

Development Co-operation Review

CANADA

Development Assistance Committee



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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- To achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy.
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The Members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.

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FOREWORD

The Development Assistance Committee (DAC) conducts periodic reviews to improve the individual and collective development co-operation efforts of DAC members. The policies and efforts of individual members are critically examined approximately once every four years. Five or six programmes are examined annually. The OECD's Development Co-operation Directorate (DCD) provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as examiners. The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions posed by DAC members led by the examiners. These questions are formulated by the Secretariat in association with the examiners. The main discussion points and operational policy recommendations emerging from the review meeting are set out in the Main Findings and Recommendations section of the publication.

This publication contains the Main Findings and Recommendations as agreed by the Development Assistance Committee following its review on 15 November 2002 at the OECD, and the report prepared by the Secretariat in association with the examiners, representing Italy and the Netherlands, on the development co-operation policies and efforts of Canada. The report is published on the authority of the Secretary-General of the OECD.

Jean-Claude Faure
DAC Chairman

ACRONYMS

ACCC	Association of Canadian Community Colleges
BSS	Basic social services
CDPF	Country development programming framework
CIDA	Canadian International Development Agency
CGIAR	Consultative Group on International Agricultural Research
DAC	Development Assistance Committee
DFAIT	Department of Foreign Affairs and International Trade
GNI	Gross national income
HIPCs	Heavily-Indebted Poor Countries
IAE	International Assistance Envelope
ICC	International Criminal Court
IDRC	International Development Research Centre
IFIs	International financial institutions
INC	Industrial Co-operation Programme
LDCs	Least developed countries
LIC	Low-income country
MDG	Millennium Development Goals
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organisation
OA	Official aid
OAG	Office of the Auditor General
ODA	Official development assistance
PRSP	Poverty Reduction Strategy Paper
PSU	Programme Support Unit
RBM	Results-Based Management
TRIPS	Trade-related intellectual property rights
UN	United Nations

Signs used:

CAD Canadian dollar
USD United States dollars

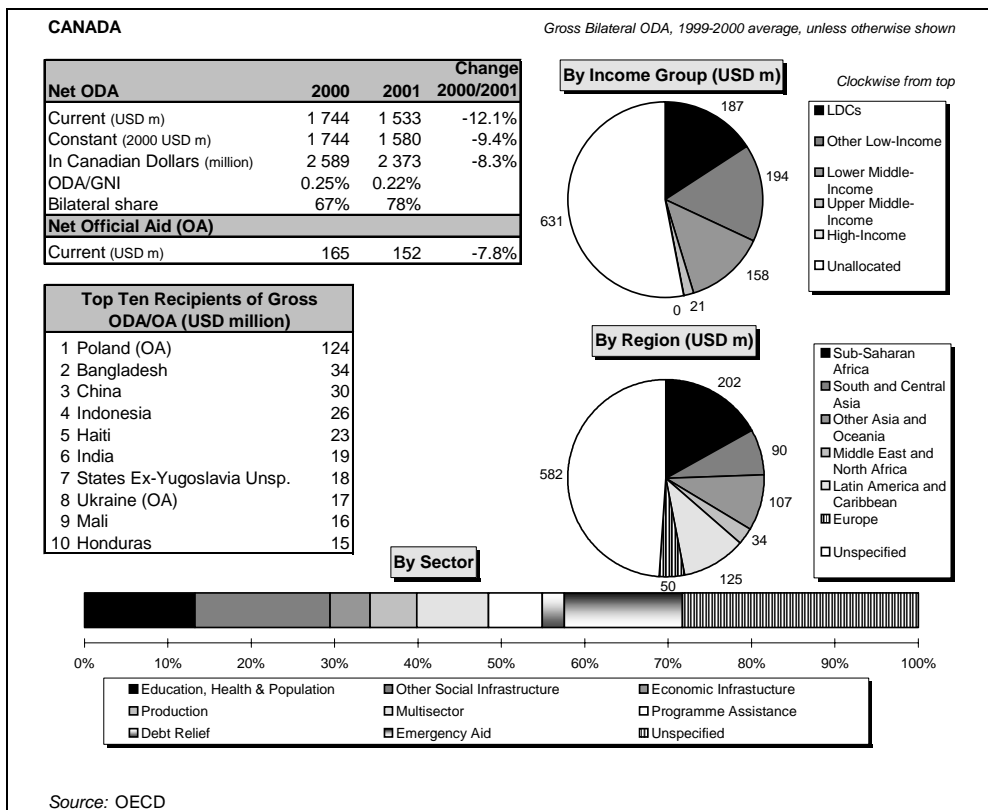
() Secretariat estimate in whole or part
- Nil
0.0 Negligible
.. Not available
... Not available separately but included in total
n.a. Not applicable

Slight discrepancies in totals are due to rounding.

Exchange rates (CAD per USD)

1998	1999	2000	2001
1.483	1.486	1.485	1.548

Canada's aid at a glance



Note: USD 124 million to Poland is mostly debt relief.

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DAC'S MAIN FINDINGS AND RECOMMENDATIONS

The last Development Assistance Committee (DAC) Review of Canada's development co-operation, held in January 1998, highlighted Canada's special ability to help lead the international community towards action which pushes out the frontiers of international co-operation. At the same time it noted that, in the context of a fundamental fiscal adjustment to respond to its domestic public debt burden, Canada's aid budget had been cut by 29% over six years, more than in any other area of Canadian public spending. As a result, Canada's official development assistance effort (as measured by the ODA/GNI ratio) had declined steeply from 0.45% at the beginning of the 1990s and was projected to fall below 0.30% by the end of the decade. (In fact, partly reflecting fast growth in Canada's gross national income (GNI), the ODA/GNI ratio fell to 0.25% in 2000 and 0.22% in 2001). The DAC pointed out that these trends had created a paradox at the heart of Canada's internationalism, given the continuing determination to be involved in a very wide range of issues and with as wide a range of partners as possible. This paradox raised concerns about Canada's ability to meet expectations, both at home and abroad, for its role in the world.

An impressive series of major funding and policy decisions by the Canadian government in 2002 allows the DAC in this Review to acknowledge and assess the effort now underway to address this paradox:

- The International Assistance Envelope (IAE), of which ODA comprises 80%, is to be increased by 8% per year until the end of the decade, with the goal of doubling the volume of ODA and raising the ODA/GNI ratio to somewhere near 0.35%, with the ultimate aim of reaching the United Nations target of 0.7%.
- Canada has announced a wide-ranging set of measures to support African development, including a CAD 100 million investment fund to support private sector development in Africa (See Annex I of the Secretariat Report). Half of the increase in ODA is to go to Africa, to which the special CAD 500 million allocation announced last year for Africa is to be added. The Canadian authorities calculate that about CAD 6 billion in existing and new aid flows financed by Canada in the next five years, will go to Africa.
- On the trade liberalisation front, Least Developed Countries (LDCs) are to have free access to the Canadian market (with exceptions in a few areas of agricultural trade).
- Adopting the DAC Recommendation on Untying of ODA to LDCs, Canada is to untie a significant part of its financial and project assistance.

A further feature of 2002 has been Canada's leadership of the G8 Summit, held in Kananaskis, and chaired by the Prime Minister of Canada. In particular the G8 Action Plan for Africa, and the participation for the first time of five African Heads of State, representing the New Partnership for Africa's Development (NEPAD) in the Summit meeting itself, owes much to Canadian efforts. These

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included Prime Ministerial visits to Africa and consultations throughout Canada. The G8 Education Action Plan also was an outcome from the Summit which reflected special leadership from Canada.

Along with these major policy breakthroughs in aid volume and on the wider policy coherence front, the Canadian International Development Agency (CIDA), has been broadening and deepening the organisational change process which was in an early phase at the time of the 1998 review. CIDA is now fully engaged in a thorough-going renewal of its business model, aiming to transform itself from a project-oriented organisation contracting with many “executing agencies”, mainly Canadian, to a programme and country focused organisation operating within the framework of developing country driven development strategies, aimed notably at poverty reduction and the achievement of the Millennium Development Goals.

Canada’s development co-operation thus has a strong new wind in its sails. The political impulse that has been generated at the highest level will need to continue as Canada confronts the challenges involved in carrying its new programme forward. These challenges, which are well recognised by the Canadian authorities, include:

- Engaging and maintaining public support as Canada’s aid becomes less identifiably Canadian but more focused on overall country level results emerging from collaborative efforts with developing country partners and other donors.
- Integrating the new development co-operation orientations into Canadian foreign policy and reinforcing co-ordination across the government system in international assistance activities and policy coherence.
- Reconciling the programme and country focus in aid policy with the current wide dispersion of Canada’s aid and with the longstanding role of “Canadian partners” in aid delivery.
- The implications for CIDA’s organisational style, including the role and responsibilities of field missions vis-à-vis Ottawa, the skills and qualities of its staff, and the way in which its results-based management system and other information systems operate.

Overall framework and new orientations

Consolidating Canada’s development co-operation orientations

Canada’s 1995 foreign policy statement *Canada in the World*, which remains the overall reference point for Canada’s development co-operation policy, is currently being updated. Founded on an assessment of the changing world since the end of the Cold War and wide consultations with the Canadian public, it identified three key objectives: the promotion of prosperity and employment; the protection of Canadian security, within a stable global framework; and the projection of Canadian values and culture. It sets the mandates for Canada's ODA programme – **first**, to support sustainable development in developing countries in order to reduce poverty and to contribute to a more secure, equitable and prosperous world; and **second**, to support economic prosperity and economic liberalism in Central and Eastern Europe by building mutually beneficial partnerships (CIDA took over operational responsibility from the Department of Foreign Affairs and International Trade in 1996). *Canada in the World* placed poverty, inequality and lack of human rights high among the issues to be addressed. Bringing the developing world into the international economic system was listed as among the major priorities for Canadian policy on the international economic system. Written at a time of fiscal austerity, it stressed that international assistance was a vital instrument for the achievement of

the three key foreign policy objectives, while at the same time indicating that the purposes of the programme and the manner of its delivery had been reassessed to ensure that it would serve clear and identifiable national interests and that the scarce resources dedicated to it were used with maximum efficiency. It set six programme priorities for Canadian ODA: basic human needs, women in development, infrastructure services, human rights, democracy, good governance, private sector development and environment.

Since 1995, as signalled by the Millennium Development Goals adopted by Heads of State at the UN Millennium Summit, poverty reduction has emerged more clearly than before as the overarching goal of international development co-operation. This is reflected in CIDA's more recent policy documents, notably CIDA's *Sustainable Development Strategy 2001-2003*, which is based on the mandates included in *Canada in the World* described above and constitutes its business plan. The document sets two programme priorities and a core management goal, implementing CIDA's sustainable development mandate by applying a management-system approach based on continual improvement.

The Strategy has since been complemented by two further key documents. *CIDA's Social Development Priorities: A Framework for Action*, with explicit reference to the international consensus on development goals, sets out CIDA's plans to focus more of its resources on some key social priorities intimately related to poverty reduction. It establishes precise funding levels for 1999-2004 in four areas – basic health and nutrition, basic education, HIV/AIDS, and child protection. On the management goal, CIDA has published, after a wide consultation process, *Strengthening Aid Effectiveness; New Approaches to Canada's International Assistance Program*, which again refers to the international consensus on targets and principles, notably stronger partnerships/compacts between developing countries and their external partners, local ownership, improved donor co-ordination, results based approaches and greater policy coherence in non-aid areas. The document then explores the implications for programming approaches and management.

In addition, CIDA has continued to strengthen its emphasis on cross-cutting areas such as gender equality, environmental sustainability and capacity development. (In this latter area, Canada has created a "Partnership for International Co-operation in Governance and Public Sector Management" with participation from over 40 federal institutions).

The current updating of *Canada in the World* should afford an opportunity to place all these new reference points, notably on poverty reduction, within a coherent and compact statement of Canada's overall development priorities and strategies as a guide for the range of development-related policies and activities across the Canadian government system. It could also be an occasion to set out future orientations for development co-operation in Central and Eastern Europe, given that most of these countries are set to join the European Union as soon as 2004. It should also provide the opportunity for a new statement on how national objectives are to be reflected in Canadian development co-operation and be coherent with development objectives.

Focusing the increase in the International Assistance Envelope and maintaining public support

The 8% per annum increase in the IAE will generate something like CAD 200 million in additional funding in the first year (and rising in subsequent years), to be allocated between ODA and non-ODA activities, between CIDA and other parts of the Canadian government, and between bilateral and multilateral aid. The allocation process for the IAE is managed by the Minister for International Co-operation, in consultation with other ministers involved, although the Minister's own accountability extends only to CIDA, the agency she is responsible for.

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Public announcements have already indicated that the IAE allocations will enable ODA to be doubled over the decade, implying at least an 80% share for ODA. For CIDA, this will provide scope to focus increased ODA on a relatively small number of developing country partners. This would address a long recognised weak point in Canadian aid – the wide dispersion of aid among many small country programmes and Canadian partners. As a result, only 45% of Canada’s bilateral aid can be traced through to particular developing country partners and regions (the lowest ratio in the DAC). Canada has almost no partner countries in which it has critical mass, given the highly projectised nature of its aid and the extensive role of Canadian executing agencies.

With the new emphasis on programme approaches, this dispersion is increasingly problematic, not least in terms of the difficulty of demonstrating clear linkages between Canadian aid and development results at the country level. Public opinion polls indicate that the Canadian public strongly supports the aid effort, while remaining sceptical about its effectiveness. Significant financial contributions to effective sector programmes and budget support, and a corresponding voice in the “mutual accountability” relationships that are emerging with countries where these modalities can be employed, will be an important way to show how Canada is contributing to collective action with clear impact. CIDA intends to focus its additional aid through enhanced partnerships with a limited number of developing countries, based on poverty levels and commitment to development effectiveness, and to move towards more sector concentration in all of its partner countries.

Maintaining public support over a whole decade will be critical for delivering on the announced increases in ODA. This will require an effective strategy for public engagement in the unfolding story of Canada’s aid effort, covering the objectives, the modalities and the risks, and with more concrete emphasis on country-level results and challenges. The public consultations on *Strengthening Aid Effectiveness* and on the G8 Africa Plan were significant moves in this direction. But Canada does not yet have an effective communications tool for such engagement. The transformation of the annual report to Parliament on the IAE, currently produced by CIDA, into a public communications tool may be one way forward.

Recommendations

- (i) Canada's commitments to increase aid annually by 8%, to liberalise trade and further untie aid are welcomed, and Canada is encouraged to maintain the wide public support needed to carry these initiatives through to effective implementation.
- (ii) In updating *Canada in the World*, Canada should integrate the central role of poverty reduction and its linkages with programme priorities and with non-aid foreign policy objectives.
- (iii) CIDA is encouraged to implement its recently announced intention to focus the additional aid resources on a limited number of recipient countries with the aim of achieving greater impact.
- (iv) The revival of an annual report by CIDA to the public and launching of a report on Canada’s overall ODA effort could enhance transparency and accountability as well as help build public confidence in the results achieved through development co-operation.

Policy coherence and broader Canadian engagement in development co-operation

Becoming more systematic in working for greater policy coherence

Canada's close association of national objectives and partners with its development co-operation efforts have created a number of policy coherence challenges. At the time of the previous Review, it was not possible to think that Canada might untie its aid and provide duty and quota free market access to LDCs. These two decisions taken in 2002 thus mark a major turnaround in Canadian policies, requiring political leadership from the top. Canada is congratulated on these moves and encouraged in carrying them through to implementation in ways that will provide the maximum opportunities to the LDCs. CIDA has, for example, sought and obtained authority to award service contracts to non-nationals. In accordance with the terms of the Recommendation to untie ODA to the LDCs on effort-sharing, Canada should undertake its best endeavours to identify and implement supplementary actions to untie its bilateral assistance. CIDA is encouraged to use its new authority to award contracts internationally in pursuing these supplementary efforts.

As the whole set of recent decisions on development policy illustrate, co-ordination and impetus on development issues are at their maximum at Cabinet level in Canada under the leadership of the Prime Minister and the Privy Council Office. Senior and working level officials are in constant touch on an *ad hoc* daily basis on a wide range of issues, and a strong interdepartmental culture supports this Cabinet level co-ordination. But there are signs that more structured approaches are being developed and that this trend needs to be taken further as some of the complex development-related issues in today's world require a more systematic and forward-looking approach and more active monitoring of relevant domestic policies. For elaborating Canada's response to the Doha Development Agenda, an interdepartmental group has been formed, which is supported by the DFAIT's Development and Trade Unit as well as CIDA, with a joint post created in Geneva. CIDA and DFAIT are also beginning to work together more systematically to identify and address country-specific human security issues that could generate conflict in the future. An interdepartmental Program Advisory Committee on Human Security (PAC) has been formed at a senior level, bringing in a relevant range of government departments, and meets at the beginning of DFAIT's business planning cycle and at other times during the year as circumstances require. This may provide a model for concertation in other policy areas.

With the strengthening of its Policy Branch, CIDA is now much better placed to play a broader and more proactive role on policy coherence issues within the Canadian system and more generally, to help to pull together the various development co-operation activities across the federal agencies, working in conjunction with DFAIT, including its Global Issues Department.

Placing Canadian partnerships in the new international development policy context

While many DAC members see the active engagement of their own people, enterprises, universities and other institutions in their aid effort as a particularly valuable part of their foreign assistance, Canada has been one of the earliest and most thorough-going in this respect. A wide range of Canadian actors are thus involved in the implementation of the aid programme, with 15% of CIDA's budget going through its Partnership Branch and a strong reliance by regional and country programmes on Canadian "executing agents".

