

ance. The Pearson Commission notes that the interpretation of simple economic data must be tempered by a recognition of other factors. The Subcommittee would add that the Canadian attitude, in particular, should reflect the trend stressed by Mr. Strong when he said (as cited earlier),

"...I would suggest that there is a much more human attitude toward development current these days and a greater acknowledgement that economic development is really a means to the achievement of the social goals and social aspirations of people and not an end in itself." (6:25)

183. This acknowledgement clearly implies that full weight must be given to the social goals and aspirations of the people of developing countries, as defined by themselves. The evaluation of overall development performance must take "non-economic" considerations into account, and recognize special social and political problems and needs in different developing countries. Even on a purely economic plane, statistical indicators should be recognized as limited and imprecise—no statistical cost-benefit analysis should ever be the sole basis of decision. Evaluation should be made, on a long term basis, of fair samples or "bundles" of projects, rather than through the minute scrutiny of individual projects which may be unrepresentative. Any such attempts at excessive supervision and "checking-up" could also quickly result in serious irritation.

184. On this basis, the Subcommittee also recommends that consideration should be given to the allocation of more program aid to countries with which Canada has had successful experience in development cooperation. This kind of non-project assistance amounts to the allocation of overall support to a country in its development program. It permits increased flexibility and independence in the allocation of resources to fit national priorities. It also reduces substantially the amount of scrutiny and supervision exercised by the donor and thus serves as an important demonstration of confidence, respect and partnership. The technical problems which may arise are not insuperable, and in Canadian relationships with certain developing countries or areas, this arrangement could have a great deal to commend it.

185. The foregoing are general recommendations for the more harmonious and constructive conduct of development cooperation. Underlying these proposals is a clear overall message about the basic attitudes involved. This, and some of the more specific points to follow, were highlighted in the testimony of Professor Helleiner, when he said:

"The aid relationship is a difficult one. It is a relationship at present between a charitable type donor and a welfare recipient. It is not an automatic transfer of resources from rich to poor; it involves constant inspection, evaluation, filling out forms, requesting of information, justification on the part of the recipient.

Many recipients are tired of this relationship, but most of all they are angered by the continued hypocrisy of the donors themselves in their pursuit of several objectives simultaneously while proclaiming that their sole objective is development assistance." (35:316-17)

ii) Terms and conditions of Aid—

186. A great deal of the testimony heard by the Subcommittee has related to the terms and conditions under which Canada provides international development assistance. These issues are unquestionably very important.

187. The Policy Paper correctly points out that "the quantity and quality of aid are within certain limits interchangeable". (p. 14) As this implies, assessments of gross allocations and targets should be made in the light of the terms and conditions which determine the actual amount and "usability" of aid. This factor, in turn, relates very closely to the ease or difficulty with which development cooperation can be managed. The terms and conditions attached to aid are also a fundamental element in judgements, both at home and abroad, regarding the actual motivation for aid-giving and the sincerity of stated objectives and commitments.

188. The Policy Paper refers to three categories of terms and conditions affecting aid: financial terms ("interest rates and the terms of repayment"); procurement terms ("how much of the assistance must be used to pay for Canadian goods and services and how much can be used for purchases in the recipient country or third countries"); and conditions on counterpart funds (governing the use of the local currency obtained by the government of the recipient country through the sale to its own people of commodities and food supplied on a grant basis from Canada).

189. "Historically", the Policy Paper states, Canada's official development assistance "has been provided on very soft financial terms" (p. 16). On the basis of the most commonly-used test (the 1965 DAC Terms of Aid Recommendation) it is clear that Canada has made steady progress over the last few years in liberalizing its aid terms. In 1969, Canada was for the first time in full compliance with those recommendations by virtue of meeting all three alternative provisions relating to loans and grants. (In two previous years, 1968 and 1966, Canada complied temporarily by having more than 70 per cent of its total aid in the form of grants) Canada and eight other DAC nations, (out of a total membership of sixteen), are now in compliance. In view of the very rapid increase in overall Canadian aid expenditures, the Subcommittee considers this a good record, and welcomes the undertaking, in the Policy Paper, "to continue to provide the major portion of Canadian bilateral assistance on the basis of either grants or 50-year interest-free loans with ten years' grace on repayment". (p. 16) In view of the present debt-servicing problems of some developing countries, the need to