b/}	23	182	-800 ^{b/}	-1,515 ^{b/}	-2,092
Denmark	-71	96	-167	-191	...	24	...	-100
Federal Republic of Germany ..	-3,614	-1,164	-2,450	-2,007	-277	-443	-6,152	-10,043
Finland	-180	-89	-91	-110	14	19	-176	-342
France c/	(-1,530)	(124)	(-1,654)	(-3,060)	(1)	(1,406)	...	...
Japan	-446	-215	-231	-353	280	122	...	...
Netherlands	-157	109	-266	-645	84	379	-276	-442
Sweden	-202	12	-214	-196	-68	-18	-1,627	-1,700
Switzerland	-2,019 ^{a/}	-	-2,019 ^{a/}	-249	...	-1,770 ^{a/}	169	-101
United Kingdom	-6,237 ^{a/}	90	-6,327 ^{a/}	-1,561	-509	-4,766 ^{a/}	3,168 ^{a/}	-3,578
United States e/	-38,622	-16,929	-21,693	-3,598	-4,385	-18,095	14,846	-28,161
Total, after statistical adjustments ^{f/}	-53,786	-16,799	-36,987	-12,558	...	-24,429	...	...
Capital importing countries								
Australia g/	1,621	-83	1,704	137	-18	1,567	1,471	3,074
Austria	336	203	133	10	23	123	-242	117
Canada	7,309	-286	7,595	-249	-572	7,844	-121	6,616
Italy	775	396	379	-540	1,474	919	-1,016	1,233
New Zealand h/	423	-22	445	142	-28	303	-71	324
Norway	484	48	436	-52	60	488	136	680
Total, after statistical adjustments ^{f/}	13,485	256	13,229	-552	...	13,781	...	...
Net flow of funds to rest of world, after all statistical adjustments f/								
Net contributions to international financial agencies ..	-6,302	-	-6,302	-4,710	...	-1,592	...	...
Net identifiable flow of funds to centrally planned economies								
Net flow of funds to underdeveloped countries i/	-1,249	-992	-257	-257	...	-	...	...
	-32,448	-15,247	-17,201	-8,145	...	-9,056	...	...

(Source and footnotes to Table 1 continued on next page.)

(Source and footnotes to Table 1, continued)

Source: Division of General Economic Research and Policies of the United Nations Secretariat, based on data from Statistical Office of the United Nations, Statistical Yearbook; from International Monetary Fund, Balance of Payments Yearbook (Washington, D.C.); and from Organisation for European Economic Co-operation, The Flow of Financial Resources to Countries in Course of Economic Development, 1956-1959 (Paris, 1961).

- a/ No sign indicates net inflow of funds; minus sign indicates net outflow.
- b/ Short-term private capital included with long-term private capital.
- c/ Data refer to estimates of the sum of net long-term transactions with non-franc area countries settled through Metropolitan France (\$2.8 billion) and gross official loans and grants of Metropolitan France to the rest of the franc area (-\$4.3 billion).
- d/ For 1951, short-term private capital included with long-term private capital.
- e/ Excluding military aid transactions.
- f/ The sum of reported flows of long-term capital and official donations has been adjusted to allow for certain inconsistencies in the reporting of transactions by individual countries. The adjustments made are listed below (figures in brackets indicate the amounts involved for the period 1951-1959).
- Adjustments to total of reported flows from capital exporting countries: exclusion from official donations of indemnification payments by the Government of the Federal Republic of Germany to individuals resident in other countries (\$1.1 billion); exclusion from official and banking capital of receipts of the United States from sales of government securities (\$0.6 billion); inclusion of flow into the United Kingdom of re-invested earnings of United States subsidiaries (\$1.0 billion); inclusion of flow from the United Kingdom and other Western European countries of re-invested earnings of affiliates in Australia (\$0.4 billion); exclusion of flow into the United States of re-invested earnings of subsidiaries of foreign companies (\$1.0 billion). The last three adjustments are designed to correct for omission or inadequate coverage of re-invested earnings of foreign controlled enterprises in the statistics of Canada, the United Kingdom and other Western European countries.
- Adjustment to total of reported flows into developed capital importing countries: inclusion in flow of private capital into Canada of re-invested earnings of subsidiaries of United States companies omitted from Canadian statistics (\$2.5 billion).
- Adjustment to net flow to rest of the world: exclusion of United States contributions to joint agencies of Western European countries (\$0.4 billion)

- g/ Fiscal years beginning 1 July.
- h/ Fiscal years beginning 1 April.
- i/ Obtained as a residual. It includes official donations by developed countries to international technical assistance and relief agencies as well as other discrepancies in definition, coverage and time between reporting countries for which statistical adjustments cannot be made.

undertaken large-scale repayments of its pre-war and early post-war foreign indebtedness.^{1/}

3. The Government of France, on the other hand, was financing very substantial public investments in its overseas territories and associated countries under a long-term development programme. It should be noted, however, that the estimates of net flows from France are deficient to the extent that data on French private investment in the franc area are lacking. The gross flow of such investments has been estimated at around \$350 million per annum during the years 1956 to 1959.^{2/} But even if this estimate of gross flow were assumed to be equal to the net flow of private capital, it would still fall far short of the flow of public capital from France. Most of the smaller capital exporting countries, as is indicated in table 1, were net exporters of official and banking capital, while at the same time they were receiving net imports of private capital. Thus, Denmark, Finland, Japan and the Netherlands, together, received a net flow of long-term private capital equivalent to two-fifths of the net flow of official and banking capital provided by them.

^{1/} Estimates of international flows of official and private funds in this report are derived in the main from International Monetary Fund, Balance of Payments Yearbook (Washington, D.C.). The terms "official and banking" and "private", according to the Fund's definitions, refer to the sectors in the country for which data are reported and not to those in the rest of the world. In this section, therefore, they stand for the official banking and private sectors, respectively, in the developed countries. It should be noted that all banking transactions, official or private, are included with other official financial transactions. Thus, it is possible for the same item to appear, say, as "official and banking" in the balance of payments of the contributing country and as "private" in the accounts of the recipient country. For example, a number of loans provided by the Export-Import Bank of Washington to foreign firms fell in this category. The problems arising from definitions of basic terms should be kept in mind when inter-country comparisons are made.

The net flow of capital represents the algebraic sum of changes in assets and liabilities. Long-term capital refers to investments without maturity, or maturing after one year.

^{2/} Organization for European Economic Co-operation, The Flow of Financial Resources to Countries in Course of Economic Development, 1956-1959 (Paris, 1961).

TABLE 2

Developed countries: percentage distribution of net international flows of long-term capital and official donations from capital exporting countries by type and by recipient group, 1951-1959

Item	Total	Net official donations	Net long-term capital		
			Total	Official and banking	Private
<u>Distribution of net flow from developed capital exporting countries by type</u>					
Total <u>a/</u>	100	31	69	24	45
Net flow into developed capital importing countries <u>b/</u>	100	2	98	-4	102
Net contributions to international financial agencies	100	-	100	75	25
Net flow to under-developed countries <u>c/</u>	100	47	53	25	28
<u>Distribution of net flow from capital exporting countries by recipient group <u>d/</u></u>					
Total <u>a/</u>	100	100	100	100	100
Net flow into developed capital importing countries <u>b/</u>	25	2	36	-4	56
Net contributions to international financial agencies	12	-	17	38	6
Net flow to under-developed countries <u>c/</u>	60	91	46	65	37

Source: Table 1.

a/ After statistical adjustments; see footnote f/ to table 1.

b/ Minus sign indicates net outflow.

c/ See footnote i/ to table 1.

d/ Centrally planned economies are not shown separately.

/...

4. Three-fifths of the net flow of long-term capital and official donations from the capital exporting countries was directed to the under-developed countries. Developed capital importing countries and international financial institutions received 25 per cent and 12 per cent, respectively, (see table 2), the remainder going to the centrally planned economies. The share received by international financial institutions, however, is not representative of transactions during the period as a whole, as the figure includes large payments in 1959 in connexion with the increased membership quotas of the International Monetary Fund as well as capital subscriptions paid by Western European countries to financial institutions of the European Economic Community. Such flows from the capital exporting countries in 1959 alone totalled \$3.5 billion. Apart from these rather special factors, long-term borrowing by the International Bank for Reconstruction and Development (IBRD) in the capital markets - chiefly in the United States and Switzerland, but to a growing extent also in the Federal Republic of Germany and elsewhere in Western Europe - claimed a significant share of the net flow of long-term private capital from the developed capital exporting countries.
5. The bulk of long-term funds invested in developed capital importing countries went to Canada and Australia, the four other countries included in table 1 obtaining one-sixth of the total inflow of the group. In contrast to the flow of capital to other destinations, the flow to the developed capital importing countries consisted primarily of private funds. In fact, as may be seen from table 2, the net inflow of such capital into the developed countries exceeded on balance their total net receipts of long-term capital and donations. As a group, these countries were net exporters of official capital. Several of them, on the other hand, received substantial amounts of official donations, but such receipts were in large part offset by disbursements from others. Thus Austria, Italy and Norway received grants, totalling close to \$650 million - chiefly from the United States - but the Governments of Australia, Canada and New Zealand provided \$400 million as grants, which were partly in connexion with the Colombo Plan.
6. Of the long-term funds provided to the under-developed countries, the net flow of private capital, although substantial, was not the largest component. As is explained in section II below, among the under-developed countries, private capital has been strongly influenced by the nature of their export markets and

by their relative stage of economic development. Official funds, on the other hand, have been given by Governments and official institutions as a matter of deliberate policy, which has frequently taken into account the relative needs of the under-developed countries. It is not a coincidence, therefore, that official donations alone have constituted almost half of the total flow of long-term funds to these countries.

B. Trends in the flow

7. The decade of the nineteen fifties was a period of rapid economic expansion in the Western European countries and in Japan, in the course of which the dependence of these countries on long-term external assistance was finally eliminated. In the second half of the decade, currency convertibility was virtually restored in most of the developed countries, and restrictions on international movements of capital were considerably eased. The rapid growth of income and output enabled many of the European countries to contribute increasingly to the international supply of long-term capital and official donations. At the same time, however, their own prosperity attracted a growing volume of private capital from the United States. The decade also witnessed increasing use of international financial agencies on the part of the developed countries to channel capital to the underdeveloped countries.

