

seeking sources of capital in this country. In the past, the simple inadequacy of information has often been a factor in impeding effective cooperation, and this problem should now be overcome.

167. As a logical complement to the information services, CIDA's Business and Industry Division has now also undertaken a programme of pre-investment assistance to encourage Canadian businesses to establish or expand operations in developing countries. This programme involves the subsidization by CIDA of Starter Studies (up to a limit of \$2500) and Feasibility Studies (up to 50 per cent of the cost in some cases) by potential investors. Details of this programme are given in a CIDA pamphlet entitled "Assistance to Canadian Companies Contemplating Investment in Developing Countries". Once again the Subcommittee will restrict itself to a few general comments.

168. In his testimony before the Subcommittee, Mr. Gérin-Lajoie remarked that:

"CIDA'S Business and Industry Division has met a lively response in its few months of offering help with starter surveys and feasibility studies. The initial response suggests there may be a reservoir of investment as yet untapped". (p. 11:14)

169. It is to be hoped that this inference is valid, that is, that the CIDA help is encouraging interest on the part of firms which would not otherwise have explored opportunities in developing countries rather than simply subsidizing activities which were already planned and budgeted. This, of course, will be very difficult to regulate, but the Subcommittee believes that this type of programme, too, should stress the encouragement of small and medium-sized investment projects of new (preferably labour-intensive) types. To achieve this result, special efforts will be required to make these facilities known to a very broad range of enterprises across Canada, many of which do not have prior experience overseas. In this way, the "seed-money" provided by CIDA can most effectively serve as a catalyst of innovative new investment relationships.

170. The qualifications governing eligibility for this type of assistance and the criteria for assessing submissions are outlined in the CIDA pamphlet mentioned above. They are designed to ensure the seriousness of an applicant's interest in the investment opportunity involved, as well as the acceptability of the project to the host government. These pre-conditions are reasonable and, indeed, essential if the programme is to meet its objectives and "result in the establishment of permanent and profitable enterprises complementing the effort being made by the official Canadian aid program." In view of the ambitious and (in Canada) novel character of the scheme, it should be carefully reviewed after a reasona-

ble trial period and its effectiveness evaluated in relation to other types of aid expenditure.

171. A final possible vehicle for mobilizing resources for investment in developing countries is the government-sponsored investment corporation of the type represented by the British Commonwealth Development Corporation (CDC), the German Deutsche Entwicklungsgesellschaft (DEG) or, in some senses, by the International Finance Corporation (IFC) of the World Bank Group. Building on their limited base of official resources, these organizations have been able to mobilize very substantial quantities of private capital, in both developed and developing countries. They have given a great impetus to all kinds of joint undertakings forming bridges between the private sectors at both ends of the development spectrum. They have become important repositories of international entrepreneurial expertise and work to reconcile considerations of profitability to the special needs of developing countries.

172. In addition to the examples cited above, a number of other countries have established, or are in the process of establishing, comparable corporations. It may well be that Canada should now consider similar action. While there is no merit at all, of course, in the proliferation of agencies for its own sake, there are certain developing areas where a Canadian presence of this sort could be both welcome and highly effective—the Caribbean, and Francophone and Commonwealth Africa are all possibilities. In each case it would be relatively easy and very valuable for such a corporation to work closely with local businessmen and promote their increased cooperation with Canadian investors.

173. In the absence of such a Canadian corporation, it has fallen to the World Bank's IFC to attempt to enlist the aid of Canadian industry in financing and managing direct investment enterprises in the less developed countries. Referring to a quiet two-year campaign by the IFC in Canada, the Toronto Globe and Mail reported last autumn:

"Its overtures—largely limited to public speeches, whenever a Canadian platform was available—have been notably unsuccessful".
(17 September, 1970 p. B5)

IFC officials had left that certain types of Canadian business expertise might be particularly valuable, but failed to interest any significant number of Canadian businessmen. The Subcommittee believes that a similar organization with a purely Canadian character and an intimate knowledge of the Canadian business community might achieve considerably more success.

174. In terms of overall development assistance allocations, these corporations do not involve very large