

tinue to increase. In spite of our common objectives to raise living standards, there are some 40 developing countries where, because of population growth, *per capita* income has been increasing by only 1 per cent or less a year. In spite of our desire to build a healthier world, we find...that nutritional standards have even been going down in some countries and that many are unable to feed themselves. I would not, repeat not, suggest that aid by itself can hope to provide answers to these problems of continuing under-development. I would say, however, that the volume of our assistance should at all times be measured against the ability of the developing world to use more aid, and that terms of our assistance should correspond to economic realities of the developing world.

MORE AID NEEDED

In short, I would subscribe to your view, Mr. Chairman, that while our record for 1965 represents no, repeat no, small achievement, it offers no, repeat no, basis for complacency. There are unfortunate indications that, while some donor countries are moving rapidly towards higher levels of aid, other member countries which in earlier days could rightly be considered as pace-setters in foreign aid seem now to be satisfied with maintaining their aid at current levels. As a result, the total flow of official aid resources has not, repeat not, really left the plateau it has maintained in recent years. Yet, it would seem that international circumstances have never been more propitious for a significantly larger and improved aid effort. Developing countries have proved that they are capable of absorbing more aid more rapidly; there are promising new channels, as well as expanded facilities placed at our disposal by long-established institutions through which additional development assistance can be offered. Finally, we now have available to us a considerable body of knowledge on the complex ingredients of economic development and also new and comprehensive patterns of co-ordination in the field of development assistance which permit us to offer to our respective parliaments positive evidence that larger aid flows can be effectively used.

CANADA'S CONTRIBUTIONS

The Canadian Government has, for its part, engaged over the past year in an extensive review of its aid policies and needs of the developing world, in the light of considerations which I have outlined in broad terms. As a result, a number of decisions have been taken which will affect significantly the future of our programmes.

One of the major needs of developing countries is, of course, for more assistance. The total amount available from Canada during the current fiscal year will be about \$300 million. Appropriations for outright grants and long-term low-interest rate loans alone stand this year at \$220 million, having increased on the average by \$50 million a year since 1963-64. Subject to economic and other relevant circumstances, we expect the Canadian programme to continue to expand and we are thus making good progress toward the aid target of 1 per cent of the national income established by the first UNCTAD.

SERVICE CHARGE ABOLISHED

In our assessment, the needs of developing countries for aid on appropriately soft terms remain one of the essential problems. The Canadian Government has, therefore, decided to make further adjustments in the terms on which Canadian development assistance is to be made available. To soften further our long-term interest-free loans, the Canadian Government has decided to abolish the service charge of $\frac{3}{4}$ of 1 per cent. This will mean that the bulk of Canadian development lending will be interest-free at 50-year maturities and 10-year grace periods. There are, of course, certain countries which can accept harder terms, and it has been decided to introduce an intermediate lending facility under which we would, in these few cases, be able to lend on 30-year terms, including a 7-year grace period and an interest rate of 3 per cent per annum. These intermediate loans would be used only in cases justified by the current and prospective economic and balance-of-payments situation of recipient.

In mentioning the need for appropriate terms of aid, I should also point to the Canadian view that more is required to achieve harmonization of terms so that donors can pursue similar lending policies in specific cases. There is accumulating evidence that the terms on which aid is being extended to a number of developing countries, including India and Pakistan, are considerably harder than those which their economic circumstances would demand. As an example, the weighted average interest rate in the consortium for India has climbed from 2.8 per cent to 3.1 per cent. The Canadian average rate of interest in the case of India is below 2 per cent. It is our belief that DAC countries as a group could make more rapid progress in achieving their stated objective of harmonization, particularly within the framework of consortia and consultative groups.

NEED FOR FLEXIBILITY

As is the case with other DAC countries, we have also found that the need for local cost financing is becoming more important. Certainly we have found that the rigid enforcement of the rule under which Canadian bilateral aid must be tied to procurement in Canada has inhibited, in certain cases, the effectiveness of our programme. We have found it desirable, therefore, to introduce an element of flexibility. We do have balance-of-payments problems of a long-term nature. Nevertheless, in appropriate cases, we are now prepared to finance a portion of local costs not, repeat not, exceeding 25 per cent of the Canadian aid commitments to specific projects.

In summary, Mr. Chairman, more aid on softer terms with better techniques is required. It is, of course, for each member to determine its share of collective aid effort and the terms on which its share is extended. We have noticed with regret, as I have mentioned, that the volume of aid provided by certain countries has been decreasing and that terms have been hardening. So far as we in Canada are concerned, however, the terms as well as the volume of our aid will be determined less by what other DAC countries are doing and more by our assessment of the developing countries.