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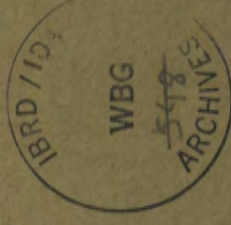
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Travel Briefings: Canada - Travel briefs 01

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CANADA BRIEFING BOOK

- A. Itinerary
- B. State Department Note
- C. Cabinet and Biographical Data
- D. Canada Brief
- E. IDA Strategy
- F. Capital Market
- G. Procurement: Note from D. Sommers and C. Isbister
- H. Meeting with ~~newsmen~~ ^{Harvey}
- I. OECD Memo on Canada

A

VISIT TO CANADA, March 7-9, 1973

<u>DATE</u>	<u>TIME</u>		<u>REMARKS</u>
March 7	1655	Depart Washington (National)	AL511
Wed.	1837	Arrive Toronto (met by Mr. Gerin-Lajoie)	Royal York Hotel
		Dinner by Mr. Gerin-Lajoie, Head of CIDA	at Hotel
March 8	1000	Meet Editors and Publishers (until 1100)	
Thurs.	1200	Speech and lunch	at Hotel
	1600	Depart Toronto	Government plane
	1700	Arrive Ottawa	7 Rideau Gate
	2000	Dinner by Mr. Turner, Minister of Finance	Country Club
March 9	0930	Mr. Sharp, Secretary of State for External Affairs	"East Block"
Fri.	1015	Mr. Turner	"East Block"
	1100	Mr. Gerin-Lajoie	CIDA
	1245	Lunch by Mr. Sharp	
	1445	Mr. Gillespie, Minister of Industry, Commerce, and Trade	"Tower B"
	1530	Mr. Hopper, President, Int. Development Research Center	
	1630	Depart Ottawa	Government plane
	1800	Arrive New York	
	1855	Depart New York (JFK)	UN237
	2229	Arrive Denver	

AL
March 2, 1973

B



CANADA

BACKGROUND NOTES

Population: 21.7 million (1971 est.)

Capital: Ottawa

With an area of 3,851,809 square miles, Canada is the second largest country in the world (after the U.S.S.R.). Its territory extends from the United States to the North Pole and includes all the islands in the Arctic Ocean from west of Greenland to Alaska. Its 17,860-mile mainland coastline is one of the longest in the world. Canada shares a 3,986-mile border with the United States, a border that has been unfortified for more than a century.

Almost half of Canada is a plateau of rock. The country's most outstanding physical feature is the Shield, a rugged arc of pre-Cambrian rock extending from Labrador around Hudson Bay to the Arctic islands, which covers most of eastern and central Canada. The northern area of the Shield is a treeless plain that is moss-covered in the summer but whose subsoil is permanently frozen. The Shield is thickly forested in the south. An extension of the Appalachian Mountains breaks up the rumpled contours of the Atlantic coast Provinces.

Prairies extend from the western border of the Shield to the Canadian Rockies. Extending across three Provinces, this rolling lowland is Canada's breadbasket because of its fertile soil and wheat-producing capability. Western Canada, comprising most of British Columbia, is laced with towering mountains. The Yukon and Northwest Territories are similar in topography to the northern area of Canada's Shield.

The climate varies greatly in the many diversified regions—ranging from arctic to mild—but Canada may be described generally as being cool and temperate, with long cold winters.

Canada's flag consists of three vertical bands—a wide, white center band with a narrower red stripe on each side—and a red maple leaf in the center.

THE PEOPLE

More than two-thirds of Canada's estimated 21.7 million people live within 100 miles of the U.S. border, and more than half the total population lives in the southeast near the Great Lakes and the St. Lawrence River. Yet Canadians and Americans are not "just alike" as casual and uninformed observers frequently assume. The Canadian character and outlook have been forged from a distinctive historical and social background

which has produced a "Canadian way of life" flourishing in a sovereign nation.

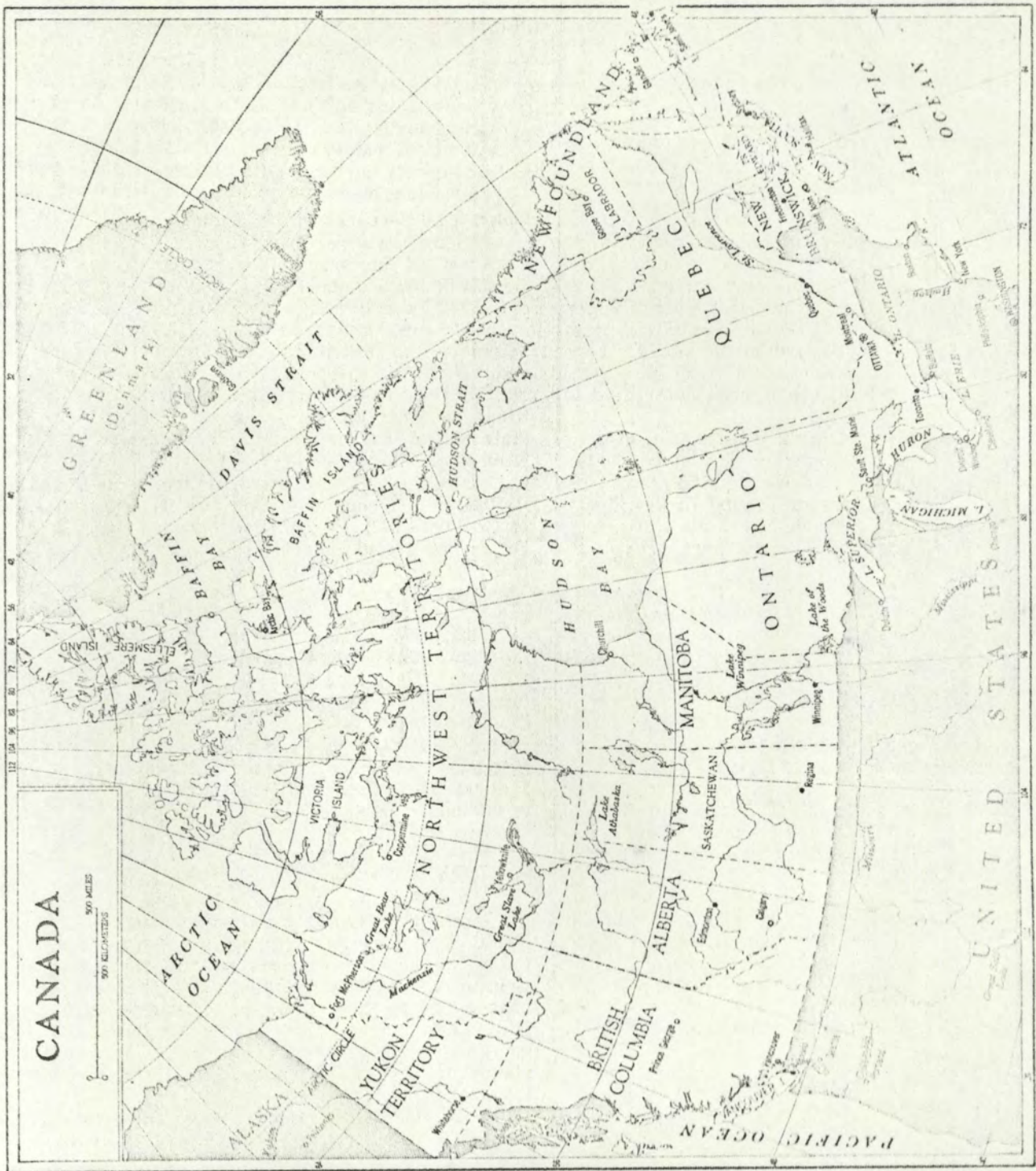
About 44 percent of the population are of British stock and about 30 percent are of French origin. Canada's more than 6 million French-speaking citizens are primarily descendants of colonists who settled the country three centuries ago. The English-speaking population has been built up mostly by immigration from the United Kingdom. The largest influx from the United States occurred during the American Revolution when thousands of "Empire Loyalists" fled to Canada. Those Canadians who are of neither British nor French origin are comprised mostly of Germans, Ukrainians, Scandinavians, Italians, Dutch, and Poles. Indigenous Indians and Eskimos make up only about 1 percent of the population. The population growth rate is only about 1.8 percent annually.

Religion plays an important role in the life of the Canadians with 46 percent of them Roman Catholic. The largest Protestant denomination (about 20 percent of the people) is the United Church of Canada—a union of Methodists, Congregationalists, and Presbyterians. There are also lesser numbers of Anglicans, Presbyterians, Lutherans, Baptists, and Jews. Literacy in Canada is virtually complete.

HISTORY

Canada's early history was dominated by imperial rivalry between Britain and France. John Cabot, a Genoese explorer in the service of Britain, reached Newfoundland in 1497 and took possession of the country in the name of King Henry VII. Jacques Cartier, a French navigator on a similar voyage of exploration in 1534, planted the cross and fleur-de-lis of France on the Gaspé Peninsula.

While the British settled along the coast to the south, the French pushed rapidly into the interior, and Canada's history for more than a century was to be as a French colony. The French explorer, Samuel de Champlain, in 1604 helped establish the first permanent French colony in North America at Port Royal in Acadia—now Annapolis Royal, Nova Scotia. Four years later he founded the settlement of Quebec. The explorations of Cartier and Champlain up the St. Lawrence River and into the Great Lakes set a



path whereby the French were to lay claim to the continent.

The political history of early Canada was one of arbitrary government, the colony being under the absolute control of a series of commercial companies chartered by the French king. French Royal Government, which was established in 1663, provided a paternalistic system of checks and balances in which the Royal Governor, the King's Intendant, and the Bishop competed in exercising control.

Meanwhile, explorers, traders, and missionaries, including Marquette, Joliet, and La Salle, extended French influence deep into the New World. Count Frontenac, a forceful Governor of New France, made peace with the Indians. Immigration helped reinforce the French population. In 1670 the British founded the Hudson's Bay Company to compete for the lucrative fur trade.

The war which broke out between Britain and France a few decades later was extended to the New World. The defeat in 1759 of the French Commander, Montcalm, by the British General, Wolfe, resulted in the fall of Quebec. The Treaty of Paris in 1763 ceded Canada to Great Britain.

A decade later the leaders of the American Revolution failed both in their efforts to persuade Canada to join their cause and in their military foray into Quebec. From 1783 to 1787 some 40,000 American colonists loyal to Britain fled to Canada.

The influx of these Empire Loyalists and other immigrants gradually changed the political character of Canada. The Constitutional Act of 1791 divided Canada into two provinces. Upper Canada—chiefly English—consisted of the southern section of what is now Ontario. Lower Canada covered the southern section of Quebec Province. The two provinces had elected legislatures which marked the first important step toward self-government.

This was a period of extensive exploration and accelerated trade. In the 1780's a group of Montreal traders founded the Northwest Company and challenged the virtual monopoly of the Hudson's Bay Company in the fur trade until their amalgamation in 1821. A Scot, Alexander Mackenzie, journeyed to the Arctic Ocean in 1789 and in 1793 reached the Pacific Ocean—the first white man to cross the continent.

War between the United Kingdom and the United States in 1812 again saw an invasion of Canada from the States. The Treaty of Ghent on December 24, 1814, ended the fighting and reestablished the prewar borders; but it did not settle the boundary question or naval disarmament. The latter was resolved in 1817 by the Rush-Bagot Agreement which limited to four each the number of naval vessels the United Kingdom and the United States could keep on the Great Lakes.

Intensive immigration into Canada between 1815 and 1850, largely from famine-beset Ireland, stimulated demands for political reforms. Two abortive revolts took place in 1837. One in Lower Canada, led by Louis Joseph Papineau, sought to redress what was considered unfair

British treatment of French Canada. The other, in Upper Canada, was led by William Lyon Mackenzie against the local government. The United Kingdom quelled these revolts and in 1838 sent the Earl of Durham to investigate their cause. He recommended immediate union of Upper and Lower Canada, ultimate union of all British North America, and virtual self-government. Union of the two provinces was approved in 1840, but representative government was not achieved until 1849.

Serious border disputes between the United Kingdom and the United States were settled in the 1840's. Eastern border problems were resolved by the so-called Webster-Ashburton Treaty of 1842. After a period of tension regarding the western border—the famous "fifty-four forty or fight"—the United States agreed to a British offer to accept latitude 49 degrees as the boundary line. The Oregon Settlement was ratified on June 18, 1846.

By 1867 Canada had gained independence through "evolution rather than revolution." However, it was not truly a nation but rather a number of isolated colonies spread across the continent. A movement for political confederation was growing, spurred by several motives: to link the eastern and western provinces; to facilitate the building of a railroad system; and to form a strong union which could prevent encroachment by the United States. The latter was made more urgent by anti-British sentiment during the U.S. Civil War.

The movement culminated in the British North America Act of 1867 which created a union of four Provinces: Quebec, Ontario, Nova Scotia, and New Brunswick. The act provided for a federal union and the parliamentary system then practiced in the colonies. In 1869 Canada purchased "Prince Rupert's Land" from the Hudson's Bay Company and from it created the Provinces of Manitoba (1870), Saskatchewan (1905), and Alberta (1905). British Columbia (1871) entered on the promise of a transcontinental railroad, followed by Prince Edward Island (1873). With the entry of Newfoundland in 1949 as the 10th Province, Canadian confederation was completed.

THE PROVINCES AND TERRITORIES

Newfoundland, Nova Scotia, Prince Edward Island, and New Brunswick (Atlantic Provinces) comprise 5.4 percent of Canada's total area and have a population of about 2 million. The great majority of the people are of British stock, live in small communities, and are engaged in manufacturing, mining, agriculture, fishing, and forestry.

Quebec, the "cradle of Canada" and the center of French tradition, is the largest Province, with about 15 percent of the total area. It has a population of 6 million, more than 80 percent of which are of French origin. The city of Quebec, the provincial capital with 476,000 inhabitants

(metropolitan area), retains a distinctively Old World atmosphere. Montreal, with a population of more than 2.7 million (metropolitan area), is Canada's largest city. This Province accounts for about 30 percent of the country's manufacturing sector and is a major producer of hydroelectric power. Its mines produce about 60 percent of the world's asbestos.

Ontario is Canada's most populous Province (7.9 million, or more than one-third of the total) and is the second largest in area (11 percent). Almost 60 percent of the Canadians in this Province are of British origin. The population is concentrated in the southern peninsula around the Great Lakes and the upper St. Lawrence Valley. Ottawa, the nation's capital (population of the metropolitan area: 596,000) and three more of Canada's largest cities are in this region, including Toronto with about 2.6 million inhabitants. Ontario produces half of the country's manufactured goods and is the world's principal source of nickel.

Manitoba, Saskatchewan, and Alberta (Prairie Provinces) occupy about 20 percent of Canada's area. The westward migration in the early 20th century accounts largely for its 3.5 million inhabitants. The Great Central Plains is one of the world's principal wheat-producing regions. These three Provinces also produce almost all of Canada's petroleum and natural gas.

British Columbia is the third largest Province and encompasses the country's entire Pacific coastal area and adjacent islands. More than two-thirds of the population of 2.2 million are of British origin. Lumbering is the leading industry. It ranks third in manufacturing and has great hydroelectric potential.

About 40 percent of Canada's area lies outside the Provinces. This vast northern region is divided into two territories—Yukon (about 207,000 square miles) and the Northwest Territories (about 1,305,000 square miles). The inhabitants number only about 50,000, almost half of them Indians and Eskimos. Since the discovery of gold in the Klondike in 1896, Yukon has produced more than \$300 million worth. Yukon is governed from Whitehorse by a Commissioner and a council of seven elected members. The Northwest Territories is governed from Yellowknife by a Commissioner and a council of nine elected members.

GOVERNMENT

Although the British North America Act of 1867 provides Canada with a form of written constitution, many of the country's legal and parliamentary practices are based on unwritten custom, as is the case in the United Kingdom. On the other hand, the federal structure of the state—the uniting of the 10 Provinces in a Federal Government—resembles the U.S. Federal system. The British North America Act provides for a Federal Government to which are reserved specific powers, such as those relating to defense, trade and commerce, banking and currency, criminal

law, postal services, and certain taxes, as well as all powers not expressly granted to the Provinces. The Provinces have authority to administer and legislate on such matters as education, property laws, health, and local affairs generally.

Queen Elizabeth II is Queen of Canada and Chief of State and serves as a symbol of the free association and unity of the equal and sovereign nations of the British Commonwealth. Her personal representative in Canada is the Governor General, whom she appoints on the advice of the Prime Minister of Canada, usually for a 5-year term. The term of the current Governor General has been extended until the spring of 1973.

Parliament consists of the Senate, and the House of Commons. The Senate's 102 members are appointed by the Governor General on the advice of the Prime Minister and hold office until the age of 75. Elections for 264 members of the House are held at least every 5 years but may also occur at any time that the Prime Minister advises the Governor General to dissolve the House.

The executive consists of a Cabinet led by a Prime Minister (Head of Government), who is the leader of the political party in power. The Cabinet remains in power as long as it retains majority support in the House on major issues.

Criminal law, a parliamentary prerogative, is uniform throughout the nation and is based largely on British law. Civil law is based on the Common Law of England except for Quebec, which has retained its own civil code patterned after that of France. Justice is administered by Federal, provincial, and municipal courts.

Government in the Provinces is patterned much along the lines of the Central Government. Each Province is governed by a premier and a single elected legislative chamber. A lieutenant-governor, appointed by the Governor General, represents the Crown.

POLITICAL PARTIES

Canada's Government during this century has been, for the most part, controlled by one or the other of the two major political parties, the Liberals and the Progressive-Conservatives.

As a result of the June 25, 1968, elections, the Liberal Party forms the Government with a majority of 149 seats, having governed from 1963 to 1968 without commanding an absolute majority. The party was out of power from 1957 to 1963, after having dominated Canadian political life for more than 20 years.

The Progressive-Conservative Party governed from 1957 to 1963. It is now the official opposition party with 72 seats, as it was from 1935 to 1957.

The New Democratic Party, formed in 1961 by a merger of the predominantly rural-based Cooperative Commonwealth Federation (CCF) and the Canadian Labour Congress (CLC), elected 25 members to Parliament in the June 1968 elections.

The Social Credit Party originated in the 1930's and split in 1963 when the Quebec-based Ralliement des Creditistes formed its own group. The Creditistes increased their standing in Parliament from nine to 13 seats in the June 1968 election. The national Social Credit Party was re-established in 1971.

The Communist Party holds no seats in either the Federal or provincial legislatures in Canada. Three parliamentary seats are held by independents and two are vacant.

ECONOMY

Canada's natural wealth is abundant. About 8 percent of the land is farmland, and large areas are covered by valuable forests. With vast resources still untapped, Canada is already one of the most important producers of a wide variety of minerals. It has about a sixth of the world's fresh water and hydroelectric potential several times present levels. The coastal waters and more than 230,000 square miles of lakes provide productive fishing; and wildlife, including fur-bearers, abounds.

Canada is the world's largest producer of newsprint, zinc, silver, nickel, and potash. It ranks second in production of asbestos, gypsum, uranium, titanium, molybdenum, and sulfur; third in cobalt, gold, lead, platinum, and wheat; fourth in magnesium; and fifth in copper.

Manufacturing, now the leading industry of the nation, supports about a third of the population. Canada's manufactures are worth more annually than the wealth produced by its agriculture, fisheries, mines, and electric power combined. The spectacular growth of Canadian manufacturing, particularly during the 1950's and 1960's, has transformed the nation from a rural agrarian society into one primarily industrial and urban in character.

Canada's annual economic growth rate is approximately 5 percent in real terms (1961 prices). In 1971 Canada's gross national product (GNP) grew by 9.1 percent, in current prices, to C \$92.1 billion. (Since mid-1970 the Canadian dollar has floated. Recently the Canadian dollar has been approximately equal to the U.S. dollar.) Per capita income was estimated at C \$4,249 in 1971.

Forestry

Forests, mostly softwood, cover more than 1.7 million square miles, or more than 45 percent of Canada's land area. About 1 million square miles are estimated to be productive. The forest industry directly or indirectly employs more than 300,000 people, and the sale of forest products abroad represents about 15 percent of Canada's export trade.

Canada's newsprint capacity is nearly three times greater than that of any other country; the industry accounts for about half of world production. Newsprint has been for years one of Canada's principal exports and in 1971 was second to motor

vehicles and parts. The United States takes more than three-fourths of the country's newsprint production.

Minerals

Another important set of U.S. imports from Canada are nonferrous metals such as nickel, aluminum, copper, and zinc. Deposits of nickel in Ontario, and asbestos in Ontario, Quebec, and British Columbia, are the world's largest. The Quebec-Labrador region is one of the world's major sources of iron ore. Other important minerals produced include copper, zinc, potash, lead, gold, silver, molybdenum, and platinum. Bauxite is imported to utilize the country's great hydroelectric resources for the production of aluminum, now leading nickel as Canada's principal metal export.

Crude petroleum, natural gas, and iron ore have become highly important to the economy. Crude petroleum is by far the largest single contributor to the value of Canada's mineral output, and the country has proved reserves of more than 10 billion barrels of oil. Oil production in 1971 averaged 1.6 million barrels a day. Recently the vast deposits of Alberta tar sands have undergone commercial development.

Agriculture

Agriculture employs about 7 percent of the working population. Farming is highly mechanized, with a declining number of agricultural workers producing increasing quantities of foodstuffs on larger farms.

Production of wheat in 1971 amounted to 523.7 million bushels. Other leading Canadian agricultural products include feedgrains, oilseeds, and meat and meat products. Canada also produces tobacco, milk and other dairy products, poultry, and fruits and vegetables. In recent years some of these commodities, especially grains, have developed surpluses and required Federal assistance.

Canada is able to export 30-40 percent of its total agricultural production and is one of the world's major food-exporting countries. In 1971 agricultural commodities accounted for about 11 percent of Canada's total exports. Wheat comprises slightly less than half of all agricultural exports, followed by feedgrains, live animals, fish, oilseed, and meat and meat products.

The People's Republic of China and the East European countries take about one-fourth of Canada's agricultural exports. A few years ago their purchases were only a small fraction of today's volume.

Fisheries

Commercial fisheries provide an annual catch of more than 2.5 billion pounds brought in by ocean and inland fleets. The fishing industry provides a livelihood for some 85,000 Canadians, with about 75 percent of the catch being exported.

Transportation and Communications

Much of Canada's production, a third of which is exported, is located inland and must move long distances to market. To meet these needs, a great east-west artery of transportation with radial north-south adjuncts has been developed. Railroads are the backbone of this system. With more than 59,000 railway miles, Canada has more railroad miles per capita than any other country. Of Canada's some 500,000 miles of roads, about 375,000 miles are surfaced, including almost all of the 4,860-mile trans-Canada highway.

Canada's earliest transportation system, the inland waterways, still accounts for a major portion of the nation's commercial traffic. The heart of the system is the St. Lawrence-Great Lakes waterway. It carried more traffic than any other inland waterway in the world even before the opening of the Seaway. A total of 51.8 million tons of cargo moved through the Seaway and the Welland Canal in 1971, including domestic U.S. and Canadian traffic and foreign traffic, by some 5,700 ship transits. Ocean and coastwise ships now penetrate the continent as far inland as ports at the head of Lake Superior.

The "bush pilots," who gave access to the new mining areas of the north in the 1930's and who still play an important role in Canada's transportation complex, pioneered the way for the country's major airlines. Air Canada, owned by the Canadian National Railways, spans the nation and provides service to the United States, the Caribbean, Europe, and Mexico. Canadian Pacific Airlines, which specializes in north-south operations within the country, links Canada with Alaska, Hawaii, and San Francisco, in addition to Asia, Australia, South America, and southern Europe.

In per capita ownership of telephones, only the United States exceeds Canada, which has nearly one phone for every two persons. Telegraph services are operated by the transcontinental railway companies and by the Federal Government to outlying districts.

The Canadian Broadcasting Corp. (CBC) owns and operates two national radio networks (one English, one French) and two television networks, as well as 40 radio stations and 59 television stations. In addition, many privately-owned television stations act as outlets for the CBC network programs.

Some 102 daily newspapers are published in English and about 12 in French; there are approximately 820 weeklies.

Foreign Trade

Canada usually ranks in the top six countries in the world in volume of foreign trade—after the United States, the United Kingdom, the Federal Republic of Germany, France, and Japan. It has alternated with New Zealand in recent years as the nation with the highest per capita trade.

Canada is one of the world's largest importers of steel products, manufactured goods, and fuels. Among the principal imports are industrial machinery, crude petroleum (principally for east coast consumption), automobiles and parts, electrical apparatus, rolling mill products (steel), iron and steel pipes, tractors, and aircraft. In 1971 its total imports were C \$15.6 billion, and exports were C \$17.7 billion.

The United States and Canada have become the world's greatest trading partners. In 1971 the United States received 68 percent (C \$12 billion) of Canada's exports and supplied about 70 percent (C \$10.9 billion) of its imports. Twenty-three percent of U.S. exports went to Canada in 1971—more than twice the amount that went to the United States next best trading partner, Japan—and Canada supplied 28 percent of U.S. imports. In 1971 the United Kingdom supplied 5 percent of Canada's imports and ranked second in Canadian import trade, followed by Japan, the Federal Republic of Germany, Venezuela (mostly petroleum and petroleum products), and France. The United Kingdom also ranks second among Canada's export markets, followed by Japan and the Federal Republic of Germany.

On January 16, 1965, President Johnson and Prime Minister Pearson signed the United States-Canada Automotive Products Agreement designed to create a broader market for automotive products by obtaining for both countries and both industries the benefits of specialization and large-scale production. Canada accords duty-free treatment to specified motor vehicles and original equipment parts imported by Canadian manufacturers, and the United States allows duty-free import of specified Canadian motor vehicles and parts of original equipment. Motor vehicles and parts now represent Canada's largest category of exports.

Foreign Investment

Canada's resources are being developed with the help of foreign capital attracted by favorable conditions for investment. Canadians are also capital exporters and in 1969 had a long-term investment abroad of about \$10 billion. Nevertheless, Canada is a net importer of long-term capital. Furthermore, the extent of foreign ownership and control of Canadian resources is exceptional. Foreign companies control more than half of Canada's industries.

By far the greatest percentage of the foreign capital has been invested by U.S. citizens, and more than 5,000 subsidiaries of U.S. corporations do business in Canada. The U.S. investments are primarily in the petroleum, rubber, transportation equipment, chemicals, electrical products, machinery, and extractive minerals industries.

FOREIGN RELATIONS

In its early days as a nation Canada's foreign affairs were conducted by the United Kingdom, but by 1909, as Canadian participation increased, it

became necessary to create a Department of External Affairs. After World War I Canadian representatives signed the Treaty of Versailles, and the country's first bilateral treaty was signed in 1923 with the United States.

World War II gave considerable impetus to Canadian participation in world affairs. Canada took an active role in the creation of the United Nations, which it has strongly supported. It contributed troops to the U.N. forces in Korea and to the U.N. emergency forces in the Middle East, Congo, Yemen, and Cyprus. Canada is a member of the International Control Commissions in Vietnam, Laos, and Cambodia. It has assumed a prominent role in disarmament negotiations.

