

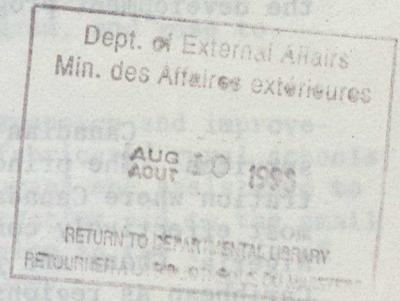
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CANADIAN EXTERNAL AID

(A summary of activities under Canada's development assistance programs, issued by the Canadian International Development Agency)

The Canadian International Development Agency is responsible for the administration of Canada's official program of development assistance. Known until mid-1968 as the External Aid Office, CIDA reports to Parliament through the Secretary of State for External Affairs.

To help advance the cause of international development, the Canadian Government makes grants and loans for the provision of capital assistance, commodity aid and technical assistance to developing countries in South and Southeast Asia, Commonwealth and French-speaking Africa, the Commonwealth Caribbean and Latin America.

Canada's allocations for international development increased fivefold, from \$65.4 million in 1963-64 to \$341 million in 1969-70, excluding loans made by the Export Development Corporation to help developing countries purchase equipment from Canadian companies. A further increase to \$365 million has been made in allocations for 1970-71.

Actual disbursements of funds, as distinguished from authorized allocations, rose sharply in 1969-70 as CIDA's recent reorganization became fully effective, and reached \$308 million.

During 1969, CIDA undertook a comprehensive review of Canada's policies in international development assistance as part of a general review of Canadian foreign policy. Based on the findings of this review, the Government of Canada confirmed its commitment to the support of international development by stating that it "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 program the economic and social development of the developing countries; to maintain the concessional financial terms of Canadian development

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assistance and to make a significant move towards untying it as to procurement; to increase the proportion of Canadian assistance allocated to multilateral programs to about 25 per cent of bilateral assistance to other developing countries; and to increase support of the private sector's participation in the development program".

Bilateral Aid

Canadian bilateral aid is extended mainly in the form of goods and services. The principal recipients are certain countries or areas of concentration where Canada has special interests and where Canadian resources can most effectively contribute to development - India, Pakistan, Ceylon, Malaysia, Nigeria, Ghana and *francophone* Africa, Latin America and the Commonwealth Caribbean as regions. Bilateral funds are also allocated to more than 50 other countries or territories, mainly through technical assistance - the provision of skilled Canadian experts to carry out essential development work in those countries or the training of their students in Canadian universities and technical institutes.

Aid offered through CIDA is governed by a Canadian content regulation, which was reduced recently from 80 per cent to 66 2/3 per cent. In its recent policy review, the Government also pledged to make available up to 20 per cent of total bilateral allocations on a completely "untied" basis and, under certain circumstances, to pay shipping costs.

Colombo Plan

In October 1969, Canada played host, for the second time in 20 years, to the annual meeting of the Colombo Plan Consultative Committee in Victoria, British Columbia. The Plan, through which Canada provides aid to South and Southeast Asia, underwent a searching examination and was extended for a further five years, from 1971 to 1976.

By the end of fiscal year 1969-70, Canada had allocated a total of \$1.2 billion through the Colombo Plan, of which \$126 million - about 51 per cent of Canada's total bilateral aid for the year - was allocated in 1969-70. The 1970-71 allocation was \$125 million.

India, Pakistan, Ceylon and Malaysia, the countries of concentration in the area, have received the bulk of this assistance in the form of food and commodities, including shipments of industrial metals, asbestos, fertilizer, wheat and butter. From the internal sale of these supplies recipient governments have raised counterpart funds to meet local costs of economic development. A significant amount of aid has been directed to specific development projects, such as equipment for multi-purpose irrigation and hydro-electric projects, resources surveys, cobalt therapy units, bakery equipment, and educational and laboratory equipment and books.

In the calendar year 1970, Canada provided the Colombo Plan area with 31 teachers, 29 technical advisers and training scholarships in Canada for 586 students.

