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Chapter I

THE CHALLENGE OF DEVELOPMENT

In late 1968, as part of its overall review of foreign policy, the Government initiated a comprehensive review of Canadian policies in international development assistance. The review examined a wide range of issues, including the motivation and purposes of Canadian support for development assistance, its volume and terms, Canada's strategy in this field, the relationship between multilateral and bilateral programmes, allocations among recipient countries, the role of the private sector, and the relationship of development assistance to other international economic policies. The review has now been completed and the special studies which were commissioned for it have been made available to the Standing Committee on External Affairs and Defence. The purpose of this paper is to present to Parliament and to the Canadian people the policies which the Government intends to adopt in the field of development assistance.

The review of Canadian development assistance policy was timely. Concurrently with the Canadian review, the Commission on International Development headed by the Right Honourable L. B. Pearson was undertaking a comprehensive analysis of development assistance within a global context. A special United Nations preparatory group was developing a strategy for the Second Development Decade and a study was being undertaken by Sir Robert Jackson of the development capacity of the UN system. These reviews inevitably considered many of the same questions. The Canadian review and proposed policies naturally reflect Canada's particular position in the world and its special interests and competence. The other studies complement the Canadian review by outlining the global framework within which the Canadian programme must operate.

The development process and the provision of external assistance for development are complex. All aspects of policy are completely interdepen-

dent and one element cannot be changed without materially affecting all others. Further, a development assistance programme affects the central social and political aspirations of the developing nations, and must be sensitive to those aspirations. And, finally, the ultimate rationale for the provision of development assistance raises fundamental questions about the nature of the obligations of men and states to each other, questions that have occupied the attention of philosophers and political scientists for centuries and to which there are not yet universally accepted answers.

To reach conclusions on which a coherent development assistance policy can be based, it is necessary to examine these complex issues and to identify the main considerations that pertain to each. The first question is: Why does an international development problem exist and why is it important that Canada do something about it?

The search for the answer to this question can be aided by trying to identify what is unique about the development problem in the twentieth century. Poverty is not unique to this century. It has always been prevalent in the world, perhaps in even more severe degree than today. What is unique today is the fact that the existence of large-scale poverty and the attempts to relieve it have become an important issue within nations and in relationships amongst nations. This arises from several factors. One is that while there has always been a gap between rich and poor within virtually all nations there has never before been the wide disparity as between nations which today separates the highly-developed industrialized nations from the less-developed, low-income nations of the world.

A second factor is that never before has there been such universal awareness of these disparities. There are a number of technological, social and political factors that suggest that poverty in the developing countries will become an increasingly important issue in the remaining decades of this century. The very rapid development of the means of communication has brought the affluent and the poor into much more direct contact with each other. No longer can the wealthy live in exclusive neighbourhoods or country estates, isolated from both contact with and knowledge of the extent and intensity of poverty around them. Nor do the poor now live only in isolated countries or rural regions, or in well-defined urban slums, with little knowledge or contact with the rest of society. The automobile, train, radio, cinema, television, and airplane have changed those conditions. The advent of cheap mass air travel will accentuate the rate of change even more: for air travel permits a direct two-way person-to-person contact which may have a greater impact than the relatively passive acquisition of information from television and cinema. The affluent are now very aware

of the extent and degree of poverty; equally important, the poor are aware of the extent and degree of wealth. This awareness is a recent development in our history, and provides the main basis for the uniqueness of today's development problem. As communications become even more efficient, the awareness will generate even more acute and imperative pressures.

A third and related factor is the increasing public concern about poverty, among both the affluent and the poor, and the growing reluctance to accept this condition as inevitable. Not until the twentieth century has there been a demand for comprehensive public policies, both national and international, to eliminate general poverty. There has been a long history of private and religious philanthropies devoted to the alleviation of misery. Examples can also be found in the history of most countries of public welfare directed to the relief of some of the worst cases of hardship. But until this century, and particularly since 1945, there has been no assumption by society in general, acting through governments, of a responsibility for the elimination of the widespread *conditions* of poverty.

