

Food aid has also been a very important element of Canadian assistance. It has been used essentially to relieve famine or the threat of famine and to relieve the recipient countries from the need to spend a large portion of their scarce foreign exchange resources on imports of food. The ultimate objective must be to help the less-developed countries to develop and improve their own food-production capabilities. Food aid must be provided with discretion since large amounts of food, when not directly required to meet shortages, can depress agricultural prices in the developing countries and discourage investment and expansion in the agricultural sectors of their economies. The requirement for food aid thus tends to fluctuate depending on crop conditions and stocks in the developing countries and Canada will continue to provide substantial quantities of food aid as these conditions require. The composition of the programme will also vary to include such foodstuffs as wheat, wheat flour, powdered skim milk, cheese, fish products, pulses, corn and other products available in Canada.

### The Terms of Aid

The terms under which official development assistance is made available to the developing countries are the characteristic which distinguishes it from ordinary international commercial transfers of capital. There are three classes of terms and conditions for development assistance. The first category concerns the financial terms which cover interest rates and the terms of repayment. The second category concerns 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. Finally, there are conditions attached to the use of the counterpart funds, or local currency, that have been 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.

The official component of Canada's development assistance programme has historically been provided on very soft financial terms. The Government recognizes the importance of the effect of these terms on the real value of Canadian assistance and undertakes 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.

In order to improve the flexibility of the Canadian programme to meet specific requirements of high development priority, the Government