Commonwealth Caribbean Assistance Program

The Commonwealth Caribbean area, with a total population of about four million, receives a higher *per capita* volume of Canadian aid than any other developing region and Canada is one of the two major donors there. Allocations totalled \$23.2 million under the 1969-70 program, and rose to \$24 million in 1970-71.

Projects under way include a scheme for the expansion and improvement of Trinidad's dairy herds; the provision of 108 prefabricated rural schools in Jamaica; construction of a fish-marketing centre in Guyana and assistance to the University of Guyana; and a five-year program concentrating aid to the small Leeward and Windward Islands of the Eastern Caribbean region in the fields of education, air transport, water development and agriculture.

A substantial amount of technical assistance has also been given. Training programs were arranged in Canada for 413 students from the Commonwealth Caribbean during the calendar year 1970. CIDA provided 120 teachers, including professors and lecturers for the University of the West Indies, and 48 technical advisers to serve in the Caribbean area.

Special Commonwealth Africa Assistance Plan

As in other areas of Canada's expanding aid program, the level of support to SCAAP increased in 1968-69, to \$25.5 million from \$18.8 million the previous fiscal year, and was over \$24 million in 1969-70. For 1970-71, \$24.38 million was allocated and authority was given to undertake a \$20-million power project in Botswana.

Technical assistance programs for Africa continued to receive major emphasis: 223 teachers and professors, 78 technical advisers, and 424 training positions in Canada were provided during 1970.

Loan agreements have been made with a number of the African countries. A \$2-million loan is being used for two transmission-lines in Tanzania and a loan for \$450,000 has been extended to pay for a master plan of the capital city of Dar-es-Salaam, and a \$1-million loan for an aerial survey in Southwest Tanzania. In addition, a NP-NC program for Tanzania of \$2-million during this fiscal year has been approved. A \$1-million loan agreement has been concluded with Uganda to supply 600 dairy cattle and 30 milk-cooling units to that country's dairy industry. A \$500,000 loan agreement has been signed with Kenya for a topographical mapping survey. Another large commitment of loan funds in SCAAP is the \$7.58-million Ghan-Togo-Dahomey Transmission Project. This project consists of the design and construction of a transmission-line to provide hydro-electric power for the coastal regions of the three countries, provision of generators and supply of other necessary equipment to the Akosombo power-station in Ghana. The largest loan commitment in SCAAP, and also the largest Canadian development-assistance project to Africa, consists of the \$20-million worth of support to the Shashi River Project in Botswana.

Independent French-Speaking African States

Since the *francophone* Africa program began in 1961, Canada's assistance to the area has totalled \$153.7 million, \$23.8 million of it in the fiscal year 1968-69 and \$34.14 million in 1969-70. In 1970-71, \$64.2 million was allocated to the area.

Assistance was committed by the Chevrier Mission in 1968 to some 49 projects, many of which have now been completed, and a new set of projects is being developed. A major project for the 1970-71 allocations is the construction of the Route de l'Unité, a major highway linking the principal centres of Niger, financed by a \$13-million loan.

Latin America

Canada has made available \$10 million yearly since 1964 in "soft" development loans for Latin America. These funds are administered on behalf of Canada by the Inter-American Development Bank, which develops proposals for Canadian loan funds among its member countries. The Bank assesses these proposals before submitting them to CIDA for final approval.

With the approval in the past fiscal year of four loan agreements, the cumulative allocation of \$68 million for Latin America has been fully committed; there are 14 loans, of which half are for pre-investment studies by Canadian experts to determine the economic and technical feasibility of potential projects. Energy resources are being developed with loans of \$9 million for a steam-power plant in the city of Belém in Brazil and \$16.7 million for a 340,000-kilowatt hydro-electric project in Colombia. Improvements to the port of Acajutla in El Salvador, an important shipping centre for the Central American Common Market, have been supported by loans totalling about \$5.2 million.