8. These developments are clearly reflected in the changing level and composition of the flow of long-term funds from the developed countries. As may be seen from table 3, the net annual flow of long-term capital and official donations from the developed capital exporting countries rose from \$4.5 billion in 1951-1955 to \$7.8 billion in 1956-1959. The share of the United States in the total flow declined from three-fourths to about two-thirds, thus indicating a greater rate of increase in net flows from other capital exporting countries.^{3/}

^{3/} The ratios take into account statistical adjustments in the data for the United States which are included in the total listed in table 3, but are not shown separately for individual countries.

Developed countries: averages of net international flows of long-term capital and official donations, by country, 1951-1955 and 1956-1959 a/
(Millions of dollars per annum)

Source and notes: See table 1.

9. The increase in the total flow of long-term funds was particularly marked in the Federal Republic of Germany and in Japan, where post-war reconstruction had continued into the early nineteen fifties (and where reparation payments had also swelled the outflow of official donations in the latter part of the decade). Several of the Western European capital exporting countries doubled or more than doubled the flow from 1951-1955 to 1956-1959. This was notably the case in Belgium, France, the Netherlands and the United Kingdom.
10. In 1951-1955, almost all Western European capital exporting countries, as well as the net capital importers in the region, were net recipients of official donations. Together with Japan, the capital exporting countries absorbed annually close to \$500 million of such donations from the United States. In 1956-1959, on the other hand, they themselves contributed on the average over \$800 million annually as official donations.^{4/} Their economic expansion enabled the United States not only to divert the flow of funds to the under-developed countries, but also to reduce its own outlay on official donations without loss to the latter group. In fact, as indicated in table 3, the adjusted net annual flow of official donations from the developed capital exporting countries rose from \$1.6 billion in 1951-1955 to \$2.2 billion in 1956-1959. Since during this period the developed capital importing countries shifted from the status of net recipients to that of contributors of official donations, the total amount of such funds available to the rest of the world increased by nearly \$1 billion.
11. The net annual flow of long-term capital from the developed capital exporting countries increased even more rapidly than that of official donations: it rose from \$2.9 billion in 1951-1955 to \$5.6 billion in 1956-1959. In contrast to the development with respect to official donations, the bulk of the increase in the outflow of long-term capital was contributed by the United States, largely as a result of a very rapid expansion in the outflow of United States private capital. While the flow of long-term private funds from the United States more than doubled, a number of Western European countries recorded increases in receipts of such funds. And in those Western European countries where the net flow of

^{4/} About two-fifths of this total was accounted for by German indemnification payments to individuals largely in other developed countries. These transactions are not included in the adjusted total outflow of official donations from capital exporting countries.

private capital to other parts of the world did rise, the expansion was relatively small. Consequently, the net contribution of other capital exporting countries to the increase in the net outflow of private capital amounted to only 10 per cent.

12. Although the net flow of official and banking capital increased from both groups of developed countries - for the group of capital importing countries, the net inflow in 1951-1955 gave way to net outflow in 1956-1959 - the increase was largely received by international financial agencies. However, as explained earlier, a substantial part of the increase resulted from special circumstances in 1959.

13. Even though the net annual flow of long-term funds to the under-developed countries expanded from \$2.9 billion in 1951-1955 to \$4.5 billion in 1956-1959,^{5/} the share of this group of countries in the total flow from the group of developed capital exporting countries declined from nearly two-thirds to under three-fifths (see table 4). By far the most rapid increase was recorded by the share going to international financial institutions. The increased flow of contributions from the developed countries to international financial institutions reflects the growing importance of such agencies as channels of international lending. This trend, as can be seen from the table at the end of the present paragraph, was further strengthened by the establishment in recent years of a number of new institutions, notably the International Finance Corporation (IFC), the European Development Fund and the European Investment Bank, the capital stock of which was subscribed primarily by the developed countries. In order to expand its lending operations, IBRD increased its long-term borrowing in the capital markets of the developed countries nearly threefold between 1951-1955 and 1956-1959. As may be seen from table 5, the under-developed countries accounted for a major and rising proportion of loan disbursements from the International Bank. Annual gross disbursements to these countries more than doubled between 1951-1955 and 1956-1959, amounting to nearly \$300 million per annum in the latter period. Such loans have been particularly important for a number of countries, notably in Asia, which did not receive any significant flow of private capital.

^{5/} The estimate of \$4.5 billion per annum for 1956-1959 differs from that published by the Organisation for European Economic Co-operation on account of differences in coverage. For a discussion of these differences, see annex to the present report.

TABLE 4

Developed countries: percentage distribution of net international flows of long-term capital and official donations from capital exporting countries by type and by recipient group, 1951-1955 and 1956-1959

Item	1951-1955				1956-1959					
	Total	Net official donations	Net long-term capital		Total	Net official donations	Net long-term capital			
			Official and banking	Private			Total	Official and banking		
<u>Distribution of net flow from developed capital exporting countries by type</u>										
Total a/	100	35	65	22	43	100	28	72	25	47
Net flow into developed capital importing countries b/	100	12	88	2	86	100	-7	107	-9	116
Net contributions to international financial agencies	100	-	100	53	47	100	-	100	79	21
Net flow to under-developed countries c/	100	44	56	30	27	100	49	51	22	28
<u>Distribution of net flow from developed capital exporting countries by recipient group d/</u>										
Total a/	100	100	100	100	100	100	100	100	100	100
Net flow into developed capital importing countries b/	27	10	36	2	54	24	-5	35	-8	58
Net contributions to international financial agencies	4	-	7	11	5	17	-	23	55	8
Net flow to under-developed countries c/	65	81	56	86	41	57	100	40	53	34

Source: Table 3.

a/ After statistical adjustments; see footnote f/ to table 1.

b/ Minus sign indicates net outflow.

c/ See footnote i/ to table 1.

d/ Centrally planned economies are not shown separately.

TABLE 5

International Bank for Reconstruction and Development and International Finance Corporation: lending operations, 1951-1959

Region ^{a/}	Gross disbursements			Net disbursements ^{b/}		
	Total,	Annual average		Total,	Annual average	
	1951-1959	1951-1955	1956-1959	1951-1959	1951-1955	1956-1959
(millions of dollars)						
Developed countries.....	1,007	87	143	731	56	113
Under-developed countries....	1,899	138	299	1,612	125	243
Africa	482	45	64	413	44	49
Latin America	648	64	79	517	58	54
Middle East	159	10	28	136	8	24
South East Asia	604	18	128	540	14	117
Other	6	1	-	5	1	-
Yugoslavia	58	11	-	49	10	-
Total	2,964	235	443	2,392	191	355
(percentage)						
Developed countries	34	37	32	31	29	32
Under-developed countries ...	64	58	68	67	66	68
Africa	16	19	15	17	23	14
Latin America	22	27	18	22	30	15
Middle East	5	4	6	6	4	7
South East Asia	20	8	29	23	7	33
Other	-	-	-	-	1	-
Yugoslavia	2	5	-	2	5	-
Total	100	100	100	100	100	100

Source: Division of General Economic Research and Policies of the United Nations Secretariat, based on data from International Monetary Fund, International Financial Statistics (Washington, D.C.) and from the International Bank for Reconstruction and Development.

a/ Developed countries: Australia, Austria, Belgium, Denmark, Finland, France, Italy, Japan, Luxembourg, Netherlands, Norway; Under-developed countries refer to the countries listed by regions, as follows: Africa: Algeria, British East Africa, Congo (Leopoldville), Ethiopia, former French West Africa, Gabon, Nigeria, Rhodesia and Nyasaland, Ruanda-Urundi, Sudan, Union of South Africa; Latin America: Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay; Middle East: Iran, Iraq, Lebanon, Turkey; South East Asia: Burma, Ceylon, Federation of Malaya, India, Pakistan, Philippines, Thailand; Other: Iceland.

b/ Gross disbursements minus repayments.

Net contributions by developed countries
to international financial institutions a/

(Billions of dollars per annum)

	<u>1951-1955</u>	<u>1956-1959</u>
Subscription payments to the IMF	0.2	1.0
Subscription payments to IBRD, IFC, EEC Development Fund and EEC Investment Bank	-	0.1
Net acquisition of IBRD Funded Debt	0.1	0.3
<u>Less</u> net drawings on loans obtained from IBRD	0.1	0.1
Total	0.2	1.3

Source: See table 1.

a/ Including payments in connexion with quota increases.

14. While the increased flow to the International Monetary Fund (IMF) would not become directly available to the under-developed countries for long-term investment, the expanded flow to the international institutions directly concerned with investment lending can be expected to play a valuable role in financing development projects. When these considerations are taken into account, the decline in the proportion of funds going to the under-developed countries indicated in table 4 is more apparent than real.

15. Although the net flow of long-term funds from the developed capital exporting countries was substantial in absolute terms, it amounted to little more than 1 per cent of their combined gross domestic product and less than 6 per cent of their combined gross domestic saving in 1956-1959 (see table 6). The per capita contribution was nearly \$17 per annum. However, if all developed countries are treated as a group, the net flow of long-term funds to the rest of the world was equivalent to \$11 per capita or 0.8 per cent of the combined domestic product. Of this amount, the under-developed countries received approximately three-fourths or \$8 per head of the developed countries, the remainder going to the international financial agencies. In relation to the combined domestic product of the developed countries the flow to under-developed countries was approximately 0.6 per cent, while in relation to domestic saving it was about 3 per cent. Of this amount, approximately half consisted of official donations, while official and private long-term capital took about 30 and 20 per cent, respectively.

/...

TABLE 6

Developed countries: net international flows of long-term capital and official donations in relation to selected variables, 1956-1959 a/

Item	Net long-term capital and official donations		
	Per capita (dollars)	As percentage of	
		Gross domestic product	Gross domestic saving
Developed capital exporting countries.....	-17	-1.1	-5.9
Developed capital importing countries.....	21	2.1	9.6
Net flow from all developed countries.....	-11	-0.8	-3.9
To international financial agencies.....	-2	-0.2	-0.9
To under-developed countries:			
Total.....	-8	-0.6	-2.9
Official donations.....	-4	-0.3	-1.4
Long-term capital:			
Official and banking.....	-2	-0.1	-0.6
Private.....	-2	-0.2	-1.0

Source: Division of General Economic Research and Policies of the United Nations Secretariat, based on data from table 3 and from Statistical Office of the United Nations, Statistical Yearbook and Yearbook of National Accounts Statistics.

a/ No sign indicates net inflow; minus sign indicates net outflow. Data refer to adjusted estimates; see footnote f/ to table 1.