In terms of development impact, there are many instances where long-term twinning relationships or special Canadian expertise in the right place at the right time have produced remarkable capacity building results. Canada has a large number of institutions, large and small, with a development vocation. The IDRC, created to generate research partnerships in the developing world, has been at the frontiers of some notable successes in development co-operation. As mentioned above, Canada has

created a new framework for development partnerships on public management issues, drawing on the skills and experience of a wide range of Federal institutions. On the less positive side, there has been a tendency for Canadian partners to see their funding from CIDA as an entitlement, for the Canadian Partnerships to drive programming decisions and at times to undermine rather than underpin institutional development in developing countries. And support for private sector involvement may end up as support for the Canadian enterprise rather than for private sector development in the developing countries. The diverse but strong Canadian NGO movement has for some time found itself in a dilemma as it tries to fulfil its role as both a critic and a supporter of Canada's development policies and programmes, while being itself among CIDA's main contractors.

With the shift to a development co-operation paradigm based on partnership with developing countries, with local ownership of nationally determined development strategies and programmes, there is a clear need for adaptation in the use of Canadian partners and in their roles. It is important that Canadian NGOs are in a position to act as independent assessors of the quality of the new "enhanced partnerships" with developing countries and of associated CIDA support. And other Canadian institutions must be harnessed in the context of a model which is based on developing country leadership – they must become "accompanying agencies" rather than "executing agencies". In developing countries where such partnership models are not possible (*i.e.* "difficult partnerships" or "low-income countries under stress", now the subject of much attention in the DAC, the World Bank and the United Nations Development Programme), non-governmental organisations and other civil society organisations will continue to be actors of choice, although strengthening the state will also be critical when circumstances permit.

CIDA is discussing these issues with its Canadian partners on the basis of a consultation document.

Recommendations

- (i) In order to maximise its impact on poverty reduction, Canada's commitment to policy coherence for development needs to be supported by a system for mobilising efforts across the government, including more structured collaboration between CIDA and DFAIT as well as other federal departments and agencies.
- (ii) Canada should take a more proactive approach in analysing the impact on developing countries of non-aid policies such as trade, agriculture and immigration.
- (iii) CIDA is encouraged to consider ways of increasing local ownership by reviewing the role of Canadian civil society entities and Canadian executing agencies against its intention to shift towards programme-based approaches. The contribution of various Canadian actors and their role in supporting country-led poverty reduction strategies should be more systematically assessed.

Strengthening aid effectiveness: the change process in CIDA

From projects to strategic objectives, programmes and policy analysis

CIDA has recognised for some years that it would need to change its way of doing business, but recently it has put this challenge at the centre of its objectives, engaging in a major self-critique. Essentially, the problem identified by CIDA management is that CIDA had become over the years a project-generating machine, using over 30 different business models. This created a process-intensive organisation heavily centred in head office and with high administrative costs (CIDA's administrative

costs are 11% of the bilateral budget compared with an average of 6% for other DAC members). The skill base of the organisation had shifted to contract management, at the expense of strategy development and associated policy analysis and programming. Field staff had become political and administrative facilitators at the service of project holders in Ottawa and project counterparts at the country level.

CIDA management is keenly aware that this organisational style must be adapted to the new development co-operation model, in which developing countries produce their own strategies and donor agencies provide co-ordinated support within those strategies. Furthermore, the development problematic is now being defined in a much more sophisticated and comprehensive way. With the aid budget set now to expand rather than contract as it has done over the last decade, effective disbursement will not be feasible using project modalities. Accordingly, CIDA is now creating Country Development Programming Frameworks (CDPFs) as the key organising tool for its country-level activities, moving to reduce the number of sectors in which it works, and looking to shift from projects to programme approaches, including participation in multi-donor sector-wide programmes and budget support. It has created a Business Transformation Unit to pilot the change process, which it sees as taking at least five years, and moving the organisation towards just three business models. It has also formulated a new Human Resources strategy designed to re-skill CIDA with the kinds of policy analysts who can help develop comprehensive strategies and engage in dialogue with other Canadian departments and with developing country policymakers and donor counterparts at the country level.

The Treasury Board and other authorisations needed to provide financial support to budgets are currently under discussion, and CIDA is participating actively in the efforts in the DAC to harmonise donor practices to facilitate the strengthening of financial management and reporting systems in developing countries needed for such approaches.

Moving forward with Results-Based Management, evaluation and audit

CIDA has been one of the pioneers in results-based management (RBM) and supports the current international effort, centred around the MDGs, to apply RBM across the whole aid system, multilateral as well as bilateral. The Office of the Auditor General in Canada has been a source of encouragement and advice to CIDA in this endeavour and is fully behind CIDA's move from projects to programmes and to now assess agency results at this level.

In fact, RBM at the project level was proving difficult to operate on a number of fronts. Aggregating results from the large number of small projects in so many different countries to produce agency level results is highly complex and not productive in terms of providing strong management information at the agency level. Staff tended to see and use RBM as a control and reporting mechanism rather than as a strategic planning tool. Finding the right level for conducting evaluations that yield timely and useful management information has also been an issue, as it is for other donor agencies. CIDA's intention is to put the focus on country and institutional evaluations over the next five years, to support the introduction of Country Development Programming Frameworks. Meanwhile the internal audit system is shifting to a more results-oriented learning function, with an emphasis on best practices rather than compliance.

Rethinking the relationship with field offices

Working in the framework of the developing countries own strategies and in close co-ordination with other donors will require providing much more authority to the field level for both financial commitments and for policy dialogue. CIDA remains among the most centralised agencies in the DAC

Canada

in these terms and is now looking at other models of field presence as part of its transformation process. Currently, there is a triangular relationship between Ottawa, CIDA staff seconded to Embassies in partner countries and Programme Support Units (PSUs) which are essentially staffed by local people to manage projects, and this produces a certain amount of redundancy and frequent missions from Ottawa to the field. Canada will need to resolve this problem, particularly for "enhanced partnership countries", in the context of a management system that is based on the CDPF as a common strategic reference point for a more concentrated assistance effort, with enhanced and shared flows of information and clearer assignments of tasks. CIDA, as other donors, should take care not to be over-reliant on recruiting local professionals to operate at the country level, which risks depleting the human resources needed by partner governments to upgrade their public management capacities.

Recommendations

- (i) Canada is encouraged in its efforts to shift towards programme-based approaches with greater local ownership where the policy and management environment are conducive, and to focus on fewer sectors in a selected number of recipient countries.
- (ii) The parallel shift towards making RBM more strategic and selective in identifying the significant results to be measured is also encouraged as a requirement for generating key management information and tracking CIDA's contribution to collective donor efforts to help achieve the MDGs.
- (iii) CIDA should clarify the respective roles of staff in headquarters, embassies and PSUs and envisage more delegated authority to the field in the context of the new business models it is developing, especially for programme-type approaches.

CHAPTER 1

NEW DEVELOPMENTS AND OVERALL FRAMEWORK

New developments

Canada has made significant progress in commitments for assisting developing countries. At the Monterrey International Conference on Financing for Development in 2002, the Prime Minister announced an 8% annual increase in the International Assistance Envelope (IAE)¹ so that Official Development Assistance (ODA) could double by the end of the decade. (See Chapter 2.) Half the increase over five years (USD 1.1 billion) will be allocated towards Africa. This is part of the Canadian dollars (CAD) 6 billion [United States dollars (USD 3.9 billion)] of existing and new resources committed to the region at the G8 Summit in Kananaskis in 2002 (see Annex I), in the Context of the G8 Africa Action Plan and the New Partnership for Africa's Development (NEPAD). Canada also announced that it will extend as of January 2003 duty-free and quota-free market access to imports from least developed countries (LDCs). (See Box 1.) Finally, following the Development Assistance Committee's (DAC) *Recommendations on Untying Aid to LDCs*, the Cabinet approved in June 2002 a new policy for aid untying.

Box 1. Canada's commitment to the G8 Africa Action Plan

Economic growth

- Quota and duty-free access for LDC imports.
- Private sector investment fund for infrastructure.
- Trade capacity building.
- Bridging the digital divide.

Strengthening institutions and governance

- Public sector capacity building.
- Strengthening parliamentary system.
- NEPAD support.
- West Africa regional security.

Investing in the people and future

- Basic education.
- HIV/AIDS research.
- Polio eradication.
- Agricultural productivity.
- Water and energy infrastructure and management.

1. As explained in previous peer reviews, Canada's IAE is the domestic term for its aid budget, which includes both ODA and Official Aid.

Canada

These commitments mark a major turnaround since the Peer Review of Canada in 1998, when the aid budget had been cut by 29% over six years and prospects for trade liberalisation toward the LDCs and untying aid were at a standstill. The above developments are welcomed and Canada is strongly encouraged to follow through on the commitments.

It is interesting to note that development co-operation issues have been taken through the Cabinet five times in the past two years, an indicator of the increased prominence aid issues have been accorded of late by the Canadian government. Furthermore, the Prime Minister has personally taken the lead in major initiatives on aid volume, development co-operation with Africa and trade liberalisation for LDCs. These indications suggest that development co-operation policy is being recognised as having a key role in Canada's overall foreign policy frameworks. It is hoped that this will have a positive influence on the treatment by Canada regarding major issues of policy coherence for development (see Chapter 4).

Principles in development co-operation

Canada's foreign policy principles and its international assistance objectives mentioned in the government's 1995 Foreign Policy Statement, *Canada in the World*, remain unchanged from the last Peer Review. However, the foreign policy is being updated and is expected to be completed by the end of the year. Briefly, the current principles are: promoting Canada's prosperity and employment; protecting Canada's security; and projecting Canadian values and culture. International assistance, which is part of the foreign policy, has two main goals: a) reduce poverty by supporting sustainable development in developing countries; and b) support democratic development and economic liberalisation in Central and Eastern Europe by building mutually beneficial partnerships. The policy has six programme priorities that remain in force: basic human needs; women in development; infrastructure services; human rights, democracy and good governance; private sector development; and the environment.

For the Canadian International Development Agency (CIDA), three new strategies have been developed since the last Peer Review. The *Sustainable Development Strategy 2001-03* is part of a government-wide requirement and CIDA's medium-term plan in programming and performance measurement, which reinforces the two main goals of international assistance stated in *Canada in the World*. In order to meet these goals, it states that CIDA must strengthen the co-ordination of its various programmes and continuously learn from innovative knowledge management.

The *Social Development Priorities* commits CIDA to a five-year action plan (2000-2005) in four specific areas: basic health and nutrition; basic education; HIV/AIDS; and child protection, with gender equality as an integral part of these priority areas. Finally, *Canada Making a Difference in the World: a Policy Statement on Strengthening Aid Effectiveness*, released in September 2002 by the Minister for International Co-operation, proposes significant changes in CIDA's *modus operandi* to increase impact. (See Box 2). In order to finalise the policy, the former Minister held a country-wide consultation in the fall of 2001 with various Canadian partners, including civil society and the private sector. The document acknowledges that there is much work to be done to implement the new approaches, such as country selection, aid untying, strategies for agriculture and private sector development, and new partnership with Africa. The adoption by the Canadian government of the policy represents a significant evolution towards a more government-wide shared development policy.

While these strategies provide CIDA with basic operational frameworks, the order and consistency between the various principles, objectives, and priorities among them could be clarified. First, CIDA is required to work and respond directly within the overall foreign policy mandate, which

expects strong involvement of Canadian civil society and private sector in the aid programme. (See Chapter 5.) Given the new emphasis on ownership mentioned in *Strengthening Aid Effectiveness*, this will pose a major challenge in CIDA's traditional approach of civil society being a driving force of programming. Furthermore, although poverty reduction is mentioned as one of the central goals in Canada's development co-operation and in CIDA's operations, the links with the six programme priorities are not elaborated. In fact, these priorities do not necessarily coincide with resource allocation (*e.g.* infrastructure) or conceptual emphasis (*e.g.* gender equality) anymore and also obscure some significant activities (*e.g.* humanitarian assistance and peace building). It is therefore important for CIDA to elucidate the hierarchy of its governing principles, particularly to enable the general public to understand better the logic of CIDA's activities. The updated foreign policy could also reflect changes as well as incorporate the emerging issues from globalisation, such as policy coherence for development.

Box 2. Strengthening Aid Effectiveness

The statement focuses on aid effectiveness and explores ways in which CIDA can enhance the impact of its programming. Key issues include:

- New approaches firmly situated within locally owned frameworks.
- Harmonisation of donor practices.
- Enhanced partnership with a limited number of the poorest countries and reduced number of sectors.
- Continued commitment in doubling resources over five years to Social Development Priorities.
- Completion of strategies for agriculture and rural development and for private sector development.
- Improvement in policy coherence.
- Free market access for LDCs.
- Untying aid.
- Increased focus on Africa, particularly the poorer countries.
- Enhance field presence in selected countries.
- Moving towards a programme approach and measuring results at the programme and country levels.

Major features of Canadian aid

Canada's geographical dispersion of aid has been a long-standing issue, raised particularly in three previous peer reviews (see Annex II). The dispersion is due to several reasons. Canada does not have a colonial past and therefore its aid pattern is not influenced by former colonies. It is a large economy and, being both Anglophone and Francophone, has memberships in many regional and international bodies such as the G8, Commonwealth, La Francophonie, Organisation of American States, Asia Pacific Economic Co-operation, and North Atlantic Treaty Organisation. Furthermore, Canada is a country of immigration with special interest groups that have contacts with and promote aid to certain recipient countries, as in the case of Ukraine. Finally, a large share of Canadian aid involves civil society, which generally resists restrictions on utilisation of funds such as focusing on a few countries to operate in. However, more than half of Canada's bilateral ODA is reported to the DAC as "unallocable", so the true extent to which Canadian aid is dispersed is currently unknown. (See Chapter 2.)

CIDA administers approximately 80% of the IAE - or 63% of total Canadian aid, defined by the DAC. (See Chapter 2.) There are many other federal departments which undertake aid activities, carrying out inter-departmental co-ordination as needs arise. At the same time, Canada is yet to develop a more comprehensive strategy and accountability system to improve co-ordination among the major actors. (See Chapter 5.) At the field level, CIDA develops a Country Development

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Programming Framework (CDPF), but relevant activities of other federal departments could further be incorporated. (See Chapter 6.) Furthermore, an annual ODA report designed for a broader audience would also help give an overall picture of Canadian aid and help increase transparency and accountability.

CIDA is a sizeable and complex organisation with high administrative costs compared to its budget levels and that of other DAC members. Part of the reason could be the high transaction costs of administering different instruments and a large number of partnerships with Canadian civil society. Furthermore, CIDA is also obliged to fulfil various government-wide requirements such as Results-Based Management (RBM) and Government On-Line, which demand extra staff time. In the field, CIDA representation is relatively small, possibly as a reaction towards the major decentralisation effort carried out in the late 1980s, which was a costly exercise, particularly given the large number of countries of operation. In the future, CIDA plans to move towards a more programme-based approach (see Chapter 6), including possibly budget support, which could affect human resource issues such as staffing and skills-mix.

Accountability and Reporting

Canada's accountability system is not entirely comprehensive. Canada does not have a permanent advisory council composed of different representatives from the government and civil society that could advise and question the strategic choices and implementation of Canadian aid. The Parliament's Sub-Committee on Human Rights and International Development - part of the Standing Committee on Foreign Affairs and International Trade – has not been engaged in discussing substantive or technical issues, such as priority countries, moving towards a programme-based approach, or enhancing conflict prevention and anti-terrorism. In general, Canadian Parliamentarians are interested in visible projects such as building schools and involvement of Canadian companies and people in aid activities. As for the IAE, the Minister for International Co-operation reports annually only on CIDA's performance to the Parliament and Canadians through the Departmental Performance Report. Ministers of other federal departments assume accountability for their portion of IAE. In other words, IAE accountability is fragmented and lacks an overall vision.

A unique feature in Canada is that the Office of the Auditor General (OAG) is greatly involved in the accountability of CIDA's use of funds. Recently, the OAG has been concerned with CIDA's quality of reporting to the public and has been advising the agency, as it has all federal departments, to provide a more tangible description of what they do and are trying to achieve. The OAG is also generally supportive of initiatives such as aid untying, budget support, outcome orientation, and so on. (See Chapter 5.)

Public opinion and information

The Canadian public is in general receptive to development co-operation. According to the public opinion poll carried out in 2002 by CIDA's contractor, more than eight in ten Canadians expressed support for Canada's development and humanitarian assistance programmes, but felt that their aid money was not reaching those who needed it most. In short, the public wants to see more evidence of poor people's lives being improved. The survey results are made available at the Library of Parliament and CIDA disseminates them to non-governmental organisations (NGOs). CIDA coordinates its public opinion research with other agencies and federal departments [Communication Canada, Department of Foreign Affairs and International Trade (DFAIT)] and consultation is held widely within the agency. CIDA could henceforth further enrich the surveys by including pertinent questions, for example, on Canada's ODA relative to other domestic expenditures and volumes of other donors, aid untying and issues of coherence with non-aid policies such as trade, agriculture, and immigration.

CIDA's budget for public communication is about CAD 26 million (USD 17 million) for 2002/2003² - the agency is planning to increase this further. CIDA emphasises that building public support for a significant ODA increase is an important challenge and is in the process of developing a public engagement strategy. In future activities of public outreach, CIDA is planning to publicise more the results achieved through its co-operation programme, especially since it is one of the commitments stated in *Canada in the World*. In 1995/96, CIDA ceased the publication of the agency's annual report to the public and currently prepares documents only to the Parliament. The latter reports are available on CIDA's website: however, since they are not tailored to enhance the understanding or appreciation of development co-operation by the general population, CIDA should revive its annual report publication for the public.

Future considerations

Canada's commitments to increase aid annually by 8%, to liberalise trade and further untie aid are welcomed and Canada is encouraged to maintain the wide public support needed to carry these initiatives through to effective implementation.

In updating *Canada in the World*, Canada should integrate the central role of poverty reduction and its linkages with programme priorities and with non-aid foreign policy objectives.

The revival of an annual report by CIDA to the public and launching of a report on Canada's overall ODA effort could enhance transparency and accountability as well as build public confidence in the results achieved through development co-operation.

