



# Statements and Speeches

---

No. 75/9

## THE GENERAL POLICIES OF THE CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

A report to the Standing Committee of the House of Commons on External Affairs and National Defence on April 10, 1975, by the Secretary of State for External Affairs, the Honourable Allan J. MacEachen.

You will recall that on March 11, I indicated that it was the Government's wish to put a new emphasis on Canada's relations with developing countries. I therefore welcome this opportunity to discuss with members of the Committee the general policies of the Canadian International Development Agency.

It is perhaps fitting that 1975 be the year when I, as Minister responsible for CIDA, should be making -- to my knowledge -- the first separate statement ever on the Agency, as distinct from other aspects of Canada's external relations that come under my authority as Secretary of State for External Affairs. In the field of international development, as you are no doubt aware, 1975 will be a momentous year. This is the year when the increasingly impatient demands of developing countries for a more equitable world economic system may reach a crucial stage at the seventh special session of the United Nations General Assembly next fall. This is the year when both developing and developed countries must strive in earnest to accommodate, if not reconcile, their sometimes conflicting economic interests and avoid a confrontation that would be sterile and fraught with danger. This is also the year when the poorest among the developing countries seem to be inexorably squeezed in the vise of raw-material inflation and world recession, at a time when domestic economic problems have further constrained the flow of development assistance from many Western donors.

Also, 1975 is the year when the Government of Canada, in response to these world developments, has begun a review of the full range of our economic relations with developing countries. Furthermore, I hope to announce in the not-too-distant future, after consideration and approval by Cabinet, a new set of policy guidelines that will govern CIDA's operations in the years 1975 to 1980.

\* \* \* \*

I want now, or at the end of my statement, to make available to members of the Committee a document, prepared by CIDA at my

---

request, on bilateral assistance projects that have recently attracted public attention. These are projects that have been mentioned in the press and in the House. We have tried to set forward the factual information with respect to these projects, and the document ought to be a useful reference point for Members if they wish to examine the officials further on any of these projects that have attracted public attention.

\* \* \* \*

The CIDA appropriations for 1975-76 referred to your Committee amount to \$712 million, for a program of grants and loans to developing countries and multilateral institutions, to which must be added \$221 million to be drawn against unused appropriation authorities of earlier years.

Disbursements during the coming fiscal year would, therefore, total \$933 million....

Yet few Canadians would seriously suggest that we are doing too much for developing countries, I have been astonished and most encouraged, since I took over this job, at the intense interest and concern that the Canadian public shows -- notably through the mail I receive --, in the formulation of Canadian policy on aid matters. Most are aware of the dismal economic conditions imposed on more than half of the world's population by bad crops, costly food imports, high energy costs, declining exports of raw materials and ensuing balance-of-payments problems. Canadians hardly need to be convinced that, in spite of their own economic troubles, industrialized donors should increase the flow of development assistance to developing countries.

So the real question is: Are we doing our share? Are Canadians getting their money's worth -- that is, are we really relieving poverty and under-development in the world?

To begin to answer these questions one must place the year's CIDA estimates in the perspective of recent years. It is true that Canadian disbursements for official development assistance will in all likelihood fall short, in 1975-76, of the .07 per cent of GNP (gross national product) target set by the United Nations and to which the Government is committed; but the record of recent years clearly demonstrates the sincerity of our commitment. From 1970-71 to 1970-74, Canada's official development-assistance GNP ratio rose steadily from .40 to approximately .53 per cent, and it should reach .58 during the coming fiscal year. I stress that the constraints upon our disbursements are not the generosity of the people of Canada or of Treasury Board but

rather the absorptive capacity of recipient countries and CIDA's ability to process and manage more projects efficiently. I should not wish that Canada become one of the first countries to break the .07 percentage barrier if this led to a wastage of Canadian development assistance. At the same time, I intend to see that CIDA's administrative capacities are expanded in an orderly fashion so that Canada may reach efficiently the United Nations target figure.

I might add that, in the future, our development assistance will have to be assessed in a wider framework that includes varied instruments of economic advancement for developing countries: access to industrialized markets, transfers of technology, the regulation and taxation of transnational corporations, the pricing of raw materials and so on. To the extent that these other instruments can be made to generate greater economic for developing countries -- at some cost, evidently, to industrialized countries -- we may well come to a sort of alternative between increases in the flow of development assistance and adjustments in these other elements of the international economic system. This is one of the fundamental issues that will have to be examined as dispassionately as possible at the special session of the UN General Assembly.