II. THE FLOW OF FUNDS TO UNDER-DEVELOPED COUNTRIES

A. Aggregate flow during 1951-1959

16. In recent years, the inflow of foreign saving in the form of an excess of imports over exports of goods and services has made significant additions to the resources for economic development in the under-developed countries. In fact, it is shown in the World Economic Survey, 1960 that increases in the rate of capital formation in these countries in the decade of the nineteen fifties were financed to a large extent by the increased flow of such saving from abroad.^{6/}

17. The importance of the inflow of foreign saving for the under-developed countries, indeed, goes beyond its role as a supplement to domestic saving. Even if it were feasible to generate a level of domestic saving to match a desired rate of capital formation, the dependence of these countries on imports of strategic goods is so great that without an inflow of foreign saving it is usually not possible to meet the additional foreign exchange requirements. It is not surprising therefore that, with the acceleration of the pace of economic advance, under-developed countries have increasingly tended to incur deficits in their balance of payments on current account. Requirements of machinery and other investment goods, of essential raw materials and, in a number of cases, even of foodstuffs have often resulted in an excess of merchandise imports over exports. Although several under-developed countries, notably those whose primary products have been in vigorous demand abroad, have recorded surpluses in merchandise trade balances, these surpluses have generally been more than offset by deficits on services account. It is a common characteristic of the under-developed countries that their service payments usually exceed receipts. Most of these countries have continued to depend heavily on the more developed countries for transport, insurance and other services. Servicing of foreign debts, too, has commonly required sizable payments to the capital export countries. As a result, the external accounts of most under-developed countries were in deficit in the years 1951 to 1959.

18. In a number of countries, part of the deficit on current account was met through short-term credits provided by private and public sources abroad and

^{6/} See World Economic Survey, 1960 (United Nations publication, sales No.: 61.II.C.1), chapter 2.

through drawings upon reserves of gold and foreign exchange (see table 7).^{7/} In some countries, private donations also helped to fill the gap between current payments and receipts. This was particularly important in Greece, India, Israel and Puerto Rico, for example, where substantial amounts of such funds are received through remittances of emigrants or as a result of close cultural ties with people abroad. As a general rule, however, these forms of financing were not the principal means by which deficits were met. In many countries, in fact, short-term credits and private donations constituted a claim on foreign exchange in the nineteen fifties, and therefore added to the payments deficits rather than contributed to financing them.

19. It is evident from table 7 that the major source of foreign funds received by the under-developed countries during the years 1951 to 1959 was official donations and long-term capital. The cumulative net flow of these funds which can be identified in the balance of payments of the under-developed countries for any part of the period beginning with 1951 appears to have been \$30.2 billion. This amount consists of \$12.6 billion recorded as official donations, \$10.8 billion recorded as long-term private capital and \$6.8 billion as long-term official and banking capital.^{8/}

20. But this estimate of \$30.2 billion does not provide a full indication of the magnitude of long-term funds received by the under-developed countries. In the first place, the incomplete time coverage for certain countries may represent

^{7/} Balance of payments on current account is equal to the balance of payments on capital account with the sign reversed.

^{8/} As indicated earlier, the terms "private" and "official and banking" in the balance of payments data compiled by IMF refer to the sectors in the reporting country. In this section, therefore, they connote the transactions of the private and of the official and banking sectors in the under-developed countries. A part of the net inflow of official and banking capital may have been obtained from private investors abroad; and some of the net inflow of private capital may have been provided by official and banking institutions in the lending countries.

TABLE 7

Under-developed countries: balance of payments on capital account,
by country, cumulative totals for 1951-1959 e/
(Millions of dollars)

Country	Net long-term capital and official donations			Net private donations	Net short-term capital, changes in gold and foreign exchange reserves, and errors and omissions	Balance of payments on capital account
	Total	Long-term capital				
		Official donations	Official and banking				Private
Africa						
Congo (Leopoldville)	497	10	487	423	64	342
Ethiopia	72	52	20	-9	29	17
Iberia b/	75	1	74	21	53	8
Libya .....	...	192	...	...	...	120
Morocco c/ .....	...	...	482	268	214	...
Rhodesia and Nyasaland	737	17	720	332	388	1,072
Sudan	-10	9	-20	-12	-8	-15
Tunisia d/	80	59	21	19	2	-164
Union of South Africa e/	691 e/	-	691 e/	165	526 e/	567
Franc area other than Morocco and Tunisia f/	(3,490)	(1,958)	(1,532)	(1,532)	(-)	...
Latin America						
Argentina	580	1	579	144	435	1,070
Bolivia	162	132	30	-21	51	171
Brazil	1,659	34	1,625	422	1,203	2,273
Chile	315	18	296	11	285	361
Colombia	294	11	283	175	108	-51
Costa Rica	67	29	38	9	29	92
Cuba	379	3	376	-13	389	554
Dominican Republic	22	2	20	-11	31	-27
Ecuador	84	16	68	24	44	46
El Salvador	-10	8	-17	3	-20	-41
Guatemala	154	72	82	9	73	160
Haiti g/	66	28	39	19	20	26
Honduras	47	13	34	-	34	53
Mexico	1,097	21	1,077	233	844	738
Nicaragua	41	16	24	2	22	36
Panama	110	24	86	11	75	136
Paraguay	28	13	15	6	9	46
Peru	457	42	415	73	342	649
Puerto Rico h/	1,426	709	717	196	521	1,707
Surinam	57	14	43	10	33	40
Uruguay .....	...	4	...	14	...	302
Venezuela	1,968	1	1,967	-9	1,976	348
Middle East						
Iran i/	657	303	354	205	149	707
Iraq	195	10	186	67	119	-187

Table 7 (continued)

Country	Net long-term capital and official donations				Long-term capital			Net private donations	Net short-term capital, changes in gold and foreign exchange reserves, and errors and omissions		Balance of payments on capital account
	Total	Official donations	Total	Official and banking	Private		omissions				
					Private	omissions					
Israel e/.....	1,616	986	629	467	162		846	-51		2,410	
Jordan	432 e/	386	47 e/	42	5 e/		...	44 e/		476	
Lebanon j/	55 e/	56	-1 e/	6	-7 e/		...	419 e/		474	
Turkey	803	558	245	168	77		...	137		940	
United Arab Republic (Egypt)	136	54	82	94	-12		38	651		825	
United Arab Republic (Syria)	65 e/	23	41 e/	-1	42 e/		34	98 e/		196	
South East Asia											
Burma	92	111	-19	-23	4		-56	-4		32	
Ceylon	10	43	-34	22	-56		-140	111		-19	
China (Taiwan)	805	696	108	64	44		32	53		889	
India	1,245	415	830	953	-123		668	1,695		3,608	
Indonesia	176 e/	252	-76 e/	-72	-4 e/		...	302 e/		478	
Pakistan	591	500	91	50	41		-26	277		842	
Philippines	622	261	362	20	342		84	4		710	
Republic of Korea .....	...	2,058	...	-8	...		133	-22		2,161
Republic of Viet-Nam k/ .....	...	763	...	42	...		72	-52		825
Thailand .....	...	156	...	43	...		-32	128		295
Other											
Greece	923 e/	647	275 e/	-30	305 e/		541	-32 e/		1,432	
Iceland	56	20	36 i/	25	11 i/		-	18		74	
Ireland	277 e/	15	262 e/	36	226 e/		280	268 e/		825	
Portugal (escudo area)	100	9	91	76	15		276	-202		174	
Spain m/	245	153	92	-9	101		316	363		924	
Federation of Malaya-Singapore, Ghana and United Kingdom Colonial Territories b/ n/	2,756	597	2,159	543	1,596		...	...		...
TOTAL, ALL COUNTRIES AND ITEMS	30,218	12,580	17,635	6,826	10,809		...	...		...

Source: Division of General Economic Research and Policies of the United Nations Secretariat, based on data from Statistical Office of the United Nations, Statistical Yearbook; from International Monetary Fund, Balance of Payments Yearbook (Washington, D.C.); and from Organisation for European Economic Co-operation, The Flow of Financial Resources to Countries in Course of Economic Development, 1956-1959 (Paris, 1961).

a/ No sign indicates net inflow of funds; minus sign indicates net outflow. Where data for any component are not available separately, they are included with errors and omissions.

b/ 1953-1959.

c/ 1952-1959.

(footnotes continued on following page)

(Footnotes to table 7) (continued)

- d/ 1957-1959.
e/ Short-term private capital included with long-term private capital.
f/ Data refer to estimates of assistance by the Government of France to the franc area countries in Africa other than Morocco and Tunisia.
g/ Fiscal years ending 30 September.
h/ Fiscal years ending 30 June.
i/ Fiscal years beginning 21 March.
j/ 1951-1957.
k/ 1956-1959.
l/ Private capital flow refers to changes in liabilities only.
m/ 1954-1959.

n/ Data for Federation of Malaya-Singapore and Ghana have had to be included with those for United Kingdom Colonial Territories owing to the absence of separate data for the earlier years. The cumulative totals for these countries for the period 1956-1959 are as follows (private capital includes both long-term and short-term capital):

	Federation of Malaya-Singapore (Millions of dollars)	Ghana
Net long-term capital and official donations	114	43
Official donations	37	2
Long-term capital	77	41
Official and banking	11	76
Private	66	-35

under-estimation of the total inflow to the extent of around \$2 billion.^{9/} Secondly, in a number of cases, data for certain components - for example, official donations in Morocco and private capital in Thailand - are not available. Thirdly, data on private capital flow for a number of countries exclude reinvested earnings. Finally, for some countries such as Afghanistan, Cambodia, Kuwait, Laos and Nepal, although balance of payments data are completely lacking, it is known that inflows of long-term foreign funds have by no means been insignificant.^{10/} If crude adjustments for all these omissions are included, it appears that the net flow received by the under-developed countries may have reached a level close to \$34 billion.

21. Furthermore, it should be emphasized that the crude estimate of \$34 billion does not make any allowance for the payments made by the under-developed countries in connexion with the increases in membership quotas of IMF. Such payments amounted to \$1.6 billion. If an adjustment is made for this sum, the cumulative net inflow during the years 1951 to 1959 would appear to have been \$35 to \$36 billion.

^{9/} If the assumption were made that the average annual inflow of foreign funds during the years for which data are not available was of the same order as during the portion of 1951-1959 for which information is available, the estimates of long-term capital and official donations would appear as follows:

(Billions of dollars)

Net long-term capital and official donations ...	32.7
Official donations	
Long-term capital	18.7
Official and banking	7.2
Private	11.4

However, since data are lacking generally for the earlier years of the nineteen fifties when the average annual inflow may have been smaller than in later years, this computation may exaggerate the magnitude of the omitted data.