A fourth factor is that, for the first time in the history of the world, the accumulated wealth and technology of the affluent societies is sufficient to make possible the eradication of widespread endemic poverty in the world. The Report of the Commission on International Development reveals quite clearly that, on any historical comparison, the progress of the last two decades has been remarkable. The Report asks: "... can the majority of the developing countries achieve self-sustaining growth by the end of the century? For us, the answer is clearly yes." The affluent can no longer say that it is futile or even self-defeating to try to eliminate poverty. It will still be difficult; it may take several decades; and there is no guarantee of success or of the consequences of success; but the eradication of poverty now seems clearly attainable.

Development assistance can provide only a relatively small proportion of the total resources required by the developing countries. The people of these countries have accepted the primary responsibility for their own development and provide most of the resources required. They must set their own economic and social objectives, chart the main direction and dynamics of their growth, and accept the economic sacrifices, changes in their society, and self-discipline that will be required. Development assistance can provide the extra margin of support that will enable their sacrifices to be tolerable, and that will supplement their own resources with the particular skills, experience, equipment and materials that are limited within their own economies but that are essential to the continuation of their development progress.

External assistance, although marginal in size, can thus have an important and even decisive impact on the development process at particular stages and points of time in each country. For this reason, it is important that development assistance be carefully integrated into the development strategy of each developing country so that it will support the objectives of the society to which it is directed.

The massive transfer of resources from the wealthy nations to the war-torn and less-developed countries in the post-war years represented a historical breakthrough in the behaviour of nations. It is true, of course, that part of the motivation for the transfer of resources at that time was the desire to strengthen the Western alliance. But it was also true that much of the support for the programme was based on a genuine feeling of obligation both to those countries that had suffered war damage and to the new nations emerging from colonialism. The translation of this sense of obligation into a massive nation-to-nation flow of financial assistance represented a genuinely new phase in the relationship between nations.

Today there are signs that the will behind this transfer of resources is weakening in some of the major donor countries. Part of the change undoubtedly represents a decline in the strength of some of the original political motivations for the transfer of resources. But the problem of widespread poverty remains as one of the principal challenges to the equilibrium of the world. International co-operation in the post-war period has created a considerable momentum in the drive to reduce world poverty, and if this momentum is lost there could be a significant impairment in the relationships between the more-industrialized and the less-developed nations of the world with serious, perhaps tragic, consequences for world peace and order.

There is still the question of why the eradication of poverty in developing countries should be given priority by Canada.

One basic value of Canadian society is the importance of the individual person, and of his rights and welfare. This value has a long heritage in our culture; it can be traced from one of the central tenets of the Greco-Judeo-Christian ethic. During medieval and early modern times, this ethic was adopted and translated into the legal and political systems which Canada has inherited. Those systems, imperfect though they may be in practice, are based on the tenet that all individuals in a society have both rights and obligations toward other citizens in that society, because the potential of that society cannot be realized unless the potential of each of its members is also realized. It is the basic assumption on which a democratic system rests.

In recent decades, these values have operated through the legal and political system of Canada to support legislation under which substantial amounts of resources have been transferred from wealthy to poor regions and classes of Canadian society. It is the sense of obligation to the less-affluent that underlies a progressive tax system, a system of free general public education, widespread pension plans, regional development plans, and general health-care programmes; all of these programmes are designed to provide a distribution of opportunities and rewards for the individual members of Canadian society that is consistent with the sense of justice and obligation of Canadians. It was in large measure an extension of this sense of social obligation and justice to the people in the less-fortunate countries that helped provide public support for the transfer of large amounts of Canadian resources to those countries in the post-war period.

The increasing awareness of poverty in the developing countries will thus be imposed upon a Canadian society in which concern for the welfare of others is one of the central values. To ignore that awareness would therefore be tantamount to a regression to a form of society in which the values of that society are inverted at its boundary. On the other hand, to recognize and act on the awareness would, in a real sense, reflect, extend and reinforce those values which are central to the creation of the kind of society which Canadians wish for themselves. A society able to ignore poverty abroad will find it much easier to ignore it at home; a society concerned about poverty and development abroad will be concerned about poverty and development at home. We could not create a truly just society within Canada if we were not prepared to play our part in the creation of a more just world society. Thus our foreign policy in this field becomes a continuation of our domestic policy.

