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THE CHANGING FACE OF WESTERN EUROPEAN DEVELOPMENT ASSISTANCE

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Introduction

Prior to the Second World War, many of the countries currently making up the Third World were colonies under the control of Western industrial powers. In this context, development assistance was an internal matter and it was not until the de-colonization period of the 1940's and 1950's that Third World development and foreign aid became the objects of widespread scholarly and practical debate. As the dominant Western power following World War II, the United States took the lead not only in European reconstruction but in the provision of development assistance to the newly independent nations of the Third World. Although former colonial powers such as Britain and France continued to provide substantial resources to their ex-colonies in the post-war period, the United States were the largest source of foreign aid accounting for about 60% of all development assistance in the early 1960's (Arnold). Over time, however, a kind of division of international resposibilities developed with the United States devoting large amounts of resources to military defense and other Western nations increasing their contributions to Third World development (Arnold).

The nations of Western Europe had different historical connections with the less developed countries. In addition, as

these countries recovered from the war and their governments began to expand or develop their foreign assistance programs, their political leaderships developed different rationales and motivations for these efforts. While the nature of the foreign aid programs developed in Europe depended importantly on historical relationships, notably those based on colonialism, and perceptions of national capacities, the underlying philosophic positions used to justify foreign assistance had profound effects on the types of programs that were established. The purpose of this paper is to illustrate this relationship for a sample of Western European countries and to discuss the likely future evolution of development assistance in these countries.

Thirteen European countries belong to the Development Aid Committee (DAC) of the Organization for Economic Cooperation and Development (OECD, 1989). Several other European countries belong to the OECD but not the DAC. Most of the thirteen European members of DAC also belong to the European Communities (EC). In order to keep this paper from becoming unduly long, a sample of four of the most important European aid donors has been selected. Because of the importance of historical ties, it is instructive to include countries without a colonial past as well as countries with colonial ties. The United Kingdom (U.K.) and France are major donors with important links to their former colonies. Sweden never successfully acquired colonies while Germany lost its colonial possessions after World War I. Of these four countries, all but Sweden belong to the EC. Their combined

official development assistance (ODA) accounted for about 64% of total ODA provided by the thirteen European DAC members in 1988. In the following sections of the paper, the nature and philosophic justification for the aid programs in each of these countries are discussed and some comments on future prospects are included. The final section of the paper is a conclusion highlighting the lessons of these four experiences with development assistance and discussing the implications of these results for aid policy.

France

Table 1 contains statistics on net foreign aid flows for the four countries included in this analysis. For the most part the figures are for the mid- to late- 1980's although changes in the volume of ODA from 1970-71 to 1987-88 are also shown. Total resource flows (including ODA, other government transfers, private charities, and private market flows) from France are larger than those from the other counrtries as is ODA. It should be emphasized that the figures for France include resource flows to the départements d'outre-mer and the territoires d'outre-mer (the DOM-TOM). French ODA in 1987-88 excluding aid to the DOM-TOM was US$ 4547 million at 1987 prices and exchange rates, only slightly higher than the volume of German ODA (OECD, 1989). French ODA has grown 74% in real terms since 1970-71 and constitutes 0.72% of GNP, slightly above the target set during the second development decade of the 1970's.