A member of the North Atlantic Treaty Organization (NATO) since its inception, Canada shares responsibility for the North Atlantic Treaty area. Its mutual aid program has provided NATO allies with about \$1.8 billion in military assistance since 1950.

Canada's economic assistance to developing countries has risen to almost \$400 million annually. It has been a consistent contributor to the Colombo Plan, which provides financial aid to South and Southeast Asia, and has recently been expanding its assistance to the African Franco-phone countries.

On June 25, 1970, the Government published a comprehensive foreign policy review which is intended to reflect more closely Canada's national interests. It will give highest priorities to (1) international factors affecting Canada's economic growth, such as export markets, capital flows, currency problems, technological imports, and improved transportation; (2) efforts to resolve race conflicts, raise the living standards of underdeveloped countries through economic and technical aid, and develop international law; (3) programs to enhance the quality of life in Canada through cultural, technological, and scientific exchanges.

Canada has recently made efforts to diversify its foreign relations in the light of its considered need to provide, in the interests of strengthening Canadian independence, some counterweights to what seems to be a pervasive U.S. presence. Recognition of the People's Republic of China in the closing months of 1970, the exchange of visits between Prime Minister Trudeau and Premier Kosygin (U.S.S.R.) in May and October 1971, and the visit of President Tito (Yugoslavia) in November were the major initiatives.

U. S. - CANADIAN RELATIONS

Waters and Fisheries

The St. Lawrence Seaway was inaugurated on April 25, 1959. It is basically an improvement of a water route in use since Canada's earliest days and has opened an important 2,300-mile trade

route whereby oceangoing vessels can penetrate into the industrial heart of North America. It was constructed jointly by the United States and Canada at a cost of \$471 million, of which Canada paid \$341 million. The entire cost is to be repaid from tolls charged to users.

The U.S.-Canadian border is marked by a profusion of streams and other waterways, and it is natural that there should be problems regarding these waters involving navigation, bridge construction, air and water pollution, water use, conservation, and hydroelectric development. The principal instrument for solving such problems is the International Joint Commission, created by the Boundary Waters Treaty of January 11, 1909, and consisting of three members from each country. The commission acts on proposals for use, obstruction, or diversion of boundary waters which would affect the natural level or flow on either side. Increasingly its major work has been to investigate and make recommendations on specific problems, particularly those related to boundary water pollution.

In January 1961 the two Governments signed the Columbia River Treaty whereby Canada undertook to build three dams on the river and receive a lump-sum payment for flood-control benefits from the United States and one-half of the power benefits produced at the U.S. installation as a result of operation of the Canadian dams. The United States agreed to build Libby Dam in Montana, which would provide downstream benefits to Canada. In January 1964 two supplementary agreements were signed providing for clarification of responsibilities under the treaty and for sale in the United States of the Canadian share of power benefits resulting from the Canadian dam construction. An exchange of ratifications by the two Governments at Ottawa on September 16, 1964, put the treaty into effect.

Fisheries have been historically important to the Canadian and United States economies and remain a significant source of income. Fishermen of the two nations have traditionally fished in the same areas, and the countries have cooperated closely in fishery conservation and rational exploitation of fishery resources. Both countries are members of six multilateral fishery commissions and are parties to five bilateral fishery agreements.

In December 1970 Canada proclaimed "fisheries closing lines" designating major areas on its east and west coasts as exclusive Canadian fisheries zones. The areas affected are the Gulf of St. Lawrence and the Bay of Fundy on the Atlantic coast and Queen Charlotte Sound and Dixon Entrance-Hecate Strait on the Pacific. The United States protested this unilateral extension of jurisdiction over areas traditionally regarded as the high seas. Traditional and other U.S. fishing interests were protected, however, by a new bilateral fisheries agreement.

Defense

The U.S. defense arrangements with Canada are more extensive than with any other country; fully a third of the United States major agreements with Canada relate to defense. This cooperation began in 1940 with the establishment of a Permanent Joint Board on Defense, which continues to meet regularly to discuss mutual defense questions, and the Hyde Park Agreement concerning defense procurement which entered into force on April 20, 1941. The principle of defense cooperation embodied in the Hyde Park Agreement was reaffirmed on October 26, 1950, with a "Statement of Principles for Economic Cooperation." This document expressed the agreement of the two Governments to cooperate to the end that their economic efforts "be coordinated for the common defense."

During the ensuing years this principle has been evidenced by extensive reciprocal military purchases. In addition, U.S.-Canadian military forces work together within the framework of the North American Air Defense Command (NORAD), which has been in operation since 1957 at Colorado Springs, Colorado. It exercises operational control over all combat units of the combined national forces made available for air defense. NORAD is headed by a U.S. general with a Canadian general as deputy.

Extensive radar chains stretching across Canada have been constructed. The northernmost of these, the Distant Early Warning (DEW) line, extends from the Alaskan border across the Canadian Arctic to Greenland. It was built by the United States at a cost of some \$300 million. The Pinetree line provides not only radar warning of approaching aircraft but also the means to determine their speed and course so that they may be readily intercepted. Its cost of some \$250 million was jointly financed. These main warning lines are supplemented by additional land, sea, and air-based radar.

PRINCIPAL GOVERNMENT OFFICIALS

Chief of State—Queen Elizabeth II
Governor General—Roland Michener
Prime Minister—Pierre Elliott Trudeau
Secretary of State for External Affairs—Mitchell Sharp
Ambassador to the U.S.—Marcel Cadieux
Ambassador to the U.N.—Yvon Beaulne

Canada maintains an Embassy in the United States at 1746 Massachusetts Avenue, N.W., Washington, D.C. 20036.

PRINCIPAL U.S. OFFICIALS

Ambassador—Adolph W. Schmidt
Minister—Rufus Z. Smith
Counselor for Political Affairs—Vladimir I. Tomanoff
Counselor for Economic Affairs—Emerson M. Brown

The U.S. Embassy in Canada is located at 100 Wellington Street, Ottawa.

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CANADA

Governor General	Michener, Daniel Roland
Prime Minister	Trudeau, Pierre-Elliott
Sec. of State	Faulkner, Hugh
Sec. of State for External Affairs	Sharp, Mitchell
Min. of Agriculture	Whelan, Eugene
Min. of Communications	Pelletier, Gerard
Min. of Consumer & Corporate Affairs	Gray, Herbert
Min. of Energy, Mines & Resources	MacDonald, Donald S.
Min. of Environment	Davis, Jack
Min. of Finance & Receiver General	Turner, John
Min. of Indian Affairs & Northern Development	Chrétien, Jean
Min. of Industry, Trade & Commerce	Gillespie, Alastair
Min. of Justice	Lang, Otto
Min. of Labor	Munro, John
Min. of Manpower & Immigration	Andras, Robert
Min. of Natl. Defense	Richardson, James
Min. of Natl. Health & Welfare	Lalonde, Marc
Min. of Natl. Revenue	Stanbury, Robert
Min. of Public Works	Dubé, Jean-Eudes
Min. of Regional Economic Expansion	Jamieson, Donald
Min. of Supply & Services	Goyer, Jean-Pierre
Min. of Transport	Marchand, Jean
Min. of Veterans Affairs	MacDonald, Daniel
Min. Without Portfolio & Leader of Govt. in Senate	Martin, Paul
Min. of State	Haidasz, Stanley
Min. of State for Science & Technology	Sauve, Jeanne
Min. of State for Urban Affairs	Basford, Ronald
Attorney General	Lang, Otto
Postmaster General	Oulette, André
Solicitor General	Allmand, Warren
Pres., Privy Council & Govt. Leader of the House of Commons	MacEachen, Allan
Pres., Treasury Board	Drury, Charles



CANADA

BIOGRAPHIES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

(Revised April 1968)

THE RIGHT HONOURABLE PIERRE ELLIOTT TRUDEAU

Prime Minister of Canada and Minister
of Justice and Attorney General of
Canada

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Mr. Trudeau was born in Montreal in 1919. He received his undergraduate schooling at Collège Jean-de-Brébeuf in Montreal. Having graduated with honours in law from the University of Montreal, he was called to the Bar of the Province of Quebec in 1943. He received a master of arts degree in political economy from Harvard University, and did postgraduate work in law, economics and political science at the University of Paris and the London School of Economics.

Mr. Trudeau was subsequently employed with the Cabinet Secretariat in Ottawa, and then practised law, specializing in labour law and civil liberties cases in the Province of Quebec. In 1961, he was appointed Associate Professor of Law at the University of Montreal, where he taught constitutional law and civil liberties, and carried out research as a member of the staff of the Institute of Public Law.

Mr. Trudeau was elected to the House of Commons in 1965. He was appointed Parliamentary Secretary to the Prime Minister in January 1966. In April 1967, Mr. Trudeau was appointed Minister of Justice and Attorney General of Canada. In April 1968, he became Prime Minister of Canada, while retaining his other portfolios.

Mr. Trudeau was a delegate to the France-Canada Interparliamentary Association meetings in Paris in April 1966. He also served as a Canadian delegate to the twenty-first session of the United Nations General Assembly from September to December 1966, where he was a member of the Special Political Committee. In February 1967, Mr. Trudeau undertook a tour of French-speaking African states on behalf of the Prime Minister and the Secretary of State for External Affairs to determine the role Canada should play in the formation of a French-speaking cultural association.

Mr. Trudeau has written extensively on reform in politics and the theory and practice of federalism. His articles, essays and manifestos have appeared in several Canadian and foreign publications. Mr. Trudeau is the author of a social study of French-Canadian society entitled La Grève de

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l'Amiante and of a book entitled Le Fédéralisme et la Société canadienne-française, which includes some of his previous articles and essays as well as a critique of his thinking on federal and constitutional matters. He was one of the founders of the reform review Cité Libre.



BIOGRAPHIES

JUN 1966

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

THE HONOURABLE W. MITCHELL SHARP

Minister of Finance

Mr. Sharp was born in Winnipeg, Manitoba, in May 1911. He received a B.A. degree from the University of Manitoba in 1934. He subsequently undertook graduate studies in economics at the University of Manitoba and the London School of Economics.

In 1942, Mr. Sharp came to Ottawa as an officer of the Department of Finance. Besides performing liaison duties between the Finance Department and the Wartime Prices and Trade Board, he served as chairman of interdepartmental committees concerned with agriculture, food, housing and social security. In 1947, he became Director of the Economic Policy Division of the Department of Finance, in which capacity he took part in the negotiations leading to the entry of Newfoundland into the Canadian federation.

In 1951, Mr. Sharp was named Associate Deputy Minister of Trade and Commerce. He attended wheat conferences in London, Washington and Geneva, the United Nations Sugar Conference in London and sessions of the General Agreement on Tariffs and Trade at Geneva. He became Deputy Minister of Trade and Commerce in 1957.

In May 1965, he received an honorary degree of Doctor of Law from the University of Manitoba.

In April 1963, Mr. Sharp was elected to the House of Commons and appointed Minister of Trade and Commerce. In December 1965, he became Minister of Finance.

Mr. Sharp is married to the former Daisy Boyd. They have a son.



BIOGRAPHIES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

(Revised August 1968)

THE HONOURABLE JOHN N. TURNER

Minister of Justice

Mr. Turner was born in Richmond, England, in June 1929. He attended public and separate schools in Ottawa. In 1949 he graduated from the University of British Columbia with a bachelor of arts degree in political science. He attended Oxford University on a Rhodes Scholarship and received from that institution the degrees of bachelor of arts in jurisprudence (1951), bachelor of civil law (1952) and master of arts (1957).

Mr. Turner was elected to the House of Commons in June 1962. In April 1963, he was appointed Parliamentary Secretary to the Minister of Northern Affairs and Natural Resources. In December 1965, he was appointed Minister without Portfolio.

He became Registrar General in April 1967, and expanded his responsibilities to Minister of Consumer and Corporate Affairs in December of that year. In April 1968 he was given the additional portfolio of Solicitor General.

Mr. Turner was appointed Minister of Justice and Attorney General in July 1968.

Mr. Turner was named a member of the English Bar, Gray's Inn, London, in 1953. The following year he was called to the bar of Quebec.

He lectured on commerce at Sir George Williams University from 1956 to 1958. He is the author of Politics of Purpose (1968).

Mr. Turner is married to the former Geills McCrae Kilgour. They have a daughter and two sons.



BIOGRAPHIES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

(October 1971)

THE HONOURABLE ALASTAIR GILLESPIE

Minister of State for Science and Technology

Mr. Gillespie was born in 1922 and went to school in Victoria, British Columbia. After studying at the University of British Columbia and McGill University, he received his M.A. from Oxford University as a Rhodes Scholar. He received his Master of Commerce from the University of Toronto.

Mr. Gillespie served in the Royal Canadian Navy Air Arm from 1941 to 1945 as Lieutenant (Pilot).

Mr. Gillespie was Vice-Chairman of the House of Commons Finance, Trade and Economic Affairs Committee from 1968 to 1970. He was appointed Parliamentary Secretary to the President of the Treasury Board in October 1970. He became Minister of State for Science and Technology in August 1971.

Mr. Gillespie was, from 1962 to 1964, Chairman of the Executive Committee of the Canadian Institute on Public Affairs. He was a member of the Duke of Edinburgh's Second Commonwealth Conference in 1962 and leader of the Canadian delegation of Parliamentarians to the North Atlantic Assembly in 1969 and 1970.

Mr. Gillespie is married and has two children.

BIOGRAPHICAL SKETCH

Paul Gerin-Lajoie

President of CIDA
Former Minister of Education and Vice-Prime Minister
of the Quebec Government

Born: Montreal, February 23, 1920
Married, three children

EDUCATION:

Mr. Lajoie attended College Jean-de-Brebeuf in Montreal and obtained his Law Degree at the University of Montreal. He was admitted to the Bar of the Province of Quebec in 1942. A Rhodes Scholar, Mr. Gerin-Lajoie received his D.Phil Degree in constitutional law from Oxford University in 1948. He has since received Honorary Doctorate Degrees from numerous universities.

BACKGROUND:

Member of the Canadian delegation to the UNESCO Conference in Paris. Previously he had represented Canada at youth conferences in England, Spain and Czechoslovakia. A former president of the Junior Bar of Canada, now the Young Lawyers Conference. Mr. Gerin-Lajoie practised law from the time he was admitted to the Bar until he became a member of the Quebec Government in 1960. He was appointed by the Canadian Government as Legal Counsel for numerous commissions of enquiry. Mr. Gerin-Lajoie has published a well-known study on constitutional law and numerous other publications on economic and political subjects. Elected in 1960 to the Quebec Legislative Assembly, now the National Assembly, as liberal member for Vaudreuil-Soulanges, he has represented that riding until 1969. Previously he was successively Secretary and Chairman of the Political Commission of the Quebec Liberal Party.

Appointed Minister of Youth in the Lesage Government in 1960, Mr. Gerin-Lajoie has been responsible for the major reform of education in Quebec. In the spring of 1964, he became the First Minister of the newly formed Department of Education. He was appointed Vice-Prime Minister of the province in the fall of the same year.

In his capacity as Cabinet Minister, Mr. Gerin-Lajoie has promoted international cooperation in the field of education and culture. He launched the France-Quebec exchanges and encouraged the active participation of educators in the Canadian Program for International Development. He was Chairman of the Commonwealth Education Conference in 1964, and has been among the early promoters of the idea of setting up an organization for cultural cooperation among Francophone countries.

In 1969, Mr. Gerin-Lajoie was Chairman of a mission of the Organization for Economic Cooperation and Development (OECD) which reviewed research and development policies in education in the United States. In June 1969, Mr. Gerin-Lajoie resigned his seat in the Quebec National Assembly to become Vice-Chairman of the Prices and Incomes Commission of the Federal Government. Prior to his appointment, he had published a noteworthy study on Quebec economic problems.

During 1969 and 1970, Mr. Gerin-Lajoie has been a visiting professor in the faculty of Social Sciences of the Ottawa University and in the faculty of Law of the University of Montreal.

Mr. Paul Gérin-Lajoie and the Canadian International
Development Agency.

Frederick Nossal
March 5, 1973

Mr. Paul Gérin-Lajoie, President of the Canadian International Development Agency, is a member of Prime Minister Pierre Elliot Trudeau's Liberal Party team. He has the confidence and support of the present Government. I have met Mr. Gérin-Lajoie, but cannot say that I know him. My friends in Toronto and Ottawa tell me he is admired by some, strongly disliked by others.

The official view is that since becoming the President of CIDA in 1971, succeeding Mr. Maurice Strong, Mr. Gérin-Lajoie has continued to push operations ahead -- with an annual 16% increase in the agency's budget.

Upon assuming the presidency, he undertook a major reorganization. Previously, Planning and Operations were two distinct departments. These were merged, and for the past year, CIDA has been organized on a geographic basis.

More CIDA staff members are going out into the field. For the first time, two CIDA career people have been promoted to the rank of ambassador in developing countries. They are Mr. Noble Power, Canadian ambassador to Ghana, and Mr. Henri Gaudefroy, ambassador to Tunisia.

Mr. Gérin-Lajoie constantly stresses in his speeches the social as well as economic aspects of development. He says that development is not just a question of GNP, but a matter of people. This is a paragraph from a booklet written by him No Room for Routine - Thoughts at the beginning of 1973, published on December 29, 1972:

"We intend to show special interest in them (land-locked nations of West Africa) and their problems. All this is part of what I have called the social or societal dimension of development. It is man, and by extension society, that are at the root of development. Development is, of course, attempted for man and for society but, more fundamentally, it is man and societies of men working together who shape their own worlds and destinies. I hope to see this human and societal dimension of development included in all our plans for technical assistance programs and in the implementation of all our projects.

"This community or societal dimension of development calls for an integrated approach to the problems of international development cooperation by adjusting our efforts to local circumstances and by valuing indigenous capacities and skills. This is essentially what we have attempted to do through integrated projects such as the recent plan for motorizing dugout canoes in Senegal. Through involvement of the fishermen themselves all aspects of their problems were covered, including the motorization of the canoes, the marketing of products, food preservation, maintenance of equipment and the training of technicians."

Mr. Gérin-Lajoie sees himself as a guide, a teacher in development assistance, and has emphasized the growing need for technical assistance and education. In 1952, he was a member of the Canadian delegation to a UNESCO conference in Paris, and was first Minister of Youth (1960), and Minister of Education (1964) in the province of Quebec.

Mr. Gérin-Lajoie has the advantage of coming from the same province as Prime Minister Trudeau. He is a member of the same political party, and like Mr. Trudeau was involved in the political changes of last decade during which the Liberal Party broke with such traditions as close ties between the provincial politicians and the Roman Catholic Church in Quebec, political patronage, and other practices that were frequently criticized as unjust by the rest of Canada. His close connections with Mr. Trudeau have helped Mr. Gérin-Lajoie maintain CIDA operations at a high level when other Government programs have been cut back due to austerity measures.

Mr. Gérin-Lajoie took strong personal initiatives during the Bangladesh crisis. Canada was one of the first countries to give aid to Bangladesh. The reason for this was Mr. Gérin-Lajoie's personal contact with Sheik Mujibur Rahman very soon after he was released from prison by West Pakistan. Among the developed countries, Canada is the largest donor of bilateral aid to Bangladesh.

Under Mr. Gérin-Lajoie, Canada started giving more aid to Latin America, and last year Canada joined the Inter-American Development Bank. As head of CIDA, Mr. Gérin-Lajoie became personally involved in establishing a Canadian aid program in Cuba. Today, Canada is the only nation in the Americas that has a meaningful bilateral aid program in Cuba. Operations were begun some time back, but got under way seriously only last year.

Mr. Gérin-Lajoie has taken the lead in stepping up Canadian aid to Francophone Africa. Canada and Sweden were the two developed nations that moved forcefully in establishing the special fund of the African Development Bank which is located in Abidjan. The United States still has not joined this fund.

There are, of course, varying views as to Mr. Gérin-Lajoie's competence. Doubtless, some of his supporters as well as some of his critics are politically motivated, particularly in view of continuing tensions between Quebec and the rest of Canada. There are suggestions that CIDA would have surged ahead anyhow, in view of the late Lester Pearson's contributions to the field of development assistance, and the Liberal Party's traditional sympathy for poorer countries.

The fact is that for a relatively young organization, CIDA is doing very well. Canada's External Aid Office was established only in August, 1960, and became the Canadian International Development Agency in September, 1968. Its budget is a comparatively large one considering this is a period of austerity. Appropriation for development assistance rose to \$425 million in 1971-72, and the usual annual increase is expected for the current fiscal year. An official biography is attached.

MR. PAUL GERIN-LAJOIE

Mr. Paul Gérin-Lajoie, the President of the Canadian International Development Agency, is a former Minister of Education and Vice-Prime Minister of the Quebec Government. Mr. Gérin-Lajoie was born in Montreal on February 23, 1920. He attended Collège Jean-de-Bréboeuf in Montreal and obtained his law degree at the University of Montreal. He was admitted to the Bar of the Province of Quebec in 1942. A Rhodes Scholar, Mr. Gérin-Lajoie received his D. Phil degree in Constitutional Law from Oxford University in 1948. He has since received honorary doctorate degrees from numerous universities. In 1952 he was a member of the Canadian Delegation to the UNESCO Conference in Paris. Previously he had represented Canada at youth conferences in England, Spain and Czechoslovakia. A former President of the Junior Bar of Canada, now the Young Lawyers Conference, Mr. Gérin-Lajoie practised law from the time he was admitted to the Bar until he became a member of the Quebec Government in 1960. He was appointed by the Canadian Government as legal counsel for numerous commissions of enquiry. Mr. Gérin-Lajoie has published a well-known study on constitutional law and numerous other publications on economic and political subjects. Elected in 1960 to the Quebec Legislative Assembly, now the National Assembly, as Liberal Member for Vaudreuil-Soulanges, he has represented that riding until 1969. Previously, he was successively Secretary and Chairman of the Political Commission of the Quebec Liberal Party.

Appointed Minister of Youth in the Lesage Government in 1960, Mr. Gérin-Lajoie has been responsible for the major reform of education in Quebec. In the spring of 1964, he became the first Minister of the newly formed Department of Education. He was appointed Vice-Prime Minister of the Province in the fall of the same year.

In his capacity as Cabinet Minister, Mr. Gérin-Lajoie has promoted international cooperation in the field of education and culture. He launched the France-Quebec exchanges and encouraged the active participation of educators in the Canadian program for international development. He was Chairman of the Commonwealth Education Conference in 1964, and has been among the early promoters of the idea of setting up an organization for cultural cooperation among Francophone countries.

In 1969 Mr. Gérin-Lajoie was Chairman of an OECD mission which reviewed research and development policies in education in the United States. In June 1969 Mr. Gérin-Lajoie resigned his seat in the Quebec National Assembly to become Vice-Chairman of the Prices and Incomes Commission of the Federal Government. Prior to his appointment he had published a noteworthy study on Quebec economic problems.

During 1969 and 1970 Mr. Gérin-Lajoie has been a visiting professor in the Faculty of Social Sciences of the Ottawa University and in the Faculty of Law of the University of Montreal.

Mr. Gérin-Lajoie is married and has four children.

WILLIAM DAVID HOPPER

Born in Ottawa, Canada, February 22, 1927

Son of late Wilbert C. Hopper, Ottawa.

Married to Jessie Dodds Hebron of Montreal, 1951.

Daughter: Anne Elizabeth, 1957

Son: David Ian, 1960.

EDUCATION: Lisgar Collegiate, Ottawa.

B.Sc. (Agr.), Macdonald College of McGill University, 1950,
specializing in Agricultural Economics.

Ph.D., Cornell University, 1957, specializing in Agricultural
Economics, Cultural Anthropology and International Economics.

EXPERIENCE:

- 1950-53 Graduate Assistant, Department of Agricultural Economics,
Cornell University, Ithaca, N.Y.
- 1953-55 Social Science Research Council, Area Research and Training
Fellowship to study the economic organization of a village in
North-Central India. This study became the foundation for a
Ph.D. dissertation.
- 1955-57 Graduate Assistant, Department of Agricultural Economics,
Cornell University, Ithaca, N.Y.
- 1957-59 Associate Professor of Agricultural Economics, Ontario
Agricultural College, Guelph, Ontario.
- 1958 Visiting Professor of Agricultural Economics, Ohio State
University, Columbus, Ohio.
- 1959-62 Assistant Professor of Economics, University of Chicago, and
member of the committee on South and South-East Asian Studies,
at University of Chicago.
- Associate Faculty, Department of Anthropology, University of
Chicago.

- 1960 Visiting Professor of Agricultural Economics, University of Minnesota, St. Paul, Minnesota.
- 1962-65 Evaluation Officer, Intensive Agricultural Districts Programme, Ford Foundation, New Delhi, India.
- 1964-65 Consultant to the IBRD (World Bank), and member of "Bell Mission" on Indian Economic Development, New Delhi, India and Washington D.C.
- 1965-70 Visiting Professor of Agricultural Economics, Indian Agricultural Research Institute, New Delhi, India.
- 1966-70 Agricultural Economist and Associate Field Director, Rockefeller Foundation, Indian Agricultural Programme, New Delhi, India.
- 1966 Consultant to FAO on Asian Agricultural Development and the Indicative World Plan.
- 1966 Consultant to the IBRD on Indian agricultural development.
- 1967-68 Deputy Team Leader, Asian Agricultural Survey, Asian Development Bank, Manila.
- 1968 Consultant to the Government of Kenya on problems of agricultural product marketing and price policies.
- 1969 Consultant to the Indian Council of Agricultural Research, New Delhi, India.
- 1970 President, International Development Research Centre, Ottawa, Canada.

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BRIEFING PAPER

CANADA

1. Canada's GNP

In 1970, Canada's GNP amounted to Can\$84.5 billion and represented about 3.9% of the combined GNP of Part I countries. By 1975, based on the long-term trend assumption of a 9 per cent per annum increase in GNP provided by authorities of the Canadian Department of Finance, Canada's GNP in money terms will be about Can\$130 billion, and remain at approximately 3.9% of the combined GNP of Part I countries in that year. The 1970 GNP per capita level of Canada, however, was lower than that of only three other Part I countries -- United States, Sweden and Kuwait.

2. Aid Performance

Total flows from Canada to developing countries increased from \$145 million or .39% of GNP in 1960, to \$579 million or .70% of GNP in 1970, and to \$703 million or .76% of GNP in 1971.^{/a} Official development assistance increased from \$75 million or .19% of GNP in 1960 to \$346 million or .43% in 1970, but declined to \$340 million or .37% of GNP in 1971. The difference between the ODA levels between 1970 and 1971 is explained in part by a cash advance payment to IDA in 1970 and not repeated in 1971, and a temporary suspension in 1971 of disbursements to the Indian sub-continent. The Canadian International Development Agency (CIDA) estimates that in 1975 ODA disbursements will

/a These figures exclude grants from voluntary agencies, estimates of which are available only for 1970 and 1971. If these grants are included, total flows from Canada were \$626 million (.77% GNP) in 1970, and \$752 million (.81% GNP) in 1971.

equal .47% of GNP, or about Can.\$610 million. In 1971, private flows (including the purchase of a \$50 million IBRD bond by the Bank of Montreal) reached their highest level since 1960 and were over 40% of total flows; in the period 1966-70, however, private flows were only 25% of total flows (Table 1).