In November 1968, CIDA took part in a ministerial mission to Latin America designed to take a fresh look at Canada's relations with the countries of that region. As a follow-up to the mission, a special task force on Latin America, with representatives from several government departments and agencies, including CIDA, was established to examine in greater depth the initial observations and suggestions of the mission, and to submit recommendations to the Government on the possible nature and scope of Canada's future relations with Latin American countries.

A program of bilateral development assistance, mainly technical, has been launched and country review teams are visiting Colombia, Peru, Brazil and the Central American republics to study areas of technical assistance where Canadian capabilities can be used.

Export Development Corporation

The Export Development Corporation (EDC) became operative in October 1969, replacing the Export Credits Insurance Corporation. Designed mainly to improve Canada's ability to sell abroad, it also provides a useful form of capital assistance for many developing countries and contributes to international development by extending Canadian financial resources, thus making more Canadian goods and services available to developing countries.

Export credits of this type are included by the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD) in calculations of the total international flow of financial resources to the developing countries under the 1 percent target. However, because their principal purpose is to promote exports of the creditor country, they are not regarded as a part of official assistance.

The EDC offers Canadian exporters a broadened range of lending and insuring services. It can make direct loans for credit-worthy foreign governments or corporations up to a total of \$600 million on its own decisions, and up to a total of \$200 million at the direction of the Government to finance exports that the Cabinet decides are in the national interest. It can insure a broad range of commercial dealings, including consulting services, up to a maximum of \$1 billion, against both commercial risks (insolvency, default) and political risks (confiscation, war, restrictions on transfer of earnings or invested capital).

From 1961 to March 31, 1970, Canadian goods and services valued at about \$481 million were sold overseas under the Government's program of export finance.

When international competition makes it necessary, a limited portion of EDC financing may be used to cover local costs that are an integral part of an export transaction. With these new powers and capacities the EDC can help Canada remain competitive with other exporters and can assist in the development of new trade channels to the "Pacific Rim" countries, to Latin America, and to Middle East.

Emergency Relief

For 1970-71, \$350,000 was allocated for emergency relief. Contributions from this fund are usually in support of Red Cross work in the aftermath of natural disasters. The fund was not designed, however, to handle disasters of the magnitude of those that took place recently in Peru and East Pakistan. Consequently, the allocation was enlarged through special Cabinet approval to include an extra \$1 million for the Peruvian earthquake disaster and \$2 million for the flood disaster in East Pakistan.

Multilateral Aid

United Nations Agencies

In 1970, CIDA allocated over \$3 million for three United Nations relief and welfare programs - the United Nations International Children's Emergency Fund (UNICEF), the UN Relief and Works Agency for Palestinian Refugees (UNRWA), and the UN High Commissioner for Refugees (UNHCR), and approximately \$23 million for various economic assistance programs (United Nations Development Programs, Indus Basin Fund, World Food Plan, and the Desert Locust Control Organization).

World Bank Group

The largest multilateral aid agency is the International Bank for Reconstruction and Development (IBRD or World Bank) headed by Robert McNamara. Working in close collaboration with the IBRD are its two affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC). Canada is a member of all three institutions.

The World Bank makes loans to developing countries at conventional rates of interest and maturities. Its resources are drawn from the membership subscriptions of 110 countries, totalling some \$23 billion, and from the sale of bonds on international capital markets, including the Canadian markets. Canada's subscription to the Bank's capital amounts to \$792 million, of which one-tenth is actually paid in.

The International Development Association is the World Bank's instrument for providing "soft" credits at lower interest-rates and longer maturity periods than conventional loans. Canada recently responded to a shortage of IDA funds by making a special contribution of \$7.8 million (U.S.) and also by allowing its total contribution of \$67.2 million (U.S.) to the second replenishment of the funds to become available in advance of the scheduled dates. Negotiations for the third replenishment were recently completed, with Canada providing \$50 million annually for three years to the annual \$813-million fund. This represents almost double the Canadian contribution to the previous replenishment.

Canada subscribes \$3.6 million to the share capital of the International Finance Corporation, the World Bank affiliate that invests in enterprises where sufficient private capital is not available. IFC also serves as a clearing-house in which investment opportunities and investors are brought together.