France has traditionally been a major source of development

TABLE 1. Foreign Aid from France, Germany, the U.K. and Sweden

	France	Germany	U.K.	Sweden
I. Resource Flows				
A. Total Resource Flows (1985-87 average, million current $)	8211	7494	4197	1625
1. ODA (mill. '87 $)				
1970-71	3779	2620	2076	436
1975-76	4101	3345	2156	1041
1980-81	5257	4598	2305	1105
1987-88	6572	4473	2077	1381
2. ODA % change 88/70	74%	71%	0%	217%
B. ODA as % GNP (1988)	0.72	0.39	0.32	0.87
II. Aid Quality				
A. % Total Resource Flows (85-87 average) as:				
1. Bilateral ODA	51.8	34.3	22.9	46.2
2. Multilateral ODA	11.7	15.3	17.9	21.6
3. Other Official Flows	8.6	15.6	7.7	12.3
4. PVO grants	1.0	7.2	4.6	5.5
5. Net Private Flows	26.9	27.6	46.8	14.4
B. % ODA through NGOs	0.3	6.9	0.5	4.5
C. % ODA untied	42.2	42.2	13.1	41.6
D. Grant element (%)	89.3	86.1	99.0	100.0
III. Distribution(87/88)*				
A. Sub-Saharan Africa	52.4%	28.3%	49.1%	61.8%
B. South Asia	4.5	15.8	27.6	15.7
C. Other Asia/Oceania	15.6	11.2	10.2	11.9
D. Middle East/N. Africa	11.1	30.4	6.2	3.8
E. Lat. Am./Caribbean	16.4	14.4	6.9	6.9
IV. Percent ODA(86/87) for:				
A. Agriculture	9.7	10.5	8.8	7.5
B. Food Aid	0.8	3.1	1.2	0.5
C. Infrastructure	59.3	55.1	41.4	31.4
(social/admin)	(41.6)	(32.8)	(22.5)	(15.9)
(economic)	(17.7)	(22.3)	(18.9)	(15.5)
D. Industry	6.1	7.7	14.4	9.6
E. Program assistance	24.1	23.6	34.2	51.0

Source: OECD, 1989 Review.
*Geographic distribution of ODA (percentage shares).

assistance. The main reason for this, of course, is the fact that France controlled a large colonial empire during the 19th and first part of the 20th centuries. Unlike the English who emphasized home rule and projected the eventual independence of their colonies, the French expected to assimilate the colonies into metropolitain France. As part of this policy, French governments were willing to take on such financial responsibilities as support of colonial government budgets as well as to take a direct hand in the governance of the colonies (Little and Clifford). Consequently, the flow of resources from France to her colonies was greater than the flows from England to the rest of the Commonwealth.

The difference in colonial policies was reflected in the early development programs of the two countries once the colonies had become independent. The French saw foreign aid as essential for the ability of the new states to function and were not reluctant to provide budgetary support and administrative expertise to help run the governments (Dimwiddy; Little and Clifford). The fact that the French had strong ties to their former colonies and a desire to assist in the governance of the new states is probably at the origin of the heavy French emphasis on technical assistance. According to Little and Clifford, the initial motives for French aid included economic and political self-interest, national prestige and the wish to spread French cultural influence (pp.41-42).

It has been argued that the last motive noted above is what

gives French development assistance its particular flavor (Dimwiddy; Arnold). In a 1963 report prepared by the Jeanneney Commission, it was argued that foreign aid really could not be justified on the basis of self-interest because the short-term economic effects of aid are not great and most political benefits would be slow to materialize (Dimwiddy). According to the Jeanneney Report, the primary justification for development assistance was France's besoin de rayonnement, the need to extend a French model of civilization as an alternative to the "anglo-saxon" model (Arnold). This underlying philosophic rationale combined with the historical relationships to the French colonies led to a foreign aid program that is concentrated in former colonies where French is either the official language or the major second language and that includes heavy emphasis on education and technical assistance (Dimwiddy, Arnold).

Several other factors have also influenced the nature of French development assistance. First, the colonial policy of assimilation meant that there were large numbers of experienced French administrators available when the colonies became independent. In many African countries, French "advisers" remained in positions of authority within the newly established governments. Dimwiddy notes the importantance of technical assistance in the early French aid program, particularly in the area of education. French development assistance is also characterized by a highly complex administrative organization which may have more to do with the inherited colonial

administrative structure than with the less comprehensive mandate of a foreign aid program. Another important factor influencing French development assistance is the lack of public support for foreign aid and the relatively small amounts of charitable contributions offered by private French citizens (Dimwiddy; Arnold). According to Arnold, the French aid program attempts to keep a low-profile and is rarely discussed in public debates in France.

The election of a socialist government in 1981 led to some slight modificatiions in the French aid posture. The main change was the adoption of a policy to raise the volume of ODA excluding the amounts provided to the DOM-TOM to 0.7 % of GNP (OECD, 1982). This objective was not reached by 1987-88 when the share of GNP flowing to developing countries other than the DOM-TOM was 0.51% although relatively large increases in net disbursements to the non-DOM-TOM were realized and the proportion of total ODA distributed to the non-DOM-TOM rose from 60% in 1980-81 to 69% in 1987-88 (OECD, 1989). In addition, the proportion of ODA channeled through multilateral organizations increased from about 18% in 1977-79 to almost 23% in 1988. For countries belonging to the EC, it is important to note that there are programs of development assistance administered at the Community level. In 1988, 48% of French multilateral ODA was distributed through EC agencies (OECD, 1989). France has also played an important role in the establishment of special arrangements for former colonies of the EC member-states through the Yaoundé and Lomé Conventions.