Canada accepts the .7% ODA target but has not set a date for its achievement. Development aid has increased steadily as a percentage of federal expenditures from 2.4% in FY68 to 2.8% in FY72. Appropriations and authorizations for development assistance in Canadian FY73 (ending March 31) total Can\$491 million, a level about 15% higher than that of FY72. If appropriations were to increase at 15% per annum, and GNP in current prices at 9% per annum, Canada's aid appropriations would be about .7% of GNP in 1978 (Table 2).

The Canadian Foreign Policy Review in June 1970 announced the Government's intention to increase the proportion of Canadian assistance allocated to multilateral programs to about 25% of total official assistance. Multilateral assistance allocations represented 22% of the aid program in FY72, and over 25% in FY73.

Canada's development assistance program, with a grant element of 96.1% in 1970 and 92.3% in 1971 remains one of the softest among countries which are members of the Development Assistance Committee (DAC). As a result of the 1970 Foreign Policy Review, the Canadian Government decided to make up to 20% of its total bilateral program available for the financing of local costs and for procurement in less developed countries. Multilateral contributions are untied, with the exception of a \$25 million contribution to the multi-purpose special funds of the Asian Development Bank which has the restriction that it "is supplied for procurement of equipment, services and supplies with a Canadian content as defined from time to time by the contributor".

In a speech before the House of Commons Sub-Committee on Development Assistance in February 1971 Mr Paul Gérin-Lajoie, the President of CIDA, noted that

one of the priorities for the Canadian aid program was a greater effort in Francophone Africa and Latin America. Between FY70 and FY71, allocations for Francophone Africa increased by 88%, and between FY71 and FY72 there was a decline in amounts allocated to Commonwealth and Francophone Africa which the Canadian authorities in the 1972 DAC Annual Aid Review Memorandum state: "should not be viewed as a reflection of decreasing Canadian interest in these areas; rather, last year's (FY71) allocations to Commonwealth and Francophone countries were inflated by special allocations over and above the regular allocations to support development projects in Botswana, East African Community, and Niger". A review is being undertaken by CIDA of the geographical distribution of its program.

Canada became a member of the Inter-American Development Bank (IDB) in May 1972 and subscribed \$242.68 million to the IDB's ordinary capital resources, of which \$40 million is paid-in and the rest is callable. Canada also agreed to contribute \$60 million to the IDB Fund for Special Operations in three installments. In addition, Canada contributed to the IDB all repayments, on past loans made by the IDB with Canadian funds (an amount of \$74 million). Canada's contribution to the paid-in capital of the Caribbean Development Bank (CDB) is \$5 million, and \$5 million has been contributed to the CDB's special fund, and \$2.5 million to the Agricultural Fund administered by the CDB. Canada has played an active role in the negotiations for the establishment of the African Development Fund and has pledged a contribution of \$15 million. Canada is a member of the Asian Development Bank and has pledged Can.\$25 million to its Multi-purpose Special Fund and \$200,000 to its Technical Assistance Fund.

In each of the fiscal years in the period 1968 to 1972, the cumulative undisbursed cash balance has been 1.4 times the level of allocations. For example, in FY72 bilateral allocations amounted to Can.\$298 million and the

cumulative undisbursed cash balance in the non-lapsing bilateral accounts to Can\$431 million. of CIDA, / CIDA has the authority to commit in the four years following the current fiscal year, an amount equal to 75% of the fiscal year's allocation to a particular recipient country. In an effort to speed up disbursements, fairly extensive use has been made of this authority. For example, amounts forward committed to projects from bilateral appropriations (of FY71 and previous years) as of March 31, 1972 amounted to Can.\$296 million. As a result, uncommitted appropriations as of the same date were Can.\$135 million. It is also hoped that the re-organization of CIDA which was undertaken starting in 1971 will serve to increase the rate of disbursements and reduce the pipeline.

The major changes in the senior management structures of CIDA are the appointment of an Executive Vice-President; the creation of a Policy Branch and the appointment of a Vice-President Policy; the upgrading of the position of Director, Multilateral Programs to a Vice-Presidency, and the establishment of the post and the appointment of a Director General of Communications. At the same time the Bilateral Programs Branch was strengthened by integrating the planning and operational functions into area divisions responsible for the development and management of Canada's bilateral assistance program in each of five geographic areas.

3. Attitude to IDA

Canada's share of Part I country contributions has increased from 5.03% of the initial subscriptions, to 5.60% of the First Replenishment, 6.31% of the Second Replenishment, and 6.26% of the Third Replenishment. Canada authorized IDA to commit the first, and after April 10 the second, installment of its contributions to the Third Replenishment whether or not the Agreement had come into effect.

At the Paris meeting of IDA Deputies, Mr. Isbister stated that "the Canadian Government regards IDA as having a special place in the whole multilateral aid structure, and that in a very important sense the quality of the whole multilateral effort is affected by the continuing good performance of IDA". He then proceeded to indicate support for the figure of \$1140 million (of paragraph 20 of the Amount of Replenishment paper) as a point of departure for an increase in the amount of the replenishment in real terms. Mr. Isbister also noted that the extension of IDA's activities to the reconstruction of Indochina, as had been suggested by the Japanese representative (Mr. Maeda), should be an additional reason for supporting replenishment at a high level. (In a private discussion with Sir Denis Rickett, Mr. Isbister indicated that he was concerned that IDA's involvement in Indochina reconstruction might divert resources from the current major recipients, such as India, Pakistan, and Bangladesh).

Mr. Isbister also stated that the Canadian authorities had a very flexible position regarding the period of the Replenishment, but with a slight preference for three years simply because it seemed more practicable for all countries.

Regarding the question of whether there should be an ascending scale of payments, Mr. Isbister felt that it might be preferable to consider an ascending scale of contributions even over a period of three years, and with enough flexibility to allow countries that preferred level contributions to do so. (In private conversations Mr. Isbister explained that an ascending scale of payments might ease the budgetary pressures in countries which required appropriations in order to make payments or to deposit notes, and thus might facilitate a large Replenishment. The United States and French representatives, however, expressed opposition to this proposal in Paris; the former for legislative reasons, and the latter because it might be interpreted to imply a continually ascending scale of future contributions to IDA. It

might be worth noting that due to the delays in the U.S. appropriations process, the first IDA 4 payment will probably not be due until November 8, 1975. Furthermore, a country which makes cash payments to IDA has the option of making them according to a time schedule that is different from that specified in the Replenishment Agreement, if the precedent of the Third Replenishment is followed.)

Mr. Isbister also noted that the Canadian authorities "welcomed the progress made by IDA towards more emphasis on basic social aspects of the development process and it looked forward to a opportunities to review these subjects frequently in order to ensure that IDA continued to adjust itself to changing needs and requirements".

In a recent conversation with Mr. McNamara, Mr. Isbister indicated that he would raise at the London meeting of IDA Deputies the question of whether or not the Fourth Replenishment Agreement should include a "maintenance-of-value" clause. A "maintenance-of-value" clause forms part of IDA's Articles of Agreement, and every subsequent Replenishment Agreement has perpetuated this practice by a statement referring to the appropriate section of the Articles. For the Fourth Replenishment, as was also true for other Replenishments, the participating countries have the option of either continuing or changing this practice. The advantage of the present practice for the participating countries is that it ensures that the agreed on country shares of total contributions to the Replenishment are largely maintained unchanged throughout the period of the addition. An exception to this, of course, occurs when countries reduce their "contingent liabilities" by making cash payments in the currencies of their choice. Cash payments, however, provide IDA with income-earning resources. The disadvantages of the present system are that if changes in purchasing power parities, then the real burden on countries is different from those at the time of the Agreement. The current practice also embodies a risk for IDA. If, for example, instead of increases

in the dollar price of gold, exchange rates were adjusted solely by changes in the values of all currencies except the dollar, IDA would have to make payments to its contributors while not receiving any.

It is proposed that at the London Meeting Sir Denis Rickett would indicate some of the advantages and disadvantages of the present practice; would state that one alternative would be for countries to make contributions in national currencies, at the exchange rates prevailing at the time of agreement, and indicate that this could result in changes in shares in the future; and then solicit an exchange of views.

4. Procurement and the Balance of Payments Effects of IBRD/IDA Operations

Mr. Isbister advised Mr. McNamara in a note that the Trade Department of the Canadian Government was disturbed by the procurement practices of the Bank and IDA. Mr. Isbister told Sir Denis Rickett that he thought that the negative attitude of the Trade Department might harm support for IDA by the Canadian Government and therefore attention should be given to the complaints.

Mr. Baum says that Mr. McNamara knows that Mr. Sommers has gone to Canada to discuss this matter, and will report to Mr. McNamara on his return.

Through FY72, Bank Group operations have had a negative effect of \$143 million on Canada's balance of payments. An important reason for this result is the fact that Canada has supplied on average only 2.5% of goods with Bank Group resources. (Table 3).

5. Capital Market Prospects

In the past the Bank has raised Can.\$210 million through eight public issues and one private placement in the Canadian market. Six

borrowings for a total of Can.\$153 million are still outstanding. Although the market might be receptive for further issues, even of longer maturities than the 8 years of the last issue, there are no plans at the present for an operation in Canada, because the cost to the Bank would be about 8.125%. (A more detailed briefing on market aspects of IBRD bond issues has been prepared by the Treasurer's Department).

6. IBRD Capital Increase

Canada's \$149.8 million subscription to the special increase of IBRD capital became effective on May 5, 1972 and 10% was released in convertible form.

7. Co-financing with the Bank Group^{/a}

Since 1960 the Canadian International Development Agency (CIDA) has provided \$147 million in association with Bank Group funds for eleven projects (or one-third of the amount provided by the Bank Group for these projects). Most recently CIDA participated in East Africa-Third Harbors and Guyana-Power, signed last December and January respectively (Table 4). . Except for the Indus Basin Project, all CIDA funds have been in parallel with Bank Group funds since they are tied to procurement in Canada. The terms of CIDA funds have significantly softened the blend to the borrower: one-third have been extended on grant terms, the rest on IDA terms. These terms, together with the fact that CIDA tries to relate its financing to procurement for which Canadian suppliers are prima facie competitive (especially heavy equipment), have meant that borrowers have suffered little if any from the absence of international bidding for goods financed by CIDA. CIDA is prepared to consider local cost financing, subject to a "two-thirds Canadian content" rule, but so far

^{/a} Information provided by Mr. Wittusen.

we do not have any examples of this in our co-financing. CIDA has on the whole relied on the Bank for project preparation and appraisal. The Bank has enjoyed a good working relationship with CIDA in the field of co-financing, which is being actively promoted and coordinated by the office of our Canadian Executive Director.

CIDA seems anxious to expand its co-financing operations with the Bank Group. They are presently considering some 40 projects for co-financing, with the intention of participating in three or four per year over the next four-year period in an annual amount of \$50-60 million (exclusive of technical assistance financing) on IDA or grant terms. As long as CIDA funds remain tied, these operations would follow the parallel financing pattern of the past, with CIDA financing equipment which can be supplied competitively from Canada; this is one of CIDA's major criteria for co-financing. Accordingly, CIDA's co-financing interest is presently confined almost exclusively to power, railways, ports and telecommunications projects. One exception might be family planning projects, for which CIDA would possibly be prepared to untie their funds.

Geographically, our cooperation can be expected to continue in the areas of traditional interest to CIDA, namely Francophone and Commonwealth Africa and South Asia (Afghanistan and east), but not in the Caribbean where CIDA is fully committed bilaterally in the near term.

There are no specific problems to be raised with CIDA in respect to our co-financing operations.

8. Cooperation on Programming of Activities

In March 1972, Mr. John Blaxall had conversations with the staff of CIDA in Ottawa about programming and budgeting at the overall level. Subsequently, CIDA staff visited Washington in the summer of 1972 and held

of the Africa Regions
discussions with Country Program staff/regarding the coordination of
programming activities at the country level by the two institutions.

9. Canadian Staff in the Bank Group/a

Table 5 shows that between October 1969 and January 1973 there was a 50% increase in Canadian professional staff members in the Bank Group, there was also a doubling in the number of X level Canadian professionals, and a quadrupling in those at the A and B levels. Canadian nationals as a percentage of total Bank Group staff declined slightly from 3.5% in October 1969 to 3.3% in January 1973.

/a Information provided by the Personnel Department.

TABLE 1: CANADA: FLOW OF DEVELOPMENT FINANCE BY CALENDAR YEAR
(US \$ million)

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Official Development Assistance												
- Bilateral	48	44	22	52	62	68	156	152	142	160	253	295
- Multilateral	27	16	13	13	16	28	31	46	33	85	93	46
- TOTAL	75	61	35	65	78	96	187	198	175	245	346	340
- Multilateral As % ODA	36.0%	26.2%	37.1%	20.0%	20.5%	29.2%	16.6%	23.2%	18.9%	34.7%	27.0%	13.5%
- As % GNP	.19%	.16%	.09%	.15%	.17%	.19%	.33%	.32%	.26%	.34%	.42%	.37%
Other Official												
- Bilateral		1	20	38	50	28	25	15	29	25	42	60
- Multilateral				-5					10	25	15	
- TOTAL		1	20	33	50	28	25	15	39	50	57	60
Total Official	75	62	54	98	128	124	212	213	214	295	403	400
Private												
- Bilateral	42	13	47	65	31	29	39	42	81	87	185	229
- Multilateral	27	13	9	-32	-17	16	16	17	13	-18	-9	74
TOTAL NET DISBURSEMENTS	145	87	110	131	142	169	267	272	308	364	579	703
- As % GNP	.37%	.23%	.28%	.31%	.31%	.33%	.47%	.45%	.46%	.50%	.71%	.76%
- Multilateral As % Total	37.2%	33.3%	20.0%			26.0%	17.6%	23.2%	18.2%	25.3%	17.0%	17.1%
- IBRD/IDA % Multilateral	85.2%	69.0%	72.7%			68.2%	63.8%	57.1%	53.6%	68.5%	69.7%	61.7%

Source: DAC

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TABLE 2: CANADA: PARLIAMENTARY APPROPRIATIONS AND STATUTORY AUTHORIZATIONS
BY FISCAL YEAR ENDING MARCH 31 /a
 (Can\$ millions)

<u>PARLIAMENTARY APPROPRIATIONS AND STATUTORY AUTHORIZATIONS</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u> ^{/b}	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
BILATERAL															
International Development Assistance	43	45	45	48	46	63	57	65	63						
International Food Aid Program	3	22	35	101	69	69	82	96	85						
International Emergency Relief							2	3	3						
International Dev. Res. Center								1	3						
Special Grant to India		5													
Non-Governmental Organizations						4	6	9	12						
Development Loans		50	50	50	90	100	131	142	159						
Total	<u>46</u>	<u>122</u>	<u>130</u>	<u>199</u>	<u>205</u>	<u>236</u>	<u>278</u>	<u>316</u>	<u>325</u>	<u>383</u>					
MULTILATERAL															
IBRD				5				8	8						
IDA	8	8	15	15	15	27	27	26	51						
AsDB				3	3	8	8	8	5						
AfDB									5						
CDB							1	1	2						
UNDP	5	7	7	10	11	11	14	15	16						
Other UN Agencies	2	2	6	13	15	5	7	10	13						
Indus Basin Fund	4	7	2	3	5	7	4		2						
Total	<u>20</u>	<u>26</u>	<u>30</u>	<u>49</u>	<u>49</u>	<u>52</u>	<u>61</u>	<u>67</u>	<u>101</u>	<u>108</u>					
TOTAL OFFICIAL DEVELOPMENT ASSISTANCE	<u>65</u>	<u>148</u>	<u>160</u>	<u>248</u>	<u>253</u>	<u>289</u>	<u>339</u>	<u>384</u>	<u>426</u>	<u>491</u>	<u>580</u> ^{/a}	<u>667</u>	<u>767</u>	<u>882</u>	<u>1014</u>

/a Canada does not have a medium term plan for official development assistance. CIDA has, however, started planning on a five-year basis for internal purposes. Figures through CanFY72 are from Canadian sources, and those for FY73 and FY74 are from OECD sources. If aid appropriations increased by 15% per annum (as they did between FY71 and FY72), then their level would be equal to about .7% of GNP in FY78. As of the beginning of FY73, there was an undisbursed cash balance of Can\$430 million.

/b Preliminary

TABLE 3: ESTIMATED EFFECT OF IBRD AND IDA OPERATIONS ON
CANADA'S BALANCE OF PAYMENTS THROUGH FY72
(US \$ millions; Fiscal Years)

	Through 1964	1965	1966	1967	1968	1969	1970	1971	1972
IBRD EFFECT									
Current Account									
Procurement of Goods ^{a/}	206	8	9	14	13	7	5	12	11
Interest to Bondholders in Canada ^{b/}	35	3	4	5	6	8	9	11	12
Interest to Lendholders in Canada ^{b/}	9	2	1	1	1	1			
Issuance Costs of Canadian Dollar Bonds	1		1	1	1				
Less: IBRD Investment Income in Canada	8	2	2	1	1	3	5	1	1
Equals: Balance on Current Account	243	11	13	20	20	13	9	22	22
Capital Account									
Less: Canada's 1% Subscription ^{c/}	7			1					2
Canada's 9% Subscription ^{c/}	68			4					20
Net IBRD Bond Sales ^{b/d/}	91	3	10	45	8	13	23	7	86
Net IBRD Loan Sales ^{b/}	40	-5	-14	-7	-3	-3	-1	-1	-1
Equals: Balance on Capital Account	-206	2	4	-43	-5	-10	-22	-6	-107
Balance on Current + Long-term Capital Account	37	13	17	-23	15	3	-13	16	-85
IDA EFFECT									
Current Account									
Procurement of Goods ^{a/}	8	3	4	8	18	11	2	2	2
Balance on Current Account	8	3	4	8	18	11	2	2	2
Capital Account									
Canada's Contributions to IDA	14	5	14	15	13	55	5	34	25
Balance on Capital Account	-14	-5	-14	-15	-13	-55	-5	-34	-25
Balance on Current + Long-term Capital Account	-6	-3	-10	-7	5	-44	-3	-32	-23
COMBINED IBRD/IDA EFFECT									
Current Account	251	14	17	28	38	24	11	24	24
Capital Account	-220	-3	-10	-58	-18	-65	-27	-40	-132
Balance on Current + Long-term Capital Account	31	10	7	-30	20	-41	-16	-16	-108

a/ Includes procurement specifically identified as originating in Canada and the same proportion of procurement not identifiable by country of origin. Administrative expenses are not considered to be material.

b/ US dollar bonds and loans in other than Canadian dollars are included.

c/ The increases in 1972 include the translation adjustments of Canada's payments of its subscription to IBRD to reflect the US dollar devaluation.

d/ The increase in 1972 includes \$12 million equivalent representing translation adjustments of Canadian dollar bond issues.

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TABLE 4: BANK GROUP CO-FINANCING OPERATIONS WITH CIDA
(US\$ million)^{1/}

Project	Loan/Credit- Date of Signing	Cost		Bank Amount	IDA Amount	CIDA Amount
		Total	Foreign Exchange			
Pakistan-Indus Basin	Ln 266,Cr 60- 9/60 (rev.7/64)	1,120.0	730.0	90.0	58.5	38.6*
Nigeria-Kainji Power	Ln 383-7/64, suppl. 11/68	246.0	148.0	96.5		1.7*
Pakistan-Tarbela (Indus)	Ln 548-7/68	830.0	492.0	25.0		4.6
India-Telecomms. III	Ln 615,Cr 153 -6/69	360.8	103.2	27.5	27.5	32.6
Ghana-Volta Power Exp.	Ln 618-6/69	14.4	12.2	6.0		5.5
Jamaica-Education II	Ln 727-3/71	30.0	13.9	13.5		.4
Botswana-Shashe Infrastr.	Ln 776-6/71	67.4	53.4	32.0		23.7
Zaire-Highways II	Cr 292-3/72	46.4	36.1		19.0	4.0
Bangladesh-Tubewells (repl. of Pakistan-Tubewells,	Cr 341-11/72 Cr 208-6/70)	40.9	23.1		14.0	6.0*
East Africa-Harbors III	Ln 865-12/72	70.1	52.5	26.5		26.5
Guyana-Power	Ln 875-1/73	34.7	17.5	6.0		4.0
TOTAL		2,860.7	1,681.9	323.0	119.0	147.6

^{1/} At the exchange rate prevailing at the date of signing

* CIDA grant funds

Note: With the exception of the Indus Basin Project, all have been parallel financing operations with CIDA funds tied to procurement in Canada.

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TABLE 5 :

WORLD BANK GROUP
PROFESSIONAL CANADIAN NATIONALS

LEVEL	OCTOBER 31, 1969			JANUARY 31, 1973		
	Total WBG	Total Canadians	%	Total WBG	Total Canadians	%
X	95	2	2.10	123	4	3.25
A & B	249	3	1.20	442	12	2.71
C, D & E	745	33	4.42	1101	41	3.72
Ungraded				49	-	-
TOTAL	1089	38	3.48	1715	57	3.32

X LEVEL CANADIAN NATIONALS

since 5/70	WEINER	-	Projects Director	Asia Projects
	RAPLEY	-	The Internal Auditor	Office of the Internal Auditor
since 4/71	MENDELS *	-	The Secretary	Secretary's Department
	GILL	-	Director	Capital Markets Department (IFC)

* due to retire

Personnel Department
March 2, 1973

E

Mr. Robert S. McNamara

March 7, 1973

Denis Rickett Sir Denis Rickett

IDA Fourth Replenishment - Canada

This is a short note about what you might say to Mr. Isbister if you see him on Friday.

2. I do not know whether he will raise again the question of the target, i.e. whether it should be 1500 million in old or in new dollars. If so, I think our answer should be that we are anxious to mobilize support in the London meeting for the highest figure which seems practicable. We are anxious to do this not because we expect to take any decision in London but because our main object is to induce the United States and, to some extent, France to move closer towards the position of the countries favoring a high figure. For this purpose, the higher the figure the better. Indeed, if we were to move now to a figure of 1500 million new dollars, this would make it almost certain that we should only be able to settle later with the US at some point considerably lower.

3. What would be most helpful from our point of view would be if the Canadian representative could say something to the effect that:-

(a) Canada supports a replenishment of IDA at a level which would represent a significant increase in real terms over the level of the Third Replenishment;

(b) If agreement can be reached on a figure such as the 1500 million pre-devaluation dollars mentioned in Paris, Canada would be prepared to support that figure. It would be understood that questions of burden sharing would have to be discussed later. In doing so, account should be taken of the effect of the recent currency changes on the position of individual donors.

4. Mr. Isbister may also raise the question of the maintenance-of-value clause. On this you will no doubt wish to say that we are open-minded on this point and shall wish to be guided by the views of the donors which may be expressed at the London meeting. We would certainly give first priority to the replenishment of IDA at the highest possible level. If this can be achieved more easily by negotiating an agreement without a maintenance-of-value clause, we are quite prepared to consider it.

5. For your information the position of the various donor countries as we know it at present is as follows:-

Germany - You have sent a cable to Minister Eppler urging him to authorize his representative to support the figure of 1500 million old dollars

March 7, 1973

(provided that at that level there is no increase in the German share of 9.75%). You realize that the Minister may have not had time to get final agreement from his Cabinet colleagues to the figure of DM 471 million which he has in mind (162.4 million new dollars). You have suggested that his representative might say that this is Eppler's own view and that it will be subject to confirmation later.

United Kingdom - Mr. King of the Overseas Development Administration visited Bonn and was told by Herr Moltrecht that the Germans would not put forward any particular figure in London. British officials, because of their anxiety to get a reduction in the British share, have been thinking of recommending to Ministers a British declaration at the London meeting in favor of 1500 million new dollars (since at this level the Germans would be prepared to increase their share). I urged Mr. Rawlinson to tell them that the question of shares would be taken up at the Tokyo meeting and that it was premature to try to negotiate it now. The chief objective of the London meeting was to try to get the US to come up towards the others. (US officials in the Treasury and White House have been talking of a US contribution no higher than that to the Third Replenishment possibly without any allowance for parity changes, (i.e. \$320 million.)

The Nordic Countries - Mr. Kastoft thought that our paper on IDA policies, which he considered excellent, had stood up well to Board discussion. He was particularly glad that the three conclusions in your covering note had been endorsed. He had already reported to his governments. He had not yet proposed the formula which he and I had discussed.

The Netherlands - The Economic Minister at the Embassy here has sent a message to the Netherlands Government asking them if they will support a figure of 1500 million pre-devaluation dollars.

I have also spoken to the Australian and Belgian Directors in the same sense.

The Japanese have not settled their line but would probably follow a lead given them by some or all of the governments mentioned above. You have written to Mr. Aichi but this is to set the stage for your Tokyo visit and will not influence what happens in London.

6. From this you will see that the position is somewhat precarious. If we could once get opinion moving in the right direction, it might quickly gather momentum. Unfortunately, the opposite is also possible.

cc: Mr. Adler, F & B

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: February 28, 1973

FROM: Denis Rickett

SUBJECT: IDA Fourth Replenishment

I attach a note showing the way in which the negotiations for the Fourth IDA Replenishment might develop.

2. We shall be able to consider these possibilities in greater detail in the light of the figures for which you have already asked Mr. Adler.

Attachment (as stated)

cc: Messrs. Adler
Colaco

IDA FOURTH REPLENISHMENT

I. Next Steps

The recent currency changes have come at an awkward time for the IDA negotiations. They have added a fresh element of uncertainty to a situation which was already sufficiently confused.

2. The immediate consequence must be to widen the gap between the most willing and the least willing contributors. It so happens that those countries --notably the United States, Canada, and Sweden--whose attitude for political reasons is much less favorable than in the Third Replenishment, are also the countries whose currencies have depreciated substantially against gold. The UK currency has also followed the dollar halfway down thus making any given level of replenishment more expensive for them. In the US criticism has already been heard in the Senate Finance Committee of the requirement for an additional appropriation for the US maintenance of value payments which will be due to international organizations and it was even suggested that the second tranche of IDA 3 should be cut to compensate for this. Canadian officials are also disturbed about the impact of maintenance of value payments and Mr. Isbister has gone so far as to suggest to us that we should do better to negotiate the Fourth Replenishment without any maintenance of value provision in it. The Italian lira has also depreciated against gold but not by the full amount of the dollar depreciation.

3. There is, however, another and less unfavorable side to this question. The currency of one contributor, Japan, has appreciated against the dollar by some 16%. Australia also revalued her currency by 4.8% against gold in December and the dollar is therefore now roughly 15% cheaper for her. In the case of

the remaining contributors,^{1/} their currencies have not moved against gold and therefore, for them, the dollar is now 10% cheaper.

4. What will be the final effect of these changes on the replenishment negotiations is impossible to tell at this stage. Even before the changes, the situation was not clear. The main uncertainty hanging over the negotiations is the US position. Any idea of the sort of figure they might be likely to support is largely guesswork. Moreover, because it was known that the US were likely to ask for a large reduction in their share, other countries who might have been ready to give a lead in support of a high figure have been afraid that to do so might expose them to pressure to accept an increase in their own share.