Regional Banks and Development Consortia

Regional banks are intended to accelerate the economic progress of developing member countries by lending funds, promoting investment and providing technical assistance. Canada is a charter member of and an important contributor to the Asian Development Bank and the Caribbean Development Fund and is active in negotiations to set up a Special Fund for the African Development Bank.

Canada is also a member of World Bank consortia that co-ordinate development plans and aid flows for India and Pakistan, OECD consortia for Greece and Turkey, consultative groups for several other countries, the DAC, the Commonwealth Program of Technical Co-operation, and the United Nations Conference on Trade and Development (UNCTAD).

The Private Sector

Special Programs Division

Recently, CIDA launched a program to help voluntary and non-government agencies increase their contributions to international development. In

1968-69, \$5 million was allocated to this program, and the figure rose to \$8.5 million for 1970-71. It has been estimated that the total value of private assistance to developing nations from Canadian organizations is about \$35 million annually.

Many of these groups - churches, universities, technical institutions, industrial or labour associations, co-operatives, professional societies - were pioneers in the development field, and are operating successful programs that can be expanded and strengthened with any additional support they receive.

To tap complementary private resources, grants are normally made on a matching basis to the national or parent body of a Canadian organization, which provides half to two-thirds of the project's support. Assistance of this kind should also increase the extent or scope of Canadian activity and should complement and supplement the official aid effort.

The largest single grant made by the Special Programs Division in 1970 was \$4.5 million to the Canadian University Service Overseas (CUSO), which had 1,157 Canadian volunteers serving 44 developing countries in October 1970. Other grants - to a variety of church organizations, the Red Cross, the Young Men's Christian Association (YMCA) and the Young Women's Christian Association (YWCA), Canadian Executive Service Overseas (CESO), the Canadian Hunger Foundation, the Canadian Teachers' Federation, and others - have helped carry out many valuable projects around the world, mainly in the fields of education, health and welfare.

Business and Industry Division

In 1969, CIDA's Business and Industry Division was established to develop a program that would help Canadian companies begin or expand suitable overseas enterprises, thereby facilitating the transfer of know-how and investment funds into the private sector of developing economies.

The Division co-operates closely with Canadian business and industry, the Department of Industry, Trade and Commerce, international finance corporations, and development banks and corporations overseas in identifying and arranging financing for worthwhile investment opportunities in all types of secondary industry in the developing countries.

Of particular interest to the Business and Industry Division, and to the developing countries, are the labour-intensive industries that can use to best advantage the talented graduates of schools established under the aid plans of many nations. Such enterprises can contribute to Canada's international development efforts by extending program continuity from education into economic development.

This co-operative effort should prove valuable to all participants: Canadians investing abroad will benefit from strong local support, the development banks and corporations will be strengthened by Canadian interest, and CIDA itself will gain additional contacts and resources. Even more important, a new injection of skills and funds into their commerce and industries can bring the countries of the "Third World" closer to the real goal of Canada's assistance programs, self-generating development.

International Development Research Centre

In the spring of 1970, Parliament gave final approval and the Government pledged funds for the next five years to what is perhaps the most promising recent idea for overseas development - the International Development Research Centre (IDRC). First proposed by Mr. L. B. Pearson, the Centre will focus advanced scientific and technological knowledge on the difficulties of the underdeveloped countries by sponsoring or conducting realistic, multi-disciplinary, problem-oriented research designed to bridge the growing science and technology gap.

Although it is a Canadian organization, the Centre will be international in staff and character. It will finance research, wherever the most capable people and institutions are available, on such problems as mineral resources evaluation, food conservation and distribution, improvement of agricultural products and techniques, and the development of labour-intensive industry. The Board of Governors is broadly representative of the developing and developed countries alike, although the chairman, vice-chairman and a voting majority of the 21-member Board and seven-man Executive Committee are Canadian. The first meeting of the Board was held in October 1970.

The IDRC, a long-term experiment offering great potential benefits, will help meet a serious inadequacy in existing aid programs. The Government has stated that it will receive a minimum of \$30 million over its first five years.

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