An important characteristic of French development assistance is its constancy (Arnold). The slight modifications brought about by the socialist government have not changed the basic nature of the French program. As noted above, technical assistance has always been an important component of French aid, currently accounting for over 40% of bilateral ODA, the highest share among DAC countries (OECD, 1989). The terms of French aid have generally been fairly soft although the DAC targets for the least developed countries have not been met (OECD, 1986 and 1989). The proportion of French aid directed at the least developed countries is lower than the DAC average because most of the DOM-TOM are middle income developing countries (OECD, 1986). As has historically been the case, education remains the largest single category of assistance representing 24.3% of total commitments in 1988 compared with 19.0%, 10.3%, and 6.6% for Germany, the U.K. and Sweden respectively (OECD, 1989). Finally, the countries receiving French assistance have not changed significantly since the inception of the French aid programs. The former colonies in Africa receive the largest share of French foreign aid and despite efforts to redirect some aid to Latin America, most of the other recipients have been selected on the basis of historical colonial ties (OECD, 1989).

The historical record of French development assistance suggests that there will be little change in French efforts in the coming years. There is no reason to expect an increase in public support for ODA, particularly as greater interest and

concern come to be focused on the emerging democracies of Eastern Europe. An extremely divisive political debate has been engaged in France over the issue of immigration with a populist minority led by Jean-Marie Le Pen arguing for severe restrictions on the number of Third World immigrants allowed into France. The debate is fueled by cultural conflicts over such issues as wearing veils in public schools as well as fears of economic displacement (Le Monde, édition internationale, June 21-27, 1990). This issue could lead to an increased willingness to provide foreign aid if the French public sees this as an effective way to reduce the number of unskilled workers flowing into France from North and Sub-Saharan Africa. On the other hand, the xenophobic French right would probably not favor increased development assistance because it would not be likely to affect immigration in the near future.

The French government can, however, use the peculiar French desire for 'rayonnement' to mobilize some support for continued assistance to former colonies and the DOM-TOM. Although the governemnt was unable to reach its goal of 0.7% of GNP in development assistance to the non-DOM-TOM by 1988, this target has not been abandoned. Thus, one would expect to see continued increases in this component of France's bilateral ODA. On the other hand, significant changes in the geographic distribution and terms of French ODA do not appear likely. Finally, although educational disbursements have declined slightly in recent years, education and technical assistance can be expected to remain as

major components of French development assistance.

Germany

The volume of German ODA is the fourth largest in the world after Japan, the United States and France. During the 1980's, German ODA ranged between 0.39% and 0.45% of GNP, less than for France (even with the DOM-TOM excluded) and Sweden but well ahead of the United States or Japan (OECD, 1989). Private commercial flows from Germany make up a fairly large part of total resource flows, 43% in 1988 although averaging about 28% for the period 1985-87 (Table 1 and OECD, 1989). The German aid program is characterized by very wide geographic distribution, covering about 120 countries (Arnold). Technical assistance is an important component of the program accounting for almost 36% of 1988 commitments, while education, transport and communications, energy, and agriculture were the most important areas targeted by German foreign aid in 1988 (OECD, 1989).

The German foreign aid program was launched in 1960 in response to pressure from the Western alliance and in an effort to re-establish Germany's place in the community of nations in the aftermath of the Second World War (Little and Clifford, Arnold). With no recent colonial history, there were few developing countries toward which it would have been natural for Germany to direct its development assistance. Further, defining a clear rationale for providing foreign aid was more complicated in Germany than in France or the U.K. where experienced colonial admnistrators familiar with the problems of the newly independent

countries and committed to the promotion of the interests of these countries were able to provide coherent justifications for development policies. The result has been foreign aid policies under continual revision as the grounds for providing development assistance change.