5. Given all these uncertainties, Mr. McNamara's conversations in London and Bonn were remarkably successful. The British, it is true, made no promises. The Germans, on the other hand (subject to final agreement between Eppler and Schmidt), said quite definitely that they would be prepared to contribute their existing share of a total of 1500 million in pre-devaluation dollars. Mr. King of the ODA was much impressed when I told him this. We shall not, however, know until just before the meeting what the British position is going to be, particularly since there is to be a discussion between the nine EEC countries in London on the eve of our meeting.

6. As a matter of tactics, however, we have surely nothing to gain by lowering our bid at present. If the Germans are prepared to support 1500 million old dollars, there seems to be no reason to switch at this stage from old dollars to new. If, therefore, we are asked what is our target in the new circumstances,

^{1/} Austria, Belgium, Denmark, France, Germany, Kuwait, Luxembourg, the Netherlands, Norway, and South Africa

should we not say that this is not primarily a matter for us, that the position was fully set out in the paper we have circulated, that we will make available revised calculations of the figure proposed by us "as a point of departure" (which now becomes \$1208 million) and that for the rest it is for the contributors to tell us what their attitude is in the new circumstances. We should continue to emphasize that anything they say about the amount of the replenishment can quite properly be made subject to later discussion about their share and that we recognize that the recent currency changes in particular may have affected their views on the question of burden sharing.

II. Possible Solutions

7. It is difficult to foresee at this stage what might be the outline of a possible solution or final result of the negotiations. Only one country, Germany, has told us how much in absolute amount they are willing to contribute. Only in their case can we judge the sort of increase in their share which might be expected at a lower total of replenishment. If the total were 1350 million old dollars, they would almost certainly accept an increase in their share to 11%, if the total were 1200 million they would probably not accept the full increase to 12-1/2% but would make some reduction in their contribution. In general, however, it is reasonable to say that for countries whose basic shares are clearly out of line (US, UK, Germany, Japan) the case for a decrease will be stronger or the case for an increase weaker the higher the total ultimately agreed.

8. What we do not know and cannot even guess is how much the US might be prepared to put up. At one stage, Mr. Hennessy talked privately of 33-1/3% of \$1350 million, i.e. a US contribution of \$450 million. In Paris when we were

asking for a total of \$1500 million, he proposed (again privately) a US share of 30%, also therefore a US contribution of \$450 million. Finally, there has been some talk of a US share as high as 37-1/2%. If this were linked with a total of \$1200 million, this would also give a US contribution of \$450 million.

9. All this is, of course, mere speculation. It is intended only to illustrate the point that whatever contribution the US may be prepared to make, the higher the total replenishment which appears attainable the larger the reduction for which we must be prepared in the US share. Suppose, for example, that as a final result we could get 1350 million old dollars, i.e. 1500 million new. To keep the US contribution at \$450 million, this would require, as we have seen, a reduction in the US share to 30%. This would certainly not be tolerable or negotiable as a permanent reduction in their basic share. In Paris, however, Mr. Hennessy suggested that they might be entitled to a reduction of two kinds (i) a long-term reduction in their basic share to 35% (ii) some additional and temporary reduction to take account of their balance of payments difficulties. It might be possible to apply this idea in the context of the recent currency changes.

10. If, for example, a replenishment at 1500 million new dollars seemed practicable, basic shares might be revised so as to give the US a reduction to 35%, the UK a reduction to 11%, Germany an increase to 11%, and Japan an increase to 12%. Over and above this, however, we might ask countries whose currencies have appreciated against the dollar to make supplementary contributions which it would be understood were not to be considered part of their basic share. We need to calculate how much might be found from such supplementary contributions and what reduction in the US share could thus be financed. When we know this, it will be easier to guess at the kind of total which the US, with such a reduction in their total share, might find acceptable. It should be borne in mind that

after allowing for the two devaluations of the dollar their existing contribution to the Third Replenishment is equivalent to \$390 million. Is it too optimistic to say that they can hardly go below this and that \$400 to \$450 million represents a reasonable guess at what might be expected from them in the Fourth Replenishment? If so, and provided always that their basic share as adjusted for currency changes can be kept at 30% of the total, a range of \$1350 to \$1500 million would be not impossible.

11. It is not suggested that any of these possibilities should be discussed with the contributors at present. Both in Ottawa and at the meeting of the Deputies in London, we should take the line suggested in paragraph 6 above. Particularly in London, we should try to concentrate attention on the amount of the replenishment and not on the question of shares though obviously what the contributors say about the amount will, in most cases, be made subject by them to a satisfactory agreement later about the sharing of the burden.

Sir Denis Rickett
February 28, 1973

F

The Capital Market of Canada

By international comparison, Canada has developed a remarkably sophisticated and comprehensive financial system. If we look at the bond market alone, Canada has the third largest market in terms of the average gross bond issues between 1960 and 1970; only the United States and Japan have bigger markets. Until recently, however, the capital market was a relatively neglected aspect of the Canadian economic system. Perhaps, one explanation for such neglect is that Canada relied very heavily on capital inflows from abroad, mainly from the United States. Canada has been exempt from the U.S. interest equalization tax (IET), and as a result many credit-worthy Canadian borrowers came to the U.S. market to meet their long-term capital needs. These capital inflows served to finance the current account deficits of Canada in the 1960s and kept her balance-of-payments in relative balance and the Canadian dollar on a fairly even keel.

Since 1970, however, the current accounts (goods and services) have turned into surpluses, reversing the long trend during the 1960s. As a result, continued inflows of long-term capital into Canada tend to upvalue the Canadian dollar, hurting her industry's competitiveness in the international market. However, the Canadian Government is determined, for political as well as economic reasons, to prevent any harmful effect on her export industries. Furthermore, a more balanced current account means that Canada is virtually self-sufficient in savings and no longer needs massive long-term capital inflows which will only hurt her export

industries by upvaluing the Canadian dollar. Therefore, the operations and capabilities of the Canadian capital market are now being examined more intensively in an attempt to improve the flow of Canadian savings into Canadian investment projects. While Canada was sometimes alleged a savings-deficit country, the fact is that the proportion of savings by Canadians is fairly high. During the latter half of the 1960s total savings in Canada averaged 24% of national income, compared to 18% in the United States and the United Kingdom during the same period. Therefore, what is needed in Canada is an efficient capital market to channel these savings into her own investment projects. That is why in recent years, improvement of the Canadian capital market has been a high priority area for the government.

Recently, the capital market in Canada has undergone a rapid increase in its capacity to meet domestic capital requirements. In 1969, there were \$3.4 billion worth of net new security issues floated in Canada, of which only half were denominated in Canadian currency. In contrast, out of \$7.4 billion of net new security issues in 1971 96% were in Canadian currency. The result was that the amount of new issues absorbed in Canada in 1971 was nearly three times that only two years before. Recent success of the Canadian capital market in substantially meeting the financing requirements of Canadian borrowers was partly the result of the expansionary monetary policy and partly induced by government encouragement of domestic borrowers to finance in Canada whenever possible so that long-term capital inflows could be reduced. However, it would be difficult to stop capital inflows entirely, especially because last year the gap in the long-term rates between Canada and the United States had widened appreciably.

Unless a relatively large proportion of the financing for Canadian investment projects can be undertaken by Canadians, and unless the interest rate gap is substantially reduced between Canada and the United States, capital inflows are likely to be excessive and cause a substantial rise in the Canadian dollar exchange rate. This would cause problems for many sectors of the Canadian economy, most notably the manufacturing sector. Under these circumstances, ways must be found either to finance more investment in Canada by strengthening its own capital market or to offset the balance-of-payments impact of capital inflows by stimulating capital outflows by encouraging outsiders like the World Bank to borrow in Canada. Probably a combination of these two methods would have to be used.

February 22, 1973

IBRD BORROWING OPERATIONS IN CANADA

Attached is a short summary list of all IBRD borrowing operations in Canada (Attachment 1). The Bank has borrowed a total of Can\$210,000,000 of which five issues and the loan from the Bank of Montreal are still outstanding.

Also attached is a letter by A.E. Ames in which a short history of the World Bank operations in Canada is given (Attachment 2).

A.E. Ames is one of the three managing underwriters for our bond issues in Canada who have rotated in leading the syndicate. The other two managers are Dominion Securities Corporation Limited and Wood Gundy Securities Limited. The letter from A.E. Ames argues that the rotation of managers and the shift of responsibility for IBRD issues is detrimental to the placement of our bonds and to the maintaining of active trading markets for which the leading manager would remain responsible for the life of the loan. Their recommendation is to review the procedure of rotation and to appoint one manager. Following the last issue in 1971 A.E. Ames managed the marketing of the issue under difficult market conditions and despite unfavorable publicity (see Attachment 3) quite successfully.

A.E. Ames also claims credit for the improved secondary market performance of our Canadian bonds in view of their taking of positions in our bond issues after the last public issue. The recent yield spread, as may be seen in Attachment 4, between the Bank and Canadian Government obligations has been about 50 basis points for long-term bonds, which is a considerable improvement of the market conditions only two years ago when this spread was more than 100 basis points indicating little secondary market support for our bonds. Our long-term bonds trade better than Bell Telephone of Canada and recently close to Ontario Hydro bonds which enjoy the highest rating among government

guaranteed provincial bonds. Our intermediate issue of 1971 was priced more than 140 points above a government issue with comparable maturity and about 90 points above the Province of Ontario yet about 30 points below the Province of Quebec. The yield spread between the Bank bonds and the Province of Ontario has recently narrowed considerably to about 20 points and the IBRD bonds have in general maintained a better price performance than either the government or provincial bonds which would be an indication of much improved secondary market management.

The argument by A.E. Ames deserves careful consideration and their candidacy as managers is supported by specific performance on IBRD issues and their position as the most important government dealer in Canada. The Bank's interest in intermediate term issues in Canada (by reason of lower rates and other costs) was also supported by the Canadian authorities who preferred the Bank to raise funds in this market which is primarily for government securities. In choosing a single manager for our Canadian borrowing operations A.E. Ames would therefore have the edge over its competitors.

The loan from the Bank of Montreal in 1971 followed the pattern of similar operations in Europe. Subsequently we had expressions of interest from other banks and bank groups in Canada for similar operations. However the cost of such operations in comparison to other borrowing operations elsewhere made them unattractive.

The borrowing program does not foresee any public issues or private placements in Canada during the present fiscal year or FY74. One new issue of Can\$ 25,000,000 is projected each for FY75 and FY76; and double this amount in each of the subsequent years through FY80. This forecast is based on the assumption that rate structures in Canada will continue to be higher than in the United States or other markets in which the Bank is active.

There is also attached a statement summarizing information received from our underwriters concerning the sale of IBRD Canadian dollar bonds (Attachment 5). This information is available for the last three issues. An interpretation of these data allows only some general conclusions because of the time span of five years involved, the general market developments in Canada during this period, the relatively small size of the issues and the difference in their maturities.

The issues were almost entirely (about 97%) placed in Canada. Geographically a high proportion of bond sales in Canada occurred in the provinces of Ontario and Quebec as might be expected.

The main suppliers of funds in the Canadian bond market in recent years have been the life insurance companies, governmental funds, trust companies, pension funds and chartered banks. Interest by individuals has been a more recent development, as in the United States, because of the attractive rates and the availability of shorter maturities. The market depends however primarily on institutional investors: their interest in the secondary market and the marketability of bonds has been an impediment in the past to place larger amounts of Bank bonds due to their poor performance in the secondary market.

The sales distribution for the last three issues shows the primary buyers. As might be expected banks and individuals were more receptive to the medium term issue while insurance companies were more significant in the longer term issues. Though not shown in the table, insurance companies became less active participants in the bond market in the late 60's due to strong loan demands from policy holders and increased interest in mortgage and real estate participation.

IBRD BORROWINGS IN CANADA

<u>Year of issue</u>	<u>Description</u>	<u>Amount</u>	<u>Managing underwriter</u>
1952	4% 10 Year Bonds due 1962	Can\$ 15,000,000	Dominion Securities Corp. Ltd.
1954	3-1/2% 15 Year Bonds due 1969	Can\$ 25,000,000	A.E. Ames & Co. Limited
1955	3-1/4% 10 Year Bonds due 1965	Can\$ 15,000,000	Wood Gundy Securities Limited
1965	5-1/4% 25 Year Bonds due 1990	Can\$ 25,000,000	Dominion Securities Corp. Ltd.
1966	5-3/4% 25 Year Bonds due 1991	Can\$ 20,000,000	A.E. Ames
1967	6-1/4% 25 Year Bonds due 1972	Can\$ 20,000,000	Wood Gundy Securities Limited
1968	7% 25 Year Bonds due 1993	Can\$ 15,000,000	Dominion Securities Corp. Ltd.
1971	7-1/4% 8 Year Bonds due 1979	Can\$ 25,000,000	A.E. Ames
1971	7-1/4% 8 Year Loan, due 1976/79	Can\$ 50,000,000	Private placement with the Bank of Montreal
	Total	<u>Can\$210,000,000</u>	

February 22, 1973

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Business Established 1889

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	A. E. AMES & CO. INC.—NEW YORK	

March 17, 1972

International Bank for
 Reconstruction and Development
 1818 H. Street N. W.
 Washington, D. C. 20433

Dear Sirs:

We would like to review the history of World Bank financing in Canada; make some observations on the structure of Canadian markets; review the arrangements for underwriting of World Bank issues in Canada, and make some comments on possible changes in procedures. In addition we will describe briefly our organization.

The Bank has offered eight issues in Canada since 1952. Five of these issues are still outstanding. Of these the earliest was issued in 1965 \$25,000,000 25-year bonds. This issue was poorly received, with almost no institutional orders. In early 1966 we managed an issue of \$20,000,000 25-year bonds which was well received, mainly because we secured orders for \$11,000,000 from institutions. This, in our view, was in part due to our arranging to bring a group of institutional investors to Washington to meet with Bank officials. Several of their suggestions were incorporated in the financing terms. In early 1967 there was another 25-year issue for \$20,000,000. We were instrumental in securing an order for \$5,000,000 from an account which aided in making this issue successful also. In early 1968 there was a smaller issue of \$15,000,000 25-year bonds which moved very slowly. Institutional orders were almost non-existent. In October of 1971 we were the manager of a \$25,000,000 8-year bond issue which was well received by the market. We secured institutional orders of \$7,500,000. The issue traded around the offering price for a short period and then declined as the general bond market weakened. Including our initial underwriting position, our firm purchased almost one-third of the issue, most of which was subsequently sold. Currently this issue is trading at about 1 1/2 points below issue price against a general drop in government securities of this term of 5 to 6 points.

Canada, for its size, has a very well developed capital market. Approximately 90% of the underwriting by Canadian corporations and Governments is offered in the form of debt issues. The main categories are Canadas, Provincials, Municipals, and Corporates. Our banks, life companies, trust companies, investment counsellors and pension funds

A. E. Ames & Co.
Limited

International Bank for
Reconstruction and Development
Page No. 2

March 17, 1972

are all active and most important in the placement of new issues. An important characteristic of the Canadian bond market is the interest of these institutional groups in marketability, which is often considered more important than the return available. The general public is also a factor in the Canadian bond market, but an issue of any size, to be successfully placed, requires some degree of institutional acceptability. The Canadian market has been growing in size and we are now less dependent on the U.S. market for capital requirements, although there has been a considerable amount of borrowing in the European market, particularly for Governments. As our market has broadened the size of issues has grown. A few years ago a major corporate or provincial issue was \$50,000,000. We now can distribute issues of \$100,000,000 or more for these accounts. The biggest deterrent to the marketing of larger World Bank issues in Canada is the institutional view of restricted marketability. We have deliberately followed a policy since the last issue of the Bank in being active market makers in all outstanding issues.

The arrangements for offering Bank issues have not changed materially since the first issue in 1952. A. E. Ames, Wood Gundy, and Dominion Securities have underwritten all the issues in Canada and have formed banking groups to market the securities. There was some rigidity in the terms of the issues of 1965 to 1968 inclusive as the Bank wished to issue 25-year bonds when in some cases the markets would have been more receptive to shorter term issues. We must admit that 1965 to 1970 were difficult years for the Canadian bond market, with rates rising steadily throughout the period. These issues referred to above, the 25-year bonds, were distributed on a gross spread of 1 1/8% with 1/8% being retained by the three managing underwriters. The three dealers in rotation acted as operating managers and acquired the securities for the purchase funds. In the last issue, being of a shorter term, the gross spread was 1% with 1/8% of that retained by the managers.

It is our understanding that the Bank would like to offer issues in the Canadian market on a regular basis, at least once a year. Such a policy, of course, can have benefits but unless issues are well received complications can result. Three underwriters and revolving management is unusual in the Canadian underwriting process. In most cases, where there is more than one underwriter, one dealer continues as operating manager. The selected dealer would take a portion of the underwriting fee and the balance would be divided among the other underwriters. We do not know of a case in Canada where the operating management revolves among three dealers. There are some isolated cases where two alternate. For continuity in all the detailed work required on World Bank issues, we recommend that there be one operating manager. Such an arrangement would

A. E. Ames & Co.
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International Bank for
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March 17, 1972

make clear that the managing underwriter had an additional responsibility to maintain active trading markets and assist in making the Bank's activities better known in Canada. It is essential to have the World Bank as the only "foreign" issuer in the Canadian market accepted in much the same manner as large domestic borrowers. This is even more important in light of the fact that Inter-American Development Bank and the Asian Development Bank are considering entry into the Canadian market.

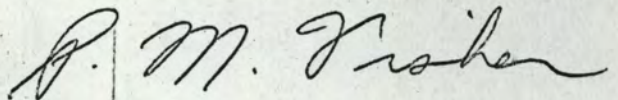
A. E. Ames & Co. Limited, established in 1889, is a major Canadian underwriter of debt and equity securities, active in money markets and in the secondary bond and stock markets. We have a staff of 550 people operating from 21 offices in the principal cities of Canada, and in New York, London, Paris and Lausanne. We are managers of the largest corporate issuer of securities, Bell Telephone, and also manage issues for many other corporations and governments. We have a proven record of success in the World Bank issues that we have managed.

We suggest that the arrangements entered into 20 years ago to market World Bank issues in Canada should be reviewed to see if changes could not be made which would improve the marketing of issues in Canada.

Yours truly,

A. E. AMES & CO. Limited

By:



PMFisher/ma

October 23, 1971

MONEY MARKETS

Why World Bank bonds
lose some prestige

By Frédéric Wagnière

The \$25-million International Bank for Reconstruction & Development (World Bank) bond issue in Canada was quickly placed but did not raise too much enthusiasm.

The eight-year term and the 7½% coupon did not seem very attractive to many investors. Some add that the bank's credit might be slipping.

The slight decline of bond prices after the announcement of tax cuts has also affected the World Bank bonds. Issued at \$99¾, they dropped to \$99¼ earlier this week.

The bank makes loans to member countries at competitive interest rates — currently at 7½%. It has a subscribed capital of \$23,900 million of which 10% is paid up. The bank raises further capital by borrowing on the world capital markets and by sell-

ing securities to certain central banks.

Some Canadian investors did not buy any bonds last week because they believe that it no longer has a top credit rating.

What they fear is that a campaign against the bank waged by certain U.S. newspapers, and picked up by some Congressmen might lead to the bank having a difficult time finding capital in the U.S.

This campaign comes from the usual protectionist forces in the U.S. and from people still eager to vex Robert S. McNamara, former secretary of defense and now president of the World Bank.

Some of the things that have increased the protectionist lobby:

• The bank has granted loans to Guyana and Chile just after they had nationalized important U.S. companies.

• The bank granted a loan to develop tourism in Mexico that will undoubtedly drain tourist dollars.

• The bank's outstanding funded debt was US\$5,424 million at June 30, 1971. U.S. investors held about 38% of this debt. Many Americans see this as a contribution to the U.S. balance of payments deficit, especially since developing countries that get a loan from the bank have no obligation to use this loan to purchase American goods.

There is a fear that the U.S. might stop actively supporting the bank which might then become a dying institution. Its credit would become only as good as that of its borrowers.

Although Canada has usually had to go abroad for some of its capital, the World Bank has borrowed on the Canadian market seven times previously for a total of \$125 million. Approximately \$72 million of these issues are now outstanding.

However, the bank seems stronger now than it has since its founding in 1946. McNamara is respected by most of the central bank governors of the developing countries because he has shown great concern for their problems and is trying to help in the most difficult areas such as education and birth control.

Furthermore, new sources of capital are opening up for the bank. More borrowing is being done in Europe and Japan and certain countries in the Middle East are also becoming big lenders.

IBRD CANADIAN DOLLAR BONDS

Yield comparisons with Canadian Government,
Provincial and Corporate Bonds

- (A) IBRD: 7% Bonds of 1968 due 2/15/93
(B) Government of Canada 5-3/4% due 9/1/92
(C) Ontario Hydro-Electric 7-3/4% due 9/18/1989-94
from *10/6/71: 7 7/8% due 4/1/1991-96
(D) Bell Telephone 6-3/4% due 9/15/1992

Quarterly comparisons starting 1/7/1970:

Yield quotations as of:	A	B	C	D	Spread in basis points (B-A) (C-A) (D-A)		
1/7/70	8.80	8.19	8.90	9.35	(61)	10	55
4/1/70	8.90	7.86	8.75	9.07	(104)	(15)	17
7/8/70	8.89	7.86	8.78	9.00	(103)	(11)	11
10/7/70	8.89	7.87	8.57	8.78	(102)	(32)	(11)
1/6/71	7.98	6.82	7.70	7.92	(116)	(28)	(6)
3/31/71	7.87	6.82	7.55	7.81	(105)	(32)	(6)
7/7/71	8.31	7.34	7.99	8.43	(97)	(32)	12
10/6/71	7.77	7.04	*7.65	7.77	(73)	(12)	-
1/5/72	7.47	6.55	7.60	7.62	(92)	13	15
4/5/72	7.99	7.27	8.11	8.07	(72)	12	8
7/5/72	7.89	7.49	8.16	8.12	(40)	27	23
10/4/72	7.94	7.45	8.04	8.30	(49)	10	36
1/3/73	7.69	7.13	7.80	7.85	(56)	11	16
2/14/73	7.75	7.19	7.82	7.85	(56)	7	10

High and low yields during period:

	<u>High</u>	<u>Low</u>	Spread in basis points
A	8.90	7.47	143
B	8.19	6.55	164
C	8.90	7.55	135
D	9.35	7.62	173
Maximum spread between			
	A and B		(116)
	A and C		(32)
	A and D		(55)
Minimum spread between			
	A and B		(40)
	A and C		7
	A and D		(6)

February 23, 1973

(E) IBRD: 7-1/4% Bonds of 1971 due 11/1/1979 (Offering date 10/15/1971)

(F) Government of Canada 6-1/2% due 6/1/1979

(G) Province of Ontario Hydro Electric 5% due 1/1/1977-79

No quotations available for corporate bond with comparable maturity.

Monthly comparisons starting 10/13/1971 (shortly before offering date of E):

Yield quotations as of:	E	F	G	Yield spread in basis points	
				(F-E)	(G-E)
10/13-15/71	7.29	5.89	6.68	(140)	(61)
10/20/71	7.25	6.05	6.60	(120)	(65)
11/17/71	7.33	5.92	6.50	(141)	(83)
12/15/71	7.33	5.75	6.50	(158)	(83)
12/31/71	7.42	5.74	6.50	(168)	(92)
1/12/72	7.42	5.83	6.63	(159)	(79)
2/16/72	7.51	6.24	6.74	(127)	(77)
3/15/72	7.51	6.50	6.86	(101)	(65)
4/12/72	7.51	6.86	7.18	(65)	(33)
5/17/72	7.60	6.86	7.35	(74)	(25)
6/14/72	7.61	6.96	7.35	(65)	(26)
7/12/72	7.61	7.15	7.45	(46)	(16)
8/16/72	7.61	7.01	7.49	(60)	(12)
9/13/72	7.61	7.06	7.52	(55)	(9)
10/11/72	7.33	6.78	7.20	(55)	(13)
11/15/72	7.34	6.50	6.80	(84)	(54)
12/13/72	7.25	6.41	6.94	(84)	(31)
1/17/73	7.06	6.45	6.97	(61)	(9)
2/14/73	7.15	6.45	6.97	(70)	(18)

High and low yields during period:

	High	Low	Spread in basis points
E	7.61	7.06	60
F	7.15	5.74	141
G	7.52	6.50	102
Maximum spread between E and F			(168)
E and G			(92)
Minimum spread between E and F			(46)
E and G			(9)

Spread at time of public offering of E (10/15/1971):

between E and F	(140)
E and G	(61)

February 23, 1973

SALES DISTRIBUTION IBRD

CANADIAN DOLLAR BONDS

IBRD issues in Canadian Dollars

(Last three issues)

(1)	6-1/4%	25-year	Canadian Dollar bonds	of 1967:	Can\$ 20,000,000
(2)	7%	"	"	" of 1968:	Can\$ 15,000,000
(3)	7-1/4%	8-year	"	" of 1971:	Can\$ 25,000,000

Geographical distribution of sales (in Can\$ thousands)

Issues:	(1)	%	(2)	%	(3)	%
Canada	19,345	96.7	14,696	98.0	24,223	96.9
U.K. & Commonwealth	25	.1	-	-	80	.3
Europe	295	1.5	179	1.2	377	1.5
Other	<u>335</u>	<u>1.7</u>	<u>125</u>	<u>.8</u>	<u>320</u>	<u>1.3</u>
Total	<u>20,000</u>	<u>100.0</u>	<u>15,000</u>	<u>100.0</u>	<u>25,000</u>	<u>100.0</u>

Canada:Provinces

Ontario	7,859	40.6	6,278	42.7	10,023	41.4
Quebec	10,497	54.3	6,849	46.6	11,413	47.1
Other provinces	<u>989</u>	<u>5.1</u>	<u>1,569</u>	<u>10.7</u>	<u>2,787</u>	<u>11.5</u>
	<u>19,345</u>	<u>100.0</u>	<u>14,696</u>	<u>100.0</u>	<u>24,223</u>	<u>100.0</u>

Sales distribution in Canada by major investor groups (in Can\$ thousands)

	(1)	%	(2)	%	(3)	%
Insurance Companies	3,254	16.8	4,928	33.5	1,818	7.5
Charitable & Educational	299	1.5	353	2.4	488	2.0
Banks	596	3.1	807	5.5	1,972	8.1
Trust Companies	932	4.8	2,092	14.2	3,332	13.8
Pension funds	749	3.9	2,468	16.8	1,889	7.8
Corporations	1,602	8.3	1,043	7.1	2,311	9.5
Investment Trusts	432	2.2	100	.7	651	2.7
Individuals	1,288	6.7	1,068	7.3	3,535	14.6
Dealers	1,028	5.3	1,837	12.5	677	2.8
Group account handled by manager	<u>9,175</u>	<u>47.4</u>	<u>-</u>	<u>-</u>	<u>7,550</u>	<u>31.2</u>
	<u>19,345</u>	<u>100.0</u>	<u>14,696</u>	<u>100.0</u>	<u>24,223</u>	<u>100.0</u>

February 21, 1973

G

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara (through Mr. ^{g/h}Gerald Alter) DATE: March 5, 1973FROM: A. D. Knox *AM*SUBJECT: MEXICO: Loan 825-ME - Second Railway Project
Procurement of 78,000 Tons of Rails

1. Mr. Sommers has asked me to let you have a brief note on the above contract award just in case you are asked questions about it when you are in Canada.