^{10/} In the years 1955 to 1959, for example, the United States alone provided net grants amounting to \$0.5 billion to Afghanistan, Cambodia, Laos, Morocco, the Ryukyu Islands and the Trust Territory of the Pacific Islands. United States Department of Commerce, Statistical Abstract of the United States, 1960 (Washington, D.C.).

22. The discussion in section I above, it will be recalled, indicated that the net flow of long-term funds from the developed countries of North America, Western Europe, Australia, Japan and New Zealand to the under-developed countries amounted to over \$32 billion in the years 1951 to 1959. Under-developed countries, however, also received funds from international organizations as well as from the centrally planned economies during this period. For example, as was indicated in table 5, IBRD and IFC provided over \$1.6 billion as loans (net of repayments) to the under-developed countries. As will be shown in section III below, although information about disbursements is lacking, commitments of economic assistance by the centrally planned countries totalled nearly \$2.2 billion by the end of 1959. These facts confirm that the aggregate flow received by the under-developed countries may have been \$35 to \$36 billion.

23. Of the adjusted estimates of total long-term funds received by the under-developed countries, official donations constituted the largest component, and were followed by private capital and official and banking capital, in that order. However, the relative importance of these components varied widely from country to country. For example, while private capital was the most important source of long-term finance for Latin America,^{11/} official donations were the predominant source of funds in South East Asia during the period 1951 to 1959 as a whole.

B. Trends in the flow

24. Not only has the flow of funds received by the under-developed countries been sizable, but, what is more important in the context of economic development, there has been a marked upward trend in the total inflow in the nineteen fifties. As is shown in table 8, the net flow of long-term capital and official donations into under-developed countries for which comparable data are available^{12/} increased by

^{11/} Direct investment has often dominated the flow of private capital into the under-developed countries. Data on direct investment for the 1951-1959 period are available for only fifteen countries, mainly in Latin America. In almost all these countries, direct investment has accounted for either virtually the whole or the largest part of long-term private capital inflow.

^{12/} It should be emphasized that the coverage in table 8 is not complete. Only those countries have been included for which comparable data for 1951-1955 and 1956-1959 are available. Data with regard to change over time or with respect to the relative importance of various components must therefore be treated as indicating broad orders of magnitude only.

(Table continued on following page)

(Table continued on following page)

TABLE 8 (continued.)

Country	Net long-term capital							
	Net		Official and banking					
	Total	official donations	1951-1955	1956-1959	Total	1951-1955	1956-1959	Private
	1951-1955	1956-1959	1951-1955	1956-1959	1951-1955	1956-1959	1951-1955	1956-1959
Latin America (cont'd)								
Ecuador	8	11	1	3	7	9	3	4
El Salvador	-1	-1	1	1	-2	-2	-1	-3
Guatemala	3	35	2	15	1	20	1	-
Haiti f/	9	5	1	6	8	-	4	4
Honduras	7	3	1	2	6	1	-2	8
Mexico	99	151	4	1	96	149	41	82
Nicaragua	4	5	1	3	3	2	-	2
Panama	5	22	1	4	3	17	-2	5
Paraguay	1	6	1	2	-	4	-	-
Peru	43	61	3	7	40	54	11	34
Puerto Rico g/	97	236	59	104	38	132	44	34
Surinam	4	10	1	2	2	8	2	2
Uruguay . . . . .	...	...	-	1	...	...	-	...
Venezuela	72	402	-	-	72	402	-1	73
Total, excluding Uruguay	678	1,409	89	190	587	1,218	144	443
Middle East								
Iran h/	45	108	33	34	12	74	9	3
Iraq	2	46	1	1	1	44	-7	8
Israel c/	191	213	108	139	83	75	62	21
Jordan d/	36	63	32	57	4	6	4	-
Lebanon d/ i/	7	11	7	11	-1	1	1	1
Turkey	61	124	47	81	15	43	9	6
United Arab Republic (Egypt)	-15	53	3	10	-18	44	-15	-3
(Syria) d/	11	3	2	3	8	-	-1	9
Total	338	621	233	336	104	287	62	42
								87

(Table continued on following page)

TABLE 8 (continued)

Country	Net long-term capital							
	Net official donations		Official and banking					
	Total 1951-1955 1956-1959	1951-1955 1956-1959	1951-1955 1956-1959	Total 1951-1955 1956-1959	1951-1955 1956-1959	1951-1955 1956-1959	Private 1951-1955 1956-1959	
South East Asia								
Burma	-12	38	4	23	-14	12	-1	2
Ceylon	2	-1	2	8	7	-3	-6	-6
China (Taiwan)	88	91	84	69	-	16	4	6
India	70	223	34	62	46	181	-9	-20
Indonesia d/	-13	60	5	57	-20	7	2	-4
Pakistan	20	122	33	84	-17	34	5	4
Philippines	61	79	21	38	2	2	38	39
Republic of Korea . . . . .	...	...	171	301	-1	-1	...	...
Thailand . . . . .	...	...	6	32	5	4	...	...
Total, excluding Republic of Korea and Thailand	216	612	183	341	4	249	33	21
Other								
Greece d/	127	72	113	20	-6	-	20	52
Iceland	6	7	4	-	1	5	1	2
Ireland d/	43	16	3	-	11	-4	29	20
Portugal (escudo area).	13	9	1	1	10	7	2	1
Spain j/	43	40	24	26	5	-5	15	18
Federation of Malaya- Singapore, Ghana and United Kingdom								
Colonial Territories								
b/ k/	329	438	73	95	84	73	172	270
Total	561	582	218	142	105	76	239	363
GRAND TOTAL	2,408	3,858	878	1,328	628	906	904	1,625

(Footnotes on following page)

(Source and Foot-notes to Table 8)

Source: See Table 7.

- a/ No sign indicates net inflow; minus sign indicates net outflow.
- b/ Beginning period, 1953-1955.
- c/ Beginning period, 1952-1955.
- d/ Private capital includes both long-term and short-term capital.
- e/ Data refer to estimates of assistance by the Government of France to the franc area countries in Africa other than Morocco and Tunisia.
- f/ Fiscal years ending 30 September.
- g/ Fiscal years ending 30 June.
- h/ Fiscal years beginning 21 March.
- i/ End period, 1956-1957.
- j/ Beginning period, 1954-1955.
- k/ See foot-note n/ to table 7.

three-fifths between 1951-1955 and 1956-1959, rising from an annual average of \$2.4 billion to \$3.9 billion. The increase is even more sharp if allowance is made for the payments made by these countries during the later period in connexion with the increases in membership quotas of IMF.^{13/} The Latin American countries received the largest absolute increase in the net flow between 1951-1955 and 1956-1959, although the rate of increase was the highest in South East Asia. The rate of increase was also sharp in the Middle East, but the other regions recorded only nominal increases.

25. The increased flow of long-term funds to under-developed areas has been the combined result of a number of favourable developments. In the early post-war years, much of the international economic assistance from the United States was geared to the economic recovery of Western Europe. With the strengthening of the Western European economy, not only has the flow of assistance from North America been channelled largely to the under-developed areas, but the former recipient countries in Europe have themselves been contributing significant amounts for economic development in Africa, Asia and Latin America. In recent years, as is discussed in section III below, the centrally planned economies have also stepped up their aid to the under-developed countries. Substantial flow of assistance has also been provided through the international organizations, which have continued to expand their technical assistance and related activities. At the same time, Governments in the under-developed countries have also undertaken a wide range of measures to facilitate the inflow of foreign funds. In many countries, development goals have been defined more sharply and administrative machinery has been established to achieve them. Incentives have been provided to foreign private capital through such measures as guarantees against nationalization, tax exemption, accelerated depreciation allowances and assurances relating to the remittances of profits and capital.^{14/}

^{13/} This adjustment would raise the annual average for 1956-1959 from \$3.9 billion to \$4.3 billion, thus indicating an increase of four-fifths over the average for 1951-1955.

^{14/} For details, see The International Flow of Private Capital, 1956-1958 (United Nations publication, Sales No.: II.D.2) and "The Promotion of the International Flow of Private Capital", documents E/3325 and Corr.1 and E/3492.

26. Among the major components of long-term foreign funds received by the countries included in table 8, the largest absolute as well as percentage increase occurred in the net flow of private capital, which rose from an annual average of \$0.9 billion in 1951-1955 to \$1.6 billion in 1956-1959. Against this increase of nearly four-fifths, the expansion in the receipts of official funds was less than one half. However, were complete figures available for countries not included in the totals shown in table 8, the rise in the flow of official funds would have appeared far more striking, for such countries as Cambodia, Laos, the Republic of Korea and the Republic of Viet-Nam received substantially larger amounts of official donations in the later period. As for official and banking capital, if an adjustment is included for payments for the increased membership quotas of IMF, the net annual inflow would appear to have increased from \$0.6 billion in 1951-1955 to \$1.3 billion in 1956-1959, the rise being more than twofold. Viewed in this manner, by far the most dynamic component of the foreign funds moving to the under-developed areas was official and banking capital. In part the rapid growth of this type of finance reflects the expansion in the public sector of the economy in many under-developed countries. It also reflects the expansion in the availability of funds, such as the increased supply of loans by IBRD and the greater reliance placed on lending as an instrument of economic assistance by the contributing countries. Moreover, in many under-developed countries the greater resort to official loans was also influenced by the more favourable borrowing terms of such funds in contrast to those pertaining to private capital.

27. As a result of differing rates of increase, the relative importance of various types of foreign funds received by the under-developed countries changed significantly during the nineteen fifties. For the group of under-developed countries for which comparable data are available^{15/}, long-term private capital not only continued to be the most important source of foreign funds but its share in

^{15/} As a matter of necessity, the analysis in the rest of this section has had to be conducted mostly in terms of the data of countries included in the totals and sub-totals of table 8. Certain adjustments which were stated in the text in order to indicate the magnitudes for all under-developed countries cannot be incorporated in the tables 9 to 14 which form the basis of discussion that follows. See also foot-note 12 above.

the total inflow actually increased (see table 9). The relative shares of both official donations and long-term official (including banking) capital for this group declined during the period under review. However, as noted before, if data

TABLE 9

Under-developed countries: percentage distribution of net international flows of long-term capital and official donations, by type, 1951-1955 and 1956-1959, annual averages a/

Period and region ^{b/}	Total	Net official donations	Net long-term capital		
			Total	Official and banking	Private
<u>Under-developed countries</u>					
1951-1955	100	36	64	26	38
1956-1959	100	34	66	23	42
<u>Africa</u>					
1951-1955	100	25	75	51	24
1956-1959	100	50	50	37	13
<u>Latin America</u>					
1951-1955	100	13	87	21	65
1956-1959	100	13	86	11	76
<u>Middle East</u>					
1951-1955	100	69	31	18	12
1956-1959	100	54	46	32	14
<u>South East Asia</u>					
1951-1955	100	84	17	2	15
1956-1959	100	56	44	41	3
<u>Other</u>					
1951-1955	100	39	62	19	43
1956-1959	100	24	75	13	62

Source: Table 8.

a/ No sign indicates net inflow.

b/ Regional coverage is identical with that shown in the sub-totals of table 8. Differences in time period are indicated in the footnotes to the same table.

