

a relatively short period of time, a higher level of assistance can have built into it the capacity for effective utilization.

The ability of developing countries to absorb a larger volume of aid depends also in part on the quality of that aid. In particular, the terms of the aid must be such as not to cause future serious debt-servicing problems. This aid must also be provided in a sufficiently flexible way, so that it can be directed to the most urgent and pressing problems. A somewhat lower volume of development assistance on concessional terms may be better than a larger volume on harder terms. Thus the quantity and quality of aid are within certain limits interchangeable.

The review also indicated that it is within the ability of the Canadian economy to make available the resources for any level of development assistance that is within the range of practical consideration. Most of these resources will, of course, have to be directed away from other purposes to which the Canadian people would otherwise apply them. But the review indicates that this sacrifice can be made without lowering Canadian standards of living, and even without affecting significantly the rate of improvement in the standards of living. There is therefore no basic Canadian inability to transfer resources. The main constraints arise because the largest portion of the transfer of resources takes the form of official development assistance, and must be directed through the public sector accounts. The question of what can be "afforded" is thus a budgetary one, and not a question of the basic availability of resources in Canada.

Development is a long-term commitment that will require a steady and increasing flow of resources. Progress will depend upon a mutual obligation by the recipient countries to make the maximum effort to commit their own resources to development, and by the more-developed countries to provide a dependable flow of external resources. The development process must therefore be insulated against fluctuations in the allocation of development assistance that might arise from budgetary or financial considerations. To provide this stability, and to recognize the priority of the development assistance programme, the Government will endeavour to increase each year the percentage of the national income allocated to official development assistance. In the fiscal year 1971-72 the level of official development assistance allocation will be increased by \$60 million from the level of \$364 million in the fiscal year 1970-71.

The Government's commitment will enable the Canadian development assistance programme to grow on a regular and dependable basis that will provide a substantial increase in the proportion of Canadian resources allocated to development assistance by the middle of the decade.