2. The bid opening for this procurement took place on October 16, 1972. Two bids were received, one from a Japanese firm, the other from the Sydney Steel Corporation of Canada. Our Borrower, the Mexican National Railways, considered the prices high (they had purchased similar rails some months before at 10% less). On October 17, they requested the Bank to be authorized to negotiate better prices with the bidders, pursuant to Section 4.9 of the Bank's Guidelines for Procurement. 1/

3. On October 27, we agreed to this request but on condition that the negotiation should be only with the lowest evaluated bidder. At that time, we did not know which firm was the lowest and our agreement was subject to the further condition that prior to negotiations the Mexicans should obtain our agreement as to which firm was the low bidder.

4. Bids were evaluated in Mexico and a proposal for award sent to the Bank in late December. The Canadian offer turned out to be 0.56% lower than the Japanese. On January 4, 1973, the Bank agreed with the placing of the order with Sydney Steel, at a maximum price of US\$174 per ton, which as indicated above could be the subject of negotiation.

5. After some delays the Mexicans started discussions with Sydney Steel. These negotiations produced no change in price and the contract was awarded to Sydney Steel at the originally quoted price of US\$174 per ton.

6. The delays caused Sydney Steel some concern and Mr. Isbister spoke to me about the matter on January 23. I explained our position and said that we would make sure that both parties were fully aware of the limited nature of the negotiations. Our intervention, however, proved to be unnecessary since the discussions had in fact been completed by the time we heard from Mr. Isbister.

1/ "In special circumstances, after consultation with the Bank, the borrower may negotiate with one or two of the lowest bidders to try to obtain a satisfactory contract."

cc: Mr. Sommers
Mr. Lithgow

JBronfman:jp

OFFICE MEMORANDUM

TO: Mr. McNamara

DATE: February 28, 1973

FROM: Davidson Sommers *ms*SUBJECT: Visit to Ottawa - February 25-28, 1973

On the invitation of the Canadian Executive Director, Douglas Fontein of the Legal Department and I, accompanied by David Miller, Mr. Isbister's technical assistant, visited Ottawa for interviews regarding Canadian complaints about the Bank's competitive bidding policy and procedures. We spoke with officials (not Ministers) of Finance, External Affairs, Industry; Trade and Commerce (ITC), Treasury Board, Canadian International Development Agency (CIDA) and Export Development Corporation (EDC). We also talked with representatives of three Canadian suppliers, Hawker-Siddeley Canada Ltd. (British-owned), Montreal Locomotive Works - Worthington Ltd. (U.S.-owned) and with White-Cockshutt Ltd. (U.S.-owned). A fourth supplier, Sidney Steel Corporation (Canadian-owned), could not be present but its views were reported by an ITC official.

The line we took was as follows:

Supervision of international competitive bidding is a complex job because the Bank is trying to further several distinct and not always consistent objectives: assuring an economically sound project; giving foreign suppliers a fair opportunity to bid; and furthering domestic development. Canada has always been particularly fair and helpful to the Bank and the Bank is glad to have Canada's comments and criticism. Our purpose in coming is not to judge the merits of particular cases, but to listen to Canadian views and experiences so that the Bank may take them into account in reviewing its policies and procedures. I explained that you have asked me to undertake such a review but said I had not yet come to any conclusions about the scope of the review or about substance.

The general impression we formed about Canadian attitudes can be summarized as follows:

The Canadians are hungry for exports, partly for reasons that influence other countries (e.g., growing unemployment) and partly for special reasons such as the resentment against foreign (particularly U.S.) ownership of much of its industry and suspicion that this is used to restrict the export potential of Canadian plants. Canada prides itself on its devotion to international cooperation, on its generous support of international organizations and on its concern for development.

There is dissatisfaction with the amount of procurement received by Canada in relation to its contributions to multilateral aid organizations and some businessmen and officials are asking whether tied bilateral aid should not be substituted for multilateral to a greater degree than at present. This is not a general political issue at present, but there is concern in the government offices most friendly to multilateralism that it may become so.

In all quarters the IBRD appears to be regarded as the best of the multilateral aid agencies. This makes Canadian officials specially sensitive to criticism of the Bank and perhaps gives them unduly high expectations of what the Bank can and should do to let Canadian suppliers compete equally.

As to the reasons given for the Canadians' allegedly not doing well in Bank financed tenders, they range over a wide spectrum. At one extreme it is said that Canadian firms are not as experienced, widely established and well known in developing countries as giant American companies (General Motors is often mentioned), not as aggressive or flexible in marketing, not as well served by Government commercial agencies, etc. On the other extreme there is some feeling that the Bank does not enforce its Guidelines firmly or consistently and may give undue weight to the preferences of borrowers. (In this respect, however, the Bank is considered better than the Asian or Inter-American Development Banks). It is also suggested that the Bank's procedures may not be adequate to detect unfair treatment unless a bidder complains and that Bank staff, though trying to be impartial, cannot avoid being influenced by their greater familiarity with the equipment of suppliers from traditional exporting countries. By-and-large, CIDA and External Affairs lean toward blaming Canadian inexperience and unduly high expectations, while ITC seems to put more emphasis on Bank procedures and perhaps on lack of Bank staff adequate in number and experience to cope with the expanded procurement problem. We were told by a senior Finance official that the Minister of Finance is deeply concerned and there seemed to be an implication that he doubts whether Bank procedures and staff are adequate to give Canadian suppliers a fair break.

Several people said that Canadian resentment of American influence is an important factor in all this.

There is no doubt that all concerned were most appreciative of your interest and felt that the mere fact of our visit was very helpful. I am also convinced that the exchange was useful in making some Canadians realize that the problem is a good deal more complicated than it appears to those who are not acquainted with the fiercely-fought area of international competition and who look at it only from the viewpoint of suppliers and suppliers from one country. The views of different suppliers contradicted each other in some important respects and in others did not support suggestions made by Canadian representatives in the Bank. In addition, the discussions gave Fontein and me

February 28, 1973

some points to look into. The Canadians generally did not have answers when asked what they thought the Bank ought to do about their problems.

There seemed to be general agreement, with which Fontein and I are in accord, that there had not been enough direct contact between Canadian suppliers and ITC staff, on the one hand, and Bank staff on the other.

In our final talks I said that the visit had been useful to us and to the Bank. I added that the discussions had helped us understand the problems even though they had not brought us much nearer to finding solutions. I made no commitments as to how far the Bank would go in looking into these issues or as to what changes, if any, the Bank might make as a result of its review.

My recommendations for your visit are:

- that you take the Canadian concern with getting more business under IBRD loans as serious, but not as critical;
- that you say that you have welcomed the Canadian concern about procurement and think it has been useful;
- that you say you think a general review of competitive bidding policy and procedures on Bank/IDA projects is timely and intend to have it undertaken;
- that you avoid being drawn into discussions of individual cases (I do not consider this likely in any event) and refer anything of that kind to me or to Warren Baum.

There is one recent case which you should know about. Sidney Steel has recently been the low bidder on a large order of rails for Mexico. I have heard second-hand reports that complications have arisen and the award has not yet been made. You ought to have the full facts up to the time you leave. This case could be important in Canadian thinking because it is a large order, the first apparently successful major Canadian bid on IBRD procurement in some time and involves a wholly Canadian-owned supplier. (In fact, I was told that the Canadian Government or one of the provinces owns a substantial interest). I will arrange for you to get the facts up to the last minute.

DS

P.S. As I signed I received word that the Sydney Steel contract has been signed in Mexico City on February 27, 1973 and has been confirmed by the Patrimonio Nacional.

DSommers/ts

2965
OFFICE MEMORANDUM

TO: Mr. McNamara

DATE: March 5, 1973

FROM: Davidson Sommers *ds*

SUBJECT: Competitive Bidding

Supplementing my memorandum of March 2, 1973, here are some points I hoped to cover orally:

1. The opinion seemed to be accepted in the ITC and Finance Ministries that the Bank is slipshod in the administration of its Guidelines. My guess is that this is principally attributable to three factors:

- 3/5
- Canadian resentment of U.S. economic power.
 - A stream of reports on individual incidents from the Canadian Technical Assistant, without thorough appraisal.
 - The inadequacy of some Bank answers to inquiries.

I do not think the Canadians really believe that there is any discrimination. Some seem to believe that the Bank has not sufficient manpower to administer its competitive bidding policies effectively and consistently so as to ensure fair play (on rather ideal standards) to suppliers.

2. I doubt the advisability of your reporting my impressions at this early stage. In case you need to say something, here is a summary:

The impression I have formed of the Bank's competitive bidding policy and administration to date is generally favorable, although this is still a preliminary view. I am convinced the administration is impartial although occasional mistakes are doubtless made. I have questions about particular aspects of our procedures and about the adequacy of our manpower. I have not found justification for several of the sweeping criticisms in Mr. Isbister's memorandum to you of December 6, 1972, e.g., that "practices fall short of generally accepted standards" and that the Bank "has been retreating from responsibility."

ds

DSommers/ts

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: December 6, 1972

FROM: Claude M. Isbister

SUBJECT: International Competitive Bidding

Bank Group tendering practices fall short of generally accepted standards in various ways and this raises serious questions. The impact on the Bank's reputation in supplier countries must be considered and this is not helped by giving general answers to specific complaints when things go wrong. With increased lending and more complex projects we seem to have been retreating from responsibility for the way tendering is conducted and yet we continue to talk about international competitive bidding.

We are receiving concrete criticisms and when these come from companies competing successfully in other arenas of international competitive bidding they should not be disregarded.

Experienced companies are complaining to the Canadian Government about our practices, saying that it is not worthwhile to submit bids because treatment of bidders is inconsistent and often biased depending on local authorities. At present the Bank protects itself with legalistic statements that all criticisms have been examined and lack substance, and that everything was done according to the guidelines. The Canadian companies spend thousands of dollars submitting bids and they want to register criticisms of the practices they are seeing, sometimes even doing this on grounds of principle when they are the fourth or fifth lowest tenderer.

The Bank lacks staff and expertise to study in advance the complex relationships between government and industry where domestic subsidies and remissions facilitate the manipulation of tendering in favor of certain bidders. It has taken many months to produce answers to the questions I raised about Brazil. It is obvious that the staff have been wrestling with so much contradictory information that the answers which are emerging can do little to repair the confidence of the critics.

The Bank says in general that it will not look behind bids. In the current tender for rail cars in Mexico the domestic manufacturer has made an incredibly low bid. Should not this low bid have been anticipated with the local excess capacity in car manufacture and steel? Could the government afford politically to let this and consequential orders go to foreign suppliers? The Canadian Company is asking why the World Bank assumed the responsibility of stipulating international competitive bidding, their own bid having cost a lot of money, if there was no competition present. Were external suppliers merely used as pressure to get more government subsidization for rail car and related industries? How good is this for the morale of supplier countries which support the Bank Group financially?

President has seen

December 6, 1972

Where a government contemplates the purchase of large numbers of some type of capital equipment the Bank may encourage the use of international competitive bidding with respect to a portion of the total, to establish a low price. This is a good idea from the point of view of the government concerned. Could this be done preferably without Bank finance? This area of tendering lends itself to manipulation and ~~and~~ pressures and there are considerable dangers for the Bank's reputation. Even from the government's point of view an original low price may be counterbalanced in the cost of spares and subsequent compatible equipment.

The Bank approves detailed and concrete tender specifications and then agrees to important departures from them after the bids have been opened without allowing all concerned to bid on the reduced requirements, i.e., Egyptian Railways.

The Bank will condone the rejection of tenders in some cases with minor technical flaws. In other cases it will not seek rejection of bids despite such flaws, i.e., Thailand locomotives and Pakistan rails. This has a demoralizing effect on companies which conclude it is impossible to understand how the World Bank operates.

Where companies are required to obtain relevant information as a condition of bidding the Bank seems unconcerned as to whether this information is made equally available to all competent potential bidders, i.e., East African Railways.

Once an international advertisement is made there is an obligation to treat all responsible bidders equally. Present practices tends to favor existing suppliers, i.e., Cameroon Semry Rice Project.

In my view, we need a thorough overhaul of the Bank's practices in this difficult field. Although I am not critical of the competence of staff members with whom I have discussed these matters, I am unable to understand World Bank international competitive bidding and to defend it against critics. Thought should be given to whether we have enough staff in this field who have had experience in dealing with tendering practices in the world outside the Bank. We should reconsider the principles upon which the Bank agrees to complex requirements and then to departures from them. We should give careful thought to technical requirements and to whether any departures should be condoned.

We agree that Bank international competitive bidding should be independent and free of interference from governments. This means that the standards must be high and that staff must be well informed and confident in being able to answer questions and criticisms.

I have been impressed by comments made by Directors from developing countries about inadequacies in the existing systems. Their interest in the development of domestic industries and in low cost procurement should be articulated to the interest of the developed countries in competition. To illustrate weaknesses of the present system I have used examples drawn from recent Canadian experience but this is not meant to be restrictive.

B. M. Salinger

H

OFFICE MEMORANDUM

TO: Mr. William Clark
FROM: Frederick Nossal
SUBJECT: Mr. McNamara's visit to Toronto.

DATE: February 28, 1973

The following have accepted an invitation to meet informally with Mr. McNamara between 10 am and 11 am at the Royal York Hotel:

Mr. James Cooper
Publisher and President
The Globe and Mail

Mr. W.J. Carradine
Vice President
Southam Newspapers

Mr. Kenneth Thomson
Chairman
Thomson Newspapers

Mr. Eugene Hallman
Vice President and General Manager
English Services Division
Canadian Broadcasting Corporation

Mr. Martin Goodman
Editor-in-Chief
Toronto Daily Star

Mr. Murray Cherkover
President
CTV Network

One or two other people I contacted were out of town today, but I should have a full list for you by the end of the week. The understanding is that no more than eight or ten invitations will be extended.

President has seen

I am most grateful to you for coming here. So that I can benefit from your knowledge of Canada.

Ever since I came to the Bank I have been struck by the extraordinary difference between Canada's attitude to development and to the Third World, and the attitude south of the 49th Parallel.

Strong support in the Board, from CIDA (Maurice Strong and Lajoie), our debt to Mike Pearson.

But it is not only Government support. Clearly public opinion supports a stronger Canadian aid effort and indeed demands it.

I think this has something to do with your coverage in the media of the Third World. Canadians are I believe better informed about a country such as India than Americans are.

But I would like you to tell me what you think the Canadian public feels about development assistance to the Third World. How far is it moving towards a bilateral, national program, and how far are you content to put your effort into multilateral channels, such as the World Bank. Naturally I am very interested to know what your thoughts are about the World Bank and our policies, and I'll be glad to answer your questions about it; though I would like to keep this whole discussion off the record so that we can all talk more freely.

Points to get across in Canadian discussion:

1. Importance of trade to LDC.s. You know that unemployment is heavy in Canada - but it should be Canada's aim to upgrade their workers to sophisticated jobs. (N.B. the problems of Canadian trade with U.S.; but Canada does have positive balance of trade. You will probably be asked as ex-Ford about the U.S./Canada auto agreement.
2. Unemployment a terrific problem in LDCs. Canada does seem to realise that it cannot live as island of affluence etc.....
3. Bank's independence of U.S. Probably our approach to India is a better illustration of this, than the nationalisation issue. But if you do go to nationalisation use the Guyana example.
4. Need for ODA if private investment is to be secure. Note gently that Canada's ODA is not, has not been and will not be very high.
5. Agriculture and Rural Development. Why this is so crucial to Development, and what we are doing and plan to do. N.B. Many Canadians out West feel that we are destroying their markets for cereals.
6. Population. N.B. It is very hard for Canadians to recognise over-population. There is still in some downs a digital "clock" showing how many new Canadians have been born this year - this is regarded as triumph.

*This of Fred Nassat - a former Toronto Globe man
now with IPA.*

Points Mr. McNamara may wish to raise during his off-the-record talk with Canadian news media executives on Thursday, March 8, 1973.

Your suggested lead-in of asking the people to give their views on global development problems, and the World Bank's role in particular, seems a good and logical beginning to the conversation. Questions about different attitudes toward aid north and south of the border could follow. (My own view is that in this instance the Government of Canada has led rather than followed public opinion for a number of years, and few members of Parliament dare challenge the Government's strong posture on aid for fear of being criticized as selfish, greedy products of an over-affluent society.)

Other points that could be raised, and which would certainly be of interest to Mr. McNamara's guests include:

1. The World Bank and Indo-China reconstruction. Most of the people would not have heard about Mr. McNamara's statement that the Bank is willing to give assistance in Indo-China in any way our members wish us to do.
2. The role IDA plays in Bank lending. Canada's generosity in paying \$100 million in advance contributions to IDA during the last fiscal year would not be widely known.
3. The debt and debt servicing problems of the poorer countries. Although Mr. McNamara raises this question in his address, it is always a fascinating topic. How on earth can the developing world pay back \$80 billion? This is a question that comes up repeatedly.
4. A quick overview of how members subscribe to the Bank, how money for projects is raised on the world's capital markets, how decisions are made by the board.
5. An explanation of why the World Bank is not dominated by the United States, giving a couple of instances where the board has ruled against U.S. views. The vast impact of the United States upon the Canadian economy is always a very hot issue in Toronto, especially these days when the Canadian dollar has been floating downward with the U.S. dollar.

Brief biographies of the seven men who have accepted Mr. McNamara's invitation for an informal meeting at the Royal York Hotel between 10 a.m. and 11 a.m. on Thursday, March 8, 1973. Prepared by Frederick Nossal.

Mr. W.J. Carradine, Vice President and General Manager of Southam Press Limited. Southams own newspapers in many cities across Canada -- but not in Toronto which nevertheless is the headquarters of the chain. The chain has more newspaper readers than any group in Canada. Mr. Carradine between 1968 and 1972 headed the London (Ontario) Free Press, one of the chain's main papers. Between 1954 and 1968, he worked for Proctor and Gamble in Mexico, Switzerland and Belgium. His boss, Mr. St. Clair Balfour, who is President and Managing Director of Southam Press Limited, was genuinely sorry to miss the meeting; He will not be in Toronto.

Mr. Murray Howard Chercover, President and Managing Director, CTV Television Network Limited. CTV was established in 1961, and brings together a chain of private stations across Canada. CTV competes directly with the Canadian Broadcasting Corporation, which is the Canadian equivalent of the BBC. Mr. Chercover, who is 43, has had wide experience in theatre, radio and television productions in Toronto, New York, Kennebunkport (Maine), and has been a top executive at CTV in Toronto since 1961. I've known him for several years as I used to give international affairs commentaries over the CTV network. He's brisk, highly competent, very friendly. He offered Mr. McNamara use of the CTV Board Room for the meeting.

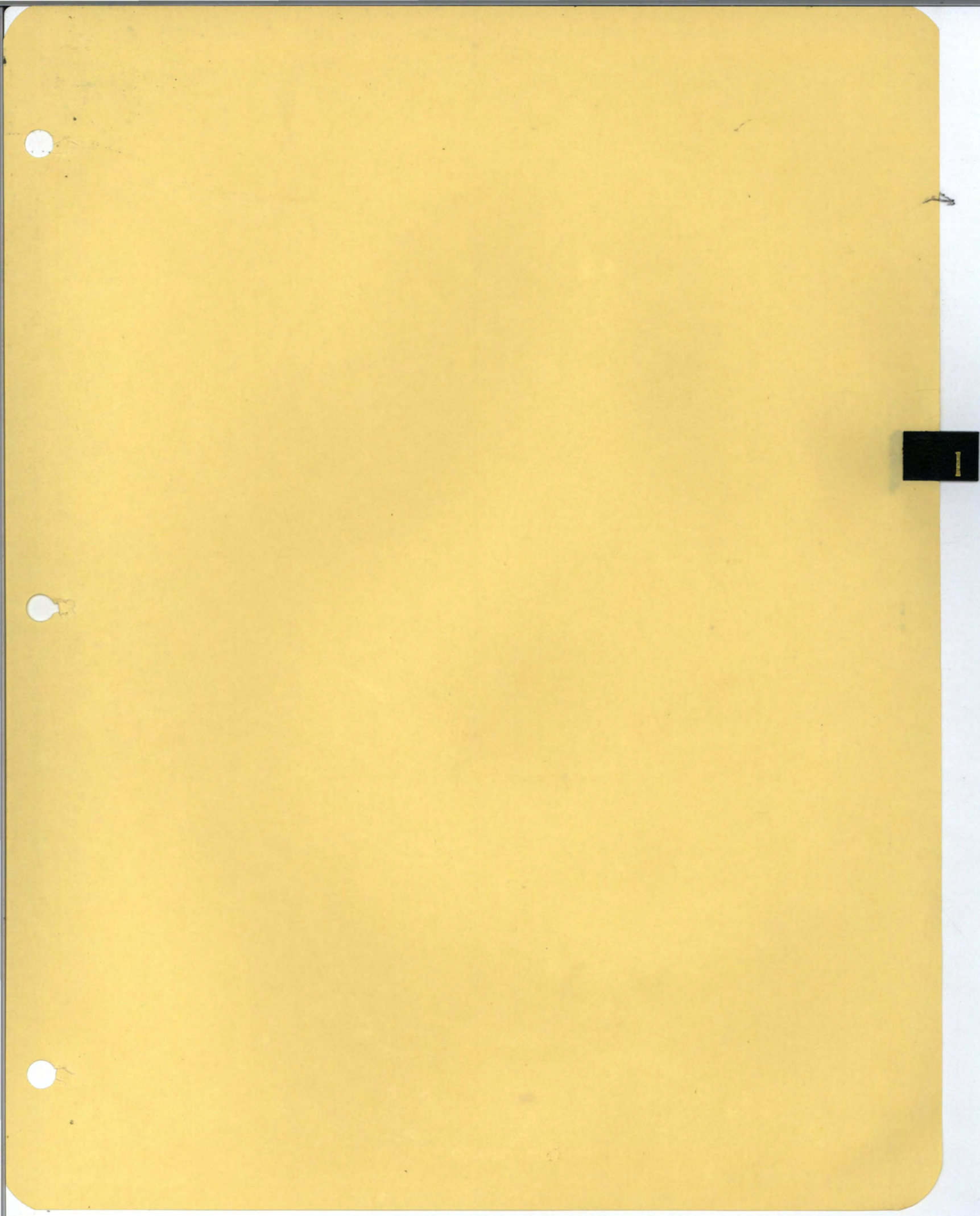
Mr. James Cooper, President and Publisher of the Globe and Mail, the only Canadian newspaper that has a truly national image. Its Report on Business sells across Canada, and the Globe and Mail used to consider itself the newspaper of record in Canada under the previous publisher. Around the world, the Globe and Mail is well known because of its bureau in Peking which I opened in 1959. Mr. Cooper was one of Lord Beaverbrook's correspondents in North America when I first met him in Toronto in 1952. He was assistant to a well-known Canadian editor and publisher, the late Oakley Dalgleish, when he died suddenly in the summer of 1963. Mr. Cooper has held the present post since then. He's a quiet, charming man whose droll British wit comes through when he relaxes. He's in his sixties.

Mr. J. Lin Craig, Executive Vice-President of Maclean-Hunter Limited, a wealthy publishing house that owns the national monthly magazine Maclean's and also publishes the weekly Financial Post. Maclean-Hunter has built its empire on a series of small, specialized business and technical publications that have a wide readership. Mr. Craig (the Lin stands for Lindley but he insists on Lin) has been with the company for more than 30 years, and reached his present post by building up the firm's business and technical magazines. He is responsible not only for the company's Canadian operations, but for a series of small subsidiaries Maclean-Hunter have established in the United States, Britain, France, West Germany, Italy and South Africa. The President of Maclean-Hunter, Mr. Donald G. Campbell, is travelling abroad at the moment, and could not be reached. Mr. Craig told me that Mr. Campbell had a most important 10 a.m. meeting which had been scheduled for a long time, and which he felt sure he would have to attend.

Mr. Martin Goodman, Editor-in-Chief, Toronto Star. The Star in 1971 bought out the Toronto Telegram, making it the wealthiest daily in Canada, and the newspaper with the largest circulation. It sells more than 600,000 copies daily which is impressive for a city with a population of a little more than 2,000,000. Mr. Goodman is 37, bright and ambitious. I've known him for about 10 years. He joined The Star as a reporter specializing in economics and politics in 1958, served as correspondent in Washington and in Ottawa between 1962 and 1966. He has been city editor, assistant managing editor and managing editor, and was appointed Editor-in-Chief in 1971. Due to his recent news background, it might be wise to tell him privately that the meeting is off-the-record. He was, by the way, a Nieman Fellow at Harvard in 1961. His boss, multi-millionaire president and publisher of the Toronto Star, Mr. B.H. Honderich, could not be reached by telephone. His secretary said it would be quite impossible for Mr. Honderich to attend the meeting. Mr. Honderich is a tough, self-made man (his staff consider him ruthless) who is interested primarily in the power and influence he has acquired within Canada. Mr. Goodman could well be better value from the World Bank's viewpoint.

Mr. Eugene Hallman, Vice President and General Manager of the English Services Division of the Canadian Broadcasting Corporation. He has held this post since 1968, and has full responsibility for the direction and performance of the CBC English language network throughout Canada, and also for the operations and development of the CBC's Toronto television as well as AM and FM radio broadcasts. One of Mr. Hallman's interests was Intertel, the International Television Federation, an organization engaged in the production of documentaries and public affairs programs of an international nature. Mr. Hallman is 53, and was a meteorologist before he joined the CBC as a program organizer in 1950. He has held various top positions at the CBC, including Director of Radio (1958-9). Between 1960 and 1968, he was a vice president in charge of programming, sales policy, planning, research, statistical analysis and evaluation of programs. The CBC's annual expenditures are about \$240 million. The Corporation is subsidized by the Canadian Federal Government but operates independently of Government policy.

The Honorable Kenneth R. Thomson, Joint Chairman and Director of the Thomson Organization Limited, London. However, he is attending the meeting as Chairman and President of Thomson Newspapers Limited which owns 45 newspapers in Canada. He is also President and Director of Thomson Newspapers Inc. which owns 74 newspapers in the United States. Although in Canada the Thomson chain does not control any of the large dailies, the group has a wide readership in most of the provinces. Mr. Thomson's influence extends beyond Canada into the United States, Britain and other countries. Mr. Thomson, son of Lord Thomson of Fleet, is chairman, president, managing director and director of numerous firms, including insurance and freight companies, banks, pulp and paper manufacturers, and television stations. He began his working life on the editorial department of the Timmins Daily Press in Timmins, Ontario, in 1947. He spends much of his time in Britain, but I caught him in Toronto. I know Lord Thomson better than his son. Mr. Thomson, who will be 50 in September this year, strikes me as a quiet man, somewhat overshadowed by his father's worldwide fame as a newspaper publisher and entrepreneur. He told me he had admired Mr. McNamara for many years, and was extremely grateful that the invitation had been extended.



ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT

Memo/CANADA

RESTRICTED TO PARTICIPANTS

Paris, 27th October, 1972

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DEVELOPMENT ASSISTANCE COMMITTEE

Annual Aid Review 1972

MEMORANDUM OF CANADA

The statistical tables submitted by the Canadian authorities are circulated separately as an annex to this document.

President has seen

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DAC MEMORANDUM

INTRODUCTION

(1) Any examination of Canada's development assistance programs and policies must, of necessity, be placed in the broader context of this nation's overall external relations. Canada's foreign policy is the product of the government's progressive definition and pursuit of national aims and interests in the international environment. Diplomatic relations are maintained and strengthened for a wide variety of reasons - among others trade expansion, collective security, cultural contact, exchanges in science and technology, and cooperation in development assistance.

(2) Within this framework CIDA's objective is to cooperate with developing countries in their social and economic development. Two more specific sub-objectives can be defined. The first is to enhance the indigenous capability of recipient countries to define and clarify their objectives and to select and implement means of achieving those objectives. The second is to cooperate with recipient countries in their efforts to improve the quality of life for their citizens.

ADMINISTRATION

(3) In order to meet effectively the new challenges created by the increasingly complex development assistance environment, a number of major changes in the senior management structure of CIDA have been made during the past year. With the creation of a number of vice-presidential positions, each one related to a clearly defined program activity, the management has been strengthened. Through the vehicle of the President's Committee (which normally meets weekly under the chairmanship of the President or the Executive Vice-President) comprised of the President, the Vice-Presidents and the Director-General of Communications, it has been possible to develop the concept of a team approach to the decision-making process both in terms of policy and management issues. The major changes in the senior management structures are the appointment of an Executive Vice-President; the creation of a Policy Branch and the appointment of a Vice-President, Policy; the upgrading of the position of Director Multilateral Programs to a Vice-Presidency and the establishment of the post and the appointment of a Director General of Communications. At the same time the Bilateral Programs Branch was strengthened by integrating the planning and operational functions into area divisions responsible for the development and management of Canada's bilateral assistance program in each of five geographic areas.

Executive Vice-President

(4) The cultivation and maintenance of effective relations with developing countries, other donors, multilateral institutions, and the Canadian public is an important and time-consuming responsibility. At the same time, the size and diversity of CIDA's activities result in a heavy and complex task of internal management. These circumstances have given rise to the need for an Executive Vice-President. The chief executive responsibilities are shared by the President and the Executive Vice-President on a basis of

specialization of emphasis. In general, the President concentrates his attention on broad policy questions, new policy initiatives, and external relations. The Executive Vice-President is concerned primarily with the day-to-day management of the Agency.

Policy Branch

(5) Policy Branch was established to act as a focus for the consideration and resolution of policy problems facing the Agency. It is responsible for the analysis of the aid program and its component parts, for the evaluation of selected country programs and sectors as a basis for making programs more effective and relevant to the needs of the developing countries, and for the analysis of specific development policy issues such as aid untying, local cost financing, the interrelationship between aid and trade. In general, Policy Branch will seek to ensure the harmonization of all CIDA programs and policies in relation to CIDA's objectives.

Bilateral Programs Branch

(6) In the past year the functions of planning and implementing the bilateral programs and projects have been integrated within five geographic divisions responsible for the development and management of programs. Country program managers within these divisions are responsible for the total scope of programs in their countries of responsibility.

Multilateral Programs Branch

(7) CIDA's multilateral programs constitute another growing area within the Agency. Appropriations for multilateral assistance have risen from 18% of the total development assistance in 1968-69 to over 25% in 1972-73. Canada is also encouraging multilateral institutions to formulate new approaches to development assistance which would increase the complementarity among the programs of multilateral and bilateral agencies.

Special Programs Branch

(8) In a wide variety of aid and development situations, non-governmental organizations can move quickly and effectively. Contributions to these organizations permit CIDA to strengthen and increase their participation in international development and enable CIDA to tap the resources of experience and expertise of such institutions for international development purposes. The Special Programs Branch has overall responsibility for coordination of CIDA's relationships with Non-Governmental organizations, direction of the activities of Business and Industry Division, and CIDA's newly established Development Education Program. The Branch also assists in the formulation of policy toward these organizations and plays a liaison role with the provincial governments and francophone institutions.

Communications Branch

(9) The Communications Branch was established to improve the coordination and scope of the informational programs of the Agency. It has responsibility for the Information Division which seeks to develop a better informed public opinion in order to ensure support for the aid program; the library; the Briefing Centre, and the Conference Secretariat. The Briefing Centre runs programs to prepare Canadian technical assistance experts and their families for life abroad, and the Conference Secretariat is responsible for mounting any conferences staged by CIDA.

Staffing

(10) Closely tied to this effort to develop a more effective management structure is the Agency's commitment to devote increasing attention to the recruitment, training and career development of high quality personnel to meet the challenge of development assistance in the seventies. In December 1971 the Agency employed 689 people, roughly half of whom filled professional positions, the other half being support staff. In addition to measures to be taken within the Agency, CIDA has launched a scholarship program to encourage young Canadians to enter the development field and thereby expand the pool of talented resources from which CIDA and other aid agencies can draw in future years.

Representation Abroad

(11) The administration of the aid program abroad is carried out under the authority of the heads of post by personnel drawn from a number of departments including CIDA. An increasing number of CIDA and External Affairs officers have been assigned in recent years to meet the growing needs in administration of the aid program abroad. In 1971 the CIDA representatives posted overseas numbered thirty-three in twenty-four countries. CIDA has taken other steps to increase its knowledge of conditions in the field. This includes an increase in travel by headquarters staff, and the encouragement of special planning, evaluation and project identification missions.

RELATIONS WITH OTHER GOVERNMENT DEPARTMENTS

(12) One of the most critical elements in the effective administration of the Canadian development assistance program is interdepartmental coordination of related departmental programs and policies. The creation of interdepartmental boards, committees, and sub-committees has been the most common means of achieving the desired convergence of interests. The External Aid Board, later the Canadian International Development Board (CIDB) was established to ensure coordination between departments on policy formulation. It is a senior body chaired by the President of CIDA, whose members are the deputy heads of the Departments of Finance, Industry, Trade and Commerce, External Affairs, Treasury Board, the President of the International Development Research Centre and the Governor of the Bank of Canada. The CIDB meets on an ad hoc basis as issues arise for its consideration.

The Interdepartmental Committee on Development Assistance

(13) In addition, the Interdepartmental Committee on Development Assistance, together with two sub-committees on bilateral and multilateral assistance, provides a forum for senior representatives of the departments concerned with development assistance policy and others as appropriate to exchange views on the objectives, programs and policies of CIDA to ensure that they are in harmony with those of other departments. Similarly, CIDA representatives are participating more actively in committees chaired by other departments in order to ensure that the developmental aspects of a particular issue are fully considered before new policies are adopted and programs implemented.

Interdepartmental Committee on External Relations (ICER)

(14) A new mechanism which will have the effect of reinforcing and extending the efforts of the CIDB and the ICDA is the Interdepartmental Committee on External Relations. The ICER was established in 1970 to develop a comprehensive approach to the management of the foreign operations of the government. The major function of the ICER is to advise the Secretary of State for External Affairs on: the formulation of Government policy regarding foreign relations; the harmonization of country plans of departments with external interests; the allocations of resources for external operations; the implementation of external operations; and the recommendation of the appointment of heads of mission.

THE PROGRAMMING OF DEVELOPMENT ASSISTANCE AND CIDA PRIORITIES

(15) The problem of the allocation of bilateral assistance is one with which CIDA has been wrestling since the inception of the program, particularly during the rapid expansion of the program during the last five to ten years. In the past we have distinguished between (1) countries of concentration, to which allocations were made on a regular basis, (2) countries of mention and (3) others. As we reported at last year's DAC meeting, however, these distinctions have become blurred. The forward commitment authority has been used both for countries of concentration and for countries of mention. CIDA's bilateral assistance program, moreover, has now been extended to about eighty countries on a regular or intermittent basis. For a country the size, and with the resources, particularly personnel resources, of Canada, such a geographic spread is a contributing factor to the strains imposed on administration, although certainly not the only strain. In reviewing this matter during the current year, it was decided to take steps to reduce the number of countries in which we would have bilateral programs within any particular time period. We have begun to explore a number of possibilities but as yet no final decisions or conclusions have been reached.

(16) Three important factors affect CIDA's current thinking with respect to programming. The first relates to the very rapid expansion of the total program, the subsequent accumulation of substantial amounts of unspent funds, and the need for establishing new forms for programs and faster disbursing programs if the growth in the program is to be maintained. The second factor arises from our growing recognition of the need to consider the broader social consequences of our projects and programs. The third is the

increasing preoccupation we have with finding effective programs for the least developed countries, particularly pursuant to the discussions at UNCTAD III.

OVERVIEW OF THE PROGRAM (See Table I)

Disbursements

(17) The net disbursement of financial resources from Canada to the developing world in 1971, outlined in Table I, amounted to US\$758.3 million, representing an increase from .77% to .81% of GNP. This amount represents an increase of US\$122.0 million or 19.4% above 1970 flows due primarily to a significant increase in private flows. Flows from voluntary agencies reached US\$49.0 million.

(18) Official Development Assistance net disbursements after a significant increase in 1970 declined marginally in 1971 from US\$346.3 million to US\$340.1 million. Bilateral development loans showed a significant increase growing from US\$111.5 million in 1970 to US\$138.7 million in 1971. On the other hand, multilateral grants and advances declined in 1971 from US\$78.6 million to US\$45.5 million. The higher level of multilateral disbursement in 1970 is attributable to a special cash advance made to IDA in that year and not repeated in 1971.

(19) Other official flows continued to increase in 1971 rising some 6.0% over the previous year. In 1971 these flows amounting to \$59.9 million consisted of export credits granted by the Export Development Corporation.

(20) As in 1970 the largest portion of the increase in total financial flows related to the growth in private flows to developing countries. They rose from US\$175.7 million in 1970 to US\$303.1 million in 1971 or 73%. This increase was due primarily to the growth in reinvested earnings and the purchase by the Bank of Montreal of a US\$50 million bond from the World Bank.

Commitments

(21) Funds in the amount of US\$416.0 million were committed for official development assistance, a marginal increase over 1970. At the same time commitments for multilateral grants and advances fell to US\$92.6 million in 1971 following the large increase to US\$111.4 million shown in 1970. The fall in multilateral commitments is also related to the Canadian contribution to IDA. Although a three year commitment of \$150 million was made to that institution in the course of the 2nd replenishment, the \$50 million tranche for 1971 is not reflected in the DAC statistics because no demand notes were transferred in the calendar year 1971.

(22) Commitments for other official flows showed an increase of 40% to US\$104.0 million in 1971. This increase was due to a large growth in the commitment of export credits.

TABLE I

Comparison of Net Flows of Canadian Financial Resources to Developing Countries
(\$U.S. mn.)

	Disbursements				Commitments	
	Amount		% of GNP ^{3/}		1970	1971
	1970	1971	1970	1971		
Total Flows	630.1	752.1	.77	.81	503.4	520.0
Official Development Assistance	346.3	340.1	.42	.37	414.2	416.0
Total Bilateral	267.7	294.5			302.8	323.4
a) Bilateral Grants ^{1/}	156.2	155.9			157.5	172.0
1. projects	32.0	31.1			35.5	30.4 ^{4/}
2. technical assistance	40.7	48.8			42.0	49.9
3. food aid	80.6	71.8			75.6	69.3
4. international emergency	2.9	4.2			4.4	22.1
5. grant to India in lieu of interest						0.3
b) Bilateral Development Loans	111.5	138.7			145.2	151.4
c) Multilateral Grants and Advances	78.6	45.5			111.4	92.6
Other official Flows	56.5	59.9	.07	.07	89.3	104.0
Grants	1.0	Ø			Ø	Ø
Loans	40.5	59.9			74.3	104.0
Purchases of IBRD Bonds	15.0	Ø			15.0	Ø
Private	175.7	303.1	.21	.33
Voluntary Agencies	51.6 ^{2/}	(49.0)	.06	.05

Note ^{1/}: CIDA's commitments and disbursements to Voluntary Agencies are included within Bilateral Grants.

^{2/}: Grants by Voluntary Agencies to developing countries were excluded in Total Official and Private Flows on DAC questionnaire for 1970 but the 1970 figure has been amended in this table to include them.

^{3/}: Revised GNP annual figures were used for 1970 (81,848 U.S.) and 1971 (92,191 U.S.).

^{4/} Includes special grant for commodity aid of \$.470

Structure of ODA Program

(23) Bilateral grants and loans formed the bulk of CIDA's contributions in 1971 representing 78% of commitments and 87% of disbursements. Multi-lateral grants and capital subscription payments together formed 22% of commitments and 13% of disbursements.

Terms of ODA

(24) Terms of ODA loan commitments by Canada hardened during 1971 largely because of 2 loans to Malaysia totally \$50 million at 3% interest, 7 years grace, 30 years maturity. The average interest rate rose while maturity and grace periods fell. Sixty-four percent of the Canadian ODA loan program was extended interest free, with 50 years maturity and 10 years grace period. This portion of the program had an average grant element of 98.43%. The remaining 36% of a \$151 million loan program was extended at 3% interest, 7 years grace and 30 years maturity. This portion of the program had an average grant element of 53.02%. The weighted average grant element of the Canadian program as a whole was 92.09%. The Canadian program continues to qualify under both alternatives A and B of the 1969 Revised DAC Terms Recommendation. (See table II).

TABLE II

Financial Terms of Official Development Assistance in 1971

				<u>Commitments</u> <u>(US \$ millions)</u>	<u>Percentage of</u> <u>Program</u>	<u>Average</u> <u>Grant Element</u>
Grants and Advances				265.4	64%) 92.09
Development Loans				151.4	36%	
<u>No. of</u> <u>Loans</u>	<u>Maturity</u>	<u>Grace</u> [*]	<u>Interest</u>	<u>(\$m)</u> <u>Amount</u>	<u>Grant</u> <u>Element</u>	<u>Average</u> <u>Grant Element</u>
20	50	10	Ø	98.4	90.34) 78.04
4	30	7	3	53.0	55.20	

(25) CIDA is undertaking an analysis of the extent to which the local cost financing facility and more general untying have in fact been implemented. In addition a study is under way with a view to establishing guidelines for the future implementation of the untying authority and in particular the local cost financing facility granted to CIDA.

* Number of years preceding first semi-annual payment

Pipeline

(26) The pipeline is considered in the Canadian context to be the cumulative undisbursed cash balances in the non-lapsing bilateral accounts of CIDA. In a growing program in which appropriation of funds increase annually and are non-lapsing, it can be expected that the pipeline of undisbursed funds will also increase.

(27) A better measure of the status of the pipeline (growing vs. declining) than the cumulative undisbursed cash balances is probably a measurement of the relationship between appropriations and disbursements. The following table shows that the proportion between these two functions has remained relatively constant over the last few years.

TABLE III

Bilateral Allocations and Disbursements
(Grants, Loans and Food Aid)
(millions of Cdn. \$)
1968-69 to 1971-72

Fiscal Year	Allocations (1)	Disbursements (2)	Difference (3) Col.1-Col. 2	Cumulative Undisbursed Cash Balance (4)	Cumulative Undisbursed Cash Balance as a proportion of allocations
1968-69	232	158	74	337	1.45
1969-70	270	213	57	394	1.46
1970-71	302	279	23	417	1.38
1971-72	298	284	14	431	1.45

Amounts forward committed to projects
from appropriations (of 1970/71 and
previous years) as of March 31, 1972 296

Uncommitted appropriations as of
March 31, 1972 135

(28) Multilateral allocations and disbursements are not included in the measurement of the CIDA pipeline since the speed with which Canadian loans and advances to multilateral institutions such as regional banks are disbursed relates to the programs and capacity of the multilateral institutions, not to CIDA's capacity. The situation with respect to Canada's commitment to IDA for the year 1971 is a case in point.

BILATERAL ASSISTANCE

Trends in Disbursements

(29) Disbursements in the Canadian bilateral aid program rose by 10% or from \$268 to \$295 million between 1970 and 1971. Commitments showed a slightly smaller increase of 7% from \$303 to \$324 million.

(30) Although the disbursement of an increasing volume of aid relative to GNP is one of the goals of Canada's aid policy, disbursement of funds should not be viewed as an end in itself, but is subject to other more important criteria for disbursement, in particular the formulation, implementation and development impact of a program of increasing quality.

Geographical Distribution of Bilateral Aid

(31) The geographic allocation of bilateral official development assistance in 1970-71 and 1971-72 is outlined in Table IV.

(32) This table does not include bilateral allocations for programs undertaken by Canadian Non-Governmental Organizations, to which \$11.9 million was allocated in 1971-72; International Emergency Relief commitments, which amounted to \$22.1 million in 1971-72, or Canadian contributions to the World Food Program and UNRWA.

(33) The decrease in funds allocated to Commonwealth and Francophone Africa should not be viewed as a reflection of decreasing Canadian interest in these areas; rather, last year's allocations to Commonwealth and Francophone countries of Africa were inflated by special allocations over and above the regular allocations to support major development projects in Botswana, East African Community and Niger. These included support through a \$20 million loan for the Shashi River Power Project (raised to \$30 million in 1972), a \$14 million loan to the East African Community to purchase locomotives, and a \$13 million loan to Niger for the construction of the Route de l'Unité.

TABLE IV
ALLOCATION OF BILATERAL FUNDS

(Cdn \$mn)

	1970/71	1971/72
<u>Asia</u>		
Regular allocation	68.67	91.05
Special Allocation	2.48	2.61
Food Aid	63.40	57.93
Sub total	134.55	151.59
<u>Francophone Africa</u>		
Regular Allocation	35.78	41.78
Special Allocation	17.44	--
Food Aid	11.00	9.00
Sub total	64.22	50.78
<u>Commonwealth Africa</u>		
Regular Allocation	19.38	32.80
Special Allocation	41.50	20.60
Food Aid	5.00	3.00
Sub total	65.88	56.40
<u>Commonwealth Caribbean</u>		
Regular Allocation	24.00	19.00
Special Allocation	--	2.60
Food Aid	--	--
Sub total	24.00	21.60
Latin America	10.50	10.50
Other Countries & Misc.Programs	10.25	4.80
General Contingencies	(21.15)	(12.24)
Total Bilateral	288.25	283.43

Note: Figures in brackets indicate reductions in unallocated reserves from previous years.

Distribution of Aid by Purpose

(34) The following categories of bilateral commitments can be identified in the Canadian assistance program in 1971.

TABLE V

Categories of bilateral commitments 1971

(U.S. mm.)

	<u>Grants and Loans</u>	<u>% of Program</u>
Total Program	323.467	
1. Capital projects	<u>127.908</u>	39.5
a. agriculture	8.833	
b. transport and communications	36.119	
c. development of energy resources	56.133	
d. Indus Basin	3.219	
e. industry	6.456	
f. social infrastructure	17.148	
2. Non project assistance	<u>145.352</u>	45.0
a. food aid	69.322	
b. emergency relief	22.084	
c. commodities, fertilizer and equipment	53.946	
3. Technical Assistance	49.867	15.4
4. Debt relief	.340	0.1

(35) As in 1970 food aid which represented 21% of total bilateral commitments remained the largest sub-category of assistance provided in 1971 and India and Pakistan continued to be the major recipients of this type of aid. The amounts remained almost identical to those provided in 1970.

(36) Capital expenditures on the development of energy resources was the next largest sub-category of Canadian aid commitments in 1971-72 representing 17% of bilateral commitments. The principal commitments in this sector in 1971, which exceeded 1970 expenditures by the significant amount of \$20 million, was the extension of two loans totalling \$50 million to Malaysia for the development of the West Malaysian Power System and support of the Temengor Hydro Electric Project. The only other major commitment in this sector was a \$2 million grant to India to support the Iddikki power project.

(37) Non-project assistance in the form of commodity loans and lines of credit representing 17% of bilateral commitments continued to be a significant component of Canadian aid commitments. The bulk of this type of assistance was provided to India through a \$40 million line of credit for industrial, raw and semi-processed materials, fertilizers and manufactured components. Other important recipients of this type of assistance were Indonesia to whom Canada extended a \$4 million line of credit for newsprint, chemical fertilizer and other raw materials. Shipping costs were included in the value of the loan.

(38) Technical Assistance, discussed in greater detail in a later section, also remains a principal component of the Canadian aid program representing 15% of total commitments. Continued emphasis is being placed on the integration of technical assistance and capital components of projects.

(39) Capital projects in the Transportation and Communications field comprised 11% of Canadian aid commitments in 1971. A major portion of commitments in this sector can again be accounted for in a single project, in this case a \$20 million loan to Nigeria for the purchase of 54 diesel-electric locomotives. Other major projects included a \$3 million loan to Jamaica for road studies, and a similar loan to India for airport development. Smaller loans totalling \$3.6 million went to railways development in the East African Community, Malawi and Pakistan.

(40) In 1971 commitments for International Emergency Relief formed 7% of the total. The bulk of this assistance amounting to \$18 million was committed to Bangladesh.

(41) Commitments in the field of social infrastructure represented 5% of commitments in 1971. Grants for education projects totalling \$10 million were offered to a large number of countries; the largest single projects were a \$2.7 million grant to the Cameroon for continued support of the Bonaberi Lycée and a \$1.06 million grant for the development of the St. Lucia Technical School. The largest single grant, apart from those for education, was \$1.1 million for a water development scheme in Dominica, the other social infrastructure projects being small and numerous.

(42) One significant project in forest resource development for which \$1.55 million was committed during 1971, was sponsored by CIDA in Zaire. The total project, which will last five years with a Canadian commitment of \$5 million, involves surveying the timber resources north of Kinshasa, setting up and staffing a department of forestry at the Université Nationale du Zaire, constructing and staffing a forestry school and providing three advisers to help establish a ministry of Forest Resources. In the agricultural sector, assistance to the Agricultural Planning Council in Ghana and a feasibility study in Ecuador were the largest projects.

Technical Assistance

(43) Technical assistance continues to be a major component of the CIDA program. With a commitment of \$49.87 million in 1971 it accounts for 15% of commitments. As in 1970 the majority of students and trainees originated in Africa where technical assistance needs are greatest, and for the same reasons the majority of Canadian teachers and experts were posted to Africa. Technical and scientific fields of study as opposed to general academic

training continued to receive increasing emphasis in 1971 with the vast majority of students and trainees majoring in engineering, agriculture, economics and education. Teachers, however, continued to fill mainly line positions in secondary schools although the number of these is declining while the number involved in teacher training programs is increasing. The number of advisers in technical fields is also increasing particularly in health services, agriculture, power, transport and communications.

(44) In technical training it is CIDA's policy to emphasize assistance to meet specific manpower needs in developing countries. The form of technical assistance known as the "general offer" wherein a developing country would be offered a set number of training or student positions with no stipulation as to the field of study is diminishing. This policy also reflects, of course, the growing awareness in the developing countries of specific sectors in which their manpower needs are greatest.

(45) A number of features of CIDA's technical assistance programs deserve comment. The first is a continuing effort by CIDA to integrate capital and technical assistance into multicomponent projects. The major advantage is that the training and adviser or expert components (of a project) are dovetailed so that the Canadian experts are replaced in the shortest possible time by indigenous counterparts. Long term expatriate involvement in the developing country is thereby avoided and, on the whole, the effectiveness of technical assistance is likely to be greater.

(46) A second feature of CIDA's technical assistance program, related to the first, is its third country training program. In 1971 157 students were involved. The majority, eighty-six students, were studying at the University of the West Indies. A group of 20 students financed by CIDA are at CESTI in Senegal and another group of 13 at the Asian Institute of Technology. In February 1972 an agreement was signed with the Association of African Universities whereby Canada will provide forty scholarships a year, for three years. The students, who may come from either Francophone or Anglophone African countries, are required to study development oriented subjects.

(47) A third feature of CIDA's technical assistance program is group training programs. Under this program CIDA has contracts with several universities in Canada who offer special courses and diplomas in development-related subjects to students from developing countries. In 1971-72 eleven such programs were offered to a total of 260 students. An example of the type of program offered is provided in the Coady International Institute program in social leadership. This program is designed to provide basic and advanced training to people actually working in the fields of cooperative education, promotion of adult education and the development of community resources through group action. It lasts one academic year and includes courses in adult learning, leadership techniques, rural modernization, and social development, as well as more general topics such as economic principles and general accounting.

(48) Three of the group training programs are for students from francophone countries. A program in Latin America community development had 35 students from South America in 1971. The Programme d'Administration publique Canada outre-mer (PACOM) is a two year training program in public administration offered by the University of Ottawa to middle level public servants from the

francophone developing countries. It includes course work in administrative law, administrative techniques, economics and finance as well as seminars and practical training in the federal public service of Canada. The latter is a new element incorporated in the program in 1972.

(49) Although training programs specifically designed for students from underdeveloped countries might be thought to be an ideal method of providing relevant training, nevertheless, some programming problems have been encountered and several of the programs are being terminated for the present. A systematic evaluation of these programs is being undertaken by the Evaluation Division of the Policy Branch as a guide to their future direction.

(50) Finally, the CIDA Briefing Centre is an aspect of Canada's technical assistance program which aims to make Canadian technical assistance experts more effective during their postings abroad. The purpose of the Briefing Centre is to prepare Canadians to work in another cultural milieu. In 1971 approximately 460 experts, educators, wives and older children were briefed. The program attempts through various verbal and non-verbal techniques - group dynamics, discussion groups, simulation games and role playing to make Canadian technical assistance experts and their families aware of the differences between their own values and attitudes and those of the peoples they will encounter abroad. An approximately eight-day program is operated in Ottawa once a month for groups of English and French speaking Canadians. So short a program cannot include everything that might be desirable. The Briefing Centre, which has been in existence less than three years is undertaking an evaluation of its francophone program in conjunction with the Francophone Division from which it may be able to draw some conclusions concerning the desirable length of its orientation programs or changing and strengthening their direction.

MULTILATERAL ASSISTANCE

(51) Multilateral assistance allocations represented 22% of the CIDA program in 1971-72, and over 25% in 1972-73. The increase reflects a government decision announced in the Foreign Policy Review in 1970, to allocate approximately 25% of Canadian development assistance to multilateral programs. Among the reasons for this decision is a desire to strengthen the capability of international institutions to promote better economic and political relations among countries. Within this purpose in mind CIDA, in selective cases, is encouraging international institutions to develop new approaches which would complement CIDA's efforts to shift the direction of its own program and which would increase the degree of coordination and complementarity between country programs of CIDA and those of other aid agencies. A specific example is the active support given by CIDA to the UNDP in evolving a system of country programming. In addition some multilateral organizations have a range of resources and greater scope than is available to most bilateral programs, a fact which enables them to mount projects and programs of a type which a bilateral agency is unable to do. In 1971-72, \$107.9 million (Cdn.) was appropriated for multilateral programs. The allocations are as follows:

TABLE VI

Multilateral Allocations 1971-72

	<u>(\$ million Cdn)</u>
IBRD (advance)	7.640
IDA (advance)	51.000
ADB (loan)	5.050
Caribbean Development Bank (advance)	.816
(loan)	1.010
Multilateral grants to U.N. and other agencies (except food contributions to WFP and UNRWA)	29.674
World Food Program and UNRWA (food)	<u>12.690</u>
	107.880

(52) As in previous years the largest part of Canada's multilateral grants in 1971 went to the United Nations Development Program and the World Food Program. Of the total of \$37.922 million, \$16.072 went to the UNDP and \$15.980 represented Canada's contribution to the WFP. Other major recipients included the Indus Basin Development Fund, to which \$3.453 million was contributed, the UN Fund for Population Activities which received \$1.990 million, UNICEF which received \$1.5 million, and UNRWA which received \$1.3 million.

