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NEW DIMENSIONS IN DEVELOPMENT ASSISTANCE

An Address by Mr. Lewis Perinbam, United Nations Liaison Officer, The World Bank, in Ottawa on February 16, 1966, at a Dinner given by Members of Parliament, Senior Civil Servants and the National Press for the Overseas Students and Trainees studying in Ottawa under the auspices of the Canadian External Aid Programme.

There are several reasons why I am grateful for this honor of addressing this distinguished gathering. In the first place, it enables me to pay a well deserved tribute to Canada's External Aid Programme, under whose auspices the scholars in this audience have come to Canada for study and training. The Canadian programme is among the most successful undertaken by any country, and is widely noted for its quality and competent management. It is a programme which, as the Minister for External Affairs, Mr. Paul Martin, stated to the House of Commons Standing Committee on External Affairs last June, "is guided primarily by humanitarian considerations". Consequently, it has no political axes to grind, although political goodwill may be its by-product. It does not seek unfair economic advantages, although it may result in the export of Canadian goods and services and increased trade with developing countries. It does not impose terms and conditions which may be resented by the developing countries, although it insists on high standards in its programme. In short, it is concerned with development - its primary aim is to help the developing countries to help themselves to become self-reliant and to speed their economic growth.

Secondly, this occasion allows me to acknowledge the important part that Canada has played, and continues to play, in the World Bank group of institutions. Of the Bank's 103 members, Canada is the sixth largest shareholder. Canadian manufacturers and consultants have played a notable part in designing and equipping many development projects financed out of Bank loans. If you were to take the 1,000-mile ride on the Pacific Railway to Guadelajara in Mexico, you would be riding on Canadian rail; in Rio de Janeiro you would use electric current from Canadian-equipped power-plants and transmission systems; and, as a traveller on India's national railways, you might well find yourself riding behind a locomotive of Canadian manufacture that the Bank has helped to finance. Canadians helped to write the charter of the Bank at Bretton Woods in 1944, and they have been represented on its Board of Directors since the Bank came into existence.

And, thirdly, if I may add a personal note, it is always a great pleasure for me, as a Canadian, to return to Ottawa and to be among former colleagues and friends with whom it was my privilege to live and work for many years.

The inescapable fact of our time is that our contemporary world consists of two groups of nations: "developed" and "less-developed" or "developing" -- or, in plain language, rich or poor. In the rich countries, the GNP is over \$2,000 a person; the GNP in a very poor country is about \$85 a person. In the developed world, one farmer produces food for 23 people; in the developing or less-developed world, one farmer can barely feed his own family. In the developed world, there is spectacular scientific and technological progress; the less-developed world is characterized by a lack of educational momentum. Between 1960 and 1962 the average per capita income in the rich countries increased by about \$100 a year, while that in the poor countries increased by barely \$5. At the present rate of progress, it will take the developing countries - those which have a per capita income of less than \$100 a year - about 70 years to double their per capita income.

And so we are confronted by this vast gap between the very few who have not only the necessities but also the amenities of life, and the vast majority of mankind that is usually sick and always close to starvation. Moreover, at the present rate of growth, it is estimated that the population of the world will double before the end of the century and most of this increase will be in the developing countries.

There is, therefore, a striking contrast between the small world of abundance and the huge and growing world of poverty. This gap presents probably the greatest immediate problem facing our generation. It is a division which holds great peril if it is ignored and unimaginable promise if it can be overcome.

Fortunately, in the two decades since the end of the Second World War, the industrialized nations have increasingly recognized, and, indeed, accepted, the necessity for promoting the economic and social advancement of the developing countries. The World Bank itself represents the collective response of the world community to the challenge of development and the task of improving the lot of the human family. Although its original function was to serve as a guarantor of loans by others, the Bank has been a lender on its own account from the very beginning. During the 20 years of its existence, the Bank has made 446 loans totalling \$9.5 billion to finance projects in 77 countries and territories; and, during the current fiscal year which ends on June 30, it is expected to lend over \$1 billion.

Since the Bank came into existence, it has created two new affiliates: the International Finance Corporation (IFC), established in 1956 to finance private enterprises in the developing countries without government guarantee, and the International Development Association (IDA), established in 1960 to provide credits on "soft" financial terms to countries too poor to borrow at conventional rates of interest and repayment. The Bank has also widened its technical assistance activities to improve the quality of the development effort in its member countries and has established a staff college for senior officials from the developing countries. Thus the Bank, which began as a purely lending institution, is now evolving into a development agency offering a wide range of services and facilities.

As a result of these efforts, much has been accomplished. In India, the public power supply has more than doubled in the past 15 years; in Mexico it has tripled; and in Brazil it has nearly quadrupled. Transportation loans have helped African countries to gain access to rich but remote resources - iron in Mauritania, manganese in Gabon, timber in Liberia - and to carry the products to the sea for export. As a result of harbour modernization in the Sudan, Nigeria and Thailand, these countries have been enabled to increase their exports.

Consequently, jobs have been created in new or expanded industries in the towns. Many farmers have been helped to increase their yields and market their produce more efficiently. Electricity and modern irrigation facilities have been introduced in many districts which never knew them before. For the first time, isolated areas have been opened up for cultivation or commercial activity.

At the same time, the developing countries have recognized that development means change and that the price of development is high. They have realized that, if they wish to develop, they must place development in the forefront of their priorities and accept its stern disciplines and obligations. Those that are doing so are making encouraging progress in accelerating their economic growth and in utilizing the experience they have gained and the skills they have acquired. And they have become increasingly aware of their own responsibility in raising domestic resources, especially through taxation and other fiscal efforts.