Meanwhile, who are the beneficiaries of Canadian development assistance? Some of you may have been disturbed by reports that large sums of CIDA money are being funnelled to the so-called newly-rich countries of the Third World. I shall deal later with some specific cases, but I can state unequivocally to this Committee that these reports are without foundation. Overwhelmingly, CIDA grants and loans have been extended to the poorest countries of the world.

In 1974-75, 70 per cent of funds allocated to CIDA's bilateral programs were channelled to countries with an annual GNP of less than \$200 *per capita*; and 17 per cent of the bilateral assistance budget was disbursed in the 25 least-developed countries.

By contrast, those countries whose GNP *per capita* ranges from \$200 to \$375 have been allocated last year 10 per cent of bilateral assistance funds. The 12 per cent went to countries with *per capita* GNP of more than \$375, mostly in the Caribbean and Latin America.

I point out also that there is a trend towards greater concentration of Canadian development assistance on the very-low-income countries. CIDA's disbursements in the 25 least-developed countries of the world amounted to only 4.5 per cent of its total bilateral budget in 1970-71; but the proportion increased to 10 per cent

in 1971-72, 12.5 per cent in 1972-73, 13 per cent in 1973-74, and 17 per cent last year. On the other hand, the share of funds allocated to developing countries with a relatively high GNP (and we are talking relativities -- \$375 *per capita* or more) fell from 17 per cent to 12 per cent.

There is no doubt that Canadian assistance is going where it is most needed; and I can assure the Committee that the new CIDA strategy for the years 1975 to 1980 will emphasize still further, rather than reverse, this basic orientation.

I turn now to CIDA's current policies. Canada has traditionally opted for direct government-to-government (bilateral) programs as the mainstay of its development-assistance efforts, in its desire both to make available to developing countries the special expertise and knowledge Canada has built up over many decades in dealing with a considerable number of problems similar to those that confront developing countries and to retain a distinct Canadian identity with the project or program being supported. In the fiscal year 1975-76, the bilateral-aid program will account for \$570.5 million, or 61 per cent of the total official aid program.

The Government announced in 1970 its intention of increasing the proportion of aid channelled through multilateral institutions to "about 25 per cent" of the total program. This was a recognition of both Canada's lack of direct expertise in certain crucial areas, our support of the invaluable role in development co-operation played by many international institutions, and our wish to multiply the impact of aid expenditures by helping to influence multilateral institutions into following paths we considered to be desirable. In the coming fiscal year, the multilateral share of disbursements will amount to 32 per cent (\$302.4 million) of the total program.

To increase overall flexibility and innovation, Canada has developed two further channels for development co-operation: CIDA's special programs, in particular the Non-Governmental Organizations Program, and the International Development Research Centre. The non-governmental organizations constitute an invaluable complement to the Government's official efforts in providing a people-to-people contact, and in mobilizing support for development objectives that would otherwise find no outlet. Similarly, the IDRC helps fill a vacuum in promoting research and development capabilities in developing countries and in adapting such capabilities to the individual circumstances of particular countries. CIDA's annual grant to the Centre has been considerably increased, from \$19 million in 1974-75 to \$27 million during the

---

fiscal year beginning on April 1.

Bilateral programs

The choice of which countries currently receive Canadian assistance is the result of various factors: financial, economic, political, historical and commercial. The major portion (80 per cent) of bilateral funds is allocated to selected "countries of concentration" in recognition of the view, first, that the larger the amount of Canadian funds allocated to any individual developing country the greater the likelihood of such funds having a lasting impact; secondly, that it would be an administrative nightmare to treat all developing countries equally in relative terms; and, thirdly, that, in any event, Canada has not the means to meet all of the legitimate needs of all of the developing countries.

Since 1972, as noted earlier, CIDA has intensified efforts to assist countries at the bottom of the development scale -- the so-called "least-developed" of the developing countries.

The amount of aid received by any individual country is determined first by its status as a country of concentration or otherwise and second by careful evaluation of a number of issues, of which the most important are: its balance-of-payments situation; its capacity to raise and spend funds for its development programs from domestic or external sources; its commitment to maximizing the welfare of the majority of its people; Canada's ability to meet the priority needs of the country.

CIDA has a relatively flexible range of components of aid transfers: grants, two types of loan, food and other non-project aid, project aid, and emergency relief, the use of which depends upon the circumstances of both the project or program and the recipient in question. In general, it is fair to say that grants are more likely to be given to the poorer developing countries than to those that are relatively better off, and that, where loans are deemed appropriate for the poorer countries, they are more likely to be highly concessional rather than of medium concessionality. Further, technical assistance is usually financed by grants, as are food aid and emergency aid. The ratio between loans and grants is expected to remain at around 35:65 in the coming fiscal year, with loans amounting to \$325.3 million and grants and contributions totalling \$535.9 million.