SPECIAL PROGRAMS

(53) The Non-Governmental Organizations Division was created in 1967 to enlist the cooperation of Canadian private organizations as a complement and supplement to the official aid effort, and thereby to engage the Canadian people more actively in international development. In 1971-72, \$11.9 million (Cdn.) was appropriated for this purpose. The largest part of these funds, \$4.278 million, was used to support CUSO/SUCO and CESO, while \$0.600 million went to support a newly established development education program. Other voluntary agencies received \$6.654 million and the agencies themselves contributed \$49.0 million to development projects in 1971.

CUSO/SUCO and CESO

(54) Two agencies with whom CIDA enjoys a special relationship are Canadian University Service Overseas (CUSO) and its francophone component, Service Universitaire Canadien Outre-mer (SUCO), and Canadian Executive Service Overseas (CESO).

(55) CUSO/SUCO, which was formed in 1961, is an independent, non-profit organization which provides professionally and technically qualified Canadians to work on two-year "middle-level" assignments under contract to overseas governments and agencies at approximately counterpart, not Canadian, salaries. Although the majority of its personnel are in their twenties, age is not a

factor and since its inception CUSO/SUCO has harnessed the enthusiasm, talents, and energies of some 3,700 Canadians of all ages in international development. In 1971, it had approximately 1,200 people working abroad in more than 40 countries.

(56) CUSO/SUCO workers fall into four main occupational groups. The largest is education, with teachers at secondary, post secondary and teacher-training levels. The greatest concentration is in maths and science subjects. In the health field there is a consistent demand for experienced nurses, nursing tutors, doctors and a wide range of para-medical personnel. The renewable natural resources program provides agriculturalists, foresters, fishery and wildlife experts in teaching, research and practical positions. In the rapidly growing technical field, there is an increasing demand for all types of personnel, from engineers to motor mechanics, land surveyors to electronics technologists. Recently there has been joint CIDA/CUSO participation on several projects in Africa. An account of one of these is given in Appendix A.

(57) CESO came into existence to enlist the experience and expertise of Canadian business and industry for international development. It makes available to the developing countries, in response to specific requests and on their terms, modern management techniques to help them to develop their resources and economic potential more fully and efficiently. Since 1968 it has completed nearly 300 assignments in 36 different countries, mostly on a short-term basis. In 1971 it sent 162 volunteers abroad.

(58) Although CESO began operations by using primarily retired executives, it has turned increasingly to managers who are still employed in the middle and senior levels of Canadian business and industry.

Other Voluntary Organizations

(59) Grants are made to Canadian voluntary organizations to help them undertake projects in developing countries. These grants are offered on a "matching" basis: CIDA normally provides up to 50 per cent of the total project costs, and the balance is raised by the organization involved.

(60) An example of the type of project which is undertaken by a non-governmental organization is a project undertaken by the Canadian Save the Children Fund in 1971. In the four Windward Islands of the southern Caribbean, CanSave is contributing to community development by mounting long-range programs to help mothers and children in less advantaged areas. Trained local staff operate day care and feeding centres, and give instructions to mothers in matters of health, nutrition, sewing and cooking. The programs are designed to help mothers become more self-reliant in the support and care of their families.

Development Education Program

(61) In 1971, \$.220 million was disbursed in the newly founded and experimental development education program of CIDA. Some 17 projects were begun in 1971 and most are continuing in 1972.

(62) The objective of the program is to stimulate awareness and involvement of Canadians in international development; specifically, to strengthen Canada's

response to the Second Development Decade, to enable Canadians to understand development and to involve them in actions that relate to the Third World. The program was developed in response to a growing desire by NGO groups to mount development education activities and to the U.N. call for a mobilization of public opinion for the Second Development Decade. Funds are disbursed, in matching grants, to projects of non-governmental organizations. These projects are directed at specific local audiences - youth, media, schools, churches, unions; in particular, at people with no previous contact with development. Most of the grants have been made to community groups and range from one to ten thousand dollars.

(63) The first major project supported was the Development Education Animeur Program. It placed five qualified animeurs in different regions of the country to help communities identify their interests and resources, and to facilitate development education programs. Another project awarded a grant early in 1972 was the Mobile Learner Centre, operated by CUSO. The Centre is a computerized multi-media information system which provides material about the countries and cultures of Africa and the Caribbean, as well as about development issues. It has been taken across Canada, spending several weeks in each major centre.

Business and Industry Division

(64) The Business and Industry Division of CIDA was established to stimulate more Canadian firms to participate in international development, mainly through joint enterprises in developing countries. In October, 1970, the Government approved the initiation of a program of preinvestment incentives whereby Canadian-based firms could receive CIDA support through both starter and feasibility studies.

(65) During 1971 a total of \$500,000 (Cdn.) was appropriated to provide incentives to Canadian private investment in developing countries. Of this amount \$.041 million (Cdn.) was disbursed on starter studies. The low level of disbursements under this program during 1971 is due partly to the fact that it only became operational during that year. Efforts have been made by Business and Industry Division, however, to acquaint the public with the program, through the supply of an information brochure, and personal contact with Boards of Trade through seminars and symposia. The number of requests for starter studies has increased in the second year, however, and six requests for follow-up feasibility studies have been made. Four of these have been approved, and one feasibility study has already led to investment. More emphasis will be placed in future on the problem of project identification and the dissemination of information on investment opportunities.

Canadian Scholars Studies Related to International Development

(66) In 1971-72, \$.125 million (Cdn.) was appropriated to initiate a program of scholarships to encourage young Canadians to enter the development field and increase the number of Canadian professionals on which CIDA and other aid agencies can draw in future years. The program will not, however, get underway until 1972-73.

(67) The scholarships are awarded for post-graduate or diploma level studies and it is expected that a candidate's study program will normally

consist of a period of study in a developing country or a study topic requiring a field exercise in a developing country. On completion of their studies, the students accepting these scholarships should be prepared to undertake a period of "approved service" equivalent at least to the period of tenure of the scholarship. "Approved service" would include direct employment with CIDA, service with other developmental departments or agencies in Canada, service with an international agency, or services in a developing country.

CONTRIBUTIONS TO RESEARCH

(68) In 1971-72, a total of \$4.260 million was appropriated for support to international research. In addition, approximately \$2.600 million was appropriated for support of national research programs and experimental projects on a bilateral basis.

(69) The largest portion of the funds appropriated for support to international research, \$2.474 million, was allocated to the International Development Research Centre. Smaller contributions were made to other organizations shown in the table below.

TABLE VII

Appropriations and Disbursements
for Research, 1971-72 (\$ million Cdn.)

	<u>Appropriations</u>	<u>Disbursements</u>
IDRC	2.474	2.474
International Institute for Tropical Agriculture (IITA)	.761	.761
International Centre for Tropical Agriculture (CIAT)	.450	.315
International Maize and Wheat Improvement Centre (CIMMYT)	.450	.450
International Institute for Educational Planning (IIEP)	.100	.100
World Association of Industrial and Technological Research Org. (WAITRO)	.025	.015
	<u>4.260</u>	<u>4.115</u>

Note: CIDA's contributions to research are included in the DAC Questionnaire under Multilateral Commitments and Disbursements.

CIDA Contributions to International Research Institutes

(70) In the field of international agriculture research, CIDA provided the IITA with \$.761 million as part of a \$3.4 million five-year program. At IITA, emphasis is upon general research into soil and crop management on small multi-crop farms in the humid and sub-humid tropics, together with work on

maize and rice improvements. In addition, CIDA contributed to two crop and farm improvement projects. One is a cassava-swine project at CIAT, in Colombia, and the other, a major collaborative project between CIMMYT in Mexico and the University of Manitoba, is devoted to triticale research and development. In each project CIDA will contribute \$3.250 million over a five-year period which began in 1971-72. Early results of the projects are encouraging. The triticale project is gradually being extended and integrated into other related crop research projects in India, and in several African and Latin American countries. Studies have been started and others are planned to determine the acceptability of triticale products in the traditional foods of several developing countries where the grain may eventually be grown. The IDRC has agreed to administer both projects on behalf of CIDA.

(71) During 1971, a Consultative Group on Agriculture was established with Canada as an active member. One of the projects initiated by the Group is the new International Crops Research Institute for Semi-Arid Tropics (ICRISAT) to which CIDA will contribute substantially. Canada is also a member of the African Livestock Sub-Committee of the Group which is seeking to set up an International Laboratory for Research on Animal Disease (ILRAD).

I.D.R.C.

(72) The I.D.R.C. although sponsored by Canada and financed through CIDA appropriations is an international agency free from normal government controls. It concentrates its program in four areas: social and human resources development; population and health sciences; agriculture, food and nutrition sciences, and information sciences.

(73) In the field of the social sciences, IDRC's support for research reflects a primary concern with the impact of development on people, and its primary goal is to assist researchers in the developing world through various partnership arrangements among institutions there to undertake research for development which has as its ultimate aim the enhancement of the welfare of rural people.

(74) One of the projects which IDRC supported in 1971 in this field is a study by the International Association for Metropolitan Research and Development (INTERMET) of Toronto of rural-urban migrants and rural development including an examination of the problems of urban slums and squatters. The three part study will encompass eight metropolitan areas, Bandung, Caracas, Ibadan, Istanbul, Kuala Lumpur, Lima, Manila, and Seoul. Part one is a descriptive study of the role internal migration plays in the creation of slums and squatter areas. The second part involves an intensive study of selected slum-squatter areas with a view to determining internal migration patterns and the conditions in the rural area contributing heavily to internal migration. The third part involves a description, evaluation and analysis of governmental and non-governmental programs for coping with internal migration.

(75) The Population and Health Sciences Division has concerned itself with two fundamental and closely linked aspects of the development process: a) the two-way relationship of population dynamics with economic and social development; and b) the problem of improving the level of health in developing countries, especially in rural areas. A grant to the Association Colombiana de Facultades de Medicina in Bogota, Colombia, will permit an analysis of certain aspects of surveys of fertility, contraceptive practice, and family planning

motivation conducted in Bogota in 1964 and 1969. The analysis will determine the nature and rate of the change in fertility over the five-year period between the surveys. It should contribute to the general understanding of changing fertility in Latin America and particularly the urban aspects of this question.

(76) The scope of the Agriculture, Food and Nutrition Sciences program of activity is in theory extremely wide. In practice it is intended to concentrate on the needs of rural communities within the semi-arid regions and on a few well-defined and important food and agricultural commodities and farming systems. In 1971, 13 projects were approved in this field.

(77) In addition to IDRC's management responsibilities for the CIAT Cassava-swine and CIMMYT-Triticale programs, a series of other projects concentrate upon extending the range and increasing the yields of crops grown by small farmers in a variety of developing regions. For example, scientists at the University of the Philippines College of Agriculture and the International Rice Research Institute are engaged in collaborative multiple cropping research with Filipino farmers to introduce combinations of such crops as soya beans, sweet corn, sorghum, potatoes and a variety of vegetables in sequence with rice. This research seeks to improve production techniques, study the economics of these new cropping systems, and includes demonstrations and training for scientists and farmers who will apply these multiple cropping systems.

(78) The Centre's focus in information sciences is the improvement of the world wide flow of knowledge about and for development. The information sciences division is working closely with the inter-organizational board of the U.N., several of the U.N. specialized agencies, the development centre of the OECD, two of the international agricultural research institutes and governmental and other information agencies in developing countries to assist in the organization and dissemination of information useful to the development concerns of the Centre.

(79) During 1971 the Centre laid the groundwork for the establishment of regional offices to serve Asia, Africa and Latin America. The Asian office was opened in Singapore in March, 1972 and the Latin American one was opened in Bogota, Colombia, in August 1972. It is anticipated that an office will be opened in Africa by early 1973.

INTERNATIONAL EMERGENCY RELIEF

(80) In 1971 \$4.17 U.S. million was disbursed for international emergency relief. Of this amount the largest portion, \$3.87 million went to India to assist refugees from Bangladesh. A smaller portion some \$0.27 million was disbursed in multiple country projects. The remainder of \$0.02 million was disbursed in Peru.

Bangladesh

(81) Canada is taking a leading role in responding to the needs of the new nation of Bangladesh. The initial program was one of emergency relief to deal with the immediate problems of the refugees; the later focus has been upon rehabilitation and reconstruction. Within three months of Bangladesh winning independence from Pakistan, a team of Canadian development

experts headed by Mr. Gérin-Lajoie President of CIDA, had visited Bangladesh to develop an aid program with the new government. As a result, \$51.5 (Cdn.) million of Canadian aid is being made available to Bangladesh during the fiscal year 1972-73. These funds are in the form of non-repayable grants for use in relief, rehabilitation and reconstruction programs. The biggest item is for food aid, with \$24.5 million to buy and ship Canadian wheat and rape-seed oils. Other funds will aid reconstruction in the power, transport and agricultural sectors. Canada has opened a mission in Dacca. One of its functions is to supervise the flow of materials and support for Canadian assisted projects.

PRIVATE CAPITAL FLOWS TO LESS DEVELOPED COUNTRIES

(82) Canadian private capital flows to less developed countries and international financial institutions in 1971 totalled US \$219 million, an increase of \$106 million from 1970. Non monetary export credits accounted for \$84.1 million, to give total private flows of \$303.1 million.

(83) Canadian direct investment including an estimate for retained earnings accounted for \$76 million. Retained earnings accounted for \$77 million; however, there were virtually no net investment flows as recorded in the balance of payments accounting. As a result of the nationalization on July 15, 1971 of the Canadian based Demerara Bauxite Company of Guyana there was an inflow of direct investment of approximately \$55 million. This reduction of Canadian direct investment abroad was offset by the acquisition of a claim on the Government of Guyana reflected as an outflow of "other long term assets".

TABLE VIII

PRIVATE CAPITAL FLOWS TO DEVELOPING COUNTRIES

Direct Investment

Direct outflows	54	
Demerara	-55	
Reinvested earnings	<u>77</u>	76

Other

Bonds, Loans and Participation of Multilateral Institutions	24	
Other Bilateral Securities	14	
Other Long Term Assets (Demerara)	55	
Private Monetary Institutions		
Long Term Capital Assets	50	
(purchase by Bank of Montreal of IBRD bond)	—	143
Export Credits non-monetary		<u>84.108</u>
Total		<u>303.108</u>

School Rehabilitation Project - Eastern Nigeria

We have included as an appendix this report prepared by the Canadian mission in Nigeria because the project described displays several unusual features. In the first place, the type of cooperation between CIDA and CUSO was novel, and proved to be very successful. Secondly, the project is an example of CIDA's use of the local cost financing facility, with maximum use of local resources.

(1) The \$1,000,000 grant CIDA/CUSO primary school rehabilitation project in Eastern Nigeria has been functioning for almost eight months now. The project, which concentrates on supplying student desks to schools damaged by the Civil War is being administered by CUSO and there are three Canadian CUSO staff in Enugu working under the direction of the CUSO team leader, Jack Pearpoint.

(2) This is a unique experience for CUSO, as well as for CIDA, as it is the first time that CUSO have been sub-contracted by CIDA to do a project. It is important to CUSO because their traditional role of supplying classroom teachers is being challenged lately by people who feel that teaching is too narrow a field for CUSO concentration; also many developing countries have made great strides in recent years in developing facilities for the training of their own teachers. For CIDA the project is unique because it recognizes a wider range of special qualities which young Canadians can bring to development assistance, and because it is one project which clearly has a high degree of social relevance. In addition, this is the first instance where 100% of CIDA funds are available for local expenditure! I note, with considerable satisfaction, that one of the CUSO field officers from the project, Jean Pelletier, has recently been asked by CUSO to go to Bangla Desh to investigate programme possibilities there. I interpret this as a vote of confidence, at least from CUSO, in the results of our experiment in Eastern Nigeria.

(3) Following the Nigerian Civil War, when we first looked at project possibilities for Eastern Nigeria, three major problems confronting recovery were identified as: (1) unemployment; (2) shortage of cash in the rural areas; (3) reconstruction of schools. The goal of the project in which we are now involved is to touch on all these areas by having school desks built by carpenters at the local level who are paid by a cash grant from CIDA. During my recent visit to the East I was able to see at first hand how the CUSO team has translated these difficult goals into operations. We toured various divisions of the region and participated in the three major field activities of the project: (1) surveying of schools; (2) meeting of local school committees; (3) follow-up in schools where the project is completed. I am pleased to report that the surveys are finished in the East Central State and that the programme there should be completed in three months. In the South Eastern State, surveys will soon be starting as negotiations with the authorities have been instigated. In the Rivers State, first attempts at initiating the project have gone slowly; however, this should improve as work progresses in the other States and more time is available for concentration on the Rivers. The Project Director, Mr. Pearpoint, suggests that January 1973 is a fair estimate of the completion date for the entire project, and there is a good possibility of an even earlier completion if no major problems are encountered.

(4) In order to explain how the project works, it is first necessary to briefly describe the educational establishment. Voluntary agencies have traditionally played a large part in the Nigerian School System, but since the end of the Civil War, the Ministries of Education in the East Central and Rivers States have assumed control of the voluntary agency schools. The Ministry of Education is responsible for policy, and is represented by a divisional education officer (D.E.O.) in each of the 35 divisions of the East Central State. For the purpose of administration; however, a State School Board has been established, and is represented in each division by a divisional school board. In each division the DEO is the secretary of the local school board.

(5) Concerning the CIDA/CUSO project, in most operations the role of the CUSO staff is confined to initiation and check up. After the State School Board has determined which divisions are to be assisted, the CUSO officer meets with the divisional school board and explains the purpose of the project and the procedures which must be followed. The divisional school board then prepares a list of which schools are to be considered for the project. This list constitutes 50% of the primary schools in the division and the headmaster of each of these schools submits a desk requirement list, which is checked by CUSO officers by surveying every school and doing a quick desk count.

(6) At that point, the CUSO officer would meet the divisional school board and propose a detailed allocation list outlining the proposed programme in each school. When the divisional school board approves the allocation list a meeting of all the schools' headmasters, and local committee chairmen from all schools in the division included in the project, would be organized. At this meeting, the participants are briefed on the objectives and operational procedures of the project and given samples of the forms used in project implementation. In addition, a second set of meetings is scheduled with the full school committee from each school. These meetings are the formal initiation of the project in each school, and it is at these meetings that the committees are informed that it is their project and that they are fully in charge. The importance of this meeting which is held in the individual communities cannot be over emphasized. It gives each school committee time to review procedures and ask detailed questions about implementation; but more important, it is here that their suspicions are dispelled and they realize they are being given full responsibility to carry out their project in their school. In addition, because the allocation to each school assumes a standard unit price per desk, school committees come to realize that economies in desk contracts will leave the school with a cash balance which can be utilized for further reconstruction in the school. By adopting this procedure, the project acquires a "watch dog" committee at each school who guard their potential cash balances with care.

(7) Later in the implementation, other visits are sometimes necessary, however, the original meeting of the divisional school board, the survey meetings with the individual school committees, and the final check up, constitute the major part of the field work. It is Nigerians who are responsible for most operations through the Ministry, through the divisional school board, and through the local school committees themselves. The financial structure of the project is as follows:

- (1) Money is transferred from Ottawa to a premium savings account in Enugu. The interest on this account approximately covers all service charges including transfers.

- (2) After a divisional survey is completed allocation sheets are drawn up by CUSO and appropriate sums of money deposited in the sub-treasury of the ECS Government in Enugu.
 - (3) The money is then transferred by the sub-treasury to the local division sub-treasury office.
 - (4) In the meantime the local school committee has been awarding contracts to carpenters who have submitted sample desks. The carpenter receives a job order (contract) which must be signed by the Chairman of the school committee, the headmaster and Assistance head master of the school, and the D.E.O. Each tradesman presents his job order to the D.E.O. along with vouchers prepared by the local school committee which authorize the D.E.O. to make payment from the sub-treasury.
 - (5) If the actual cost of the project in a school is under the original estimate, the remaining cash balance can be turned back into some other project at the school proposed by the school committee; however, approval by CUSO is required.
 - (6) The sub-treasury in Enugu receives weekly reports from the divisional sub-treasury offices and these reports are copied to CUSO, Enugu. The D.E.O. also sends a monthly financial report to CUSO. The CUSO Enugu office in turn sends a monthly budget statement to CUSO Ottawa.
 - (7) Finally, there is an independent audit done by a Nigerian firm of accountants which is made available to the Ministry and to CUSO Ottawa.
- (8) From my point of view, the major operational successes of this project seem to be:
- (1) the speed at which the project is proceeding;
 - (2) the low administrative costs (less than 12%);
 - (3) the cash injection technique for spending at local levels.

The cash injection method (i.e. the hiring of carpenters at the local level) has worked with surprising ease. UNESCO, which is also supplying school desks, is having them produced by large companies in the urban centres and transporting them to the rural schools. Our method, though more complicated initially, has worked smoothly, providing desks at lower prices as well as accomplishing the major goal of getting money directly into the hands of the rural communities. At an early point it was hoped that the effect of the cash injection could be stretched even further by having the money placed in some sort of credit union or local cooperative involved in financing modest commercial ventures. Although circumstances prevented the development of this plan, the idea is a good one and there is no reason why it shouldn't be tried again in some other situation after it has been thought through more carefully.

- (9) The key feature of the project, however, has been the involvement of Nigerians. One can best appreciate how crucial this has been if one considers the enormity of the task. The population of the three eastern states (East Central, South Eastern and Rivers State) is approximately

14.7 M and the land area approximately 29,000 square miles. In the East Central State, primary school enrollment as a percentage of the 7-12 age group is approximately 80%. These population and primary school enrollment figures are greater than the combined totals for Ghana and the Ivory Coast. For our project, approximately 180,000 desks are being produced for over a thousand different primary schools all over the area, and many of the schools are barely accessible. At the same time, thousands of different carpenters are contracted for desk production. In spite of this, the project is already over half completed and yet it only started eight months ago with just four Canadian staff.

(10) I think one can safely assume that if this project were operating under the direction of any other officials from outside agencies, then a completely different approach would have been taken and Nigerian participation kept to a minimum by centralizing all activities under the direct control of expatriate officials. The CUSO officials, therefore, can claim credit for the fact that perhaps the greatest benefit accruing from the project will be that newly established local committees in hundreds of schools have gained much credibility in their communities as a result of having been given full responsibility for a programme that was of tremendous importance to each community. To a considerable extent, because of this project, local committees will now be able to tackle fund raising and further school reconstruction projects with confidence and authority.

(11) It should also be reported that all of the CUSO people working on this project are concerned with seeing that funds are used as effectively as possible. Considerable effort is brought to bear on questions of minimizing administrative costs, re-injecting funds realized from sale of capital equipment, and turning money back into projects when actual costs are under estimates. Also, the CUSO officers seem to make every effort to keep their expenses to a minimum by living modestly. I should comment that in my three years in West Africa I have never seen a project or enterprise so free from corruption and waste. In spite of the decentralized nature of the project, almost no cases of embezzlement of funds have been unearthed.

(12) Apart from the project itself, the CUSO officers are also making contributions to the development of the region in informal ways. They have used their wide range of contacts and familiarity with the area to bring people together and help generate activities in unrelated fields. For example, at their suggestion one community is considering investigating a conscription health scheme. At the other end of the spectrum, a young war amputee victim found begging outside of Kingsway Store in Enugu was convinced to enrol in a rehabilitation centre and register for school.

(13) In all activities publicity is not sought and in fact is discouraged. This is not just a policy for dealing with the information media; it is a philosophy fundamental to the project. Although CUSO/CIDA is assisting the Eastern region, much of the responsibility and credit reaches quite directly down to the people at the village level. I recall having travelled down a road marked "Financed by IDA" to a school "roofed by UNESCO" outside of which stood a Ministry van "donated by USAID", and finally seeing the CUSO/CIDA school desks anonymously marked "property of the school". The Nigerians are at first dumbfounded then delighted by this approach which in the end, of course, earns a special type of respect for Canada without sacrificing the respect of Nigerians for themselves.

(14) Although Eastern Nigeria is a unique place, I believe that there is a great deal to be learned from this project which could be applied to projects in other places, with appropriate modification. It is being demonstrated here that even a large complicated project can operate with a minimum of expatriate personnel if the project planners and operators are sensitive enough to be able to tap existing resources of social organization and capable persons. (This point is further supported by the planned phasing out of two of the four Canadian staff in June and July. They will be replaced by Nigerian personnel who will continue the operations.) I believe that this type of approach should be of particular interest to CIDA officials who are concerned with trying to make Canadian assistance more socially relevant as well as more effective and more efficient. By meshing with Nigerian systems, instead of imposing Canadian structures, we are also moving away from the realm of charity and moving closer to a process of cooperation. As this is a goal of Canadian relations with the "Third World" countries, it is heartily recommended that interested parties take a hard look at this particular project.

Export Development Corporation

Since a growing proportion of total Canadian flows to developing countries is handled by the Export Development Corporation, this appendix has been included to give a fuller account of the functions and activities of the Export Development Corporation than is usually included in the Canadian submission.

(1) The Export Development Corporation was established on October 1, 1969, and succeeded the Export Credit Insurance Corporation (ECIC) which was set up in 1945. The Export Development Corporation has been established to provide Canadian exporters with credit insurance, and make or guarantee private long term loans to foreign purchasers of Canadian goods comparable to those made available by similar organizations in other countries. Its main function as its name indicates is to promote Canadian exports. In order to do so, the Export Development Corporation has three facilities: insurance, financing and foreign investment insurance.

(2) EDC offers insurance to all persons in Canada, exporting goods or services on credit, to protect them against non-payment by foreign buyers, arising from the credit and political risk associated with foreign trade. Policies are issued to exporters of general merchandise, to provide short-term insurance coverage for their export business during the succeeding twelve months. In the case of sales involving capital goods, specific policies are issued to cover each contract, which usually involves medium-term financing up to five years. Policies are issued either at EDC risk or at the risk of the Government. The Act enables EDC to insure, at its own risk, up to a maximum liability of \$500 million. In addition, the Governor in Council may authorize EDC to insure, at the risk of the Government, up to a maximum liability of \$500 million.

(3) One of the most important, and probably least appreciated role of EDC, and other like institutions in the context of development, is the provision of short-term insurance coverage for ordinary exports. This means that developing countries experiencing some temporary balance of payments difficulties can still purchase their everyday import requirements on credit terms, and that Canadian exporters are still willing to offer these credit terms, because they are insured with EDC.