2. Includes total budgets for civil society activities in development education plus operating budget and salary for the Communications Branch. Salary for relevant staff of the Partnership Branch is not included.

CHAPTER 2

AID VOLUME, CHANNELS AND DISTRIBUTIONS

Official development assistance volume

In 2001, Canada's ODA/Gross national income (GNI) ratio was 0.22%, putting it in 19th place out of the 22 DAC member countries on this measure (see Figure III-1 in Annex III). The ratio has been steadily declining since a peak of 0.50% in the 1980s. ODA has also declined in real terms over the period, although not so sharply. This trend continued between 2000 and 2001, when net ODA decreased from USD 1.7 billion to USD 1.5 billion,³ a fall of 9.4% in real terms (or CAD 2.6 billion to CAD 2.4 billion in nominal terms). Canada is now the 11th largest donor in volume compared to 7th in the early 1990s.

As mentioned in Chapter 1, the Prime Minister has declared his intention to increase the IAE by 8% per annum so as to double ODA volume by the end of the decade and possibly reach 0.35% ODA/GNI ratio. This scenario, however, assumes continuous economic growth and follow-through on the pledge by future governments. There is also some ambiguity regarding the exact plans as IAE combines ODA and Official aid (OA), and other amounts outside the envelope are also reported to the DAC as ODA. In fact, past announcements on the IAE increase did not lead to an increase in total ODA. The government will also need to clarify how the increase will be shared and managed among the numerous public institutions involved in Canadian co-operation, including CIDA, DFAIT, Department of Finance, and International Development Research Centre (IDRC), with poverty reduction as the main focus. Canada's effort to increase ODA is welcomed: at the same time, Canada's commitment to make concrete efforts in reaching the United Nations' (UN) 0.7% ODA/GNI target, reiterated at the Johannesburg Summit, also needs to be fulfilled.

Canada's economic situation

From an economy based on natural resources, Canada is rapidly moving towards a knowledge-based economy, particularly in information technology. Though the goods-producing industries still account for a large share of GNI, the service sector is expanding, employing three out of four Canadians and generating two-thirds of GNI. Following fiscal deficits of the mid-1990s and resulting financial reforms, Canada has enjoyed a flourishing economy in recent years that has exceeded expectations. Gross Domestic Product (GDP) growth in real terms was 4.4% in 2000, and despite a downturn in autumn 2001, the economy has recuperated. In July 2002, the Bank of Canada projected solid economic expansion at an annual rate of 3 to 4%. Unemployment was at 7.5% in mid-2002, down from a peak of 11% in 1993. Therefore, the current economic situation appears to be favourable to an ODA increase.

3. In 2000 prices and exchange rate.

International Assistance Envelope

CIDA has the overall responsibility for the administration of the IAE and managed 79% of the envelope in 2000. (See Table 1 below.) CIDA's budget was CAD 1.8 billion (USD 1.2 billion), which was a significant reduction from a peak of CAD 3.2 billion in the 1980s. The remaining 21% consisted of activities by other federal departments and agencies such as DFAIT, Finance, IDRC, and so on. A comprehensive Canadian aid programme *vis-à-vis* a particular partner country, incorporating the activities of all federal departments and agencies concerned, is yet to be developed. (See Chapter 6.)

Beyond the IAE, Canada reports to the DAC as ODA and OA various items such as: costs of maintaining refugees during their first year in Canada; some official bilateral debt relief; imputed student costs; and others.⁴ In aggregation, the non-IAE component totalled 20% of Canada's ODA/OA in 2000, or in other words, IAE represented only 80% of Canadian disbursement for development co-operation. Furthermore, CIDA was directly responsible for only 63% of gross ODA/OA (or 65% of ODA). This situation has generally remained the same since 1996/97. However, in reality, CIDA is substantially involved in activities related to the IFIs and the UN agencies, although their funds are outside the CIDA budget.

Table 1. Distribution by agency of ODA and OA combined in 2000 (USD million)

Department and agencies	Amount	Breakdown	% of IAE	Total % of ODA/OA
I. International Assistance Envelope				
(a) CIDA	1 208		79%	63%
(b) Other Departments and Agencies	317		21%	17%
Dept. of Finance		136	9%	7%
International Development Research Centre (IDRC)		58	4%	3%
DFAIT		58	4%	3%
Poverty Reduction and Growth Facility (PRGF)		32	2%	2%
Administration		27	2%	1%
Health Canada		4	0.3%	0.2%
Public Works and Government Services and Others		2	0.1%	0.1%
Total IAE	1 525		100%	80%
II. Other Costs reported to the DAC as ODA/OA				
Costs of maintaining refugees during the first year in Canada		143		7%
Imputed Student Costs		39		2%
Official bilateral debt relief		120		6%
Others (see footnote ⁴)		82		4%
Total Other ODA/OA	384			20%
Grand Total ODA and OA	1 909			100%

Source: CIDA and OECD.

4. Issuance of notes, grants, contributions and cash payments to international financing institutions; certain expenditures by Canada Post Corporation, Environment Canada, and Export Development Corporation; imputed interest costs; assistance by provincial governments; and related administration costs of other government departments.

The difference between the IAE and what Canada reports to the DAC as ODA leaves ambiguity and sometimes causes confusion, for example, on the announcement to increase aid particularly to Africa, as mentioned earlier. All ODA/GNI ratios - including the 0.7% target that Canada is committed to - and international comparisons are based on the DAC's definition of ODA, which Canada has accepted. Yet, domestically the IAE excludes various items as well as combines ODA and OA, and there are no official documents that account for total ODA or reconcile ODA data with IAE data. Canada could consider reporting to the public its ODA in addition to its IAE so as to enhance understanding and transparency.

Bilateral aid: policies, instruments, channels, and distributions

From 1998 to 2000,⁵ Canada's bilateral ODA ranged between 67 to 72% of total gross ODA (Table III-2) close to the DAC average. In 2000, it was 67%, slightly below Total DAC average of 70%. The following describes Canada's instruments, channels, and geographic and sector distributions.

Instruments and channels

Since ceasing its loan programme in 1986,⁶ Canada is now providing essentially all grants in its bilateral programme. Table III-2 shows that in 2000, among the grants, relatively large variances from the Total DAC averages in proportions were food aid (5% of Total ODA cf. 2% DAC), emergency and distress relief (11% cf. 6% DAC). Food aid was largely tied to Canadian agricultural commodities and provided predominantly to non-emergency projects. In fact, for 2000, only long-term development food aid was reported to the DAC under bilateral aid, as emergency food aid was channelled through multilateral organisations. Of the emergency and distress relief, a large amount (current USD 143 million or 12% of bilateral aid in 2000) was refugee costs for first year of stay in Canada. In 2000, Canadian immigration authorities approved as refugees about 14 000 cases from over 133 ODA and OA countries, including those from Brazil, Costa Rica, Fiji, South Korea, Malaysia, Singapore, Slovakia and Thailand. Leading source countries for refugee claims were Pakistan, Sri Lanka, Hungary, China, Argentina, Mexico, and Colombia, although the highest approval rates were for applicants from Afghanistan, Somalia, Sri Lanka, and Congo.

The table indicates that USD 196 million or 17% of Canada's bilateral aid in 2000 was ODA to and channelled through NGOs. However, this does not reflect the wide ranging co-operation of Canadian partners in Canada's official aid programme. An estimated 70% of Canada's bilateral ODA is disbursed through Canadian entities, including NGOs, private consulting companies, research and academic institutions, and so on.

Regional, income-level, and country distribution

It is difficult to conclude whether or not Canadian aid is focused on the poorest countries. Canada's disbursement data to the DAC on regional, income-level, and country distribution are not strictly useable in examining the issues. Among DAC members, Canada has the lowest proportion of

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5. With exceptions as noted, data run to 2000 due to unavailability of detailed 2001 data at the time of writing.
 6. Although no new loans are being committed, small and declining disbursements of loans to China have continued over recent years.

Canada

bilateral aid disbursement reported as allocable - 45%⁷ for the above categories in 1999-2000. CIDA states that it has many flexible and pre-unallocated funds (Partnership Branch, regional allocations, core contributions to NGOs, imputed interest on advance payments, etc.) and other civil society funding. However, most disbursements should be attributable to specific countries or at least regions.⁸ More effort is needed in Canada's reporting to the DAC on country/geographical/income-level distribution of disbursements. This includes development co-operation activities of publicly financed NGOs and other federal departments reporting through CIDA.

Canada's reporting indicates just 45% of total bilateral ODA disbursements as allocable in 2000 compared to 74% for Total DAC. The data that are available show that in 2000, 38% of allocable bilateral ODA was disbursed to Africa (cf. 36% Total DAC in 2000 – See Table III-3), 34% to Asia (39% Total DAC), 17% to the Americas (12% Total DAC), and 9% to Europe (7% Total DAC). In terms of income level, 35% was disbursed to LDCs (26% Total DAC), 33% to other Low Income Countries–LICs (same as Total DAC), and 29% to lower middle income countries (35% Total DAC). As for specific recipient countries, while available data may not be conclusive, the top recipient of Canadian bilateral aid (both ODA and OA countries) was Poland at USD 124 million in 1999/2000. This was mostly debt relief administered by the Department of Finance, under an international agreement reached with Poland in 1991. More than USD 100 million of debt relief has been provided to Poland each year since 1995 and more than USD 1 billion since 1991. Of the top 15 recipients, three are Part II countries (Poland, Ukraine and Russia), most of others are LICs including four LDCs (Bangladesh, Haiti, Mali, and Senegal). Canada does not generally specify LDCs or LICs when it refers to the poorest countries.

As mentioned in Chapter 1, Canada is a member of many regional groupings, and its diverse immigrant population facilitates maintaining ties with numerous developing countries. According to available data, Canada has more than 146 recipient ODA and OA countries. In general, it can be said that Canadian aid is relatively dispersed. According to Canada, it is the least concentrated of all DAC members, for example, in the proportion of ODA that went to the top 15 countries, which was 16% in 1999/2000 while no other member disbursed less than 20%. As a result, although being a G7 member, its donor ranking in its top recipient countries may not be very high. This could be a disadvantage for Canada in making an impact and in its ability to influence other donors in policy dialogue and co-ordination. Canada, however, believes that influence is not directly and solely related to aid volume.

Canada divides developing countries into three categories: First, middle-income developing countries which generally have a strong and sophisticated governance capacity - assistance involves high-level technical assistance; second, low-income countries in crisis with low governance capacity - programming is limited to humanitarian assistance, peace-building or NGO projects; and third remaining low-income countries which have governments with weak capacity but are committed to reforms, democracy, and taking ownership over their development - CIDA's main interlocutor is the government, although there is often substantial civil society programming.

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7. Only USD 511 million out of USD 1 143 million bilateral ODA in 2000 was allocated and the rest (55%) was unallocated. Part of the unallocated consisted of USD 161 million to Canadian NGOs, USD 35 million to international NGOs, and USD 153 million for humanitarian assistance (mostly refugees costs in Canada).
 8. Except for costs of refugees in Canada. Administrative costs can be prorated and imputed student costs should be attributed to specific countries since the ultimate objective is to assist the country and not the individual.

Strengthening Aid Effectiveness states that CIDA will form an enhanced partnership *vis-à-vis* the above third category of countries with increased resources and a more programmatic approach based on local ownership. CIDA plans to focus the recently announced ODA increase on 10 to 15 priority countries. As the document states only CIDA's intention to focus, there could be some clarification regarding how the selectivity will be carried out for Canada as a whole, which includes other federal departments. Furthermore, CIDA could elaborate on whether and how the selection will be applied to the Partnership Branch.

CIDA expects the majority of the priority countries to be in Africa, reflecting the fact that this region has more poor countries than any other region and has made the least progress toward reducing poverty. As mentioned earlier, of the IAE increase over five years (USD 2 billion), one-half is to be allocated to Africa. This is part of the CAD 6 billion (USD 3.9 billion) of Canadian aid provided in existing and new ODA resources (bilateral and imputed multilateral) expected to flow to Africa over the five years from 2001/2002, as announced by the Prime Minister at the Kananaskis Summit. CIDA indicates that the projected increase will allow programming levels to return to those attained before the budget cuts in the early 1990s.

Official aid

According to DAC data, Canada's net OA to Part II countries was USD 165 million in 2000. In 1999/2000, Canada provided OA to ten Central and Eastern European Countries (CEECs).⁹ However, most of the OA was about USD 1-2 million per country per annum, except for Poland, Ukraine, and Russia. In particular, over USD 1 billion debt relief has been provided to Poland by the Department of Finance since 1991 (essentially for export credits which had financed wheat board sales) in the context of the major international debt relief operation organised to underpin Poland's shift to democracy. As for CIDA, it is phasing out of some CEECs, particularly those that are candidates for accession to the European Union - helping them in turn to become donors themselves - and is moving towards supporting ODA countries of Central Asia.

Sector distribution

Table III-5 shows the sector distribution of Canada's ODA commitments for 1999-2000. Unlike the geographical/income level data which are for disbursements by country, these sector commitment data are well categorised with very small proportion being unallocable. Based on these data, some of the prominent features of Canada's bilateral aid compared to the Total DAC average in 1999-2000 were the relatively high proportion of: core support to NGOs; government & civil society; and administrative costs. Relatively low proportions compared to the Total DAC average were: economic infrastructure and services; and action relating to debt (see below).

As mentioned above, Canadian civil society organisations are an important channel in Canadian aid, which explains the relatively high commitment to NGOs' core support. As for funding specific activities (separate from core support), NGOs particularly work in capacity building of local civil society, which results in a high proportion of aid in the category of "government & civil society." Due to the large number of CIDA staff dealing with numerous small projects, on-going relationships with civil society entities, and heavy process requirements, Canada has a relatively high administrative cost (see Chapter 5 for further treatment of this issue).

9. Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovak Republic, and Ukraine.

Canada

The low proportion of support to economic infrastructure and services is explained in Chapter 3. As for debt relief, the low proportion is mostly due to the fact that Canada has had an essentially all grant programme since 1986. Canada has already forgiven all ODA debts of the Heavily-Indebted Poor Countries (HIPC) in previous years (except for Myanmar), which totalled over CAD 1.3 billion (USD 800 million). Canada is currently owed about CAD 1.1 billion (USD 700 million) in non-ODA loans by 17 HIPC. The Prime Minister announced in 1999 that Canada would forgive all these debts when the countries complete the HIPC process - a proposal which extends beyond the enhanced HIPC Initiative. At the 2000 Bretton Woods annual meeting, Canada challenged bilateral creditors to stop collecting debt service payments from HIPC so that resources could be better spent on urgent social priorities. Canada then took action itself by placing an immediate moratorium on non-ODA debt service payments from 11 reforming HIPC (Benin, Bolivia, Cameroon, Ethiopia, Ghana, Guyana, Honduras, Madagascar, Senegal, Tanzania and Zambia) that were judged to be capable of using debt relief savings productively and were developing poverty reduction strategies.

There are some other notable features in Canada's bilateral ODA programme. Under CIDA's strategy on Social Development Priorities, the agency is increasing aid to basic social needs, which include: basic education, health and nutrition (includes food aid), HIV/AIDS, and child protection (more in Chapter 3). These priorities do not apply to non-CIDA activities and do not necessarily coincide with the DAC definition of Basic Social Services (BSS), which include basic health and education, population programmes, and small scale-water and sanitation systems. The DAC data show that in 1999-2000, Canada allocated USD 90 million, or 16% of its sector-allocable bilateral ODA to BSS - above Total DAC and average country effort, which were both 14%.

Finally, Canada is one of the few members, along with Austria, France, and Germany, that report to the DAC imputed student costs, which are public subsidies for developing country students to study in the host country. Unlike the other members, the amounts are relatively small (USD 39 million or 3% of bilateral ODA in 2000) and, in accordance with the DAC Directives, aid officials are involved in the selection of students - who are related to CIDA projects - as well as the selection of subjects. Although this has been a controversial item in DAC reporting, Canada's careful attention to the reporting rules has minimised concerns about the developmental value of this activity, and its procedures have provided a useful example to help other members improve their reporting. At the same time, as stated in the DAC Statistical Directives and in the Poverty Reduction Guidelines, increased attention could be given to minimising the "brain drain" by ensuring that terms and conditions result in the students returning to their home institutions. As with the requirement for Austria and Germany, Canada should also ensure that data are adjusted to exclude the imputed costs of students who do not return to a developing country.

Multilateral aid: policies, channels, and distributions

Canada's participation in multilateral programmes is part of its foreign policy agenda of economic prosperity, domestic security, and the projection of Canadian values. Canada works with multilateral institutions because it considers them to be the best way of addressing key development challenges and providing global public goods. The overall objectives with the multilateral institutions are to strengthen their ability to advance human development, particularly, in meeting internationally agreed development targets. Canada's proportion of multilateral aid has fluctuated between 28-33% of total gross ODA since 1998. (See Table III-2). In 2000, Canada's multilateral contribution was 33%,

slightly above The DAC average of 30%. Its disbursements to UN agencies, the World Bank group, and the regional development banks have not diverged much from the DAC average.¹⁰

United Nations agencies

Canada values the role of UN organisations in contributing to the Millennium Development Goals (MDGs) and is concerned that core donor support to many programmes is in jeopardy. At the same time, its own core support towards the UN agencies has decreased from USD 171 million in 1996 to USD 120 million in 2000. This amounted to 7% of gross Canadian ODA, below the DAC average of 9%. Like other DAC members, Canada provides various multi-bi funding transfers aside from core financial support.

Canada does not explicitly state its priorities and allocation criteria within the UN, but has consistently supported the major agencies such as United Nations Development Programme, United Nations Children's Fund, and United Nations Population Fund. Canada's largest recipient is the World Food Programme - most of its contribution is in the form of tied food aid, under the "Programme Against Hunger, Malnutrition, and Disease". Canada also focuses on supporting humanitarian and emergency relief related organisations such as United Nations Relief and Works Agency and United Nations High Commission for Refugees.