In many respects, Canada is one of the most international of nations. We are both an Atlantic and a Pacific nation. We occupy the land that lies between the world's two great powers, the United States and the Soviet Union. The people of Canada derive from many lands and cultures. We depend for our prosperity to a greater extent than most countries on international trade and a healthy world economy. The values of Canadian society, as well as the future prosperity and security of Canadians, are closely and inextricably linked to the future of the wider world community of which we are a part. It is thus important for Canada that we accept our fair share of the responsibilities of membership in the world community.

It is also in our own interest to do so. We could not expect to find the same sympathy for Canadian interest or support for Canadian policies

amongst the other nations with which we are associated in the world community if we were unwilling to bear our share of our collective responsibilities. Development assistance is one of the ways in which we can meet these responsibilities.

It is also becoming increasingly apparent that many of the problems mankind is facing cannot be dealt with on a purely national basis and require the establishment of a variety of international mechanisms and institutions. This international "system" has made substantial progress since the end of the Second World War with the creation of the United Nations and its Specialized Agencies and the establishment of the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The transfer of resources to the less-developed nations is one of the most important functions of this international system and one of the most effective means of improving and strengthening it. The growing pressures of population growth, environmental problems, technological change and the demands of an increasingly interdependent international economy all point to the need for the continued evolution of this international system. Support for development assistance can make an important contribution to this process.

Assistance to the less-developed nations serves Canada's interest in some other and more immediate respects. It is an important and integral part of the general conduct of Canada's external relations, particularly with the developing countries. It provides an initial source of financing for export of Canadian goods and services to the less-developed nations and provides Canadians with the kind of knowledge and experience which help support the expansion of Canadian commercial interest overseas. Successful economic development in the less-advanced countries will assist in the expansion of world trade as a whole and provide a growing market for Canadian goods and services.

By providing an outward-looking expression of the bilingual character of Canada, our development assistance role also helps contribute to our sense of internal unity and purpose.

The Government believes that a firm commitment to the support of international development is one of the most constructive ways in which Canada can participate in the international community in the coming decades. Such a commitment is directly relevant to the major problems and potentialities of our time. It reflects and reinforces the values, concerns and objectives of Canadian society. It is consistent with the international character of Canadian interests and will comprise an important part of

Canada's external political and commercial policies. And in this aspect of our international relations Canada's example can at this time make a significant difference in the precarious balance in which the future of the entire development enterprise is now poised.

In order to implement this commitment, the Government, therefore, intends to increase the amount of funds allocated to international development assistance over the coming years to move towards the internationally-accepted targets; to confirm as the primary objective of the programme the economic and social development of the developing countries; to maintain the concessional financial terms of Canadian development assistance and to make a significant move towards untying it as to procurement; to increase the proportion of Canadian assistance allocated to multilateral programmes to about 25 per cent of total official assistance; to continue to allocate most bilateral assistance to countries of concentration, but to provide some 20 per cent of bilateral assistance to other developing countries; and to increase support of the private sector's participation in the development programme. These measures to improve the quantity and the quality of the Canadian development assistance programme are the subject of the remainder of this paper.

Chapter II

THE GOVERNMENT'S DEVELOPMENT ASSISTANCE PROGRAMME

Objectives

If the elimination of widespread endemic poverty is to be the ultimate result, then the objective of a development assistance programme must be to support and foster the growth and evolution of the social, educational, industrial, commercial and administrative systems of the developing countries in such a way that their people can improve their own organization and capacity to produce, distribute and consume goods and services, and thereby improve the quality of life in their countries. For brevity, this process may be called economic and social development.

The Government regards the economic and social development of the developing countries as the primary objective of the Canadian development assistance programme. Development assistance thus will be an important and integral programme toward achieving the basic Canadian aims to improve the quality of life and social justice within the total domestic and foreign environment in which Canadians will have to live and work in the remaining decades of this century. Toward this objective, all allocations and commitments of development assistance funds should be measured chiefly against criteria relating to the improvement of economic and social conditions in the recipient countries.