/...

were complete, trends in the receipts of official funds by the under-developed countries as a whole would have appeared different from those indicated by the records of a smaller group of countries.

28. The experience of individual groups of under-developed countries was quite varied. In Africa, the share of official donations in the total inflow increased from one-fourth in 1951-1955 to one-half in 1956-1959, while in other regions the share generally declined. However, the decline in South East Asia may be misleading since data for a number of major recipients of official donations are omitted from the regional totals. In contrast to the experience of Africa, in Latin America, private capital, the largest component of the net inflow of long-term funds in 1951-1955, became even more important in 1956-1959. Much of the increased flow of private capital to Latin America, however, was received by Venezuela, largely under the impetus provided by the leases for the exploration and development of petroleum. In fact, if Venezuela were excluded, official donations would show the largest rate of increase in Latin America. The share of private capital also increased - indeed very sharply - for the group including the under-developed countries of Europe and the United Kingdom Colonial Territories. In the Middle East and in South East Asia, official donations, though declining considerably in relative importance, remained the largest source of funds. The relative importance of long-term official aid banking capital increased substantially in both regions. While the share of long-term private capital rose somewhat in the Middle East, its relative importance diminished considerably in South East Asia.

29. Another significant aspect of the changing pattern of capital movements has been its effect on the distribution of foreign funds among the under-developed countries. In 1951-1955, South East Asia which accounted for more than half of the total population of the under-developed regions received less than one-tenth of the inflow of foreign funds. In all other regions, the percentage shares in the net inflow of foreign funds were substantially larger than those in the total population (see table 10). Although the share of South East Asia in the total funds rose significantly from 1951-1955 to 1956-1959, it continued to remain

TABLE 10

Under-developed countries: percentage distribution of net international flows of long-term capital and official donations, by region, 1951-1955 and 1956-1959, annual averages a/

Period and region ^{b/}	Population ^{c/}	Net long-term capital and official donations				
		Total	Official donations	Long-term capital		
				Total	Official and banking	Private

<u>1951-1955</u>						
Under-developed countries	100	100	100	100	100	100
Africa	10	26	18	30	50	16
Latin America	16	28	10	39	23	49
Middle East	7	14	27	7	10	5
South East Asia	56	9	21	2	1	4
Other	11	23	25	23	17	26

<u>1956-1959</u>						
Under-developed countries	100	100	100	100	100	100
Africa	10	16	24	12	26	5
Latin America	16	37	15	48	16	66
Middle East	7	16	25	11	22	5
South East Asia	55	16	26	11	27	1
Other	11	15	11	17	8	22

Source: Division of General Economic Research and Policies of the United Nations Secretariat, based on data from table 8 and from United Nations, Statistical Yearbook, 1959 (Sales No.: 59.XVII.1).

- a/ No sign indicates net inflow.
- b/ Regional coverage is identical with that shown in the sub-totals of table 8. Differences in time period are indicated in the footnotes to the same table.
- c/ Population totals are for 1953 and 1958, respectively. Data for Portugal refer to Metropolitan Portugal only.

far below the region's share of total population. The Latin American share of foreign funds also increased substantially in the later period, as a consequence of the great expansion in the flow of private capital into the region. In Africa and in the region including the under-developed countries of Europe and the Colonial Territories of the United Kingdom, the shares of foreign funds declined sharply. Declines notwithstanding, the shares of these regions were still significantly larger than their shares of population in 1956-1959.

30. Distribution of foreign funds by components shows even more striking differences among regions than that of the total flow of these funds. For instance, in 1956-1959 Latin America, which has less than one-sixth of the total population of the under-developed countries, received two-thirds of the total flow of long-term private capital. On the other hand, the flow of private capital to South East Asia was no more than 1 per cent of the total. In many countries, however, the flow of official funds offset to varying degrees the high concentration of private funds.

31. A somewhat more revealing insight into the nature of the distribution of foreign funds in relation to population emerges when countries are grouped according to their per capita income levels, as is shown in table 11. The share of foreign funds received by the lowest income group increased substantially between 1951-1955 and 1956-1959. But even with this gain, the lowest income group, numbering about three-fifths of total population, received less than one-fourth of all foreign funds in 1956-1959. The gain in the share received by this income group was at the expense of the two intermediate income groups. Of the main components of foreign funds, official funds were received predominantly by the lower income groups, a tendency which has increased considerably in recent years. Many of these very low income countries have been receiving significant amounts of funds from international institutions, such as IBRD. Moreover, countries such as Bolivia, China (Taiwan) and the Congo (Leopoldville) have received substantial economic assistance from Governments with whom they have close political links. In 1956-1959, about 63 per cent of the net inflow of official capital and donations was received by the two lowest per capita income groups, which together account for 86 per cent of the population of under-developed

TABLE 11

Under-developed countries: percentage distribution of net international flows of long-term capital and official donations, by per capita income groups, 1951-1955 and 1956-1959, annual averages a/

Period and per capita income group <u>b/</u>	Popula- tion <u>c/</u>	Net long-term capital and official donations				
		Total	Official donations	Long-term capital		
				Total	Official and banking	Private
<u>1951-1955</u>						
Under-developed countries	100	100	100	100	100	100
Group I	61	17	31	8	10	7
Group II	25	29	12	39	49	34
Group III	6	17	26	12	5	16
Group IV	9	38	31	41	36	44
<u>1956-1959</u>						
Under-developed countries	100	100	100	100	100	100
Group I	60	24	43	15	45	-1
Group II	26	24	14	28	25	29
Group III	6	13	12	13	11	14
Group IV	8	40	31	44	19	58

Source: See table 10.

- a/ No sign indicates net inflow; minus sign indicates net outflow.
- b/ Differences in time period are indicated in the footnotes to table 8. Countries have been grouped according to the annual average of their per capita national income in 1956-1958. Group I - Countries with per capita national income of less than \$100: Bolivia, Burma, China (Taiwan), Congo (Leopoldville), Ethiopia, Haiti, India, Indonesia, Jordan, Liberia, Pakistan, Sudan; Group II - Countries with per capita national income of \$100 to \$199: Brazil, Ceylon, Colombia, Dominican Republic, Guatemala, Honduras, Iran, Iraq, Nicaragua, Paraguay, Peru, Philippines, Portugal (escudo area), Rhodesia and Nyasaland, United Arab Republic; Group III - Countries with per capita national income of \$200 to \$299: Costa Rica, El Salvador, Greece, Mexico, Panama, Turkey; Group IV - Countries with per capita national income of \$300 or more: Argentina, Chile, Cuba, Ireland, Israel, Lebanon, Puerto Rico, Spain, Union of South Africa, Venezuela.
- c/ Population totals are for 1953 and 1958, respectively. Data for Portugal refer to Metropolitan Portugal only.

countries. The conclusion that the distribution of official funds has been a major offset to the distribution of private capital is thus confirmed from table 11. Private capital has by and large been attracted to countries endowed with primary commodities having buoyant export markets, such as Rhodesia and Nyasaland, and Venezuela, where large amounts have been invested by foreigners in the production and export of copper and petroleum, respectively, and to the more advanced under-developed countries such as Argentina, Brazil and South Africa, where domestic markets are large and where basic infra-structure facilities are well developed.^{16/} As a result, in 1956-1959 nearly three-fifths of private capital was received by the highest per capita income group of under-developed countries, which have together less than one-tenth of the total population of the under-developed regions. During the course of the decade, the tendency for the distribution of public funds to offset that of private funds was accentuated. While the flow of private capital became even more concentrated in the highest income group of under-developed countries, an increasing proportion of official funds was received by the lowest per capita income group.

C. The contribution of foreign funds to economic resources

32. Although a full discussion of the economic importance of the net flow of long-term funds received by the under-developed countries goes beyond the scope of the present report, it is useful to arrive at a few indicators on this subject. Such indicators have the additional merit of facilitating inter-country comparisons.

33. The extent to which long-term funds from abroad have supplemented foreign exchange receipts from merchandise exports of the under-developed countries provides one crude indicator of their importance. In 1951-1955, as may be seen from table 12, one-tenth of the combined foreign exchange receipts of the under-developed countries from these two major sources was derived from long-term capital and official donations. In fact, there has been a significant rise in

^{16/} For a more complete discussion of this point, see World Economic Survey, 1960 (United Nations publication, Sales No.: 61.II.C.1), chapter 2.

TABLE 12

Under-developed countries: percentage distribution
of major sources of foreign exchange, by region
1951-1955 and 1956-1959, annual averages ^{a/}

Region and period	Total	Net long-term capital and official donations	Merchandise exports
<u>Under-developed countries</u>			
1951-1955	100	10	90
1956-1959	100	14	86
<u>Africa</u>			
1951-1955	100	15	85
1956-1959	100	13	87
<u>Latin America</u>			
1951-1955	100	8	92
1956-1959	100	13	87
<u>Middle East</u>			
1951-1955	100	16	84
1956-1959	100	19	81
<u>South East Asia</u>			
1951-1955	100	5	95
1956-1959	100	14	86
<u>Other</u>			
1951-1955	100	13	87
1956-1959	100	11	89

Source: See table 10.

^{a/} Regional coverage is identical with that shown in the sub-total of table 8. Differences in time period are indicated in the footnotes to the same table.

the relative importance of such funds as a source of foreign exchange in recent years. As is indicated in table 13, between 1951-1955 and 1956-1959, the inflow of long-term funds to the under-developed countries increased by 60 per cent, the increase being more than three times as large as the expansion of merchandise exports. Consequently, the relative share of long-term funds in total receipts of foreign exchange rose from 10 to 14 per cent.