International financial institutions (IFIs)

Canada's contribution to the IFIs such as the World Bank group and regional development banks has generally been around 8% of bilateral and 4-5% of total ODA, respectively, which were above Total DAC averages in recent years. For the regional development banks, Canada's contributions, in order of magnitude, are to the Asian Development Bank, the African Development Bank and the Inter-American Development Bank.

Future considerations

Canada is encouraged to clarify the allocation among federal departments and agencies with the 8% IAE increase.

CIDA is encouraged to implement its recently announced intention to focus the additional aid resources on a limited number of recipient countries for greater impact.

Accountability could be enhanced by reporting to the public of ODA above IAE, such as first year of refugee costs, debt relief, and imputed student costs, and by improving the reporting on geographical distribution of bilateral disbursements.

10. Canada, as well as other non-EC members, tend to have a higher proportion of contribution to "other multilateral organisations" compared to the Total DAC because they do not contribute to the European Commission. These other multilateral organisations in the case of Canada include the IMF, the Global Environment Fund, the International Fund for Agricultural Development, the Organisation of American States, Pan-American Health Organisation and Consultatif Group on International Agricultural Research (CGIAR).

CHAPTER 3

POLICIES AND ACTIVITIES IN KEY SECTORS AND CROSS-CUTTING ISSUES

Poverty reduction

As mentioned in Chapter 1, *Canada in the World* is the overall framework that binds all Canadian foreign policy. According to this framework, international assistance is a vital instrument in foreign policy to achieve the three key objectives of Canada's prosperity and employment, Canada's security, and the expression of Canadian values and culture. At the same time, the purpose of Canadian ODA is "to support sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable and prosperous world." This would indicate that global poverty reduction is one of the central goals of ODA.

Canada in the World covers the entire Canadian development co-operation programme. Furthermore, recent statements by the Prime Minister and the Minister for International Co-operation commit Canada to the MDGs. However, there is no institutional oversight which ensures that poverty reduction or other objectives are indeed targeted and achieved across the Canadian aid system. CIDA does not have a clear mandate to monitor the activities of other departments and administrations. *Canada in the World* assigns to DFAIT the lead role in co-ordinating all government activities in international affairs, but the department does not promote a comprehensive view of development co-operation across the Canadian government. The Minister for International Co-operation, while responsible for establishing the allocation of the IAE in consultation with other appropriate ministers, has jurisdiction only over CIDA. Other resources and activities related to IAE fall under the jurisdiction of the appropriate minister. Consequently, Canada's aid programme overall presents a fragmented image and to gauge the extent of its efforts towards poverty reduction proves difficult.

CIDA's policy takes up poverty reduction as a more central issue in some of the strategic documents. The *Sustainable Development Strategy* states that "Within the broad purpose of supporting sustainable development, the central thrust of Canadian international co-operation is poverty reduction," and "Poverty reduction is the overarching objective of sustainable development." The *Social Development Priorities* also states "The primary goal of CIDA is to reduce poverty." However, in the most recent policy *Strengthening Aid Effectiveness*, although CIDA's intention to firmly situate its programming within nationally-owned poverty reduction frameworks is mentioned, the document does not clearly link the purpose of the whole new set of approaches with poverty reduction.

In effect, there is some confusion and poverty reduction¹¹ is not necessarily treated as the overarching goal. First, the whole programme for Central and Eastern Europe does not have poverty reduction in its mandate. Second, its six programme priorities may appear to be pursued as ends in

11. CIDA defines poverty as a state of material deprivation, physical weakness, isolation, vulnerability, and powerlessness, with women and their dependants being predominantly among the poorest of the poor.

themselves without a clear link – directly or indirectly – to the reduction of poverty.¹² The RBM has four development results (economic well-being, social development, environmental sustainability, and governance), whose links with the MDGs also need further elaboration. CIDA is aware that it needs to better articulate the linkages between priorities such as governance, private sector development and infrastructure with poverty reduction. A visible element of the private sector development programme, in particular, has more emphasis on helping Canadian businesses than those of developing countries, though a recent evaluation found that the portfolio overall had contributed positively to the Agency's poverty reduction goal. CIDA also sees that core-training in poverty reduction could be made mandatory for all CIDA staff.

For field operations, some CDPFs do not always present a sufficient analysis of poverty situation nor link outputs with impact. For example, China's CDPF, while mentioning that poverty reduction is a cross-cutting consideration, only briefly refers to the poverty situation in China as being in the northeast and southeast areas. Furthermore, some of the objectives in economic co-operation (to promote economic linkages and partnerships between Canada and China) and performance indicators in environmental sustainability (utilisation of Canadian environmental technology in China) and governance and democracy (number of people exposed to Canadian perspectives) call for clarification regarding the centrality of the poverty reduction goal among other aims and priorities in CIDA's programme. In general, CIDA, as well as other DAC member agencies, could focus more and link institutional outputs (e.g. number of measures designed to promote women's rights) with developmental impact so as to ensure the actual improvement in the lives of poor people.

A poverty reduction working group exists in CIDA and a number of projects do address poverty issues. The special emphasis on basic social needs constitutes a positive contribution to direct poverty reduction as well. CIDA's aspiration towards programme-based approaches to enhance effectiveness in poverty reduction and more ownership by partners is also welcomed. At the same time, although commitment is expressed in some of CIDA's policy statements, the extent to which poverty reduction is treated as a priority continues to depend in part upon the commitment of individuals involved in operations. If poverty reduction as an overarching objective is to be consistently adhered to, then it will need to be mainstreamed throughout the agency with a clearer message of CIDA's mandate, stronger leadership and a more rigorous monitoring system.

Programme priorities

The following describes each of the six programme priority areas stated in *Canada in the World* and is mostly based on CIDA activities due to the unavailability of detailed and comprehensive information on other departments and institutions. In general, CIDA has numerous policies, guidelines, and activities in each area. Most projects are related to technical assistance carried out by Canadian civil society with relatively small amounts (the largest being around USD 3 million in commitment for multiple years). Examples of the largest commitments in 2000 for each area based on the Creditor Reporting System (CRS) database are listed in Tables 2 to 6.

Basic social needs

CIDA's Social Development Priorities: A Framework for Action was issued in 2000. This is a five-year plan with the aim of doubling funding to four priority areas from

12. According to the DAC's Creditor Reporting System data in 2000, CIDA reported that 26% of its sector allocable projects in total amounts had poverty reduction as a principal objective, 39% as a significant objective, 3% did not have it as an objective, and 32% were not screened against the objective.

CAD 342 million (USD 230 million),¹³ to CAD 724 million (USD 478 million). The key areas are: basic education, health and nutrition, HIV/AIDS, and child protection, with gender equality as a cross-cutting theme. The overarching objective of this Framework is poverty reduction with the premise that healthy, well-nourished and educated people are the basis of prosperous economies and stable societies - without them, development is impossible. Each of the four areas has its own action plan strategy document. There is particularly an emphasis on basic education, with funding to this area expected to quadruple in five years. The plan clearly refers to internationally agreed targets such as the MDGs and provides a resource allocation mechanism, but it needs to ensure that results are linked with goals.

In health and nutrition, it should be noted that food aid takes up a large proportion. There has been a shift in food aid policy, resulting in increased attention to micro-nutrient and vitamin enhancement programmes aimed at reducing malnutrition and vulnerability to disease. In 2000, CIDA committed USD 84 million of non-relief food aid¹⁴ to more than 27 countries.

Table 2. CIDA's largest reported commitments in Basic Social Needs, in 2000

Sectors	Country/Region	Project Title	USD	Duration	Tied
Basic Education	Mozambique	Support basic education materials	10 million	5 years	93%
	Jamaica	Integrated early childhood education	3 million	2 years	100%
	Haiti	Governance in basic education	3 million	5 years	100%
Health and Nutrition	Zambia	Supplying pharmaceuticals for priority diseases	7 million	3 years	99%
	Malawi	Family and reproductive health care	3 million	5 years	75%
	Malawi	Small-scaled community water, sanitation and health	8 million	6 years	64%
Food Aid and Humanitarian Assistance	27 countries	Non-relief food aid	84 million	No detail	100%
	55 countries	Non-food emergency aid	202 million	No detail	1%
HIV/AIDS	Africa (unspecified)	Unspecified	24 million	5 years	-
	India	AIDS prevention and control	9 million	7 years	92%
	South & Central Asia (unspecified)	Reduction of trans-boundary spread of HIV/AIDS among migrant populations	4 million	5 years	73%

Source: OECD.

According to the CRS, there are relatively few projects related to HIV/AIDS. However, CIDA's disbursement on HIV/AIDS, which are mainly regional rather than country specific, has been increasing and is projected to reach CAD 80 million (USD 50 million) by 2005-2006. Furthermore, the Africa and Middle East Branch now requires HIV/AIDS to be integrated in all of its bilateral programming and promotes the involvement of people living with HIV/AIDS in programme design and delivery. Canada, as part of the G8 Africa Action Plan, is committed to support interventions which would: address gender-sensitive prevention; improve technical capacities; provide care for infected or affected mothers and children; increase awareness and reduce stigma at high political levels; increase awareness among employers; provide support to infected employees and their families; integrate approaches which address both HIV/AIDS and tuberculosis; and build capacity to address HIV/AIDS as a threat to peace and security in Africa. Beyond Africa, CIDA sees the need to

13. About a third of CIDA's budget.

14. In addition, as mentioned in Chapter 2, Canada provided food aid to WFP as part of multilateral ODA.

Canada

better integrate HIV/AIDS into overall analysis throughout the agency. CIDA is encouraged to treat HIV/AIDS as a cross-cutting issue and mainstream it throughout its programmes.

The Child Protection Action Plan focuses on marginalised groups of children, such as street children, ethnic-minority children, sexually exploited and trafficked children, and children affected by armed conflict. In particular, addressing child labour is one of the main priorities in this area. CIDA aims to eliminate the worst forms of child labour and to support working children with programmes including formal and non-formal education and health care. In 2000, CIDA and DFAIT jointly hosted the International Conference on War-Affected Children - the first global meeting of its kind. There are very few projects reported to the CRS on child protection, presumably because they tend to be attributed to other categories. In terms of policy coherence as well as ratifying the International Convention on the Rights of the Child, the government of Canada has adopted legislation to allow the prosecution of Canadian citizens and permanent residents who engage in exploitative sexual activities with children abroad. It would be of interest to learn about Canada's mechanism of effectively enforcing this law.

While all DAC members have committed to the MDGs and many have agreed to the Copenhagen 20-20 Initiative which targets 20% of ODA to be allocated to BSS, few are making notable effort in actual resource allocation, despite obvious links between resources for BSS and achieving some of the MDGs. Canada is commended for its conviction and commitment that without investments in the priority areas of social development, economic growth will not reduce poverty and many people will continue to be left behind. Canada is encouraged to continue its effort to prioritise long-term basic social needs.

Human rights, democracy, and governance

Promoting human rights, democracy, and governance is considered by CIDA as the core of sustainable development and poverty reduction. These areas have received increased attention and have collectively become the second highest of the six programme priorities. In general, CIDA focuses on respect for human rights and good governance particularly in poor performing countries. CIDA is active in promoting not only political rights, but also women's and children's rights, economic, social and cultural rights, and the rights of indigenous peoples. CIDA is making an interesting endeavour to increase the capacity of indigenous Canadians to participate in development activities that help indigenous peoples of developing countries. CIDA, DFAIT, and other federal departments¹⁵ working internationally in the field of human rights and democratisation hold regular consultations with Canadian NGOs and other civil society organisations on policy positions and programming options. (See Box 3.)

15. Primarily the Canadian Human Rights Commission (CHRC), Human Resources Development Canada, Department of Justice, and Elections Canada.

Box 3. International Criminal Court

The DFAIT was a significant international actor in mobilising the public dialogue and support for the establishment of the International Criminal Court (ICC) as well as playing a key role in the formulation of the treaty creating the Court. CIDA contributed in the early stages of the preparatory process by supporting the participation of both developing countries and NGOs so that many voices and views could be included in the deliberations. Subsequently, DFAIT developed a manual on the legislative and regulatory aspects of ratification for the ICC, and CIDA's Peacebuilding Unit supported training and technical assistance workshops throughout the world to assist states to ratify the Statute. This effort also included a media and public awareness campaign for civil society.

Table 3. CIDA's largest reported commitments in human rights, democracy and governance, in 2000

Sectors	Country/Region	Project Title	USD	Duration	Tied
Child Protection	India	Children's Development Fund	0.3 million	4 years	0%
Human Rights	Guatemala	Democratic Development Fund	3 million	5 years	100%
	LDCs (unspecified)	Human rights	3 million		0%
	Indonesia	Human rights education, local initiatives, election support (3 projects)	5 million	2-3 years	85%
Strengthening Civil Society	China	Village governance project	3 million		100%
	Burma	Capacity-Building of Burmese border-based refugees	3 million	5 years	95%
	India	Community-based economic development	3 million	5 years	29%
Good Governance	Brazil	Technology transfer in public sector reform for social development and environment	10 million	5 years	100%
	Bangladesh	Legal Reform	10 million	7 years	100%
	West Indies (unspecified)	Public sector financial management	7 million	8 years	100%
Peacebuilding	Kosovo	Budgetary support for post-conflict peacebuilding through UN	5 million	2 years	60%
	Africa (unspecified)	Capacity development for peace and security	3 million	No details	No details
	Former Serbia and Montenegro	Deployment of Canadian experts in peacebuilding and reconstruction	3 million	2 years	100%
Landmines	Cambodia	Landmine clearance	3 million	5 years	100%
	Former Yugoslavia	De-miner, dog training; manual and mechanical mine clearance	9 million	3 years	100%

Source: OECD.

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CIDA considers that fostering local civil society is an important element in building a democratic society. The Canadian civil society organisations which play a large role in the official Canadian aid programme are increasingly working to develop the capacity¹⁶ of their local partners, as opposed to implementing service delivery themselves. While this may lead to enhanced democracy, the role and the competence of the public sector cannot be neglected. CIDA therefore engages in capacity development of the public sector in order to foster better governance. In 2000, a secretariat for "Partnership for International Co-operation" was created at the Canadian Centre for Management Development with the purpose of co-ordinating the activities in governance carried out by 44 federal departments and agencies, including CIDA and DFAIT, tribunals, and parliamentary institutions. The Partnership provides advisory services, collaborative research, and training in areas such as: development of democratic institutions; relations between the citizen and the state; public sector management; public finances; and national economic development. While these activities may produce certain outputs, capacity development of institutions should not become an end in itself and fail to provide benefits to the citizens whom they are ultimately meant to serve. The public would be interested in learning how these interventions have contributed to improving the lives of poor people.

Although not part of the six programme priorities, the areas of security and conflict prevention are categorised under human rights, democracy, and governance, and have become one of the major features in Canadian aid. CIDA's Peacebuilding Unit, which deals with ODA-related conflict prevention and post-conflict reconstruction activities, co-ordinates regularly with DFAIT's Human Security Programme department, which undertakes policy advocacy work in five areas of human security (conflict prevention/resolution, governance and accountability, peace-support operations, protection of civilians, and public safety). The two departments have also been working towards better co-ordination in these areas with other actors such as the Departments of National Defense, Justice, and Industry, Office of the Solicitor General, the Royal Canadian Mounted Police (RCMP) and NGOs.

A notable activity includes the Civilian Police Arrangement that enables the rapid deployment of RCMP and other police officers to multilateral peacekeeping missions. Canada has also played an active role on the issue of landmines. It hosted the Landmine Convention meeting in 1998, which resulted in the ensuing Convention being signed by 122 countries. Canada also established a five-year CAD 100 million (USD 65 million) Canadian Landmine Fund to further implement the Convention. CIDA, DFAIT, and the departments of Defence and Industry jointly administer the Fund.

Private sector development

Although overall allocations for private sector development have declined in the past decade, according to CIDA, it remains an important priority representing CAD 177 million (USD 119 million) or 11% of its ODA disbursements in 2000-01, placing it the third among the six programming priorities. CIDA intends to give the theme more emphasis and increase expenditures annually, pending budget approval. In addition, Canada is planning to allocate CAD 100 million (USD 65 million) in a fund to promote the African private sector; but the details including CIDA's role are yet to be elaborated.

16. CIDA defines capacity development as "Activities, approaches, strategies and methodologies which help organisations, groups and individuals to improve their performance, generate development benefits and achieve their objectives over time. It often involves broad participation, building on local interests and expertise, offering opportunities for learning and linking at micro-meso and macro levels to build ownership and sustainability."

Table 4. CIDA's largest reported commitments in private sector development, in 2000

Sectors	Country/ Region	Project Title	USD	Duration	Tied
Private Sector Development	China	INC*, no details	4 million	No details	No details
	Nigeria	INC*, no details	4 million	No details	No details
	Philippines	INC*, no details	3 million	No details	No details
Microfinance	Haiti	Support to savings and credit co-operatives	3 million	5 years	100%
	Senegal	Strengthen network of mutual savings and credit schemes	3 million	4 years	61%
	Egypt	Policy development of micro, small and medium sized enterprises	3 million	6 years	71%

Note: * INC projects are aggregated by recipient countries and project-based information is not reported to the CRS.

Source: OECD.

CIDA supports private sector development in order to increase developing countries' access to investment capital and Canadian technology as well as to build their capacity by availing Canadian managerial, entrepreneurial and technical expertise. CIDA also carries out some micro-finance projects - often targeting women - and provides policy advice in this area. At the same time, CIDA is aware that it needs to develop a comprehensive policy on private sector development, as mentioned in *Strengthening Aid Effectiveness*. The absence of this policy may explain why some activities are predominantly intended to benefit Canadian businesses.