This objective does not lessen the necessity of relating the development assistance programme to other Canadian national objectives. It must be not only relevant but sensitive to them. It will be clear, for instance, that development assistance will tend to be concentrated in countries whose governments pursue external and internal policies that are broadly consistent with Canadian values and attitudes. The Government believes that the development objectives can complement and reinforce other Canadian objectives in the developing countries. A well-designed and

well-implemented development programme will support and form part of the general conduct of external relations. It will link us more closely with other developed countries in pursuit of common ends. Canada's know-how and experience will be given greater opportunity for expression. Canadian goods and services will become more widely known and used. Within international organizations, Canadian policy positions and views on development questions will be related to the size and effectiveness of the Canadian assistance programme. Broadly speaking, the opportunity for gaining international understanding of Canada's national interests and objectives will be enhanced by an increasing development aid programme.

The Canadian Role in Development

The development problem is immense and the collaboration of all the more-developed countries will be required if success is to be possible. One or two countries cannot succeed alone. Against the scope of the total requirements Canada's assistance will not be dominant in a quantitative sense; but the programme will permit Canada to make an important contribution to the effectiveness of assistance and in the evolution of policies that will improve the overall conditions for growth and development.

The Amount of Development Assistance

The amount of assistance which can be provided to the developing countries depends upon the resolution of two questions: How much assistance can the developing countries utilize effectively? How much assistance can the more-developed countries make available?

The review of Canadian development assistance policy indicated, as did the Report of the Commission on International Development, that on the whole the developing countries can utilize as much assistance as the donor countries can conceivably make available if it is provided under terms and conditions which are not unduly restrictive or burdensome. There may be a limited ability to utilize funds on well-articulated projects or programmes at particular times in particular countries. But a well-designed and balanced development assistance programme should include sufficient technical assistance, education and training components to increase the "absorptive" capacity of the developing countries. Thus, over

a relatively short period of time, a higher level of assistance can have built into it the capacity for effective utilization.

The ability of developing countries to absorb a larger volume of aid depends also in part on the quality of that aid. In particular, the terms of the aid must be such as not to cause future serious debt-servicing problems. This aid must also be provided in a sufficiently flexible way, so that it can be directed to the most urgent and pressing problems. A somewhat lower volume of development assistance on concessional terms may be better than a larger volume on harder terms. Thus the quantity and quality of aid are within certain limits interchangeable.

The review also indicated that it is within the ability of the Canadian economy to make available the resources for any level of development assistance that is within the range of practical consideration. Most of these resources will, of course, have to be directed away from other purposes to which the Canadian people would otherwise apply them. But the review indicates that this sacrifice can be made without lowering Canadian standards of living, and even without affecting significantly the rate of improvement in the standards of living. There is therefore no basic Canadian inability to transfer resources. The main constraints arise because the largest portion of the transfer of resources takes the form of official development assistance, and must be directed through the public sector accounts. The question of what can be "afforded" is thus a budgetary one, and not a question of the basic availability of resources in Canada.

Development is a long-term commitment that will require a steady and increasing flow of resources. Progress will depend upon a mutual obligation by the recipient countries to make the maximum effort to commit their own resources to development, and by the more-developed countries to provide a dependable flow of external resources. The development process must therefore be insulated against fluctuations in the allocation of development assistance that might arise from budgetary or financial considerations. To provide this stability, and to recognize the priority of the development assistance programme, the Government will endeavour to increase each year the percentage of the national income allocated to official development assistance. In the fiscal year 1971-72 the level of official development assistance allocation will be increased by \$60 million from the level of \$364 million in the fiscal year 1970-71.

The Government's commitment will enable the Canadian development assistance programme to grow on a regular and dependable basis that will provide a substantial increase in the proportion of Canadian resources allocated to development assistance by the middle of the decade.

The Content of the Programme

The provision of development assistance involves the transfer of resources from Canada to developing countries. In the case of the bilateral programmes, the transfer for the most part takes the form of the direct provision of Canadian goods and services. In the case of the multilateral programmes, part of the cash contributions is not tied to procurement in Canada but a significant portion flows back for the purchase of Canadian goods and services. Thus the total programme draws upon a wide range of Canadian expertise, services and products.

The Canadian development assistance programme has historically placed considerable emphasis on the provision of technical assistance to the developing countries as a means of transferring knowledge and expertise. Under the technical assistance programme, advisers are sent to developing countries and students are brought to Canada for enrolment in Canadian universities, technical schools or special industrial courses. Canadian teachers have also been provided to the developing countries, primarily at secondary levels, both academic and technical, and at universities. In recent years, an increasing amount of technical assistance has been extended through contracts with consulting firms, universities, government departments and agencies, and other private and public organizations. In this way, the total resources and experience of Canadian organizations can be used to establish and support similar institutions in the developing countries.