According to Little and Clifford, the initial foreign aid policy statement was extremely clear. It called for the promotion of indigenous private enterprise with little weight attached to German commercial interests. This orientation led to emphasis on technical assistance and financial aid for infrastructural projects most of which was untied (Little and Clifford). Although the policy was clearly stated, poor administration and a lack of overseas personnel meant that German business interests were the only ones in a position to transmit aid requests, giving the German program a heavy commercial flavor despite the stated policy (Little and Clifford). The lack of natural attachments also led to a very broad program aimed at the entire Third World rather than a set of countries selected on the basis of reasoned criteria.

The first of several aid policy reviews was carried out in 1971 (Selim). This review led to a shift in policy in response to objectives set out in documents for the United Nations second development decade (Arnold). The new policy emphasized rural development and food production and focused on the very poor in the least developed countries. This humanitarian orientation was maintained throughout the decade but arguments based on self-

interest, particularly the interests of German business firms in procuring raw materials, became more prominant after 1975 (Arnold). In 1979, another policy statement ushered in a period of increased emphasis on the humanitarian aspects of development assistance with particular attention given to rural development, poverty, energy and the environment. This orientation appears to have been maintained throughout the 1980's.

German foreign aid has generally been based on the belief that developing countries should take major responsibility for their own development. In conjunction with the fact that the Germans never possessed a large colonial bureaucracy in need of overseas employment, this anti-paternalistic attitude has had an important impact on the nature of the German aid program. For example, most of the implementation of development projects is left up to the recipient although extensive negotiation and project appraisal are carried out before agreeing to a project (Arnold). In addition, terms are relatively hard except in the case of the least developed countries toward which an increasing share of German aid is directed.

In recent years, increased emphasis has been placed on environmental concerns and the humanitarian aspect of foreign aid appears to have won out over the self-interested promotion of private commercial enterprise. 53% of bilateral ODA is directed toward low income countries. The volume of ODA has increased at about the same rate as that of France. The German program remains administratively cumbersome with one centralized policy-making

agency, several implementing agencies and a small field staff. This administrative structure may also have contributed to the apparent confusion in policy directions and the lack of a clear statement to justify foreign aid. These factors are also related to the relative importance of non-government organizations (NGO's) in the distribution of German ODA (Table 1).

The outlook for German development assistance is not at all clear. The philosophic rationale for foreign aid does not appear to be as precisely defined as in countries such as France or Sweden and the problems associated with unification of East and West Germany could easily lead to a diversion of resources away from developing countries. On the other hand, recent policy positions include improved terms for low-income developing countries and further efforts to direct aid to the least developed countries. It is unlikely that a unified Germany will be unwilling or unable to maintain its position as a major foreign aid donor despite the dramatic changes occuring in Eastern Europe.

United Kingdom

Development assistance has not received the kind of support in the U.K. that it has in other European countries. Although still a major aid donor, the volume of ODA flowing from the U.K. has changed little over the past three decades and the percentage of GNP given to ODA is relatively low (0.32%) among European countries (Dimwiddy; OECD, 1989). A large proportion (47%) of ODA is distributed through multilateral organizations with 40% of

this multilateral aid channeled through EC programs (OECD, 1989). Private flows make up a large share of the total resources flowing to developing countries and most British aid is still tied. As in the case of France, the most important aid recipients are former colonies. Because many of these countries are among the poorest in the world, the U.K. has a good record for providing aid to the least developed countries. Bilateral ODA from the U.K. also has a high grant element (OECD, 1989).

The nature of the current British aid program clearly reflects the country's colonial heritage. British colonial policy was based on laissez-faire economics and the expectation that the colonies would eventually become independent. The U.K. treasury did not provide financial support for colonial governments and no deliberate colonial development policy was ever established (Little and Clifford). In 1935, the government of the U.K. allocated a total of £1 million to the colonies while French colonial support included £10 million in grants alone (Little and Clifford). In essence, the British expected their colonies to become increasingly self-reliant until they reached a stage where it would be possible to grant them full independence.