The Industrial Co-operation Programme (INC) of CIDA's Partnership Branch's primary objective is to support Canadian firms that are seeking to expand into developing countries on a cost-sharing basis.¹⁷ Although poverty reduction and promotion of mutually beneficial relationships between Canadian companies and their counterparts in developing countries are mentioned, the programme provides financial support, advice, and training to Canadian private sector entities that are planning to conduct business in developing countries in a variety of sectors. CIDA provides minimal data to the CRS regarding the details of the INC activities and could therefore enhance transparency by providing more information. In elaborating the new policy for private sector development, CIDA is encouraged to give further attention to the ownership of the main clients – those in developing countries – that should be served by the programme.

Infrastructure services

According to CIDA, infrastructure services represented CAD 154 million (USD 104 million) or 10% of its ODA activities in 2000-01. Despite being one of the six programme priorities, CIDA's aid towards this area has declined. This is mostly due to the shrinking budget and the fact that infrastructure projects are costly. The agency generally regards infrastructure as an area that is risky, requires extra attention, has a high failure rate, and is subject to criticism compared to other areas. Telecommunications, energy, and other relevant areas have become commercially viable undertakings with the result that commercial banks or IFIs have been willing and better placed to finance them.

17. To the question of whether an international corporation is eligible for CIDA-INC funding, the Web site answers "... as long as it is the Canadian operation that carries out the work, with Canadian resources, and with the expectation that the downstream activity will benefit the Canadian operation."

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CIDA has indicated a preference to shift into areas that Canadians can associate better with poverty reduction. At the same time, some officials consider that CIDA has excessively reduced the focus on infrastructure's role in poverty reduction.

Table 5. CIDA's largest reported commitments in infrastructure, in 2000

Sectors	Country/ Region	Project Title	USD	Duration	Tied
Electricity	Slovenia	Support for electrical transmission and distribution	10 million	5 years	100%
Transportation	China	Less polluting intermodal transportation service	5 million	5 years	93%
	Vietnam	Small-scale road transportation development	3 million	1 year	100%

Source: OECD.

Environment

CIDA's Policy for Environmental Sustainability is currently being updated from the 1992 policy to reflect the international and national progress made in this area during the last decade. While the guiding principle will remain the same, environmental considerations will be integrated further and capacity development emphasised. CIDA has also created a Multilateral Environmental Agreements Unit to enhance its policy capacity and better assist developing countries with negotiation and implementation of multilateral environmental agreements. Environment is both a cross-cutting issue as well as an area with specific funding. In 2000-01, according to CIDA, CAD 152 million (USD 100 million) or 9% of its ODA spending was disbursed on specific environmental projects. At the same time, according to the DAC's report for participants at the Johannesburg Summit, Canada's ODA volume related to climate change, desertification, and bio-diversity, as well as its multilateral ODA commitments related to the Rio Convention, were all below the DAC average for 1998-2000.

A large part of the funding is disbursed through multi-donor programmes, such as the establishment of the China Council for International Cooperation on Environment and Development described in detail in the last Peer Review (see Box 4). Another example is the Nile Basin Initiative, in which Canada was the original collaborating partner in a multi-donor effort to bring together ten states along the Nile River for joint management and development of the Basin's resources. Canada currently chairs the Conference of the Parties to the UN's Desertification Programme. It would be of interest to learn how Canada's leadership in these areas has contributed to the improvement of the environment.

Box 4. China Council for International Co-operation on Environment and Development

China requested CIDA's assistance in 1992 in founding the China Council for International Co-operation on Environment and Development (CCICED), a high-level consultative organisation in which international and Chinese experts work together to advise the Chinese government in defining and implementing sustainable development policies. The project has now entered its third phase with CIDA continuing its role as lead donor. An assessment conducted by a Canadian team in 2000 showed that, in part due to CCICED's influence, policy options are increasingly being tested through pilot projects and subsequently implemented with the support of various donors, including CIDA. The Chinese Government is also increasingly defining and implementing long-term integrated environmental strategies and policies. Furthermore, the project has contributed to a better public understanding and awareness of environmental issues in China.

At the last Peer Review, the development of CIDA new protocols and information database for environmental assessments was expected to lead to improvements for the area. In 2000, an internal audit was conducted to test CIDA's compliance with the 1995 Canadian Environmental Assessment Act. The findings suggested that, while the mechanisms of accountability were in place, certain requirements, such as training programmes for staff, conducting an assessment prior to funding a project, registering an assessment in a public registry at the commencement of a project, as well as availing the results of a follow-up programme, were yet to be implemented consistently.

CIDA is committed to mainstream environmental considerations as a cross-cutting issue into its policies and programming. The agency requires every initiative to be reviewed and coded on environmental aspects prior to approval by environmental specialists posted throughout the organisation. At the same time, according to the CRS data, 9% of the total volume of projects in 2000 had environment as a principal objective, 27% had significant objective, 2% had no objective of environment, and 62% were not screened against the objective. CIDA could elaborate on the challenges and successes in effectively ensuring that environment is mainstreamed throughout its activities.

Table 6. CIDA's largest reported commitments in environment, in 2000

Sectors	Country/Region	Project Title	USD	Duration	Tied
Environmental Management	Vietnam	Strengthen environmental management capacities of national/local institutions	8 million	5 years	78%
	China	Bio-diversity protection and community project	4 million	6 years	100%
	Costa Rica	Debt conversion fund for an environmental project	4 million	1 year	100%

Source: OECD.

Gender equality

CIDA carried out an evaluation on overall gender issues for activities between 1992 and 1995.¹⁸ Based on the results and a long consultative process - which included developing country

18. The report was released in 1998.

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partners - the agency revised its policy on Gender Equality in 1999 to bring CIDA in line with the DAC Guidelines on Gender Equality as well as Canada's Federal Plan for Gender Equality. The updated policy links equality issues with poverty and addresses a results-based approach. CIDA is currently developing a performance measurement framework to adopt the new approach. The Gender Equality Unit and the Continuous Learning Section have also collaborated in developing "Promoting Gender Equality – An Online Learning Course" for CIDA staff, which is also accessible to the general public.

Like environment, gender equality has distinct activities and is also treated as a cross-cutting theme. In 2000-01, according to CIDA, it spent CAD 76 million (USD 50 million) or 5% of its ODA disbursements on gender specific activities.¹⁹ As a cross-cutting theme, CIDA supports capacity development to: undertake gender analysis at the policy, programmatic and institutional levels; design and carry out programming that promotes gender equality; develop expertise at national and sectoral levels to collect and make available sex-disaggregated data; and develop strategies to increase women's representation throughout organisations, particularly at decision-making levels.

According to the CRS, CIDA reported in 2000 that 5% of the total value of its projects had a principal objective of gender equality, 53% had significant objective, 3% were not targeted, and 39% were not screened against the objective²⁰ of gender equality. This seems to indicate that an accountable monitoring system is yet to be developed in ensuring that gender equality is thoroughly mainstreamed. Considering the importance Canada attaches to gender issues, it would be of interest for other DAC members to learn about the difficulties encountered and successes achieved regarding mainstreaming gender equality agency-wide and the impact CIDA has had in improving gender equality in developing countries.

Future considerations

In updating *Canada in the World*, Canada could redefine the central role of poverty reduction and its linkages with programme priorities. CIDA could also mainstream poverty reduction throughout the agency with a clearer message, stronger leadership and a more rigorous monitoring system.

In developing CIDA's private sector development strategy, further attention could be given to the main clients – those in developing countries.

An enhanced monitoring system could be developed by CIDA to ensure that environment and gender equality are mainstreamed agency-wide.

19 . However, CIDA reported no gender equality specific project to the CRS for 2000. Related projects were presumably reported under other categories.

20. DAC definition stipulates that if activities have not been marked, it implies that they have not been screened against the objective.

CHAPTER 4

POLICY COHERENCE FOR DEVELOPMENT

Canada's approach to policy coherence for development

Promoting overall coherence of non-aid policies with regard to their impact on global poverty reduction has become an important issue for the G8, the OECD and other international organisations. When agreeing to the *Action for a Shared Development Agenda* in 2002, OECD members reiterated their commitment to elevate policy coherence for development as a general concern in non-aid policies and to enhance the understanding of the development dimensions of such policies and their impact on developing countries. In this context, Canada agreed to be assessed in terms of the checklist of suggested strategic issues for systematic policy review contained in the *DAC Guidelines on Poverty Reduction*. Canada's progress in promoting policy coherence can be assessed at three different levels: political commitment to poverty reduction at the highest level; co-ordination and implementation mechanisms within and across federal departments; and ability to undertake the necessary analysis.

Political commitment

Canadian political leaders have recently demonstrated a strong interest in responding to the development challenges faced by poor countries and the need to ensure greater policy coherence for development. At the International Conference on Financing for Development, Canada's Prime Minister emphasised the important role of trade, investment and debt reduction for economic development along with aid. Canada made a major turnaround in announcing at the last G8 Summit its decision to increase market access for products from LDCs.

Canada has endorsed the principles for effective development, which include the need for greater coherence between aid and non-aid policies, as set out in the *DAC Strategy for the 21st Century* and reiterated in the *Guidelines on Poverty Reduction*. At the same time, Canada's commitment to policy coherence for development remains to be articulated in a comprehensive way so as to better mobilise efforts across federal departments. *Canada in the World*, the only government-wide policy basis for development co-operation, which dates back to 1995, recognises the importance of coherence among the foreign policy instruments pertaining to developing countries. At the same time, coherence is expressed mostly in terms of consistency and complementarity among various components within international assistance, rather than coherence of non-aid policies with development. In its *Policy Statement on Strengthening Aid Effectiveness*, CIDA for the first time provides a substantive description of policy coherence for development with a recognition of the need to ensure that efforts to reduce poverty are not undermined by non-aid policies and actions of other federal departments. The document elaborates two new initiatives taken to enhance policy coherence: increased market access for almost all products from LDCs and aid untying. However, the document only briefly suggests that CIDA should review the impact of Canadian non-aid policies on developing countries and assess opportunities in improving policy coherence for development, without further elaborating on the way forward. Since Canadian aid is an instrument serving foreign policy objectives, there is a risk that

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development policies and programmes could place Canadian socio-economic interests ahead of responding to the needs of developing countries.

Government co-ordination

Inter-departmental co-ordination for international affairs takes place formally only at the Cabinet level though this does ensure co-ordination and leadership at the highest level of government. CIDA is represented in the Cabinet by the Minister for International Co-operation. For inter-departmental co-ordination at lower levels, officials meet regularly on a more informal basis as needs arise. Inter-departmental co-ordination is perceived as satisfactory, which does not mean that diverging views are always easy to reconcile nor that global poverty reduction always supersedes other Canadian objectives. Whether the efficiency of decision-making in international development could be increased with more structured co-ordination is a question that Canada could consider. The creation of monitoring mechanisms and the reinforcement of existing ones would enable the government to exercise enhanced oversight in some areas that have a bearing on policy coherence for development (*e.g.* screening of draft legislation, assessment of social and environmental standards in export credits and guarantees extended for projects in developing countries, oversight of corporate social responsibility of Canadian multinationals, prosecution of Canadians who engage in exploitative sexual activities with children abroad, etc.). Experience shows that such mechanisms could enable CIDA to play an enhanced role in the inter-departmental community.

In the context of policy coherence, many development agencies face the challenge of not being perceived as equal partners by other government bodies. CIDA's status was strengthened in 1996 by the appointment of a separate Minister for International Co-operation with responsibility for CIDA. At the same time, DFAIT acts as a co-ordinator for the entire government's international activities - its Bureau for Global Issues was established with the purpose of strengthening the consistency of the government's response to a number of global issues.²¹ The respective roles and responsibilities of CIDA and DFAIT in promoting greater policy coherence for development may need to be further defined.

Analytical capacity

For a more systematic approach to policy coherence for development, Canadian non-aid policies (*e.g.* trade, agriculture and immigration) need to be analysed in terms of their impact on developing countries, with the findings discussed in inter-departmental policy co-ordination fora. In the area of trade, progress has been made in that DFAIT is now consulting CIDA on development-related issues. DFAIT and CIDA jointly fund a CIDA-staffed position at Canada's mission to the World Trade Organisation to cover trade and development issue. Given its knowledge and experience, CIDA appears to be well-positioned to promote the interests of developing countries within Canadian government forums. The recent strengthening of its Policy Branch gives it the means to undertake the necessary analysis and to make appropriate recommendations on behalf of the Canadian government. CIDA has strengthened its Policy Branch with a view to playing such an advocacy role in a pro-active and systematic way.

21. Global issues include environment, population growth, international migration (including refugee issues), international crime, human rights, democratisation, preventive diplomacy and post-conflict peace-building.

The checklist from the *DAC Guidelines on Poverty Reduction* has been designed to encourage DAC members to establish the capacities and systems to help them enhance policy coherence for development in their decision-making. Accordingly, there are a number of specific areas - some of which are indicated hereafter - where Canada could pursue more analysis in order to promote an informed debate on non-aid policies. Two specific issues, trade and immigration, are elaborated in the next section of this chapter.

- **International trade, foreign direct investment and international finance.** Concerning export credits, Canada has agreed to implement recent OECD proposals to ensure that official export credits and guarantees are consistent with the objective of sustainable development. CIDA could be more systematically involved in the screening process of projects in countries eligible for ODA. Regarding foreign direct investment, there are a number of Canadian companies active in the extractive sectors of natural resources in developing countries. Canada could usefully deepen its assessment of the impact of such investment in terms of poverty reduction, environmental sustainability as well as political and social stability.
- **Agriculture and food aid.** Developments in Canada's agricultural policy have shown considerable improvements towards market orientation. Support to producers is about half the OECD average; and producer prices for most commodities - with the exception of dairy, poultry meat and eggs - are aligned with world market prices. Nevertheless, total support to agriculture in 2001 amounted to CAD 8 billion (USD 5.2 billion), which was over three times the amount of ODA. Agricultural subsidies undermine potentially competitive farming in developing countries by reducing world market prices and inducing these countries to import cheaper surplus foods from OECD countries, while most of their economies depend on agriculture. Canada is therefore encouraged to take account of how its new Agricultural Policy Framework as well as future policy developments may affect developing countries. In addition, Canada continues to provide tied food aid, although it has adopted in recent years more flexible forms of this assistance. Nevertheless, Canada should show greater flexibility in sourcing food aid from developing countries as appropriate, in order to support the latter's efforts in developing their own agricultural production.
- **Natural resources and environmental sustainability.** The promotion of sustainable development and sustainable use of natural resources is a key priority for Canadian development co-operation. Canada's announcement at the World Summit on Sustainable Development in Johannesburg to ratify the Kyoto protocol is welcomed - and Canada is encouraged to ensure its implementation, since poor people in developing countries are more vulnerable to the consequences of climate change.
- **Health issues.** Canada is a strong supporter of global efforts to fight infectious diseases, particularly HIV/AIDS. Canada has been actively involved in debates on trade-related intellectual property rights (TRIPs) in the context of improving access to drugs in developing countries. Canada is encouraged to remain engaged in these debates to ensure that the development dimensions of TRIPs are fully explored.

Canada

- **Governance and conflict.** Implementation of its legislation to fight international bribery,²² including monitoring the activities of Canadian enterprises abroad, will require sustained attention.

Recent achievements and remaining challenges for Canada

Trade

Like other OECD countries, Canada has over the years introduced several preferential schemes aimed at improving market access for selected goods from certain groups of developing countries. These include the Generalised Preferential Tariff, the Commonwealth Caribbean Countries Tariff and the Least Developed Country Tariff. Canada has also signed free-trade agreements with several countries, mainly in Latin America. Almost all agricultural imports from LDCs have been able to enter Canada duty free, with the exception of dairy, poultry and eggs. However, the importation of textiles and clothing products has been excluded from these schemes - a sensitive issue for Canada - while these products are important for a number of developing countries, including some LDCs. In fact total imports from LDCs were facing the highest average tariff rates with 8.8%,²³ as compared to the overall developing country average tariff of 2.45% and an average world tariff of 0.82%. Canada collected CAD 28 million (USD 19 million) in custom revenues in 2000 on imports from Bangladesh, which was equivalent to half of Canadian bilateral aid to the country. Textile and clothing industries in developing countries have also been affected by Canadian exports of used clothing, which is a top Canadian export to many African countries.²⁴

As announced at the last G8 summit, Canada has joined the growing international trend to provide increased market access for LDCs. Recognising the importance of enhancing trade opportunities to reduce poverty in developing countries, the government of Canada will extend, as of January 2003, duty free and quota free access to all imports from LDCs²⁵ - with the exception of three agricultural products (dairy, poultry and eggs). These exceptions are not likely to affect trade with LDCs, although further analysis may be necessary for a full assessment. Canada's initiative is welcomed. The government decision was made following public consultation which met general support.²⁶

In the absence of detailed analysis by Canada, it is difficult to predict the impact of the Canadian initiative on LDCs. Imports from LDCs into Canada (CAD 415 million - USD 279 million) are insignificant, since they represent only 0.12% of total Canadian imports, which is the lowest share among G7 countries. A country like Bangladesh is likely to benefit the most, since clothing imports from the country represented 50% of Canadian imports from LDCs in 2000. Canada could help African LDCs - which constitute the majority of LDCs but contribute only to a third of imports from LDCs into Canada - explore opportunities in the Canadian market. The rules of origin will be an important factor to determine the extent to which LDCs can take full advantage of market

22. Canada's legislation to comply with the OECD Convention on the Bribery of Foreign Public Officials in International Business Transactions became effective in 1999.

23. Half of Canadian imports from LDCs were actually facing tariffs averaging 19%.

24. In 2000 used clothing was among Canada's top three exports to 23 countries in Africa and 5 in Asia.

25. Myanmar is not eligible for political reasons.

26. The government expects employment loss to be limited and is planning adjustment programmes for Canadian workers likely to be affected in the textile and clothing sectors.

liberalisation.²⁷ Canada intends that its rules of origin will be the simplest and most generous of any major country, including for textiles and clothing. In general, increased trade opportunities may also be influenced by other non-tariff barriers, such as health and safety standards, phyto-sanitary measures as well as human rights and labour standards.