The 1970 foreign policy review authorized CIDA to "untie" up to 20 per cent of the bilateral program for projects and programs of particularly high developmental priority. The 80 per cent of the program to be spent in Canada must, except for shipping costs, satisfy minimum Canadian value-added requirements. CIDA normally pays all shipping costs regardless of Canadian content. Consultancy

---

firms will, in general, only be considered if the majority ownership is in Canadian hands.

In most instances, CIDA's "untying" authority is used to help finance "local costs" -- that is, costs incurred in the recipient country. Occasionally, CIDA will recommend to the Minister the purchase of goods and services from other developing countries and, very exceptionally, from other donor countries, when such components are essential for the completion of a specific project.

CIDA's policy is to provide assistance in those sectors considered of high priority by developing countries and in which Canada has something worthwhile to offer. In the primary sector, therefore, considerable assistance has been provided in the agricultural, fisheries, forestry and mineral areas; in the secondary sector, the focus has been on the development and distribution of local energy sources; and in the tertiary sector, CIDA's main thrusts have been in education, transportation and communications, with lesser emphasis on health, including water-supply and sewage-disposal, and family planning. Wherever feasible, the policy of the agency has been to improve the overall living conditions of the poorer segments of the population in question.

I should add that our development-assistance program also reflects, as it must, Canada's political interests in the world. This Committee is aware of our historic commitment since the Colombo Plan to the social and economic betterment of the Commonwealth countries in the Indian subcontinent. Unfortunate events have led us to review some of our assistance programs to India; with the co-operation of the Indian authorities, however, we hope to complete this review during the coming fiscal year. The threat of famine has also forced us to emphasize food aid and emergency relief in our assistance to Bangladesh; but we intend to revert to a more balanced program as soon as conditions in that country allow us to do so.

More recently, Indonesia has emerged as a substantial recipient of Canadian assistance, and, in spite of that country's growing receipts from oil and other raw-material exports, we expect it will remain a prime candidate for international assistance in the foreseeable future. Indonesia's GNP *per capita* barely rose from \$80 to approximately \$100 between 1972 and 1974. Over all, some \$305 million, almost one-third of total outlays in 1975-76, will be channelled to Asia.

The value and distribution of funds allocated to Africa, more than 22 per cent of CIDA's total disbursements, are fully justified by the dismally low incomes of most African peoples and by the

state of virtual non-development of much of this vast continent. But it also reflects the special kinship Canadians have with both Commonwealth and *francophone* countries. The development-assistance budget for Commonwealth Africa amounts to some \$102 million. The budget for *francophone* Africa is slightly more than \$105 million, as several French-speaking countries lie in the Sahelian belt and have been severely hit by recent droughts and famines.

Need I remind the Committee that we are not assisting these countries primarily because they have adopted English or French as their official language, but because they are so very poor? Recent *per capita* GNP figures speak more eloquently than, certainly, my prose -- \$89 in Niger, \$230 in Nigeria, \$166 in Cameroon, \$155 in Kenya, and \$201 in Senegal.

Some of you may be tempted to question the amounts allocated in 1975-76 to other geographical areas such as the Caribbean (\$41.9 million) and Latin America (\$48 million), where income levels, while extremely low by Canadian standards, are somewhat higher than in the rest of the developing world. But, even when the countries involved have begun to generate most of the financial resources required for sustained economic growth, which is not always the case, they still need, and will need for quite some time, technical assistance from Canada and other industrialized countries.

Actually, these and other countries such as Algeria have reached a transitional stage. Canada, therefore, must transform its economic relationship with them from one centred on development-assistance to one focused on industrial co-operation. But this shift cannot be accomplished overnight, and too brutal a weaning from CIDA's programs could well jeopardize the maturing of mutually-beneficial economic relations. CIDA-watchers should not confuse altruism with self-abnegation.

Finally, there will always occur disasters and natural catastrophes. It is quite obvious from the letters I get each time a cyclone or a flood afflicts a developing country that Canadians wish their Government to provide relief promptly and efficiently. CIDA's emergency program is already substantial, but we wish to do more. Consequently the Government is reviewing its planning and machinery in this field.

lateral programs

A word about multilateral programs. The choice of which development-oriented multilateral institutions receive Canadian assistance is, as in the case of the choice of countries receiving bilateral aid, a combination of various factors. In this case they are chiefly historical and political. There is, however, also the

additional element of effectiveness, since our policy is to concentrate relatively limited Canadian funds on those agencies with the greatest development potential. Total multilateral assistance is expected to reach \$302 million in 1975-76, an increase of 53 per cent over the current fiscal year.