A wide range of capital equipment and related services is also financed under the development assistance programme. These include telecommunications, railway, aircraft and other transportation and communications equipment, electrical-generation and transmission equipment, engineering services for surveys, feasibility studies and design engineering, food-processing equipment, breeding cattle and many other types of capital goods and related services.

As the basic industrial systems of some of the developing countries have become better established, an increasing proportion of the Canadian programme has been provided in the form of industrial raw materials such as pulp, newsprint, asbestos, copper, aluminum and other non-ferrous metals, fertilizers and semi-manufactured components. Although the composition of this form of aid may change as requirements in developing countries evolve, it is expected that it will continue to account for an important part of the Canadian bilateral programme.

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

further intends to liberalize the procurement conditions to cover shipping costs on all goods provided under the official development assistance programme, and to make available up to 20 per cent of total bilateral allocations on a completely untied basis for projects and programmes of particularly high development priority. In addition, the Government will be prepared to work with other donor countries towards agreement on general measures which might be taken to untie development assistance on a multilateral basis.

The Government will continue to require counterpart funds to be established by recipients of food aid and commodity aid. These funds may be utilized to provide, where feasible, local currency components and support for projects or programmes agreed to between Canada and recipient countries. Under appropriate conditions, counterpart funds not allocated to specific projects or programmes within a reasonable time may be released to the recipient to provide support for its general development programme.

Contribution to Multilateral Agencies

The multilateral agencies play a singularly important role in the international development process. These agencies include principally the United Nations organizations, the World Bank group, and a growing number of regional development banks. The strength and value of the agencies arise primarily from the nature of their relationship to the recipient countries. Virtually all of them include membership of the developing countries. This often gives them a status and degree of acceptability which enables them to enter into a more effective development partnership with recipients than would be possible for a bilateral donor. It also helps insulate the development relationship from the political difficulties and sensitivities sometimes associated with direct bilateral programmes. A number of difficult problems, however, continue to impede the ability of many of the international agencies to make the most effective use of these inherent advantages.

Another factor concerning multilateral aid which must be taken into account is that it often reduces the sense of direct participation of the people of the donor country, which may result in reduced interest and support for the development assistance programme. Nevertheless, a substantial multilateral programme can directly contribute to development in a very effective manner and improve the conditions under which bilateral funds are utilized.

Canadian contributions to multilateral institutions have ranged between 15 per cent and 20 per cent of the total official programme during the last several years. The Government intends to increase the proportion within the next five years to about 25 per cent of the total programme. The International Development Association has proven to be a particularly effective organization through which to channel development assistance. Additional contributions to the IDA deserve a special priority. The Government also proposes to increase its support of the United Nations Development Programme on evidence that its effectiveness is being improved, and to support regional and other specialized development institutions. New types of multilateral institutions are now emerging. They serve special purposes such as those of the agricultural research institutions established by large private foundations. They were supported initially almost exclusively by private foundations, but their expanding role now depends on increasing support from governments.

In addition to their growing support of multilateral institutions, increased emphasis will be placed on the co-ordination of the bilateral programmes with the programmes of other bilateral and multilateral donors.

The Allocation of Bilateral Assistance

There are a number of principles by which bilateral assistance can be allocated to countries. It can be allocated according to the degree of poverty; according to whether they are close to self-sustaining growth; according to the availability of good projects and programmes; according to the degree of determination they are bringing to the mobilization of their own resources; or according to sectors in which Canada has particular expertise. Finally, there are historical factors which support a special sense of concern and responsibility in Canada for particular countries or areas of the developing world such as the Caribbean, the *francophone* countries of Africa, or the Commonwealth countries of both Africa and Asia. In addition, a reasonable concentration of funds within a few developing countries will improve the effectiveness and impact of those funds, as well as reduce the administration problems associated with the total programme. Each of these principles has a substantial justification, but each leads to difficult anomalies if used as a sole criterion.