Within its aid programme, Canada has been active in supporting trade capacity building in developing countries in order to enhance effective market access. Such efforts aim at strengthening the capacity of developing countries to participate in international trade negotiations, to develop domestic policy and institutions in trade-related areas and to establish supply capacities for exports. Specific focus on LDCs, which has so far been limited, will be reinforced with additional resources for trade capacity building made available as part of Canada's commitment to Africa announced at the last G8 Summit.

Immigration

Canada has always been a country of immigrants, with currently one in six citizens born abroad. A new Immigration and Refugee Protection Act came into effect in June 2002 that reinforces Canada's efforts to attract skilled workers and entrepreneurs as well as extends the dependent children's age limit under family reunion. Like many OECD countries, Canada faces challenges stemming from an aging population and a slow population growth rate. Once a country dominated by migration from the United Kingdom and other European nations, Canada's most important migration flows today stem from countries in the developing world, with skilled migrants specifically being targeted. Of the 250 000 immigrants and refugees who entered the country in 2001, 53% came from the Asia and Pacific region (16% from China and 11% from India), and 19% were from Africa and the Middle East. In addition, Canada accepts up to 30 000 refugees and displaced persons a year. Of total immigration, 55% were economic migrants (mostly skilled), 27% were family reunions, and 11% were refugees.

This reality has implications for many sending countries – notably developing countries - that cannot be ignored. Migrant remittances increase inflows of foreign currency to sending countries and returning migrants may invest and bring skills. The interaction between developing countries and their diaspora in advanced countries can be a new dynamic for development; at the same time, the departure of much-needed human capital can also be detrimental to a developing country. This is especially important in the different areas of basic social services, such as health care and education. One issue that has received attention recently is the problem of OECD countries such as Canada actively recruiting health care workers from developing countries to meet a growing domestic shortage. As a result, the sending countries are left depleted of a scarce resource when improvements in their own health systems are badly needed. Furthermore, the age of dependent children under the new family reunification scheme has been extended from 18 to 22 years. This has implications for developing countries, which would lose human resources that they have invested in through training and college education. Canada, in turn, would stand to benefit from these skilled and educated people without having invested in them. In general, there is an opportunity cost for developing countries in allocating scarce resources to higher education as opposed to primary education, particularly in light of achieving universal primary education.

While freedom of movement is fundamental in a globalised and democratic world, OECD countries must ensure that their immigration policies are designed to reduce rather than aggravate poverty in the developing countries concerned. Canada should assess the potential impact of its immigration policy on developing countries' human resources development. Migration and

27. Rules of origin, based on North American Free Trade Agreement (NAFTA), will require a 25% value-added in LDCs for products using raw materials not originating from LDCs.

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development are interconnected and CIDA can play a role in conducting analyses to better understand the linkages. It is important that relevant federal departments, such as Citizenship and Immigration Canada and DFAIT, work together with CIDA to develop a comprehensive policy on international migration and its relationship to development issues.

Tied aid

Canada's aid is highly tied by nature because of the drive to maintain a strong involvement of Canadian civil society and private sector organisations. According to DAC statistics, Canadian bilateral ODA (excluding technical co-operation and administrative costs) in 2000 was 75% tied, which was one of the highest rates among DAC members. Tied aid generally has higher costs and it risks undermining the principle of partnership and ownership pursued by Canada. This is, for example, confirmed by a review carried out in 1997-98 on food aid – 90% tied - which found that cost effectiveness could be enhanced by diversifying procurement within and beyond Canadian sources. However, in order to maintain public support, CIDA has always emphasised income and employment for Canadians as benefits of its aid programme. CIDA staff are required to fill out a section on benefits to Canada in the Annual Project Performance Reports and to devote a section on this topic in the Agency's Annual Report to Parliament. However, in recent years CIDA's policy statements have emphasised poverty reduction as the most important result for Canadian interests and against the background of renewed public communication efforts (see Chapter 1), CIDA is encouraged to further strengthen this focus on the results achieved in developing countries through development co-operation rather than on the returns to the Canadian economy.

In 2001, the DAC adopted the Recommendation on Untying ODA to LDCs, which took effect on 1st January 2002. The Canadian Cabinet approved a new untying policy to comply with the DAC Recommendation in June 2002, some six months beyond the deadline, indicating the difficulties this issue presented in the Canadian context. Implementation modalities have yet to be approved by the Treasury Board. Since procurement of goods is small in the Canadian aid programme, and technical assistance is excluded from the DAC Recommendation, its implementation is not expected to have a substantial impact on reducing Canada's overall level of tied aid (less than 1.5% of Canadian aid to LDCs, according to CIDA estimates). Consequently, Canada should, as the recommendation encourages, undertake its best efforts to identify and implement supplementary untying opportunities beyond the provision of the Recommendation so as to promote a more balanced effort sharing among DAC members. CIDA has already sought and obtained authority to award service contracts to non-nationals. An experiment is also being piloted in Honduras, where the procurement of all goods and services within the programme of the geographic branch is to be untied and managed through the local United Nations Development Programme (UNDP) office.

One of CIDA's instruments consists of providing grant funding to create credit lines to offer private enterprises in partner countries the foreign currency for acquiring Canadian goods and equipment. The repayments by the private enterprises are deposited into counterpart funds which then become available to partner countries to cover various local costs in support of CIDA's country programmes. In Bolivia, such a fund (CAD 15 million for five years) represents 25-30% of the annual core bilateral aid budget. CIDA is completing an update of the current counterpart fund policy. In this context, it is encouraged to review the relevance of these instruments for poverty reduction and local ownership.

Future considerations

Canada's commitment to policy coherence for development needs to be supported by a system for mobilising efforts across the government, including more structured collaboration between CIDA, DFAIT as well as other federal departments and agencies.

Canada should take a more pro-active approach in analysing the impact on developing countries of non-aid policies such as trade, agriculture and immigration.

Canada's recent decision to increase market access for LDCs is welcomed. Canada is encouraged, in its initiative, to provide liberal rules of origin.

Canada is encouraged to move forward in implementing the DAC Recommendation on Untying ODA to LDCs and to further untie its aid in order to increase ownership and capacity in partner countries.

CHAPTER 5

OVERALL ORGANISATION, STAFFING AND MANAGEMENT SYSTEMS

Overall structure of the Canadian aid system

Like many other DAC countries, Canadian development co-operation involves several different federal departments and agencies (see Chart 1). Co-ordination takes place at the level of the Cabinet, enabling each federal department and agency to be represented by its respective minister on an equal basis. Although *Canada in the World* assigns DFAIT to ensure coherence and synergy over the full range of the government's international activities, the concerned federal departments and agencies are operationally autonomous. In reality, there is limited comprehensive oversight of the entire Canadian aid system.

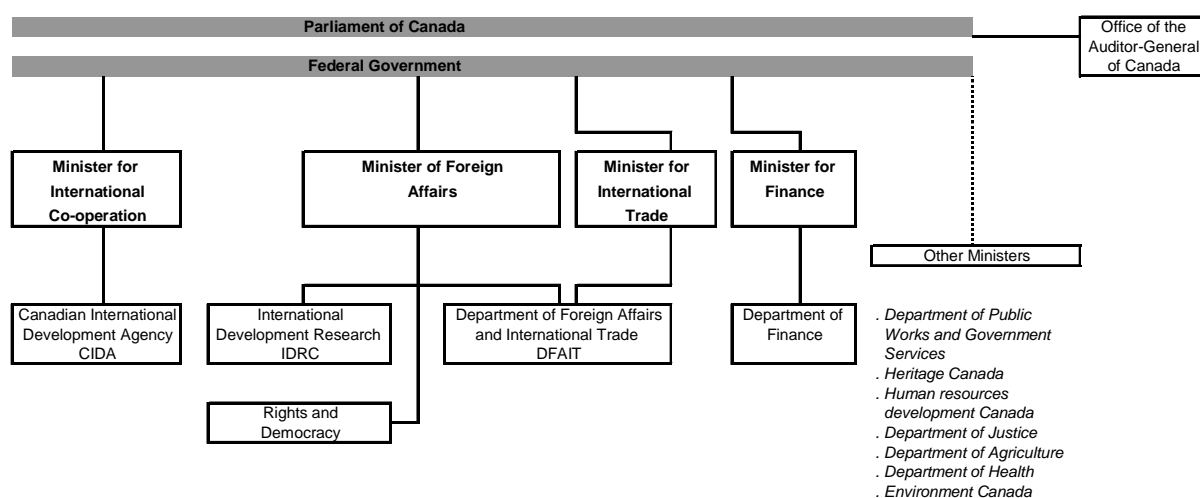
The task of managing Canada's ODA rests mainly with CIDA, which is responsible for the delivery of about 80% of the IAE and 65% of Canadian ODA. (See Chapter 2.) CIDA also manages Canada's OA to the countries in transition of Central and Eastern Europe. DFAIT is responsible for ODA transfers to some of the UN agencies and human security related programmes. The Department of Finance is responsible for Canadian contributions to the Bretton Woods Institutions and debt relief. In addition, a number of other federal departments²⁸ undertake development co-operation activities, although their respective budgets remain small.

The International Development Research Centre (IDRC) is an interesting feature of the Canadian development co-operation system. It was created in 1970 as a public corporation to help communities in developing countries use science and knowledge to devise solutions to their social, economic and environmental problems (see Box 5). The International Centre for Human Rights and Democratic Development, recently renamed "Rights and Democracy" is a similar organisation, though with a more modest resource endowment. It was created by Parliament in 1990 to promote, advocate and defend democracy and human rights as well as to support programmes in strengthening laws and democratic institutions, principally in developing countries.

As already mentioned, Canadian co-operation is characterised by a strong involvement of various Canadian civil society and private sector partners, which include NGOs, churches, unions, professional associations, educational institutions and companies.

28. Health Canada, Public Works and Government Services, and Heritage Canada receive a small share of the IAE. Other federal departments (Environment, Agriculture, Justice, Human Resources Development Canada, etc.) are often mentioned, although their specific mandates and ODA contributions are not specified.

Chart 1. Aid-related organisations of Federal Government



Source: OECD.

Co-ordination

As mentioned in Chapter 4, formal government co-ordination mechanisms beyond the Cabinet are limited. Inter-departmental co-ordination takes place informally and in response to specific needs and issues. Canada has nevertheless made efforts to enhance the consistency and synergies between various parts of international co-operation (e.g. CIDA/DFAIT joint efforts in conflict prevention activities and security sector reform or Canada's support to developing countries for the implementation of multilateral environmental agreements). In the human security area, DFAIT and CIDA, together with other federal departments, meet semi-annually in a senior level inter-departmental group - the Programme Advisory Committee on Human Security – to address consistency and complementarity issues. Canada makes a special effort to ensure that it speaks with one voice at international forums by co-ordinating multiple federal departments including those beyond Finance, DFAIT and CIDA. For example, CIDA, the Bank of Canada, DFAIT and the Department of Finance collaborate in the governing bodies of the World Bank, IMF, and the regional development banks, including on the Poverty Reduction Strategy Paper (PRSP) process. For the UN forums, various federal departments collaborate on negotiating positions and in forming common delegations.

There are opportunities for more intensive inter-departmental co-operation, particularly at the operational level. Although there is a more structured relationship between CIDA and DFAIT since CIDA staff are integrated in Canadian embassies, CDPFs could benefit from the inclusion of a comprehensive overview of the relations between Canada and partner countries (see Chapter 6). CIDA is represented on IDRC's board, and senior managers of the two organisations meet formally at least once a year. However, formal co-operation remains limited at the field level except for some joint activities on a case by case basis. The two agencies are experimenting in Honduras with a closer relationship between research and development. Co-ordination on multilateral issues between the field and Ottawa could also be further improved. CIDA is currently modifying the role played by field staff in order to increase their involvement with multilateral organisations and provide regular feedback.

Box 5. International Development Research Centre (IDRC)

IDRC's mandate is to support and conduct research on the problems of development and identify the means for applying scientific and other knowledge to the socio-economic advancement of developing countries. IDRC's underlying philosophy rests on the conviction that researchers in developing countries must take the lead in producing knowledge for the benefit of their own communities and that the acquisition and use of knowledge is key to progress. Although IDRC is a Canadian organisation, its operations are overseen by a 21-member international board of governors. The IDRC Act requires that its chairperson, vice-chairperson and nine other members be Canadians – CIDA's president is traditionally one of them. Of the remaining governors, seven are internationally-known researchers from developing countries and three are from OECD countries. IDRC reports to Parliament through DFAIT. Its 360 staff are based at its headquarters in Ottawa and at six regional offices in various parts of the world. In 2000-01 IDRC's budget was USD 91 million, with a USD 60 million appropriation from the Canadian Parliament, equivalent to 67% of its total revenues. This appropriation is included annually in the IAE, of which IDRC's share is approximately 4%. Other revenues are derived from external resource mobilisation, which includes funding from CIDA's responsive programming and other donor agencies.

IDRC supports research in three broad areas: social and economic equity; environment and natural resource management; and information and communication technologies for development. IDRC's support to regional networks of research institutions has been a key feature of its efforts in building research capacity in developing countries. In 2000-01 it supported some 900 projects, with Africa being the largest recipient (41% of total disbursements). In Tanzania, IDRC is collaborating with the Ministry of Health in testing an innovative approach to decentralised planning and delivery of basic health services, which integrates planning and research. The approach offers promise in improving health not by spending more but by planning expenditures more efficiently according to priority needs. As a way to promote more ambitious research projects, IDRC mobilises funding from other donors and takes the lead in coordinating common research agenda, such as environment in Latin America and the Caribbean, economic research in Africa, and trade and industrial policies. IDRC has also developed several projects that respond to special needs or opportunities that fall outside its conventional funding framework, such as the Expert and Advisory Services Fund for the Middle East Peace Process set up by DFAIT and CIDA.

IDRC has realised major achievements in the support of knowledge-development in developing countries and has consistently worked to enhance local ownership by its partners. There may be value in the organisation looking at the contribution its activities make to poverty alleviation given the centrality of that goal in global development co-operation efforts. CIDA could more explicitly draw from IDRC's work in formulating its own bilateral country strategies, especially relating to health and environment.

Canadian International Development Agency (CIDA)

Organisation

At the political level, CIDA is the responsibility of the Minister for International Co-operation, who is a member of the Cabinet. Administratively, CIDA is headed by its president – an appointment at the deputy minister level. The Executive Committee is the highest authority within the agency, consisting of all heads of CIDA's branches and chaired by the president. Two sub-committees have been created to focus respectively on management and policy. CIDA is composed of eleven branches (see Chart 2): Africa and the Middle East; Asia; Americas; Central and Eastern Europe; multilateral programmes; Canadian partnership (see Box 6); policy; communications; human resources and corporate services; performance review; and information management and technology.

Box 6. The Canadian Partnership Branch

The Canadian Partnership Branch constitutes a unique feature of CIDA. The mission of this branch is to support CIDA's mandates and objectives through partnerships with civil society and the private sector in Canada and in host countries. The cost-sharing funding basis leverages additional resources from Canadian society (57 cents for every CIDA dollar). It comprises three main delivery channels: the NGO programme (the most important activity of the branch with about half its disbursements), the Institutional Co-operation Division (involving Canadian educational institutions, unions, co-operatives and professional associations), and the Industrial Co-operation Programme (INC - supporting Canadian private sector relationships with developing countries). The branch's disbursements amounted to CAD 263 million (USD 170 million) in 2001-02, or 15 % of CIDA's budget, which was equivalent to about a third of the funding to geographic branches. Notwithstanding a reorganisation of the Partnership Branch in 1995-96 to increase focus and streamline management, the number of partners (more than 750) and the size of its portfolio (1300 projects) appears to involve time-consuming processes and high transaction costs for CIDA. As a result, the Partnership Branch is a complex organisation of its own, with 152 staff members spread across five divisions, regional desks and representative offices in three regions of Canada. An interesting illustration of the organisational consequences of this arrangement can be found in its activities in Senegal, which involve 20 different headquarters staff members in different divisions to monitor 40 different projects with a total annual budget of about CAD 2.6 million (USD 1.7 million).