The World Food Program will displace next year the International Development Association as the largest recipient of multilateral funds. Other major recipients are the various UN agencies, notably the United Nations Development Program and various regional development banks. Through our support of the regional banks, we have been able to encourage intraregional co-operation and the expansion of local institutions catering to local needs and interests, while improving the management capabilities of local officials.

Canada also supports various international agricultural research institutes, where our contribution is relatively modest; yet the payoff could be immense in terms of technological advances in the production, storage and processing of food.

Similarly, Canada's wish to help in the eradication of various factors perpetuating poverty and economic stagnation in the developing countries -- for example, the problems of population and disease -- has been translated into contributions to various population programs as well as to the World Health Organization. In general, Canada provides core support -- that is, a fixed percentage of the organization's operational budget.

Now, a word about food aid and agricultural development. As a result of the pledge I made last November at the World Food Conference in Rome, a much larger share of CIDA's bilateral and multilateral funds will be allocated in 1975-76 to food aid, both grain and non-grain. I should be able to announce shortly the details of these allocations; but, in spite of the magnitude of our effort, I emphasize before this Committee that the planned three-year increase in food aid does not reflect the fundamental change in Canada's development-assistance policy, but rather a short-term response to pressing needs that we could not ignore. We are doing what we can to fend off the threat of starvation in those areas most severely affected by the crises of recent years; but, if anything, such rearguard action has made us painfully aware of the urgent need for massive investment in agricultural production and rural development in most developing countries.

I indicated in London early last month, at the Commonwealth Ministerial Meeting on Food Production and Rural Development,



that Canada's international development policies would henceforth give a much higher priority to programs designed to enhance agricultural productivity and, in general, the efficient exploitation and husbandry of renewable resources. CIDA will, naturally, concentrate on areas where Canadian expertise and capabilities are considerable or can be more easily expanded: the provision of fertilizer, research in dry-land farming, water-resource evaluation and harnessing, the development of wheat farming, cattle and dairy farming, the planning and provision of storage and bulk-handling facilities, fisheries and forestry management, soil sciences, animal breeding, animal nutrition and crop storage and processing.

Canadians must realize that a major effort in that direction will require some rearrangement of our economic priorities so as to channel more investment into the agricultural sector than would strictly be required by domestic needs: more funds for agricultural education and training, more funds for research, a larger industrial capacity for the production of fertilizer, farm implements and other agricultural inputs. Already CIDA and the Department of Agriculture have come together to draw up long-term plans, and we shall be seeking the active co-operation of provincial governments and of all segments of the agricultural industry. I am quite confident that the people of Canada, whose wealth and affluence are largely derived from agriculture, will accept the most dramatic challenge of the coming decades: to improve substantially the living and working conditions of the rural poor of the world -- about 750 million people, some 40 per cent of the total population of developing countries.

\* \* \* \*

Few people realize the magnitude of the Agency's operational problems. At any one time CIDA manages, supervises or monitors some 2,000 projects of a very diversified nature, in more than 60 countries located from three to five thousand miles away from Ottawa. Critics demand that the Agency exercise a degree of control over these far-flung projects comparable to that which has become customary in the Canadian Government; and yet some are shocked that CIDA's travelling expenses are higher than those of other departments. In this respect, the Committee should note that the 20 or so projects that have been questioned recently in the press represent barely 1 per cent of CIDA's currently active files.

CIDA must deal regularly with countries that have vastly different political régimes, cultures, languages and socio-economic systems. All are under-developed, but all have reached a particular stage

of development. The ability to identify priorities, to plan and to manage projects varies widely from one country to another, and so does the quality of public and private administration. Needs also vary: basic educational assistance for some, physical or social infrastructure for others, food aid for many, sectoral economic assistance -- such as industrial machinery or commodity loans -- for still others, technical services for the most advanced. Some countries can only be assisted by turn-key projects, for which Canada must provide all the "input", from the planning stage to the training of the required personnel; others need only some of the components for projects they have launched on their own. All these factors make it virtually impossible for CIDA to standardize its administrative procedure in a very real sense, each development project must be tailor-made for the country we assist.