Following World War II, the government of the U.K. did begin to make larger sums available for colonial development. A 1957 White Paper called for financial support for certain current government functions leaving the investment budgets largely up to private loans at commercial rates (Little and Clifford). According to Little and Clifford, the philosophic position taken

by U.K. governments was that development projects should be carried out by multilateral agencies such as the World Bank and that independent countries should generally borrow needed financial resources at commercial rates from private lenders. These attitudes are at the root of the relatively hard terms and high proportion of tied aid associated with the British program.

Throughout the 1960's the volume of aid from the U.K. remained constant and the government rejected the target of providing 0.7% of GNP in development assistance adopted by most countries in the 1970's. The relatively poor performance of the British economy during the 1960's and 1970's was often evoked in explaining the slow growth in the amounts of foreign aid (Selim). The emphasis on private lending and direct foreign investment has been maintained throughout the history of the British aid program although a 1975 White Paper called for directing more foreign aid toward the poorest countries and focusing the program on rural poverty (Selim).

Although most U.K. development assistance remains within the Commonwealth, certain criteria for the selection of recipients were developed in the 1970's. According to Arnold these criteria included "... need, absorptive capacity, political importance, and potential commercial benefits, with the weight of these factors varying in different periods." (pp. 158-159). With the election of the conservative government in 1979, the balance appears to have shifted in favor of political and commercial considerations although a high degree of concessionality has been

added to the bilateral program. Bilateral ODA is still focused on the poorest developing countries but much of it is tied. British development assistance is based on thorough project assessment with implementation left almost entirely to the recipient. This approach is consistent with the British position emphasizing self-reliance and independence.

Recent policy statements indicate that the British program is to be modified in order to respond more rapidly to the needs of low-income countries with large debts including measuress to support structural adjustment programs (OECD, 1989). Aside from these modifications, there is little indication of significant shifts in British aid policy. The volume of ODA has been constant or declining in real terms over the decade of the 1980's and the commercial orientation of British relations with the Third World appears safe regardless of the political party in power. It does not appear that foreign aid has ever had great public support and governments of both parties appear quite willing to point to poor economic performance as an excuse for following the public on this issue. This differs somewhat from France, for example, where, despite lukewarm public support for foreign aid, the government has been able to realize substantial increases in the volume of development assistance: ODA to the non-DOM-TOM grew by 88% between 1970 and 1988 while aid to the more politically important DOM-TOM rose only 48% over the same period (OECD, 1989). The safest prognosis for the U.K. is that substantial increases in the volume of development assistance are unlikely as

is any significant re-orientaion of British foreign aid.

Sweden

Sweden's development assistance program has expanded enormously since its inception in 1962. Although five European countries (France, Germany, Italy, U.K. and the Netherlands) supply larger absolute amounts of ODA, Sweden has one of the highest ODA contributions as a percentage of GNP (OECD, 1989). Sweden was the first DAC member to reach the 0.7% target which it attained in 1975 (Arnold). Swedish foreign aid is characterized by soft terms, a relatively high proportion (32%) channelled through multilateral organizations, a high grant element, and relatively small private flows. In addition, the Swedish program is concentrated in about 17 program countries selected on the basis of such criteria as 'progressiveness' (Arnold). This concentration provides an interesting contrast to Germany, the other country discussed in this study with no recent colonial history. Germany and Sweden were free to design development assistance programs without reference to any colonial obligations. The Germans decided to establish a foreign aid presence in as many countries as possible while the Swedish government chose to limit its activities to a few countries, perhaps seeing this as a better strategy for ensuring that the resources of a small country such as Sweden would be deployed most effectively.

In addition to the lack of natural bilateral partners, the absence of any post-colonial motivations meant that the Swedes

could develop a rationale for providing foreign aid with no particular historical precedents. The program that was launched in 1962 was justified on the basis of solidarity with the Third World and included a strong aversion to private commercial interests and right-wing, oppressive regimes. According to Dimwiddy, one of the most important features of early Swedish aid policy was its "... moralistic or even sanctimonious tone" (p. 56). By carefully avoiding 'contamination' by private sector interests and directing aid toward 'progressive' regimes, the Swedes often seemed to believe that they were the only ones who really cared about the poor, the motives of other donors being highly suspect (Dimwiddy). These attitudes played an important role in justifying increased ODA expenditures as well as in the selection of recipients. In the 1970's socialist regimes such as North Vietnam, Cuba and Allende's Chile were added to the original six program countries (Ethiopia, Kenya, Tanzania, India, and Pakistan).