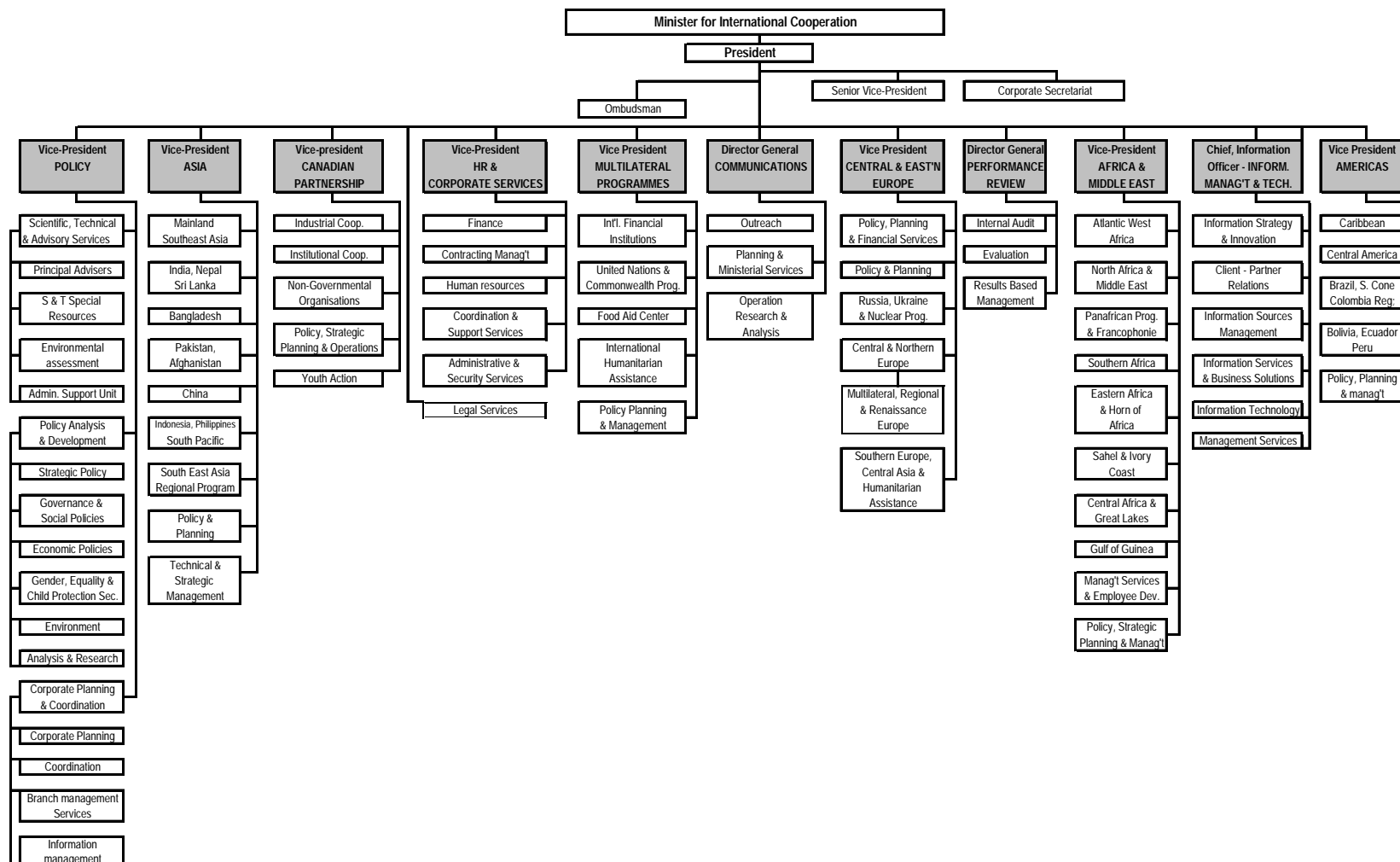
Staffing and personnel management

Since 2000, CIDA has increased its staffing levels. The most important area has been the Policy Branch, which has recently doubled to reach 180 in 2002, with the aim of increasing analytical capacity, specialist expertise and helping to lead the transformation process. In the beginning of 2002, CIDA had a total staff of 1 540 employees, of which 107 were posted in embassies in the field (see Chapter 6 on CIDA's field presence). Although public administration and defence accounts for 5.1% of total employment in Canada – which is lower than in most OECD countries - CIDA appears to be well staffed in comparison with other donor agencies.²⁹ As for gender equality, CIDA is committed to the government-wide employment equity goals. In 2001, 57% of CIDA staff were female with 46% in the scientific and professional category, and 27% at the executive level.

As in most OECD countries, the Canadian public administration faces the challenge of staff renewal in light of the massive retirement of staff over the coming decade. In CIDA, 60% of the executive staff will be eligible for retirement by 2005 and an additional 20% by 2010. Within the professional and scientific category, 27% of the staff will be eligible for retirement by 2005. To respond to this dramatic reduction of personnel and to prevent the loss of knowledge, CIDA has focussed on the recruitment of younger people. In 1998, it launched a programme to recruit and promote 20-25 young professionals per year. Initially intending to attract people with a bachelor's degree, most of the candidates had at least a master's degree and some development experience. The qualification of new recruits was higher than expected, which initially created some difficulties in retention, since some of them were able to find better opportunities and faster advancement in other parts of the government, forcing CIDA to adjust its conditions and become more competitive.

29. Using a rough estimate of the number of staff needed to manage aid, CIDA has probably one of the highest ratio among donors. At CIDA, it takes about 12 staff to manage USD 10 million of aid, compared with about 6 in the Australian Agency for International Development and the Swedish International Development Cooperation Agency – the latter having a similar budget to that of CIDA – about 5 in the Department for International Development and 2.5 in the Dutch Ministry of Foreign Affairs.

Chart 2. Canadian International Development Agency



Source: CIDA.

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Furthermore, CIDA is addressing the major challenge of adjusting its skills-mix as it embarks on a transformation process to meet its objectives of strengthening aid effectiveness. The knowledge and expertise needed in the new context are different from those of traditional project planning and implementation. CIDA has prepared a new corporate strategy for managing its human resources to reflect its new vision and direction. As part of this strategy, CIDA is redefining competency profiles with more emphasis on skills such as analytical abilities, strategic thinking, creativity, innovation, pro-activeness, communication and team collaboration. The updated profiles will be used for future recruitment and training needs and appear well synchronised with the future orientation set out in strengthening aid effectiveness.

In light of new programming and management requirements, CIDA has adapted its training courses - both in traditional and electronic forms - to include new subjects such as programme-based approaches and risk assessment. At the same time, general experience indicates that the availability of training alone may not be sufficient for a successful implementation of mainstreaming efforts and change. A CIDA internal audit report on the implementation of the Canadian Environmental Assessment Act found that staff at the operational level were insufficiently trained despite the availability of extensive training materials.

Organisation and management change

Strengthening the Policy Branch

Since the last Peer Review, CIDA's structure has basically remained unchanged, except for the Policy Branch, whose expertise and mandate have been strengthened. The rationale for a stronger Policy Branch was to provide enhanced strategic focus, policy analysis and formulation capacity, in order to improve the base for decision-making in country programming and policy dialogue with partner countries and other donors. Enhanced policy capacity is also expected to serve CIDA's participation in inter-departmental debate when development related issues are on the agenda. However, analysis beyond development co-operation does not seem to be a major feature of the Branch's activity.

The Policy Branch totals 180 staff, which include experts in the area of health and HIV/AIDS, education, social sciences, information and communication technology, and natural resources. Since each geographic branch maintains its own policy team (a group of 60 experts in total), the strengthening of the Policy Branch has created certain internal tensions. The division of responsibilities and the issue of closer co-operation between the two groups of experts from the policy and the geographic branches may need to be better defined and addressed.

Strengthening Aid Effectiveness

The implementation of the framework for *Strengthening Aid Effectiveness* calls for a comprehensive rethinking in CIDA's way of doing business, which is still largely work under progress. A Business Transformation Unit was set up to look at how the framework could be implemented. A small team headed by the senior vice-president is promoting and facilitating consultation across the agency. The change process is made of two distinct parts, a work simplification exercise and pilot initiatives.

CIDA is a complex organisation with labour-intensive processes. Over the years, in response to various emerging needs, new approaches have been introduced with their own rules and processes, without necessarily leading to an adjustment of existing administrative requirements. As a result, there are within CIDA various heterogeneous mechanisms which are not necessarily consistent and prevent

horizontal connection. A number of recent government-wide initiatives (*e.g.* Results-Based Management and Government On-Line) have also added to the burden of CIDA. The agency's portfolio currently amounts to about 2 400 projects, with 1 100 in the geographic branches and 1 300 in the Canadian Partnership Branch. The total number of projects has remained relatively constant despite CIDA's shrinking aid budget, which could imply that the average size of projects has also decreased over the years, thereby increasing transaction costs. As a result, CIDA's staff have tended to be more preoccupied with contracting procedures and reporting requirements than with substantive and analytical work. CIDA is fully aware that too much of operational staff's time is spent on processes and procedures and has launched a process of work simplification. One of the first achievements has been to rationalise project cycle management from 32 to three different systems across the agency.

CIDA has also started to explore new approaches to development programming. Pilot initiatives, which are representative of the type of activities CIDA wants to pursue, have been selected to identify constraints and formulate solutions. A description of how CIDA is undertaking its shift towards programme-based approaches is provided in Chapter 6. A few issues suggested in the *Strengthening Aid Effectiveness* (*e.g.* aid untying, the role of responsive programming and geographic concentration) could have a bearing on the extent to which CIDA can shift towards programme-based approaches. Timely completion of an action plan would enable CIDA to further progress in shifting towards the new direction.

Reinforcing knowledge management is another priority of CIDA. Recognising that the true value-added of aid agencies is their expertise in development, CIDA has established a series of internal changes aimed at strengthening its ability to have a grasp of development challenges. These include: strengthening its internal knowledge networks; and, updating its information technology and management systems. The challenge for CIDA is to ensure information aggregation and dissemination as well as consistency among the different branches, networks and initiatives.

Performance assessment

As many other OECD countries, Canada experienced extensive public sector reforms in the 1990s that placed emphasis on improving performance and demonstrating results. In 1999, the government of Canada set out a new agenda for change in the way that federal departments and agencies manage and deliver their programmes and services. This agenda was followed in 2001 by the introduction of new policies on evaluation and internal audit as well as the requirement to develop RBM and accountability frameworks. RBM, evaluation and internal audit are the three distinct review functions under the responsibility of the Performance Review Branch that serve as a basis for CIDA's performance assessment.

Results-based management

CIDA is now among the most active donors with respect to RBM.³⁰ The agency's RBM experience has evolved since its introduction in 1996. A new Five-year Results-Based Management and Accountability Framework (see Box 7) was approved in 2002 by the Treasury Board. As an agency-wide strategic planning tool, this framework aims at better integrating the initiatives and results at various levels of the organisation, and at providing Parliament and the Canadian public with a vision of CIDA's objectives and progress in achieving them. The DAC is looking forward to the first

30. As mentioned in the last Peer Review, a major external audit of CIDA's management of its bilateral programmes in 1993, combined with an internal Strategic Management Review, were the starting basis for the agency's transformation into a more results - oriented and accountable organisation.

report to Parliament using this new framework as well as CIDA's lessons-learned from its implementation.

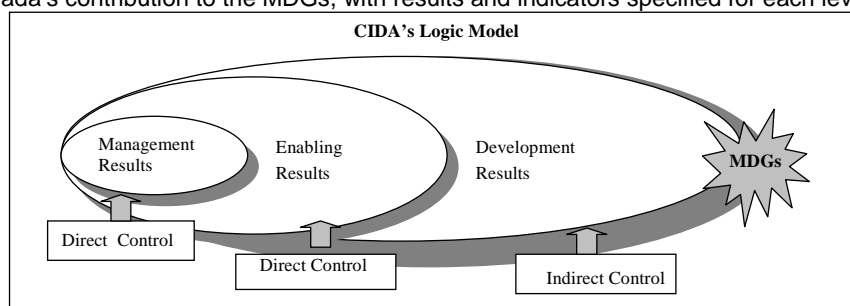
Notwithstanding major achievements, CIDA continues to face a number of challenges in operationalising the RBM. The links between the Management, Enabling and Development Results may not always be obvious. For example, some of the processes involved in the Management and Enabling Results need to be operated in a way so that they do not become ends in themselves and overlook the achievement of Development Results. Along with other donors, CIDA faces challenges in showing in practice how its development results relate to the MDGs. CIDA also needs to address the gap between results at the agency project levels for the purpose of reporting to Parliament. Based on the new framework, information generated at the project level will be aggregated at the country programme level. This information will be complemented by independent evaluations conducted by the Performance Review Branch.

According to a survey conducted within CIDA to assess progress in implementing RBM across the agency, there is a general consensus that RBM provides a practical and useful tool for quality improvement at the planning stage by focusing on expected achievements and allowing for a common understanding of targets. After more than six years of experience in implementing RBM, difficulties remain in consolidating its elevation to the programme and agency levels. RBM is perceived as a control rather than a decision-making support tool and, as a result, is used mechanically for reporting rather than analysis. The Performance Review Branch sees these survey results as an indication that more training may be needed for CIDA's staff, executing agencies and partners in the field and that the culture change is still not fully completed. A more fundamental assessment may be needed to strike the balance between the use and type of information produced by the RBM system at different levels (senior management and operational staff) and the time-consuming tracking requirements. There may also be a need for CIDA to be more selective in identifying results and indicators and to focus on significant links in its logic chain. Moreover, CIDA may have to review whether there is sufficient understanding of the purpose of RBM beyond accountability and how the results can better feed into various internal management systems, such as resource allocation, staffing and lessons-learning.

In moving towards programme-based approaches, CIDA is currently looking at how to shift its RBM focus from a project to a programme level. The agency recognises that the issue of attribution becomes meaningless in the context of enhanced local ownership and increased donor co-ordination. The Auditor General fully supports CIDA's focus on demonstrating its contribution to sustainable development results without being preoccupied with their attribution to Canada's specific intervention. CIDA is therefore encouraged to work with other donors to identify the best ways of achieving development results collectively. In this regard, the shift of the accountability discussion away from attribution to contribution is a significant step forward that other donors may also want to consider.

Box 7. CIDA's Results-Based Management and Accountability Framework Key Agency Results

This framework contains the Key Agency Results, which will serve as the basis for integrated results-based planning, budgeting and reporting, in direct connection with CIDA's Sustainable Development Strategy. The distinction is made between three levels – Management, Enabling and Development Results - to reflect CIDA's work in the short, medium and long term. This framework sets out a logic model working bottom-up from agency activities to Canada's contribution to the MDGs, with results and indicators specified for each level.



Management Results demonstrate a management system approach based on continual improvement. Expected results are:

- **Human resources:** Agency policy and analytical capacity strengthened; rebuilt and refocused scientific and technical expertise; knowledgeable, highly motivated and more representative workforce; and strengthened field presence.
- **Information management technology:** Information systems supporting achievement of agency priorities, and effective interaction with partners and public information needs (e.g. Government-On-Line).
- **Strategic planning and resource allocation:** resources allocated to strategic priorities; and incorporation of a continual improvement management approach (e.g. modernisation of comptrollership function).
- **Rationalisation of processes:** transparent, consistent and cost-effective business processes (e.g. competitive tendering).

Enabling Results demonstrate an appropriately allocated and effective portfolio of programmes. Expected results are:

- **Appropriate programming orientation:** appropriate balance between directed and responsive programming; consensual and collaborative partnerships established between CIDA and its partners; new programming approaches piloted; policy-based programming and increased policy coherence between CIDA and its partners; facilitation of local ownership; and greater untying of Canadian aid.
- **Appropriate sectoral and thematic focus:** increased focus on the Social Development Priorities; and others (e.g. governance, economic reform, capacity building and gender equality).
- **Appropriate geographic focus:** enhanced CIDA presence in a small number of countries and institutions; and graduation of maturing countries.
- **Engaged Canadians:** improved perception of the value, efficiency and effectiveness of programmes.

Development Results demonstrate achievements in support of CIDA's mandates and commitments to the MDGs. Expected results are:

- **Economic well-being:** equitable economic growth and improved standards of living for the poor.
- **Social development:** improved quality of life of the poor through enhanced social services; management of social impact from reform; and progress toward gender equality.
- **Environmental sustainability and regeneration:** improved environmental sustainability through the protection, conservation and management of environmental diversity.
- **Governance:** improved governance structures and institutional capacity; strengthened civil society; and enhanced respect for rights and democratic principles.

Canada

Evaluation

Evaluation is a joint responsibility of the geographic branches and the Performance Review Branch. At the operational level, line managers of the former are responsible for the monitoring and evaluation of their activities, which include a mix of self-assessments and in-depth reviews often contracted to external consultants. The Performance Review Branch is responsible for conducting broader evaluations and reports directly to CIDA's president, ensuring the independence of the evaluation function. Recent experience in evaluating Canada's six programme priorities indicates that such exercises were lengthy, complex and costly, since they involved the assessment of a relatively large sample of small projects. As a result, apart from a broad overview of achievements, these evaluations did not provide line managers with timely lessons learned that were specific enough to be applied to on-going and new activities. It was also judged that such an approach did not provide adequate coverage of the agency's different branches. As of 2002-03, CIDA plans to change the course of its evaluation by focusing on country programmes and major institutional partners. CIDA also intends to become more involved in joint efforts with other donors in sectors determined by partner countries.

In recent years, only a few country, sector and theme based evaluations appear to have been carried out by the Performance Review Branch. The question is whether the preparation of new CDPFs is based on a relevant assessment of lessons-learned. CIDA's intention is to link evaluations of country programmes scheduled for the coming years (14 for the next five years) to the agency's priorities, focusing either on the preparation of new CDPFs or on the assessment of major on-going ones. Such country programme evaluations should play a key role in assessing the performance of Canadian assistance by checking the validity of the logic chain incorporated in CDPFs, namely the appropriateness of policy and programme choices in terms of sector focus as well as the selection of the programming approach.

A new series of Lessons Learned Papers has been recently launched in order to make better use of the numerous self-assessments across the agency - particularly information collected in project reviews that were completed by the geographic branches - and to promote the sharing of knowledge and experience on specific thematic issues. A performance management working group, which is composed of representatives from various branches and meets on a regular basis, has been established to work on tools for implementing RBM and to share lessons-learned. A standard practice for evaluations conducted by the Performance Review Branch is the preparation of a management response, which is included in the evaluation reports, to ensure implementation of recommendations from evaluation and a better use of evaluation results in policy and programme development. At the same time, CIDA is facing the difficulty of ensuring the dissemination of evaluation results. Publication of evaluation reports and other assessments is not a standard practice. Evaluations carried out by geographic branches are not systematically available to the public and CIDA's Web site contains only a few reports and executive summaries of those undertaken by the Performance Review Branch. At minimum, a list of recent evaluations should be provided.

Audit

CIDA regularly performs audits of its programmes to help ensure effective and efficient use of its resources. For a better integration of the audit function in the overall performance assessment process, and the shift to a more results-oriented learning approach, internal audit has been reoriented to focus on best practices rather than compliance. In addition to these internal reviews, periodic independent reviews are conducted by the OAG to provide objective information and advice to Parliament.