There are many more constraints upon CIDA's effectiveness that are beyond the Agency's control. The Agency must respect at all times the sovereignty of the countries it is assisting; accordingly, it must dovetail its own procedures with those of other governments, whose bureaucracies are different and uneven in performance. This often means delays that are inordinate by Canadian standards. Other delays are caused by the severe shortage of skilled manpower in developing countries and the lack of experienced personnel in Canada itself. To mount virtually any program in any sector, CIDA must first bolster the countries' administrative and technical capacity. Initially, most programs require a high Canadian technical assistance input; but, in a developmental perspective, "localization" of the project is highly desirable, and localization requires the training of counterpart personnel -- a process which takes several years. Then, these trained nationals are in tremendous demand in developing countries and it is difficult to hold them with the original project. Still more delays result from varying abilities of governments to muster local financial resources. Acquisition of land, construction of buildings and housing facilities, the hiring and payment of local staff -- all these operations, which are relatively simple in Canada, can be very complex and time-consuming in developing countries. Occasionally the compatibility of Canadian equipment and practices with those of other countries will create "interface" problems that must be solved; and this, once again, takes time and costs money.

For all the above reasons, I would be deluding this Committee if I did not admit that the usual standards of Government efficiency simply cannot be applied *mutatis mutandis* to CIDA operations. I am not only being candid; I am being realistic.

But there are a number of other constraints upon CIDA's effectiveness that are under Canadian control, not always within CIDA, not only within the Federal Government, but certainly within Canadian society as a whole. Concentration of our bilateral assistance programs on fewer countries, for example, could scale down the administrative complexities to which I have just referred; so could a higher degree of specialization in the types of projects we undertake to finance, procure and manage.

Once this process of concentration and specialization is under way in CIDA -- and it can only be gradual --, other federal departments and provincial agencies will be in a better position to plan ahead in order to meet the personnel and material requirements of our assistance programs. For CIDA has also been hampered in recent years by shortages of trained technicians, project managers, equipment, expertise and other "inputs" in Canada itself. I would hope also that, with better information, Canadians will become less reluctant to serve abroad, that more of them will acquire the special skills -- such as proficiency in foreign languages -- that are needed in developing countries. Of course health conditions, climate, cultural differences and political instability will always place strains upon Canadians working abroad on CIDA projects, and upon their families. But we shall continue to improve accommodation and living conditions in their countries of assignment.

I conclude on a note of caution. This Committee should scrutinize CIDA's operations as much as it feels necessary, but it should neither demand nor expect more from developing countries than from Canada itself.

History tells us that development in Canada, as in most other industrialized countries, has been a messy process, riddled with inefficiencies and even waste, marred by abuses and controversies. In the 1840s, what was then the Union Government of the two Canadas invested massively in canals, in the hope that the St. Lawrence Valley would become the outlet to the sea for the bustling American Midwest. It did not work, partly because the Americans preferred New York and partly because the railways became the dominant mode of transport. It took Canadians just about 100 years to make the St. Lawrence Seaway a sound venture.

Then, in the 1860s and 1870s, the otherwise development-oriented government of the new confederation allowed the Maritime and Eastern Quebec economies to collapse when shipping went from sail to steam. We are still paying today the economic and social costs of that action. Then, from Confederation to the First World War, we invested excessively and haphazardly in railways so that,

60 years later, the nationalized company we formed to pick up the pieces still has not retired all its long-term debt. Yet who would deny that the CN has contributed handsomely in the intervening years to Canada's development? So we should be prudent when we are tempted to question the usefulness of the *Route de l'unité* in Niger. The CPR, a century ago, also led nowhere.

As I said in the House, on February 20, development is difficult even in the best of conditions. And conditions are even more dismal in most developing countries today than they were a century ago in the stony stretches and frozen bogs of northern Ontario. Just like our railways, the developing projects we help to launch in Asia or Africa are typically those that are "uneconomical" for private investors -- and yet must be undertaken to make other projects possible or profitable. There is no foolproof theory to guide our action: each new twist in the great transformation -- the Industrial Revolution -- that started in Britain a century and a half ago has bred a new clutch of theories, *laissez-faire*, capitalism, socialism, Communism -- that have multiplied like rabbits in a clover patch since postwar decolonization established governments in the Third World determined to develop their societies and to "catch up", one way or another with the industrialized countries.

Yet there is a learning process going on. Developing countries are learning the hard way, as they try to adapt their development plans to changing world conditions and to exert some control over this process of change itself. Those among us trying to assist the developing countries, such as government experts in and out of CIDA, are also learning, through research, or trial and error, how we can make our development-assistance program most effective. I have indicated today some of the lessons we have learned in the last decade; there are many more, which we will attempt to embody in the new CIDA strategy for the years 1975-80.

\* \* \* \*

S/C