



PRESS RELEASE

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The Department of External Affairs announced today that the governments of Canada and Pakistan had agreed on a statement of principles for the cooperative economic development of Pakistan under the Colombo Plan.

The principles were confirmed by an exchange of diplomatic notes in Karachi today (September 10).

The principles provide that Canadian aid to Pakistan may be provided on either a grant or loan basis, depending on the nature of the projects to be financed. Projects of an essentially commercial nature would be eligible for loans; others of a basic public utility or developmental character would be eligible for grants.

In addition, the governments have tentatively agreed on the projects to be undertaken in Pakistan with Canadian assistance during the first year of the Colombo Plan. These projects, amounting in all to some \$10 million, include capital works and equipment (dump trucks, motors, pumps, etc) in connection with a large settlement scheme in the Thal Area, experimental and demonstration work in the field of live stock, and some electrical and transport equipment.

If, for any reason, any of these projects prove impracticable others will be substituted in the programme.

The text of the Statement of Principles follows:

COLOMBO PLAN

STATEMENTS OF PRINCIPLES agreed between the Government of Canada and the Government of Pakistan for Cooperative Economic Development of Pakistan

The Governments of Canada and Pakistan, together with other governments, took part in London in 1950 in drawing up the Colombo Plan for Co-operative Economic Development in South and South-East Asia. The Governments of Canada and Pakistan now desire to co-operate for their mutual benefit, and in particular for the achievement of the purposes of the Colombo Plan, by promoting the economic development of Pakistan. Therefore the Governments of Canada and Pakistan now wish to establish agreed principles under which economic aid from Canada will be provided to Pakistan for the purposes of the Colombo Plan, and according to which supplementary agreements may be made to cover specific programmes.

The Governments of Canada and Pakistan agree to the establishment of the following principles:

1. All economic aid supplied by the Government of Canada to the Government of Pakistan under the Colombo Plan

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shall consist of goods and services in accordance with specific programmes agreed upon from time to time between the two governments. Similarly, agreement will be reached on the methods of procurement and transfer.

2. In order that Canadian aid may cover different types of projects, different forms of financing may be used; in particular, Canadian aid will be available on either a grant or a loan basis, depending on the nature of each specific programme and the uses to which the goods and services supplied under it are put.

3. The particular terms of each specific programme will be a matter for agreement between the two governments, subject to the following general provisions;

- (a) Grants: In any specific programme under which goods financed by grants from the Canadian Government are sold or otherwise distributed to the Pakistan public "counterpart funds" will normally be set aside. The Pakistan Government will set up a special account for these funds and will keep separate records of the amounts placed in the account in connection with each specific programme. It will pay into this account the rupee equivalent of the Canadian expenditures on goods and services supplied under any such programme. The Government of Pakistan will from time to time report to the Government of Canada the position of this account and will supply a certificate from the Auditor General of Pakistan. The two governments will from time to time agree on the economic development projects in Pakistan to be financed from this account.
- (b) Loans: For the specific programmes which are agreed to be appropriate for financing by means of loans the terms of the loans will be determined by the two governments. These terms will relate primarily to the commercial character of the particular project in question, to its anticipated earnings, and to its anticipated effects on the foreign exchange position of Pakistan.
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