The Government therefore intends to allocate the major portion of Canadian bilateral funds to selected "countries of concentration", and to specialize in assisting particular sectors within those countries

in which Canada has special competence. It is intended that a portion of the total bilateral funds available, in the order of 20 per cent over the next three to five years, will be allocated to countries other than countries of concentration; this will be primarily for education and technical assistance and for occasional capital projects of high development priority.

The International Development Research Centre

The development process involves profound changes in the socio-logical and technological characteristics of a developing country. The processes by which these changes take place and the fundamental causes of underdevelopment are still not well understood. There is, however, an apparent relationship between the resources committed to scientific and technological research and development in a country and the state of that country's economic development. Today some 98 per cent of expenditures on research and development continue to be made in the more-industrialized countries and only 2 per cent in less-developed nations. Unless this fundamental imbalance is improved, the disparities between wealthy and less-developed nations will continue to widen. It is to enable Canada to play a special role in meeting this need that Parliament has established the International Development Research Centre. The Centre will be funded from development assistance allocations and will involve active co-operation with Canadian universities and other Canadian and international institutions.

Related Policies

The progress of the developing countries can be affected through every aspect of their relationship with the more-developed countries. Tariffs and other trade restrictions have a direct effect on their ability to improve export earnings and become less dependent on aid. Immigration can deplete their supply of skilled manpower. Fluctuations in world commodity prices can destabilize their foreign-exchange earnings and disrupt the momentum of their development programmes. All these subjects touch upon issues whose primary considerations lie outside the Canadian development assistance programme. Therefore the review did not examine these issues in depth, but it did indicate the direct relevance of Canadian policies in these fields to the progress of the developing countries. The Government, therefore, is concerned to ensure that its policies in these matters take into account its development assistance objectives.

Chapter III

THE PRIVATE SECTOR

The private sector has traditionally played a very important part in the development process. Charitable organizations have made significant contributions to education, health and welfare. Private business has helped to expand the commercial and industrial capacities of the developing countries. The major advantage of private sector assistance is that it enables organizations and companies in the developing countries to establish direct working relationships with their counterparts in Canada. This direct contact facilitates the flow of knowledge and expertise between the two parties and ensures that it is pertinent to the enterprise. The Government therefore intends to place greater emphasis on support for the activities of the private sector which contribute to international development.

Non-Profit Organizations

These organizations include churches, voluntary agencies, professional and trade associations and universities. Many have well-established programmes in the less-developed countries; it is estimated that the Canadian non-profit sector now provides assistance worth an estimated \$35 million a year, primarily in the fields of education, health and welfare. In 1968 the Government initiated a special programme to support and encourage these organizations; in the fiscal year 1969-70, \$6.5 million was allocated to this programme to provide grants on a "matching fund" basis for specific projects and programmes. The Government intends to increase support for these non-profit organizations over the next five years.

Business and Industry

The review of Canadian development assistance policy indicated that Canadian business and industry may have a growing role of particular importance in the development programme. A number of recipient countries now wish to increase and diversify their sources of capital, and many are at a stage in their development which require small-scale and medium-scale industrial enterprises. Canadian experience with this scale of operation and in such sectors as food processing, wood products and raw-material processing is often particularly relevant to their requirements. The Government will therefore initiate further measures to encourage Canadian business and industry to establish or expand operations in the developing countries by helping to overcome the special factors that lie in their way, while at the same time bearing in mind the problems that can arise from an indiscriminate application of such resources. The Canadian International Development Agency will also be prepared to finance projects for which Canadian suppliers have been successful international bidders, when the criteria concerning the eligibility of countries and projects are met. These measures should result in the extension of Canadian commercial and economic interests in Africa, Asia and Latin America, which in turn have important implications for the effectiveness of our international relations.

* * * * *

The Government believes that the policies which have been outlined will enable the Canadian international development assistance programme to make an important and effective contribution to the progress of the developing nations. An increasing contribution of Canadian resources will be directed through both bilateral and multilateral programmes and committed according to the best development criteria available. A continuation of the concessionary financial terms of Canadian assistance and increased flexibility to provide some local costs, shipping services and additional support to the programmes of the private sector of the Canadian economy will enable the Canadian programme to undertake a variety of projects and to call upon a wider scope of Canadian resources.

Only through the application of the total range of Canadian resources, will and enterprise can Canada's development assistance programme make its full contribution to the achievement of a more just and equitable world community.

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