34. The contribution of long-term funds to the increase in the combined receipts of foreign exchange has been most striking in South East Asia and Latin America, where the export trends have generally been less favourable than those in other under-developed regions. In South East Asia, the inflow of long-term funds

TABLE 13

Under-developed countries: indices of net international flow of long-term capital and official donations and of merchandise exports, by region, 1956-1959, annual averages ^{a/}
(1951-1955, annual averages = 100) ^{a/}

Region	Net long-term capital and official donations	Merchandise exports
Under-developed countries	160	117
Africa	103	123
Latin America	208	115
Middle East	184	143
South East Asia	283	96
Other	104	121

Source: See table 10.

^{a/} Regional coverage is identical with that shown in the sub-totals of table 8. Differences in time period are indicated in the footnotes to the same table.

contributed nearly one-seventh of the total supply of foreign exchange in 1956-1959, as compared with no more than one-twentieth in 1951-1959; in Latin America, the relative share of these funds in the total rose from 8 to 13 per cent. In the Middle East, where exports rose substantially, the inflow of long-term funds rose even more sharply; consequently, there was also a significant increase in the relative importance of long-term funds as a source of foreign exchange. By contrast, in Africa where the inflow of long-term funds showed little upward trend, the increase in foreign exchange receipts between the earlier and the later period resulted mainly from increases in export proceeds.

35. A further indication of the importance of long-term capital and official donations to the economies of the under-developed countries may be gauged from their relationships with other economic variables (see table 14). In 1958, for instance, the per capita inflow of these foreign funds into the under-developed countries amounted, on the average, to about \$4.0. Among regions the largest per capita inflow was received by Latin America where the average receipts amounted to nearly \$7.5. At the other extreme, the smallest average per capita inflow was experienced in South East Asia where it was only somewhat more than half the average receipts for all under-developed countries. Measured as a ratio to gross domestic product, the inflow of foreign funds also varied widely, from as much as 23 per cent in Puerto Rico to less than 1 per cent in Morocco. For the under-developed countries as a whole, the ratio averaged about 2 per cent in 1958.

36. While it is possible that in some countries a part of the inflow of foreign funds has been utilized to raise levels of consumption, in a large majority of them these funds have been instrumental in augmenting the capital stock. Much of the private capital flow to the under-developed countries has been for purposes of direct investment, and official economic assistance has also generally been tied to specific development projects. It is not unrealistic, therefore, to assume that long-term funds have mainly been for the purposes of capital formation. The relative significance of foreign funds in the financing of capital formation is indicated by the fact that in 1958, on the average, these funds amounted to nearly one-fifth of domestic saving in the under-developed countries. In a few countries,

TABLE 14

Under-developed countries: net international flow of long-term capital and official donations in relation to selected variables, by country, 1958 a/

Net long-term capital and official donations				
Country	Per capita (dollars)	As percentage of		
		Merchandise exports	Gross domestic product	Gross domestic saving
Africa				
Libya ^{b/}	25.0	214.3	...	...
Rhodesia and Nyasaland	16.2	30.5	10.0	64.7
Liberia	10.9	27.3	...	...
Union of South Africa	8.5	7.3	1.8	8.8
Congo (Leopoldville)	8.4	22.6	9.0	56.3
Franc area other than Morocco and				
Tunisia ^{c/}	8.1	31.5	...	...
Tunisia	6.3	16.1	...	...
Sudan	1.0	9.1	...	...
Ethiopia	0.9	28.9	...	...
Morocco ^{d/}	0.8	2.3	0.5	3.3
Ghana ^{e/}	-5.6	-8.9	-2.6	-25.9
Average	6.1	16.7	...	...
Latin America				
Puerto Rico ^{f/}	129.0	56.0	23.2	g/
Panama	26.2	35.4	6.9	111.1
Cuba	21.1	17.9	5.3	39.8
Venezuela	14.3	3.6	1.2 ^{h/}	5.6
Dominican Republic	12.4	25.6	5.3 ^{h/}	31.2
Chile	11.4	22.8	2.0	28.3
Bolivia	10.7	68.5	...	...
Costa Rica	10.3	12.2	2.6	15.9
Guatemala	9.2	29.9	5.0	70.0
Nicaragua	6.8	13.6	...	...
Argentina	6.1	12.4	1.1 ^{h/}	6.2
Mexico	6.0	25.7	2.1 ^{h/}	14.1
Peru	5.4	18.9	3.6	19.1
Paraguay	4.7	22.9	4.2	...
Brazil	3.7	18.8	1.4	8.3
Colombia	2.4	6.1	1.1	5.6
Ecuador	2.3	6.6	1.1	8.2
Honduras ^{i/}	2.0	5.5	1.0	9.0
Haiti ^{f/}	1.4	11.0	...	...
El Salvador	0.8	1.5	...	...
Uruguay ^{j/}	0.6	1.2	...	...
Average	7.5	15.7	...	...

(Table continued on following page)

Table 14 (continued)

Country	Net long-term capital and official donations			
	Per capita (dollars)	As percentage of		
		Merchandise exports	Gross domestic product	Gross domestic saving
<u>Middle East</u>				
Israel	121.9	174.1	12.3	148.0
Jordan e/	44.9	798.9	...	...
Lebanon e/ i/	7.5	2.7	1.7 ^{k/}	...
Iran l/	6.6	18.4	...	...
Turkey	5.5	56.0	1.0	7.8
Iraq	3.6	4.2	...	...
United Arab Republic (Syria) e/	-0.2	-0.5	...	...
United Arab Republic (Egypt)	-0.5	2.5	...	...
Average	7.1	22.4	...	...
<u>South East Asia</u>				
Republic of Viet-Nam	14.0	316.7	...	...
Republic of Korea j/	13.9	1,897.6	10.2	230.6
China (Taiwan)	9.6	60.3	5.6	51.4
Federation of Malaya-Singapore	3.0	2.1	...	...
Philippines	2.8	13.5	1.3	19.9
Burma	2.3	23.7	4.2 ^{n/}	26.7 ^{m/}
Pakistan	2.2	63.2	4.0 ^{n/}	21.2 ^{m/}
Indonesia e/	2.1	27.8	1.1	27.1
Thailand	1.8	12.7	1.7	...
Ceylon	1.8	4.9	1.4 ^{k/}	14.3
India	1.2	40.1	1.8 ^{k/}	...
Average	2.3	33.6	...	...
<u>Other</u>				
Iceland	25.0	7.7	1.5	...
Greece d/	9.0	30.1	2.6	27.8
Ireland d/	7.6	6.5	1.4	12.5
United Kingdom Colonial Territories e/	5.5	22.0	...	...
Spain	0.2	1.3	-	...
Average	4.0	16.9	...	...
AVERAGE, under-developed countries	4.0	20.4	1.9	19.5

(Source and footnotes continued on following page)

(Source and foot-notes to table 14)

Source: Division of General Economic Research and Policies of the United Nations Secretariat, based on data from United Nations, Yearbook of National Accounts Statistics, 1960 (Sales No.: 61.XVII.4), Statistical Yearbook, 1959 (Sales No.: 59.XVII.1); from International Monetary Fund, Balance of Payments Yearbook (Washington, D.C.); and from Organisation for European Economic Co-operation, The Flow of Financial Resources to Countries in Course of Economic Development, 1956-1959 (Paris, 1961).

- a/ No sign indicates net inflow; minus sign indicates net outflow. Group averages of per capita long-term capital and donations have been calculated by dividing the sum of these international funds by the sum of population data. Likewise, group averages of the ratios of long-term capital and official donations to merchandise exports have been obtained as an arithmetic mean. Other group averages are medians of individual country ratios.
- b/ Official donations only.
- c/ Data refer to estimates of assistance by the Government of France to franc area countries in Africa other than Morocco and Tunisia.
- d/ Excluding official donations.
- e/ Including private short-term capital.
- f/ Year ending 30 June for Puerto Rico and year ending 30 September for Haiti.
- g/ Gross domestic saving negative in the year indicated.
- h/ As percentage of gross national product. For Pakistan, gross national product refers to fiscal year ending 30 June 1958.
- i/ 1957.
- j/ Excluding private long-term capital.
- k/ As percentage of net domestic product. For India, net domestic product refers to fiscal year beginning 1 April 1958.
- l/ Year beginning 21 March.
- m/ As percentage of gross domestic saving for fiscal year ending 30 June 1958.

such as Israel, Panama and the Republic of Korea, the inflow of long-term funds was actually greater than the level of domestic saving.

37. A far more striking evidence of the part played by foreign saving, consisting largely of long-term capital and official donations, in the financing of capital formation in the under-developed countries is provided in table 15. Over the period 1950 to 1959 as a whole, foreign saving augmented the domestic supply by amounts ranging from 1 to 3 per cent of gross domestic product in about half of the countries included in the table. Of great significance was the market uptrend in the inflow of foreign saving during the decade; between 1950-1952 and 1957-1959, in a majority of the under-developed countries, it was mainly the enlarged inflow of foreign saving that made it possible to raise or to maintain the total supply of saving for economic development.^{17/}

38. It is clear, even from this brief discussion, that long-term foreign capital and official donations have added significantly to the resources available to many under-developed countries. However, it must also be borne in mind that inflows of foreign capital eventually carry the obligation to service these loans and investments through the payment of interest and dividends. If investment service requirements rise rapidly relative to total foreign exchange receipts, it may be necessary for countries to adjust the level and composition of their imports. If the process of adjustment involves reductions in imports of strategic capital goods, the pace of economic development is likely to be adversely effected. That the expanded inflow of foreign official and private capital has in recent years placed a greater draft on foreign exchange earnings is illustrated in the table based on data for forty-nine countries which appears at the end of this paragraph. Between 1951-1955 and 1956-1959, for these countries as a group, the ratio of investment service payments to export earnings rose from 9.4 to 11.6 per cent. Given the vastly different experiences

^{17/} For explanations of trends in the levels of domestic and foreign saving, see World Economic Survey, 1960 (United Nations publication, Sales No.: 61.II.C.1), chapter 2.