This is encouraging, but it is a continuing task and one in which many of the overseas students in this gathering have a vital and decisive role to play. On many of them will soon fall the responsibility for helping their countries to break through into the twentieth century and for leading their peoples to a better and fuller life.

However, the development process has revealed some disturbing trends. According to studies undertaken by the World Bank, the net flow of capital to the developing countries is actually decreasing in comparative terms as the rich countries get richer. Between 1956 and 1964, the outstanding public and publicly guaranteed debt of the developing countries rose from under \$10 billion to an estimated \$33 billion; and about one-half of the financial resources received by the poor countries is not available for new investment but flows back to the rich countries in the form of interest payments and dividends.

Clearly, new initiatives are needed if development is to go forward unhampered. In this respect Canada is giving splendid leadership, both by increasing its aid and by providing it on easier and more flexible terms. I recall Parliament's first appropriation of \$400,000 (Canadian) for the Colombo Plan in 1950; since then, the programme has grown to its present level of over \$200 million (Canadian) a year. The introduction last year of a development fund of \$50 million (Canadian) for soft loans to the developing countries, and the recent decision to provide \$25 million (Canadian) for the Asian Development Bank are commendable initiatives. We hope that this strong upward and broadening trend in Canada's development effort will continue. I read with special interest

the statement of the Minister of Finance, Mr. Mitchell Sharp, to the Canadian Club of Toronto on January 3, 1966, when he said:

"The Government plans a growing programme in this field of international aid, despite the increasing claim that this must put upon our resources in competition with our own requirements. I am confident that this policy will have the support of a vast majority of the Canadian people."

However, the magnitude of the task is such that it cannot be solved by bilateral or multilateral programmes alone. While both kinds of programmes have their respective and important roles, there is also a growing need for closer collaboration and co-ordination between them. One recent initiative involving such co-operation has been the consultative groups sponsored by the World Bank, which have brought together aid-giving countries and international financial agencies.

Broadly speaking, these groups are designed to provide a framework within which several aid-giving countries can provide more effective development assistance. Through the consultative groups, aid-giving countries are able to make a better assessment of the development potential, performance and aid requirements of the developing country, adapt the character and terms of their aid to its special circumstances and identify and attend to its priority needs. The groups also provide a forum where the aid-givers can discuss among themselves, and with the recipient country, the terms of aid appropriate for the country's financial position. And this consultation and co-ordination take place under the auspices of an international agency, namely the World Bank, which represents the interests of both aid-giving and aid-receiving countries. The consultative groups make it possible for a donor country, such as Canada, to preserve the identity of its contribution, ensure that it is effectively and efficiently used and take full advantage of the experience and knowledge of the World Bank. An aid-giving country has nothing to lose but everything to gain by participating in these groups.

Canada is a member of some of the new consultative groups which have been organized to co-ordinate financial and other assistance to six countries in Africa, Asia and Latin America. Canada is also one of the ten countries which have participated in the consortium for India and one of the nine in the consortium for Pakistan.

Another example of such co-operation is the agreement signed by Sweden and the Bank's affiliate, the International Development Association, whereby they will jointly provide the equivalent of \$24 million to Pakistan to help finance a project for the storage and handling of food grains in East Pakistan. The Swedish credit, amounting to \$4.8 million, is for a term of 20 years at 2 per cent interest; the IDA credit of \$18.2 million is on IDA's usual terms, i.e. it is repayable over 50 years free of interest.

Perhaps the Swedish example might prompt a similar response from Canada. I can assure you that the Bank would be most receptive to any initiative of this sort.

These examples mark a unique convergence of bilateral and multi-lateral programmes. They represent new dimensions in development assistance. They offer the basis and the framework for a partnership which augurs well for the future and which is one of the most hopeful and promising trends in the international development effort.

While these are encouraging developments, they are not going to be enough. It has been estimated by the Bank's staff that between now and 1970 the developing countries could productively use an additional \$3 billion to \$4 billion a year. For if the flow of capital is not maintained and increased to meet the world's growing needs, the hard won gains of the developing countries may be irretrievably lost and the future of the development effort jeopardized. Much larger funds will, therefore, be required to maintain the momentum that has been generated.

How can this be done? Well, a century ago many nations, particularly those in the West, were divided by extremes of wealth and poverty. By taxation on the one hand, and social legislation on the other, they have achieved a more just society which respects the individual and allows for his intellectual, spiritual and physical fulfillment. Today we are, in effect, called upon to apply the same principles on a global scale. As the late President John F. Kennedy reminded us in his inaugural address, "if the free society cannot help the many who are poor, it can never save the few who are rich".

Economic development is, therefore, a call to all nations - rich and poor alike - to build a new partnership to develop the world's resources and to harness them for the common good. It is a task which is going to be with us for a long time. For, although the development era may ultimately be no more than an interlude in the world's history, there is no indication that it will be short or that its end is in sight. We need only recall the long, hard years of the development of the industrialized nations to remove any false optimism. But it is a challenge that helps to remind us that, in our inter-dependent world, the problems of other nations are our problems, the prosperity of others effects our prosperity and the future of our fellow citizens in other parts of the world is part of our own future.

And so I conclude my remarks to this gathering of Canada's leaders, and overseas students who will be called upon to lead their respective countries in the days ahead, by quoting the words of the French author and statesman, Alexis de Tocqueville, written about 130 years ago: "To create a more equal allotment of prosperity and of rights throughout the world is the greatest task which confronts those who lead human affairs".



