

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....

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 ten-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 seven-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 the 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.

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 exceeding 25 per cent of the Canadian aid commitments to specific projects.

In summary, more aid, on softer terms with better techniques, is required. It is, of course, for each member to determine its share of the 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 needs of the developing countries.