TABLE 15

Under-developed countries: foreign and domestic saving, levels
in 1950-1959 and changes in levels from 1950-1952 to 1947-1959 a/
(Percentage of gross domestic product)

Country	Levels			Changes in levels		
	Total net saving	Foreign saving	Net domestic saving	Total net saving	Foreign saving	Net domestic saving
Rhodesia and Nyasaland .	23	9	14	3	7	-4
Venezuela	19	3	16	-1	4	-5
Congo (Leopoldville) . .	18	2	16	-10	9	-19
Malta	18	3	13	8	6	2
Trinidad and Tobago . .	16	6	10	-	-	-
Jamaica	15	9	5	10	2	8
Union of South Africa .	15	1	14	-4	-3	-
Costa Rica	15	4	11	-	1	-1
Puerto Rico	14	18	-4	1	8	-7
Burma	13	-1	14	7	10	-3
Greece	12	8	4	4	2	3
China (Taiwan)	12	7	5	-	-	-
Brazil	11	1	10	-	-1	-
Portugal	11	5	6	-1	2	-3
Spain	10	2	8	-	1	-1
Morocco	10	-1	11	-14	-9	-5
Honduras	10	2	8	-2	2	-3
Argentina	10	-2	8	-	-	-
Turkey	10	2	8	3	-1	5
Ecuador	9	1	8	4	2	2
Colombia	9	-	9	-1	-1	-
Ceylon	9	-	9	-2	5	-7
Republic of Korea . . .	8	9	-1	1	2	-2
India	8	1	7	5	3	2
Panama	6	6	-1	4	2	2
Philippines	4	2	2	2	1	1
Indonesia	3	1	2	-5	-1	-3
Chile	3	2	1	4	2	2

(Source and foot-notes on following page)

(Source and foot-notes to table 12)

Source: United Nations, World Economic Survey, 1960, table 2-12.

a/ For the following countries, the period differs from that stated: Burma, 1949/50-1958/59 (fiscal years ending in September); Brazil and Panama, 1950-1958; Honduras, 1950-1957; India, 1950/51-1957/58 (fiscal years beginning in April); Puerto Rico, 1950/51-1959/60 (fiscal years beginning in July); Argentina and Trinidad and Tobago, 1951-1958; Portugal, 1952-1959; Morocco, 1952-1958; China (Taiwan), Jamaica, Republic of Korea and Union of South Africa, 1953-1959; Malta and Rhodesia and Nyasaland, 1954-1959; Greece, 1954-1958; Spain, 1954-1957. Where the period is shorter than stated, the changes in levels are based on averages of two terminal years only.

For Indonesia and the Philippines, the dates are based on gross national product; for India, they are based on net national product at factor cost.

Foreign saving is equal to payments for imports of goods and services minus receipts from goods and services. A positive level of foreign saving reflects an excess of such payments over receipts and a negative level an excess of receipts over payments.

of individual countries with respect to the magnitude of capital inflow and to the profitability of investment and terms of repayment of loans, the rate of growth of investment service payments has inevitably shown considerable variation among regions. The largest increase in these payments during the period under review took place in the Middle East. Thus, even though exports from this region expanded substantially, the ratio of interest and dividend payments to exports rose from 13 to nearly 17 per cent. The ratio also increases: substantially in Latin America, where it amounted to approximately 15 per cent in 1956-1959. In South East Asia, however, the ratio recorded only a fractional increase and remained at a comparatively low level.

Net interest and dividend payments as percentage of exports

<u>Region</u>	<u>Number of countries</u>	<u>1951-1955</u>	<u>1956-1959</u>
Under-developed countries	49	9.4	11.6
Africa	8	9.9	11.0
Latin America	21	12.2	14.7
Middle East	8	13.1	16.8
South East Asia	9	3.6	4.4
Other	3	0.7	0.2

Source: See table 7.

III. INTERNATIONAL ECONOMIC ASSISTANCE BY CENTRALLY PLANNED ECONOMIES

39. Data for the centrally planned economies do not provide an indication of the annual flows of loans and grants to other countries. Commonly the available information refers to commitments, which may or may not have been utilized. Long-term credit agreements generally stipulate only the value of goods to be delivered, but the actual rate of utilization of credits is governed by annual treaties.^{18/} Moreover, data on credits extended exclude repayments received by the lending countries. While such deficiencies preclude exact comparison with capital flows from developed private enterprise economies that were discussed earlier, broad impressions of assistance provided by centrally planned economies can nevertheless be gauged from various official statements.

40. Economic assistance from the centrally planned economies to the under-developed countries began in 1954. Since then the cumulative amount of assistance has increased rapidly. The available information shows that by the end of 1960 commitments amounting to at least \$3.2 billion had been made (see table 16).^{19/} On the utilization of this aid, however, only very scanty information is available. The bulk of economic aid for which commitments have been made has been in the form of credits. Grants have amounted to less than 3 per cent of total aid.

41. By far the largest part of assistance from the centrally planned economies has been provided by the Soviet Union. In recent years, however, the share of other centrally planned economies in the total cumulative commitments has been increasing: it rose from 13 per cent in 1957 to over 17 per cent in 1960.

42. The distribution of assistance among recipients has also shown a tendency towards concentration. As may be seen from table 16, of the commitments made by the centrally planned economies, South East Asia and the Middle East have

^{18/} See World Economic Survey, 1960 (United Nations publication, Sales No.: 61.II.C.1), chapter 3.

^{19/} The total amount of assistance cited in the World Economic Survey, 1960, \$4.6 billion (18.4 billion roubles), is larger than the present figure because of the inclusion of Finland, Iceland and Yugoslavia among recipients as well as the inclusion of data on assistance for non-economic purposes. Data in table 16, however, are stated to include only bilateral economic assistance to the under-developed countries of Africa, Latin America, the Middle East and South East Asia.

TABLE 16

Centrally planned economies: commitments of bilateral economic assistance to under-developed countries, 1954-1960 a/

(Millions of dollars at official rates of exchange)

Country	Before 1958	1958	1959	1960	Total
<u>By donor:</u>					
China (mainland).....	82	26	-	21	129
Czechoslovakia	21	68	76	50	215
Eastern Germany	7	-	22	-	29
Poland	-	-	6	30	36
Romania	-	11	-	-	11
Union of Soviet Socialist Republics	712	345	782	804	2,643
Yugoslavia	-	10	67	58	135
TOTAL, DONOR COUNTRIES	822	460	953	963	3,198
of which:					
Credits	769	460	945	939	3,113
Grants	53	-	8	24	85
<u>By recipient:</u>					
<u>Africa</u>					
Ethiopia	-	-	125	2	127
Ghana	-	-	-	40	40
Guinea	-	-	41	5	46
Liberia	-	-	-	3	3
Morocco	-	-	-	5	5
Sudan	-	-	15	-	15
Tunisia	-	-	-	5	5
Total	-	-	181	60	241
<u>Latin America</u>					
Argentina	4	102	6	-	112
Cuba	-	-	-	120	120
Total	4	102	6	120	232
<u>Middle East</u>					
Iraq	-	-	138	45	183
United Arab Republic (Egypt)	8	241	122	225	596
United Arab Republic (Syria)	179	-	12	-	191
Yemen	16	41	-	-	57
Total	203	282	272	270	1,027

Table 16 (continued)

Country	Before 1958	1958	1959	1960	Total
<u>South East Asia</u>					
Afghanistan	110	15	-	-	125
Burma	26	-	-	-	26
Cambodia	30	-	-	-	30
Ceylon	19	40	15	-	74
India	280	11	450	195	936
Indonesia	137	10	22	297	466
Nepal	13	-	7	21	41
Total	615	76	494	513	1,698
TOTAL, RECIPIENT COUNTRIES	822	460	953	963	3,198

Source: Division of General Economic Research and Policies of the United Nations Secretariat, based on data from United Nations, International Economic Assistance to the Less Developed Countries (Sales No.: 61.II.B.2) and Official Records of the Economic and Social Council, Twenty-sixth Session, Annexes, agenda item 4, document E/3131 and Add.1; from International Monetary Fund, International Financial News Survey (Washington, D.C.); and from Bank for International Settlements, Press Review (Basle).

a/ Information may not be complete.

accounted for 53 and 32 per cent, respectively. Africa and Latin America, together, have received rather less than 15 per cent. In part, this concentration has stemmed from the fact that the centrally planned economies have generally confined themselves to a limited number of major deals. For example, at the end of 1960, fifteen credit agreements, each amounting to \$100 million or more, accounted for about 87 per cent of the total Soviet aid commitments.

43. Among under-developed countries, India, the United Arab Republic and Indonesia, in this order, have received the largest shares of assistance from the centrally planned economies. However, on a per capita basis as well as in relation to national income, the Syrian region of the United Arab Republic has been the largest beneficiary. The loans by the centrally planned economies are stated to amount to one third of the total cost of the Syrian development programme, if all projects

listed in the agreements are implemented. In the Egyptian region, credits made available by the centrally planned economies for industrialization are stated to represent about half of the foreign exchange cost of the region's industrialization programme. The Soviet Union has offered substantial credits for financing the construction of the Aswan High Dam. The importance of the aid from the centrally planned economies to Afghanistan is indicated by the fact that in 1959 over two thirds of the country's foreign debts were owed to the Soviet Union alone. For India, while the absolute amount of commitments is large, assistance from the centrally planned economies amounted to less than one fifth of total external aid received in the nineteen-fifties.^{20/}

44. Some estimates of assistance by the centrally planned economies to other centrally planned economies are provided in table 17. It should be emphasized, however, that the data in this table are not strictly comparable with those in table 16. For example, it has not been possible to exclude military aid. Further, the amounts of loans which can be accounted for on the basis of information relating to individual countries and years, and which have been included in table 17, are substantially smaller than the totals in official statements. These statements provide global figures which presumably cover all loans extended during a given period. As the coverage of data in table 17 varies from country to country and from period to period, inter-country comparison can be made only in terms of very broad orders of magnitude.

45. According to official statements, total credits extended by the Soviet Union from the end of the Second World War to 1960 amounted to nearly \$11.5 billion. More than two thirds of this amount went to other centrally planned economies. A tentative estimate of aid commitments during 1950-1959 by all centrally planned economies, both among themselves and to other countries, indicates an amount of over \$10 billion.

^{20/} According to one source of information, the total commitments of bilateral economic aid to India from the centrally planned economies to the end of 1960, \$936 million, represented 16 per cent of the total authorization of external assistance from the inception of the first five-year plan in 1951 to the end of 1960. See Records and Statistics, a quarterly bulletin of the Eastern Economist, February 1961 (New Delhi).

TABLE 17

Centrally planned economies: commitments of assistance granted
and received, 1947-1960 a/

(Millions of dollars at official rates of exchange)

Country	1947-1953	1954-1957	1958-1959	1960	Total
<u>By donor:</u>					
China (mainland).....	12	738	...	...	...
Czechoslovakia	80	171	90	124	465
Eastern Germany .....	...	286	...	64	...
USSR	1,813	1,566	424	304	4,107
Other	44	19	...	...	63
TOTAL, DONOR COUNTRIES	...	2,780	...	...	...
<u>By recipient:</u>					
<u>Eastern Europe</u>					
Albania.....	118	71	132	...	...
Bulgaria	238	171	62	162	634
Czechoslovakia	33	14	...	...	...
Eastern Germany	121	280	55	...	...
Hungary	26	354	178	...	...
Poland	578	621	62	187	1,449 <u>b/</u>
Romania	30	170	...	...	...
Total	1,144	1,680	...	...	...
<u>Other</u>					
China (mainland) <u>c/</u>	300	130	...	...	...
Mongolian People's Republic, North Viet-Nam, North Korea <u>c/</u>	505	970	25	141	1,641
Total	805	1,100	...	...	...
TOTAL, RECIPIENT COUNTRIES	1,949	2,780	...	...	...