(4) EDC makes, or guarantees, private long-term loans to foreign purchasers at internationally competitive interest rates to finance Canadian export of capital equipment and services, when extended credit terms are required, and when commercial financing is not available. In addition, where international competition so requires, EDC may guarantee local cost financing, being provided by the private sector, or may finance directly up to a maximum of 20% of the value of the goods or services exported from Canada, in respect of the financed project. EDC may also make loans to foreign national development banks for relending to importers, in their respective countries, to enable them to buy Canadian capital goods. Usually, the transaction must be of substantial value, \$1 million dollars or more, for which credit terms in excess of five years are necessary and justifiable. The project must be financially and economically sound; the foreign buyer, and the country to which the goods are shipped, must be creditworthy. Furthermore, the transaction must have a Canadian material-labour content of no less than 80% and must provide employment and industrial benefit for Canada. For this purpose, EDC may lend up to a maximum outstanding liability of \$850 million,

on the authority of its Board of Directors; it may also lend to a maximum outstanding liability of \$450 million, on the authority of the Canadian Government. This latter facility applies to very large export transactions or to other special situations, considered by the Minister to be in the national interest.

(5) EDC may insure Canadian investors against certain political risks of loss of their investments abroad. Investments may vary from that of the investor acquiring the right to share in the assets of a business carried on in a foreign country to that of the investor lending money to a person in a foreign country for the purpose of establishing a business in that country. Coverage may be extended only to new investments and is presently limited to those made in developing countries. EDC Foreign Investment Insurance covers three broad political risks: insurrection, revolution or war; expropriation; inconvertibility, or inability to repatriate earnings or capital. The investor can elect to take out a Policy covering any, or all, or any combination of these three political risks. Coverage is restricted to a maximum of fifteen years. EDC does not cover risks which can be and normally are insured with commercial insurers. The investor is required to carry at least 15 per cent of the liability; the remainder is borne by EDC. This co-insurance is required regardless of investor or country. Before a Policy is issued, the Minister must be assured that the interest of EDC in insured investments will be protected. In addition, the government of the recipient country must signify its approval of the investment by the particular investor. There is a ceiling of \$150 million for outstanding liabilities under the EDC Foreign Investment Insurance Program. The amount involved in 1971 was relatively small (\$14 million) but the volume of applications being processed (at the end of that year, \$72 million), suggests that a substantial growth will be forthcoming.

(6) While EDC's main purpose is the development of Canadian exports, it has also a substantial impact in promoting economic growth in the developing world. This is evident by the volume of EDC supported exports to that area, which rose from \$28 million in 1969, to \$154 million in 1970 and \$150 million in 1971. Of these totals, the amount financed on terms in excess of five years, was \$25.2 million in 1969, \$42.2 million in 1970 and \$66.1 million in 1971. These export transactions would probably not have materialized without EDC's support. Furthermore, the evidence suggests that this volume will continue to grow, in view of the increased financing commitments, which in 1971 amounted to \$200 million compared with \$60 million in 1969. Thus, while the largest proportion of exports supported by EDC was still sold on terms of less than five years, the trend is clearly toward longer credit terms.

(7) The type of exports which are supported by EDC is also relevant. Most of these exports are capital goods. To the extent that the terms of credit granted are commercial, the return on these capital goods is fairly rapid and the impact on the economy is felt very quickly. This is particularly important in many developing countries, where capital, the scarce resource, should be used in the most efficient manner. Some of the exports financed by EDC during the last three years were wheat. Again, while the main purpose was to increase Canadian wheat exports, the concessionality of the terms offered, in some instances, provided substantial assistance to some developing countries. As a rule, concessional terms were offered to countries having or likely to have balance of payments difficulties.

(8) The countries where EDC operates is also of some importance. EDC operates in a commercial manner; it is reluctant to finance or insure exports in countries that are not creditworthy. This would prove risky and would be likely to cause further balance of payments difficulties in the developing countries. It is noteworthy that the amount of debt rolled by EDC has been very small (7.7% of total repayments), especially if one excludes one country where EDC funds were utilized for aid purposes (the ratio becomes 4.7%). EDC is, nevertheless prepared to contemplate the financing of projects in doubtful countries, when the project generates foreign exchange in excess of payments. Furthermore, by providing financing to the most advanced developing countries, the Export Development Corporation, like most other similar institutions, is filling a gap, since concessional aid is usually forthcoming in very limited amounts in these countries.

I would like to think of the past year as a time of consultation and communication. Now, as 1973 begins, it becomes important for us to take stock of our bearings and examine our goals as partners in international cooperation. This second annual message can be viewed as an extension of last year's *Journey to Justice*, furnishing me with the opportunity to measure the distance travelled, to examine the pitfalls along the way and, above all, to dislodge any routine that might impede our progress.

In last year's message, I began by describing my job as essentially that of an administrator. Thus I attach great importance to our continued building of an administration that is solid, adaptable and capable of maintaining quality in our growing programs. For the same reason, I have paid special attention to the recruitment and posting of highly qualified, deeply motivated people for management positions throughout the Agency.

Still, what seems the most important aspect of my role is to stimulate my co-workers, to lead the institution forward, and to submit to methodical examination all assumptions, all "impossibilities". This is why, looking back on the road covered in twelve months, trying to pick out the goals for 1973 and the important trends for the future, I hold to a deep conviction: there are no routines, no constraints that we are not disposed to question again very seriously and attempt to overcome.

THE PRESIDENT'S INTERNATIONAL CONSULTATION

Without any fanfare we held an international consultation in Val David, Quebec, at the beginning of November, 1972. I believe it will have a profound, distinctive and innovative effect on our programs at every level in 1973.

Representatives from developing countries, international agencies, CIDA and other Canadian government departments

came together for three days at this consultation. We came with no pre-planned agenda. Our only prepared document was a series of questions relating to key issues in international development and cooperation — issues such as the evaluation of bilateral programs and technical assistance, the sectoral concentration of aid, the untying of aid, urban and rural development, trade and monetary problems and private investment.

The meeting, however, had one other goal just as important as discussion of these issues. This was to ensure that CIDA is listening — listening to those with whom we have programs of development cooperation, in frank and honest discussions breaking away from the standard pattern of international get-togethers where words too often hide the truth. This experience in participation and association enabled us to identify some of the major prerequisites for genuine international cooperation: innovation; sufficient flexibility to permit risk-taking; the co-ordination of aid and trade policies; the identification of tools or methods through which administrators can produce needed changes within the present system; and despite the importance of GNP figures, a continual recognition of the need to focus attention on people.

This international consultation has already produced significant effects for us. Immediately after our three-day meeting, all directors and vice-presidents of CIDA met with me at Val David to plan follow-up action. Our discussions were again open and frank, and the enthusiasm and dynamics of the international consultation remained with us. Firm decisions were made to establish action-oriented groups and think-tanks within CIDA — groups that would function well enough to improve our ability to translate these new ideas into everyday realities.

Further, we intend to continue experimenting with new ways of listening, first by organizing three regional consultations early in 1973 in Africa, Latin America and Asia, and by other means both in Canada and the developing countries.

CIDA IN 1972

It is important to begin 1973 with this new outlook, while at the same time benefitting from the experiences of 1972. Two thoughts, which draw together what we have attempted to do in the past year, come to my mind. The first is taken from

an article on CIDA published in Europe and reads: "In 1972, the emphasis was on human values and on the social dimensions of development". The second comes from a colleague who referred to a speech I made early last year: "There is no room for routine in the struggle for development. Rather, there is a need for constant innovation, fresh thinking, new attitudes and entrepreneurial initiatives of all kinds if we are to progress on the difficult journey to justice".

So what was accomplished in 1972?

My objective was to consolidate our 1971 guidelines by bringing them closer to reality in the following ways:

1. encouraging innovative activities which would maximize the effects of our programs
2. giving all our programs a social orientation
3. evaluating our participation in the educational sector and revising our technical assistance accordingly
4. ensuring our presence in the international community.

This is how we have attempted to put these goals into practice.

INNOVATION

Obviously, maintaining and administering bilateral, multi-lateral and non-governmental programs requires work schedules, and certain "routines". It is impossible to manage projects involving large sums of money without maintaining solid administrative systems, complex mechanisms for inter-departmental consultation, and a large number of project review, analysis and evaluation committees. Still — and we have experienced this in 1972 — it is possible to be innovative within the framework of our programs by making maximum use of the authority we have.

Let me give you one example: under present conditions, CIDA is able to untie up to 20 per cent of its bilateral funds for projects involving large local costs. By applying this principle to all projects in a geographical area rather than to each individual project, CIDA can untie some projects up to 100 per cent. A grant of \$1 million to the University of Botswana, Lesotho and Swaziland (UBLS) will make it possible, with the

cooperation of Great Britain and these three countries, to build university campuses using some local materials and others imported from Great Britain or Canada. In the Caribbean, an educational project in the Leeward and Windward Islands, financed by CIDA, will as far as possible use indigenous labor, island architects, and materials and tools available in the countries themselves. In Tanzania, CIDA is providing \$20 million over four years for a new water supply system in Dar-es-Salaam, with 30 per cent of the funds covering local costs.

By using intelligently this capacity to untie assistance according to the actual needs and resources of developing countries we can often increase the impact of projects we are financing. For instance, CIDA has provided the government of Costa Rica with a grant of \$115,000 to support a Chilean team — a team from another developing country — to act as consultants to that government; in another part of the world, CIDA has granted an untied loan of \$2 million dollars to a national development bank, the Tanzanian Investment Bank. I am not saying that CIDA has always demonstrated this innovative approach, but these few examples perhaps illustrate how a new view of our activities can be made dynamically meaningful, compared to a more routine approach based on our perceptions of what we think we are allowed to do.

DEVELOPMENT'S SOCIAL DIMENSION

A judicious use of laws and regulations currently governing international development assistance will also enable us to emphasize the social impact we wish our programs to have. I have been told a number of times that one of my favorite subjects is "social development and the social impact of development".

My trip to West Africa early in 1972 made it possible to clarify this viewpoint which I wished to share with my colleagues, for I saw again how important it is to adapt to local conditions, to ensure that development is a reality at the grass-roots level and that the benefits of progress are distributed more equitably. I am fully convinced that the people who benefit through our cooperation should participate in both the planning and implementation stages of projects that affect them and their lives. During this six-country tour, our attention was especially drawn to the land-locked countries in the heart

of the African continent. We intend to show a special interest in them and their problems.

All this is part of what I have called the social or "societal" dimension of development. It is man, and by extension society, that are at the root of development. Development is, of course, attempted for man and for society but, more fundamentally, it is man and societies of men working together who shape their own worlds and destinies. I hope to see this human and societal dimension of development included in all our plans for technical assistance programs and in the implementation of all our projects.

This community or societal dimension of development calls for an integrated approach to the problems of international development cooperation by adjusting our efforts to local circumstances and by valuing indigenous capacities and skills. This is essentially what we have attempted to do through "integrated projects" such as the recent plan for motorizing dugout canoes in Senegal. Through involvement of the fishermen themselves all aspects of their problems were covered, including the motorization of the canoes, the marketing of products, food preservation, maintenance of equipment and the training of technicians.

As a result of our re-thinking during 1971 and 1972 we have recently established two special task forces. One is currently identifying and studying the various parameters of social development to help us formulate more humane criteria for acceptance or rejection of projects. The other, an action-oriented group, is formulating specific program and policy guidelines for the least-developed countries, of which there are not necessarily only 25 as was suggested by the United Nations. "Operation 25 plus" will also attempt to rally Canada and the international community to the assistance of this badly neglected group of countries and their peoples.

TECHNICAL ASSISTANCE AND EDUCATION

The West African tour also brought my colleagues and I into close contact with another problem we had been aware of: the need to continually evaluate our technical assistance programs. We began such an evaluative study in 1972 and it continues into 1973. It has already shown us the need to define

our selection criteria and training methods very clearly. I cannot overemphasize the importance we attach to the *kind* of advisers and teachers we seek for the important, original and creative work of development.

Because of our involvement in education, we are now participating in the world-wide examination and questioning of education illustrated by the Faure Report of UNESCO, the Joxe Report of the French National Ministry of Education, the various UNDP studies, the many working sessions organized by the Ford and Rockefeller foundations, as well as the analyses of educational systems in Latin America undertaken by the Inter-American Development Bank. Obviously, neither CIDA nor myself, as a former Minister of Education, could ignore so basic a quest. At Bellagio, in Italy, I took part in a meeting with heads of international agencies and education specialists from countries in Asia, Africa and Latin America. As a result of that meeting, a team was formed to make a systematic inventory of innovations in education throughout the world. This inventory will be the subject of another meeting in Bellagio in 1973 and it will be sent to all interested countries in an effort to multiply the effect of innovations already in use. CIDA has supported this very promising initiative by assigning a full-time staff member to it for several months.

Without waiting for the outcome of these many studies, we in CIDA began an examination of our own system of scholarships for students and trainees who come to Canada to complete their training. As a result of this study, we have now established a new program of scholarships to enable nationals of developing countries to continue their studies in other developing countries, rather than in Canada. To implement this plan immediately we have made 40 scholarships available to the Association of African Universities and several more to the Asian Institute of Technology. This experiment will in all likelihood lead us to a more general application of this new way of participating in the further education of Third World citizens.

ENSURING OUR PRESENCE WITHIN THE INTERNATIONAL COMMUNITY

Innovations such as those mentioned are a stimulus to CIDA activity and certainly improve the quality of our cooperation.

Nonetheless, we are not forgetting that the budget for Canadian assistance represents only 7.14 per cent of all international aid (\$500 million out of a total of approximately \$7 billion). Our action would be very limited if it became isolated. Canada therefore hopes to increase its relationship with other institutions in new and productive actions for change while playing as meaningful a role as possible in the many international organizations.

At the meeting of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) I stressed our desire to see "joint action to generate change". The whole international community should be constantly on the lookout for initiatives and possible new channels for development assistance and should be willing to support them even if they deviate perhaps from past practices or traditional structures. It is essential that international organizations such as DAC concentrate more on identifying areas where new initiatives could bring progress.

Convinced of the important role of regional institutions, I made every effort to ensure that Canada participated in setting up the African Development Fund under the auspices of the African Development Bank. A dedicated promoter of the Fund, Canada, like other countries outside Africa, wanted first of all to provide this continent-wide development institution with additional financial resources, enabling it to start loan operations with reasonable interest rates and payment terms. At the same time, we felt it was vitally important to establish the conditions for participation in such a way that the Bank's African members can maintain control of this special Fund and preserve its "African" character.

When Canada joined the Inter-American Development Bank at Quito in May 1972 as a full member, it demonstrated its desire to consolidate ties with the inter-American community. By joining, we signified our intention to be associated with the Bank's concrete objectives for assistance to agriculture, industry, regional integration and socially oriented projects. We are convinced that multilateral assistance cannot be truly effective unless it is freed of all political "strings". We want to collaborate in a professional and impartial way in this Bank's operations, hoping it will become an increasingly independent

and strong organization. Considering the imbalance of power that formerly existed in the Bank — one large donor country and 22 recipient countries — Canada's role must not be to take sides, but to impart a functional element of stability and equilibrium to the institution.

Besides our participation in international organizations, we wish to collaborate with other countries and institutions in carrying out specific projects, even within our own bilateral programs. CIDA has joined with the World Bank, for example, to support a seaport project that will benefit the East African Community. With France and UNESCO, CIDA has contributed to the original planning and construction of the Collège Polytechnique Universitaire (CPU) in Dahomey. We shall continue to explore possibilities for joint action with other donor countries having orientations similar to Canada's.

THE IMPORTANCE OF BEING FLEXIBLE

Two emergency situations have demonstrated that CIDA is able to adjust its programs quickly to meet urgent needs. Both were concerned with reconstruction, one in Nigeria, the other in Bangladesh. The speed with which Canadian non-governmental groups and CIDA acted to confront sweeping tasks deserves special attention.

For Bangladesh, several Canadian organizations sponsored a joint fund-raising campaign, which netted over \$2.5 million. At the same time, I insisted on visiting Bangladesh — for the second time in less than six months — to demonstrate Canada's continued interest and to get our reconstruction efforts in the country under way as quickly as possible.

In view of the precarious financial situation of Bangladesh right after the civil war and independence, Canada quickly transformed funds earmarked for loans into outright grants. Moreover, CIDA "untied" most of these grants to permit, for example, the purchase of tankers, pilot boats and tugboats in Asian countries instead of in Canada, to avoid long delays.

The school reconstruction project started by CUSO in Nigeria is another illustration of the flexibility in our programs. For the first time, CIDA contracted a private Canadian non-profit organization to carry out one of its bilateral projects. The

decision was made with the conviction that in certain cases a private, non-profit organization can best respond to local needs. This type of collaboration in carrying out projects has already led us to farm out other projects to CUSO in Bangladesh (medical sector) and in Cuba (university sector).

These new programs and these efforts to adapt our work to a variety of changing needs would be impossible without well-qualified development officers. Recruitment, selection and training of these officers — both for our Ottawa headquarters and for our programs in the field, in the Third World — remained a major preoccupation throughout 1972. We have thus launched a program of scholarships for international development studies to assist Canadians who wish to make international cooperation their career. The program will be continued and expanded in 1973. Finally, while desiring to include some experience in the international field or in Third World countries as one of the Agency's recruitment criteria, we also intend to offer present staff members of CIDA opportunities for further training with international agencies or in foreign training centres.

1973-1980: IN SEARCH OF A NEW BANDUNG

Bandung signalled the "awakening of colonized peoples". On that day, April 25, 1955, who could have foreseen that twelve years later more than 50 new nations would have access to the forum of the United Nations? Like many others the world over, we are awaiting a new Bandung that would see the developing countries shake themselves free of economic, social and cultural constraints currently impeding their development. Have we perhaps witnessed the beginnings of this second Bandung, in the realm of trade relations, during the meeting of the "Group of 77" in Lima in November 1971; or during the Stockholm Conference on the Environment in June 1972? It is, of course, too soon to assess the impact of those events. I am convinced that by 1980 certain changes will have occurred in the field of international development and, as at Bandung, these changes will emerge from the developing countries themselves.

It is not yet possible to grasp in detail the results of the present questioning of international cooperation, but a general

picture of alternative trends and actions is emerging which must be continually borne in mind. To begin, aid can no longer be isolated from the other international dimensions of development, such as immigration or trade. A multi-dimensional approach is mandatory. The meetings of the Group of 77 and the round-tables of UNCTAD-3 heralded this change of perspective. It will have to be taken into account during the 1973 GATT negotiations.

THE QUALITY OF INTERNATIONAL RELATIONS

These signs of change are quite natural. Developing nations face numerous problems rising as much from their internal structures as from their external relations. Given the existing economic and political power structure it becomes important to realize that the problem of development of nations is another form or manifestation of the problem of securing access to that very power.

During the first development decade we became aware that the gap between "rich" and "poor" countries, between "developed" and "developing" countries, is reflected not only in the usual economic indicators, such as production, per capita income and consumption, but also in the very structures of societies. The "have" countries are not just better off; they are rich because they have institutions that made them rich and continue to make them wealthier. Without establishing a certain number of adequate institutions the developing countries will not be able to close the gap separating them from the rich countries, even if they are flooded with capital and technology. Thus we may expect an increased cross-examination of those international structures which generate disparities instead of promoting a more equitable sharing of goods and responsibilities between nations.

THE RIGHT TO DEVELOPMENT

Uneven distribution of economic and political power between nations has led to a certain disillusionment among many working in the field of development aid. Earlier assumptions that economic growth could be brought about by massive transfers of capital and technical assistance to underdeveloped regions are obviously being challenged today. Although aid has not been totally ineffective — per capita incomes in the Third

World maintained a growth rate of 2.8 per cent during the years 1960-1970 — disillusionment rises from the failure of economic growth to develop local potential and to reach the most disadvantaged people of our world.

Serious disillusionment also is being expressed from the Third World, where programs prepared by experts have all too often been forced upon nations and peoples without their participation. A number of countries now realize that only they can define their development, determine their programs, and establish the plans for their liberation. Assistance is a word many have banished, replacing it with "participation", "co-operation" or "negotiation". The right to development has become a symbol for actions on all fronts.

The first development decade may have been guilty of a serious oversight: failing to interest adequately the very people concerned in the development process, failing to really involve them in the decision-making. This lesson has probably been learned by the industrialized nations and the international agencies, but it is not certain that it has yet transformed development cooperation. I think we all have a long way to go towards honestly and seriously learning to listen to others.

The need to take part is obviously linked with the need for greater freedom of action, and for independence that is not only political but also economic and social. All the nations of the world seek development that is not imposed from the outside but emerges from their own free choice. Such freedom implies the power to decide, to build, to change, to bargain, to negotiate, to have a say in the affairs of one's own life and of one's own world.

This thirst for freedom to act and to create a society in charge of its own development will certainly lead the developing countries to shake the structure of international economic exchange and of cooperation itself, to devise development methods and strategies that are truly effective and probably very different from those currently in vogue.

NEW "STRATEGIES"

Already an observer of the international scene can foresee certain new directions emerging — reorganization of international labor patterns so developing countries can diversify their

economies, multiplication of commercial exchanges between regions, increasing regulation over important markets, regional monetary cooperation, adoption of joint programs for education and the exchange of technical skills — all at bilateral, regional or even world-wide level, depending on the converging interests of the parties involved. Various joint actions can also be envisaged, aimed at reforming the world economic system to serve better the developing countries' needs and interests without denying those of the industrialized nations.

Recall what the oil-producing countries have achieved in recent years by associating under the umbrella of the Organization of Petroleum Exporting Countries (OPEC). This type of approach could also be exercised by regional development institutions. One can already predict a new balance coming in which industrialized nations will not necessarily hold all the "trump" cards.

QUESTIONS IN ABEYANCE

Many other sectors of cooperation must be thoroughly explored during the years to come. I would expect, particularly, the start of an urgent and surely productive dialogue on questions such as the regionalization of development programs, the untying of bilateral assistance, and the impact of multinational corporations. Hopefully, this type of dialogue will lead to a different pattern of international relations involving greater interdependence between peoples, in equality and equity, as well as the freedom of each country to decide for itself the conditions required for its own development.

1973 PERSPECTIVES: A LOT TO DO

What does this new year portend on the Canadian and international scenes? What repercussions will these realities have on the activities of Canada's international development agency? What objectives can CIDA set for the year '73 in anticipation of the years 1973-80? How may the partners in international cooperation improve the quality of international relations, while recognizing that development is a continuing process of participation, and a fundamental challenge for all societies?

THE NATIONAL REALITY

In Canada, the November 1972 elections demonstrated once again the great diversity of the Canadian reality. Priorities and

interests expressed in the coming years may be of an extremely varied nature. This reality will most certainly influence Canada's position on international development and cooperation. To be sure, it is easy to identify the very real interest most Canadians have in international development. The government of Canada, true to its commitment to reach the international objective of 0.7% of the gross national product for development assistance, continues to allocate large amounts of money. I believe that this objective will continue to express the wish of citizens who recognize that we live in a world community, where one can no longer ignore the existence of others. Many organizations also express interest in specific sectors of development: universities, corporations, community groups, national organizations such as CUSO and the YM-YWCA, churches, regional and local groups, as well as individuals. They illustrate the diverse motivations connected with international development: some are charitable and emotional, others respond to a feeling of responsibility as citizens of the world, still others are motivated by a desire for business or political influence, or by certain special interests. There are also some citizens who firmly believe that development should start here — that Canada should first, if not exclusively, deal with its unemployment problem, with lack of capital investment and the related external influence and foreign control, with regional disparities, and other "internal development" problems. Bearing in mind these realities, I hope we will be able to engage in a dialogue on international development cooperation and in the end come to a fuller understanding that the development of all countries — including our own — can only be achieved through a true interdependence of societies.

The questions confronting all of us in 1973 will be "what can be done?" and "how can it be done?". How, for instance, do we share our natural resources, human or material, knowing demand outstrips supply? In concrete terms, how can we review the standards which "tie" Canadian economic assistance to the purchase of Canadian goods and services? Compared with the part of our national resources that must be employed in our country, what share can be assigned to development abroad? How can our resources be put to optimum use?

INTERNATIONAL REALITIES

These questions, in fact, confront all the international institutions engaged in cooperation with the Third World. This

preoccupation with making the most of our resources gives us a unique opportunity to start pooling our experiences and our current assessments. We must, for example, promote more and more the joint development and implementation of projects between donor countries and one or several recipient countries. Further, international cooperation should allow greater use of the human and technical resources of the developing countries — for example, through exchange of consultants between Asian, African or Latin American countries within the framework of specific projects. Such an experience would extend the example set by the international education community through "third-country" training.

The Third World in 1973 does not mean a group of countries sharing identical interests and problems. The uniqueness of each was pointed out in the studies made on the world's 25 least-advanced countries. Generalizations will become increasingly rare, except perhaps in the rejection of GNP as a unique measure of development, and in the resistance to any internationalized "social welfare" plan. We must now find ways of enabling each of these countries to undertake its own analyses, self-criticism and evaluation.

The developing countries must take new steps to increase their capacity to collect and analyze basic data needed for the development of their social and economic programs. This might conceivably be done also by several industrialized countries. The exchange of development planners between all countries may be a new path for 1973.

IN TUNE WITH THE FUTURE

The first development decade fell far short of its goals. A number of people have already expressed doubts about the objectives and the results predicted for the second decade. It was recently stated that, failing a drastic change in existing structures, the chances for development and peace will be considerably reduced as the years bring on long-standing, already foreseeable, or entirely new problems. Even if the developing countries were to achieve an economic growth of 6 per cent during the present decade, there is no assurance that the quality of life of more than 2 billion human beings would be improved. Reforms requested by many people will become a reality only if we manage to modify the thinking and the

assumptions behind our present participation in international development. It becomes imperative to build, in 1973, the foundations of the societies we wish to see emerging at the end of this decade. Largely for this reason CIDA has created special study groups whose goal during the next few months will be to determine the sectors where our own interests coincide with the particular interests of the people to whom we offer our cooperation. Sectors of divergence will also be examined. We shall carry out a special study, as well, of ways to make the Canadian public increasingly responsive to the actual problems of cooperation and development, by putting these problems in a Canadian context.

Achievement of these goals will require increased complementarity and communication this year between our bilateral, multilateral and non-governmental programs. Each sector of the Agency is now designing and planning its program for the next five years. CIDA also intends to broaden and deepen its dialogue and its relations with the Canadian government departments responsible for such other policy sectors as trade, public finance, external affairs, immigration, and also regional economic development. From all this we must devise, in 1973, a strategy for the years 1974-80 if we really wish to be in tune with the future.

One priority becomes both a conclusion to this message and a recurring theme for 1973: CIDA must be imaginative and must not be afraid to innovate and to change radically, if necessary, its perspectives, policies and programs. We must become more efficient managers and experienced administrators who nurture their ideas into action. This is a task to test us. With a will to challenge the existing routines and procedures we can overcome the constraints, real or assumed, which impede our efforts. If ever there was a human activity from which "routine" should be banished, it is surely cooperation in the development of societies.