Throughout its history, the Swedish aid program has been justified on the basis of Third World solidarity and pursuit of self-interest has been largely excluded as a motivation for development assistance. In the late 1970's, there was a slight shift in policy allowing some concern for Swedish commercial interests to enter the picture (Selim). According to Arnold, however, the solidarity motive over-rides all other considerations so that the Swedish program remains targeted at low-income countries selected for their progressivity and treated

to generally soft terms. Another attitude that has been important in shaping the nature of the Swedish program is the belief that aid projects should be defined and carried out primarily by the recipients (Dimwiddy, Arnold). This attitude is related to the Swedish philosophy of providing disinterested assistance leaving most of the responsibility for development to the developing countries themselves. One result of this position has been a decline in the importance of technical assistance which fell from about 50% of ODA in the 1970's to 15% - 20% in the 1980's (Dimwiddy; Arnold; OECD, 1989). The promotion of self-reliance has also resulted in a high proprtion of program-, as opposed to project-, assistance (Arnold).

Currently, Swedish ODA is growing at the same rate as GNP. Most bilateral ODA is in the form of grants and 62% of this assistance is for Sub-Saharan Africa. Recent policies emphasize environmental concerns and the promotion of democracy and human rights remains central to Swedish policy. Foreign aid appears to have wide popular support in Sweden. Prior to the establishment of an official aid program, private charities and NGO's set up small foreign aid programs and the proportion of ODA channelled through NGO's remains relatively high at 4.5%. This idealistic and generous development assistance program is consistent with Sweden's overall foreign policy of neutrality and given the widespread public support for development aid and solidarity with the Third World, there is every reason to expect that Sweden will continue to meet or surpass all the DAC targets for ODA.

Conclusion

The four countries surveyed in this paper have all developed distinctive foreign aid programs on the basis of historical experience, the size and strength of their national economies, public support for foreign aid, and the nature of the justifications offered for foreign aid. Despite similar experiences with colonialism, the U.K. and France have adopted very different postures with respect to development assistance. The French colonial policy of assimilation coupled with foreign aid justifications based on France's besoin de rayonnement has led to a greater foreign aid presence compared with the U.K. where laissez-faire attitudes and colonial policies aimed at independence have resulted in a relatively smaller government foreign aid effort. For these two countries, the colonial experience was critical in defining the nature and scope of their aid programs.

In Germany and Sweden, the lack of colonial ties meant that the governments had to create aid policies from scratch. This was both an advantage and a disadvantage. In Germany, for example, it took more than two decades of adjusting and fine-tuning to sort out the relative importance of such factors as the weight to attach to German commercial interests and the countries to include in the program. In Sweden, on the other hand, the government was able to reach consensus on the rationale for foreign aid and the nature of the program fairly quickly. As it turns out, these two programs are quite different in scope and in

the emphasis placed on national interests.

All four countries are major foreign aid donors and, with the possible exception of the U.K., are likely to remain so. The French government is committed to increasing ODA to the non-DOM-TOM to 0.7% of GNP. Germany has not abandoned the 0.7% of GNP target and Sweden has surpassed it. While there is nothing in recent policy statements to indicate a reduction in ODA flows from these countries, there do not appear to be any movements to increase foreign aid to the developing countries at rates significantly higher than those realized over the past decade. Were it not for the dramatic changes in Eastern Europe, a prediction that European development assistance will continue along past trends would be fairly safe. Given these changes, however, it is particularly difficult to predict what will happen in Germany and all other European countries are likely to be affected by the changes as well.

The confusion over the future of development aid given the changes in Eastern Europe extends beyond Western Europe. Other donors such as Japan, Canada, or the United States will also be affected although somewhat less directly than the countries examined in this study. If it is true that real expenditures on development assistance in Western Europe will not increase more rapidly than has been the case in recent years, there is some potential for the development assistance pie to be divided differently. Currently, Sub-Saharan Africa, the region containing the largest number of least developed countries in the world, is

the major recipient of European aid. An important issue for European policy-makers concerns the allocation of the resources available for development assistance among traditional low-income recipients and the newly emerging democracies of Eastern Europe.

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