Source: United Nations, World Economic Survey, 1960, tables 3-16.

(footnotes to Table 17)

- a/ Credits granted to and received from Yugoslavia and countries other than centrally planned economies are not included. Data are based on information on credits announced for individual countries and periods. The aggregate data announced by some countries are considerably larger than the totals obtained by adding the credits indicated in the table.
- b/ In addition, Poland received from the United States loans amounting to \$255 million in 1957-1959 and \$171 million in 1960.
- c/ Data on credits received and granted by mainland China and on loans received by other Asian centrally planned economies are considerably lower than the figures derived from the budgetary data of mainland China.

46. Even though the available data are incomplete, it appears that Poland has been the leading recipient in Eastern Europe. By the end of 1960, Poland had received commitments amounting to over \$1.4 billion from other centrally planned economies. The recorded loans received during 1950-1959 by other eastern European countries appear to have been considerably smaller. The recorded credits extended to the Mongolian People's Republic, North Korea and North Viet-Nam by all countries equalled \$1.6 billion.

47. Between 1950 and 1955, the outflow of capital from the Soviet Union was mainly directed to the centrally planned economies in Asia, especially to mainland China. In 1956 and 1957, the major recipients of credits were the European centrally planned economies. Beginning in 1955, however, the flow of funds to under-developed countries other than the centrally planned economies began to increase. Since 1958, in fact, these countries have been by far the most important recipients of Soviet credits. The diminished flow of Soviet capital to other centrally planned economies in recent years was partly offset by an increase in outflows from mainland China, Czechoslovakia and Eastern Germany. A significant portion of the capital outflow from mainland China took the form of grants rather than credits, the major beneficiaries being the Mongolian People's Republic, North Korea, and North Viet-Nam. In addition to providing credits and grants to these Asian countries, mainland China also granted loans to Albania and Hungary.

48. The forms of credits have varied. In the first post-war years, credits by the Soviet Union to Eastern European countries consisted largely of gold and hard currency loans. From about 1950 to 1955, credits were extended largely in the form of capital goods; but in 1956 and 1957, they were provided mainly for covering trade deficits. The character of foreign capital flows underwent another change in 1958 when greater co-ordination of long-term planning was sought through the Council for Mutual Economic Assistance. This co-ordination took the form of agreements providing for inter-country specialization in various fields of economic activity and thereby affected the composition of foreign loans.

IV. CONCLUSION

49. The fact that during the years 1951 to 1959 under-developed countries received a net flow of official donations and long-term capital amounting to \$35-36 billion clearly indicates the degree of awareness in the more developed parts of the world of the needs of these countries. It is but another aspect of this awareness that donations by Governments have constituted the largest single component of long-term funds moving to the under-developed countries. While the flow of official capital has not been as large as that of private capital, it has nevertheless made a substantial addition to resources for economic development.

50. Recent years have witnessed a number of encouraging developments in the flow of long-term funds to the under-developed countries. New institutions, such as the United Nations Special Fund, the International Development Association and the Inter-American Development Bank, have been established with a view to increasing the flow of economic assistance. Also, the contributing countries themselves have undertaken measures to accelerate the international movements of long-term funds. In some cases - in providing aid to India and Pakistan, for example - contributing countries have sought to approach the problem collectively and to assure assistance for a comparatively long period. There is reason to believe, therefore, that the upward trend in the flow of funds to the under-developed countries is likely to be accentuated in the years to come. Thus, the net flow from the developed countries of North America, Western Europe, Australia, Japan and New Zealand, amounting to 0.8 per cent of their combined gross domestic product in 1956-1959 - three-fourths of which went to the under-developed countries and the remainder to the international institutions - may be expected to increase even further in the foreseeable future.

51. The upward trend in the flow of foreign funds has been of crucial importance in raising the levels of capital formation in the under-developed countries. During the decade of the nineteen fifties, only a limited number of these countries succeeded in increasing domestic saving in relation to gross domestic product to any significant extent. Thus, it was generally the enlarged balance of imports over exports of goods and services, financed in the main

through increases in the flow of long-term capital and official donations, that enabled many under-developed countries to achieve higher levels of investment.

52. While the increase in the flow of foreign funds has been substantial in each of the components, the distribution of receipts of funds among geographic regions and among groups of countries according to their stage of economic development has been far from even. In particular, private capital has had a marked tendency to be concentrated in countries whose exports are buoyant or which have already reached a higher level of development. To an extent, however, the concentration in the flow of private capital has been offset by official grants and loans. Even though both higher-income and lower-income under-developed countries have received official economic assistance, there has been a tendency for official grants and loans to be provided in increasing amounts to the lower-income countries.

53. Although the broad conclusions remain valid, the limitations of data are such that it has not been possible to arrive at firm generalizations with regard to certain details. For a number of countries, the balance of payments data are not available for the entire period covered in this report; and for many others they are not available at all. In the centrally planned economies, although the absence of balance of payments data is met to some extent by direct information on commitments of economic assistance provided or received, it is not possible to measure the annual flow of economic aid. In several cases, data for certain components of balance of payments are shown only on a "net" basis, thus providing no indication of "gross" flows. Such deficiencies undoubtedly complicate the task of estimation and analysis of international movements of capital.

54. Even for countries where balance of payments accounts are available for the full period and for gross as well as net flows, there are other limitations from the viewpoint of a study of international economic assistance. The balance of payments accounts, for example, do not show distribution of outflows by recipient countries or by recipient under-developed regions. Likewise, there is no relevant information on the distribution of inflows by contributing or lending countries.

55. Difficulties also arise in connexion with the terms "private" and "official and banking". As explained earlier, the same transaction between two countries

may appear, say, as "private" in the records of one country and "official and banking" in the accounts of the other. Inclusion of all banking transactions, private or official, with other official transactions presents yet another limitation.

56. Given the shortcomings inherent in the available data, there appears to be urgent need for more detailed and more suitable information on the part of all countries. Only through such international co-operation would it be possible to provide a more realistic analysis of the magnitude and distribution of international movements of long-term funds. It may be hoped that efforts would also be made to fill the serious lacuna of information on the utilization of economic assistance by the under-developed countries.

ANNEX

Reconciliation with OEEC data for 1956-1959 on the flow of long-term funds from developed to under-developed countries

1. The data in this report indicate that the net flow of long-term capital and official donations from developed countries of North America, Western Europe, Australia, Japan and New Zealand to the under-developed countries (excluding funds made available through international financial agencies) averaged \$4.5 billion per annum during 1956-1959. The Organization for European Economic Co-operation (OEEC), on the other hand, estimates "the flow of financial resources from the developed member and associated countries of the OEEC to countries in the course of development" during this period to be \$6.8 billion per annum,^{a/} of which \$500 million was channelled through international agencies, leaving \$6.3 billion per annum as the amount of bilateral assistance. The principal factors accounting for differences between these two estimates are as follows:

Definition of assistance and basis of reporting

2. United Nations estimates are based mainly on the balance of payments data for long-term capital and official grants according to the definitions of the International Monetary Fund (IMF). OEEC estimates are derived from information supplied directly by Governments of developed countries for the purposes of its report on the flow of financial resources to countries in course of economic development. The OEEC definition of economic assistance is not identical with that of balance of payments statements on flows of funds. It includes certain current outlays (for example, grants for current purposes by France and other Western European countries to overseas territories and associated countries) as well as some capital flows that are generally treated as "short-term" transactions in balance of payments accounts (such as undisbursed proceeds from sales of

a/ Organization for European Economic Co-operation, The Flow of Financial Resources to Countries in Course of Economic Development, 1956-1959 (Paris, 1961).

surplus commodities by the United States. It also includes estimates for certain transactions which are not included in balance of payments statements, notably export credit guarantees, French private investments in the franc area and, for a number of countries, reinvested earnings in under-developed countries.

Country coverage

3. Data in this report include among developed countries Australia, Finland, Japan and New Zealand, which are excluded from the OEEC data. Ireland and Portugal are treated as recipient under-developed countries in United Nations tables but as contributing countries in OEEC tables. South Africa is also included among the under-developed countries in United Nations tables, but is not covered at all in the OEEC data. Yugoslavia, on the other hand, figures among under-developed countries in OEEC data, whereas transactions with that country, to the extent that they can be identified, are included in the total flows to centrally planned economies shown in United Nations tables 1 and 3.

Statistical factors

4. The estimate of total flow from developed to under-developed countries shown in tables 1 and 3 is obtained as a residual which, even after the adjustments that have been made, includes unallocated flows as well as errors resulting from discrepancies in definition and coverage in the reporting of transactions by individual developed countries.

5. The order of magnitude of the factors listed above is indicated by the following figures for 1956-1959:

Factors resulting in understatement of United Nations totals compared to OEEC estimates (billions of dollars per annum)

Grants for current purposes by France and other Western European countries to overseas territories and associated countries b/	0.4
Undisbursed local currency proceeds from United States surplus sales b/	0.4
Export credit guarantees b/	0.4
French gross private investment in franc area b/ (including reinvested earnings)	0.4
Estimate of reinvested earnings omitted from balance of payments data c/	0.3
Assistance given by developed countries to Yugoslavia	0.1
Total	2.0

Factors resulting in overstatement of United Nations totals compared to OEEC

Economic assistance given by Australia, Japan, New Zealand	0.2
Grants to international technical assistance and relief agencies included in United Nations total d/	0.1
Total	0.3

b/ OEEC estimate.

c/ OEEC estimate for re-investment earnings of enterprises in under-developed countries controlled by residents of Belgium, Canada, the Federal Republic of Germany, Italy and Portugal and part of the estimated transactions of enterprises controlled by United Kingdom residents.

d/ These grants are not included in the OEEC estimate of bilateral contributions.

6. These items account for all but \$0.1 billion of the difference between the OEEC estimate of bilateral assistance of \$6.3 billion, and the net flow of funds to under-developed countries shown in table 3. In view of the fact that many of the above estimates are rough approximations, the remaining difference between the two estimates is well within the margin of error.