

The Committee is aware of possible difficulties in reconciling this recommendation with the tying policy maintained by Canada. These problems are not insuperable, however, and the following section will include a number of specific suggestions for helping to overcome them.

b. *The "Tying" of Aid*

Despite the reduction of the Canadian-content-requirement in the development assistance programme from 80% to 66 $\frac{2}{3}$ %, the tying policy is still a subject of heated criticism and is used by some critics to call into question both the motivations for Canadian assistance and its effectiveness.

Undoubtedly the tying of Canadian aid has substantially reduced the effective impact of the resources involved. It requires increased delays and administrative expenditure at both donor and recipient ends; results in a distortion of development priorities in project-design and selection; and sometimes involves the purchasing of inferior and/or over-priced goods and services. These considerations were among those behind the Pearson Commission's proposal of a scheme for the total elimination of tying. As the Commission points out, the best prospect for accomplishing this without excessive dislocation lies in concerted multilateral action.

In the meantime, however, the Committee believes that further substantial reductions in the tying requirement are both feasible and desirable. A certain minimum level of tying will probably be necessary for some time, but it can be phased out as other donor-countries ease their tying policies. If the required proportion of Canadian purchases were reduced to a more reasonable level, it would also permit CIDA to negotiate flexible overall purchasing arrangements on allocations of "programme" or sectoral assistance to Caribbean governments. The Committee is convinced that changes of this kind would be received with enthusiasm by the Caribbean countries.

The Committee also recommends that CIDA explore the possibility of changing Canada's tying requirement to allow recipients to use tied aid funds for procurement in other developing countries as well as in Canada. This policy has been adopted by a number of other donor-governments, apparently with excellent results. In the Caribbean region this change could have important additional effects in promoting regional trade and industrial development.

c. *Policies on Local Costs*

Another widespread donor-practice which is often criticized is the stipulation that aid be used to finance only the foreign-exchange costs of development projects, with all local costs being the responsibility of the recipient government. This often had the effect of putting worthwhile projects beyond the means of recipient countries. In recognition of these problems Canadian policy has now been changed to permit, under certain circumstances, up to 25% of the Canadian contribution to a development project to be used to cover local costs.

Even after this liberalization, the local cost requirement imposes a severe limitation on the capacity of several of the Commonwealth Caribbean governments