A very collaborative and constructive relationship has developed over the years between CIDA and OAG. The latter was key in the mid-1990s in helping CIDA to develop and implement RBM in order to promote a stronger results and learning culture. Despite CIDA's greater emphasis on results, OAG has been encouraging CIDA as it has all federal departments, to provide to the public a more meaningful and balanced picture of its performance. In particular, CIDA has been advised to provide a more realistic description of what it is trying to achieve and to place more emphasis on the challenging context within which it operates and the potential impact of its activity. This would also include a description of how problems were dealt with, when results could not be achieved, and the lessons learned for the future. More recently, OAG has closely followed CIDA's discussions on aid effectiveness and has indicated its support for the agency's shift towards programme-based approaches, provided that development results can be measured and the proper financial assessment and reporting mechanisms be established. (See Chapter 6.)

Future considerations

Canada could identify opportunities to further enhance interdepartmental co-operation, particularly between CIDA, DFAIT and IDRC.

The implementation of the approaches suggested in the *Policy Statement on Strengthening Aid Effectiveness* would be welcomed. This would require a timely decision on pending issues, particularly regarding geographic concentration and the role of responsive programming.

The shift towards making RBM more strategic and selective in identifying the significant results to be measured could generate key management information and help track CIDA's contribution to collective donor efforts to achieve the MDGs.

Evaluation results could be made more systematically available to the public. In addition, evaluation of CDPFs should assess the appropriateness of policy and programme choices in achieving the MDGs, including sector focus as well as the selection of the programming approach.

CHAPTER 6

COUNTRY OPERATIONS AND OWNERSHIP

Issues in this chapter draw on two field visits made by the DAC review team in June 2002 to Ukraine (see Box 8) and Senegal (see Box 9).

Country strategies and programming

CDPFs are currently available for several partner countries but CIDA is planning to develop one for each country with which it envisages an enhanced partnership (see Chapter 2 on priority countries). CDPFs are intended as comprehensive, analytical and strategic documents that articulate CIDA's relationship with partner countries. According to CIDA's draft guidelines for preparing CDPFs, each document should normally include three broad sections: (i) background and analysis of partner countries' development context; (ii) strategic focus, including the rationale for the selected positioning of CIDA's programming framework, priorities of other donors and policy coherence (to ensure that the programming framework is reinforced by Canada's non-aid policies); and (iii) implementation strategy, which outlines the selected programming approach, CIDA's various channels, performance measurement strategy, risk analysis and resources.

CDPFs are prepared in CIDA's headquarters under the responsibility of geographic branches, with the collaboration of other branches and staff in the field. There is also extensive consultation of partners both in the field and Canada. CDPFs are submitted to CIDA's Executive Committee while final approval rests with the Minister for International Co-operation. Geographic branches review CDPFs on an annual basis to examine the extent to which assumptions have changed and modifications required if necessary. The draft guidelines also recommend a mid-term review and a final evaluation. CIDA's Performance Review Branch provides expertise in defining the criteria against which CDPFs are to be evaluated.

CIDA's central focus on poverty reduction is generally reflected on CDPFs. The starting point is normally country-led poverty reduction strategies such as PRSPs. The draft guidelines include a list of criteria for CIDA staff to analyse such strategies in order to determine how the agency could align its programming to country partners' priorities. In case such strategies are not available or if the existing ones are deemed not to be representative, reliable or legitimate, CIDA staff are required to prepare their own analysis, and guidelines for this purpose are under preparation.

A major departure from past practice is CIDA's increased sector focus and selectivity in partner countries. In Senegal, CIDA is now focussing on primary education and grassroots economy which aims at raising the productivity of the poor. In Bolivia, CIDA has reduced the number of its areas of intervention from eight to three, focussing now on health, water & sanitation and modernisation of the state.

Box 8. Field mission to Ukraine

The Canadian programme. In 1999-2000, Ukraine was the 8th largest recipient of Canadian aid. With USD 17 million in disbursements, Canada was the 3rd largest bilateral donor. An estimated one million Ukrainian Canadians represent both a strong lobby for the government to provide aid to Ukraine and a large pool of skills and talents to draw upon in supporting a Ukrainian reform agenda (e.g. through the CIDA "Policy Advice for Reform" facility). CIDA inherited in 1995 the co-operation programme started by DFAIT in 1991. The programme is "responsive", meaning that Canadian organisations form twinning arrangements with Ukrainian civil society or central/local governments.

Canada was the first DAC member to recognise Ukraine's independence, a fact that many Ukrainians appreciate. Due to the involvement of the Ukrainian diaspora in Canada's aid to Ukraine, a vibrant and broad-based programme has been established in 10 years. Many Ukrainians have been given opportunities to participate on study tours to Canada and become exposed to Canadian experience and knowledge. This has also laid the foundations for a potentially long-term relationship between many Canadian and Ukrainian institutions. A central objective of Canada's programme is to support and catalyse the change process in Ukraine.

CIDA's programming is flexible in responding to the rapidly changing context of the country. It allows the accommodation of innovative initiatives, such as the Reforming Social Services project which attempts to strengthen organisations for the disabled. The Land Privatisation and Farm Organisation project started a farmers' network and introduced them to credit schemes, which were new concepts in Ukraine. Canada has an excellent relationship with Ukrainian counterparts due to its constructive approach to dialogue and problem-solving. The bilateral and multilateral donors also highly regard Canada's openness and commitment to donor co-ordination and joint efforts.

Issues for consideration. The programme is generally supply-driven, raising questions of ownership. Furthermore, the three programming areas stated in the CDPF (governance structures, institutional capacity, and strengthening civil society) are broad, which requires various expertise for CIDA in monitoring at headquarters and in the field and results in high transaction costs. Such dispersion may not be the most efficient way of having cumulative impact and helping sustainable development through national development processes. **An increased sector concentration** might be conducive in enhancing local ownership and therefore sustainability by Ukraine. Although co-ordination among donors is weak, Canada will have to review its responsive approach and co-ordinate with EU members in Ukraine's process of harmonising to EU standards and approaches in preparation for EU membership.

An estimated 42 000 civil society groups have been created in Ukraine since the donors started co-operation. While this may be an encouraging trend in building a democratic society, these organisations are dependent on donor funds with few resources raised domestically. This provokes some fundamental questions regarding the sustainability of NGOs and regarding the role of the state if civil society is encouraged to substitute for government functions in service delivery.

Shorter term, supply-driven activities have limits in generating sustainable results, even where Canada has significant experience in capacity building, unless they are part of wider reform processes. For example, in the Environment Co-operation Programme, a national climate change strategy may be approved but may not be implemented due to the lack of interest by the ministry concerned. The Economic Modelling and Forecasting Project may build the capacity of the institution concerned, but the actual modelling and forecasting needs to be used by the Ukrainian government in policy making. The Judicial Reform Project may succeed in establishing three model courts, but the ministry cannot maintain the equipment nor replicate the model throughout the country due to high costs. Such examples suggest that RBM which focuses too narrowly will miss the ultimate performance objective.

In Ukraine, although only 3% of the population live below USD 2 a day, 20-30% live below USD 4 a day and the Ukrainian government has developed a poverty reduction strategy. Poverty reduction does not, however, drive CIDA's programme in the case of Ukraine. Rather, CIDA is focussing on governance, the enabling environment for economic growth, and nuclear security (cf. the major programme on nuclear security announced by the G8 at the Kananaskis Summit).

CIDA is, with others, encouraging the Ukrainian government to develop a strategic agenda and muster the political will to implement it. Where moves in this direction are evident, CIDA is ready to provide support, for example in the agricultural sector on land registration. CIDA intends to **shift more ownership to Ukraine**, and to ensure that the high involvement of the Canadian civil society is compatible with this basic objective. In general, the donors in Ukraine could move more towards sector approaches and Canada could help lead the discussion in that direction. CIDA is well aware of the challenge in reconciling a strategic approach for the Ukraine programme with the flexibility needed given the shifting operating environment in the country. This is particularly evident in a "difficult partnership" country such as Ukraine where the authorities' commitment to reform and change is sporadic or inconsistent. Best practices in co-operation with ODA countries could be used as lessons-learned in new operating environments of OA countries such as Ukraine.

Box 9. Field mission to Senegal

The Canadian programme

In 1999-2000, Senegal was the 11th largest recipient of Canadian aid. With disbursements of USD 14 million, Canada was the 7th largest bilateral donor to Senegal. A CDPF (2001-2006) was prepared following an intensive consultation process with a wide range of stakeholders in the field and in Canada. The CDPF was finally presented in Canada to Canadian organisations by a senior representative of Senegal's Ministry of Finance.

The objective of CIDA in Senegal is to contribute to halving poverty by 2015 in support of the country's poverty reduction strategy. The central poverty focus is demonstrated by the selection of two areas of intervention: basic education and the grassroots economy. CIDA is planning to allocate more than 50% of the CDPF's resources to basic education, in support of Senegal's 10-year Plan for Education and Training. Support to the grassroots economy aims at increasing productivity of the poor by improving access to savings and credit particularly by women, and at revitalising rural organisations.

CIDA's constructive approach in promoting policy dialogue on education has been recognised by the Senegalese and other donors which requested Canada to lead donor co-ordination. CIDA's support to basic education is focussing on curriculum development and improvement of teaching quality. CIDA is also playing a key role in literacy programmes and non-formal basic education which are important development priorities identified in Senegal's plan. Institutional support is provided to build the capacities of the Senegalese government to work in partnership with community organisations. The CIDA funded project now represents more than 50% of Senegal's literacy activities; in five years, 160 000 adults - of which 80% are women - have become literate. The project has also experimented with alternative models of schools, which have enabled the enrolment of more than 6 000 children who were out of the formal educational system. As for micro-finance, CIDA's support has helped co-operatives and community-based organisations to develop various credit and saving schemes. Simultaneously, CIDA has contributed to the creation of necessary institutional support and regulatory mechanisms at the level of the ministry of finance as well as that of the Central Bank for West African States.

IDRC is also active in Senegal and has played a key role in providing methodological support to Senegalese research institutes in the preparation of the PRSP.

Issues for consideration

CIDA's Africa Branch has been working over the last two years to bring the new country-driven partnership approach to bear on the way it does business and has been active on this front in the Strategic Partnership for Africa. It recognises that there is still much to be done here.

The CDPF needs to be more comprehensive by including all CIDA-funded activities as well as other Canadian activities. In fact, indicative programming resources do not correspond to total Canadian ODA commitments to Senegal. While recognising **the need to enhance synergies among CIDA's various channels**, the CDPF covers mainly core bilateral activities of the Africa Branch. The CDPF could specify whether activities of the Canadian Partnership Branch follow sector concentration and how CIDA's regional activities reinforce bilateral activities. While IDRC participated in the CDPF consultation process, there could be **more systematic and regular co-ordination** with CIDA.

CIDA has made progress in shifting towards a sector approach in education with its projects supporting the implementation of Senegal's Plan and is ultimately aiming at providing budget support. **Further efforts are nevertheless needed to consolidate such an approach.** According to a recent inventory of all Canadian-funded activities in the education sector, there are still about 25 different on-going projects in basic education, higher education as well as technical and professional training. Although most of them are closely linked to Senegal's Education and Development Training Plan, this is nevertheless a high number and there is a price to pay in terms of transaction costs both for Senegal and for Canada.

CIDA could also place more emphasis on local ownership. As most projects still involve Canadian executing agencies, CIDA could consider **how to transfer more management responsibility to Senegalese counterparts.** This applies especially to the education sector, where CIDA's objective is to support Senegal's policies and budget as opposed to stand-alone projects. As an important step towards budget support, CIDA could focus more on capacity building in financial management to create an enabling environment for stronger local ownership.

CIDA may find it useful **to review the division of roles and responsibilities** between its headquarters, the Embassy and the Programme Support Unit (PSU). On one hand, CIDA appears to be well equipped to manage its country programme, with three people at the Embassy and a PSU staffed by a Canadian director, six Senegalese specialists in various fields and fifteen support staff; in addition, six staff members work on a full-time basis in the geographic branch in headquarters. On the other hand, the existence of three different levels leads to overlapping communication and reporting lines as well as numerous missions from headquarters; this increases administrative workload and financial costs and prevents field staff from devoting more time on substantive work and policy dialogue.

There is momentum already in the shift to sector approaches, and the policy dialogue more explicitly reflects this. This shift also incorporates aspects of harmonisation, co-ordination and simplification, and CIDA is increasingly looking for opportunities to play a mobilising and catalysing role.

Canada

Further efforts in sector concentration would be important for CIDA to progress in implementing programme-based approaches and to play a more relevant role in donor co-ordination in selected partner countries. CIDA's areas of intervention are sometimes defined as broad and encompassing themes (*e.g.* good governance, institutional development and strengthening of civil society in Ukraine) rather than existing sectors in partner countries, which does not necessarily enable concentration of resources and greater effectiveness. CIDA is aware that sector focus should be accompanied by an effort to rationalise the number of projects in order to maximise the leverage, impact and effectiveness, simplify aid delivery and reduce transaction costs. CIDA is also encouraged to devote proper attention to exit strategy for sectors and projects that will no longer be a priority, so as to ensure sustainability of past activities.

Transparency and predictability towards partner countries regarding CDPFs could be improved in a number of ways. They could be more specific in including the financial resources to be deployed for the implementation of the country programme, with a clear indicative total budget allocation not only by sector, but also by the various resource channels. Although CDPFs are intended to be agency-wide documents, the contribution of other branches appears as an add-on to that of the geographic branch in a separate section within the document, rather than being integrated in the overall strategy. In particular, there are opportunities for building stronger synergies between the activities of the Canadian Partnership and the geographic branches, which function independently. For example, one aspect that remains to be determined is whether the Canadian Partnership Branch funding should be aligned to follow priority sectors. Furthermore, it would be important that other Canadian actors work towards the same overall development goals and operate within the same general development principles and approaches. Therefore, CIDA should consider how CDPFs could include activities and interests of other federal departments and agencies, such as DFAIT and how links with IDRC work could be developed.

Aid implementation modalities

A key feature of Canadian development co-operation is the distinction made between responsive and directed programming. In either of the two approaches, Canadian civil society and private sector organisations are extensively involved in aid delivery, raising a number of concerns about local ownership.

Responsive programming

Responsive programming enables Canadian civil society and private sector actors on a cost-sharing basis to conceive, design and implement programmes and projects, in close association with their partners in developing countries. Funding for responsive programming can be obtained from the Canadian Partnership Branch or the geographic branches, although funding from the latter source is subject to tighter conditions on the use of the funds and is increasingly in the form of direct institutional support in the context of the partner government's poverty reduction strategy. (Bolivia is a case in point.) It should be noted that currently the significance of responsive programming as a share of total Canadian assistance is not being tracked.

Responsive programming can play an important role in supporting civil society in developing countries. On one hand, it could help the public consultation process in the development of PRSPs and improve transparency and accountability of government plans, actions and achievement of results. CIDA views the transfer of know-how through institutional co-operation as one of its most successful approaches in capacity development, because the organisational twinning ensures that the transfer is made sustainable through the development of long-term relationships (see Box 10). On the other hand,

such a mechanism tends to be supply-driven and could undermine nationally-led development efforts since Canadian organisations generally work directly with their local civil society partners. In Ukraine, the Canadian country programme is implemented mainly through the responsive approach, putting a question mark over the financial sustainability of each partnership arrangement. In Bolivia, a significant share of the core bilateral resources from the geographic branch appears to be available for responsive programming within the next 5-10 years, despite CIDA's commitment in its CDPF to strengthened local ownership, and the linkage of the CDPF to Bolivian government priorities.

Box 10. Association of Canadian Community Colleges (ACCC)

The Association of Canadian Community Colleges (ACCC) is the national and international voice of Canada's colleges and institutes, representing over 150 member institutions in promoting and marketing in the areas of human resource development, institutional development and institution-industry linkages. In 2001 ACCC signed an agreement with CIDA for a second phase of the Canadian College Partnership Program (CCPP), with a value of CAD 48 million over six years, with the objective of "increasing the capacity of developing country education and training institutions to address their country's sustainable development priorities." Members of ACCC submit applications for funding from the CCPP for projects involving cost sharing between the Canadian partner institution, the recipient partner and the CCPP fund. Project selection is done by an eight-person committee which was recently changed to include two representatives of developing countries. Applications must take into consideration the focus CIDA gives to poverty reduction, must incorporate results-based management principles into the design of the proposed activity and must involve an environmental impact analysis.

Following from CIDA's overall change in strategic direction, the Canadian Partnership Branch is preparing a discussion paper which includes the role of Canadian civil society in development co-operation. In this context, CIDA is analysing the appropriate balance between responsive and directed programming. CIDA is encouraged to review the role and importance of Canadian partners in the context of trends by many DAC members to strengthen developing countries' ownership and improve aid effectiveness.

Directed programming and Canadian executing agencies

Directed programming implies the direct involvement of CIDA in the design and management of aid activities, which have generally been initiated by partner country governments. In this context, CIDA is predominantly using Canadian organisations as executing agencies, which can be consulting firms, NGOs, educational institutions or other types of organisations. The use of Canadian executing agencies may have implications in terms of ownership, capacity-building and cost-effectiveness even though Canadian organisations tend to have a good relationship with their counterparts and have promoted a participatory process involving them. In certain circumstances, project implementation based on external executing arrangements has limitations in terms of sustainability. This is particularly the case when executing agencies are outside existing institutional structures and normal administrative processes of partner countries as this may prevent national administrations or non-government entities in those countries from taking over ownership of the project. The OAG also raised in its 2000 report on CIDA the lack of systematic use of competitive processes for selecting third parties to deliver development assistance projects over CAD 100 000.

Local ownership and programme-based approaches

In line with the international consensus emerging from the *DAC Strategy for Shaping the 21st Century*, CIDA shares the view that the principle of country ownership is the cornerstone of sustainable development. This explains CIDA's emphasis on capacity development, which is seen as a necessary condition for effective country ownership (see Box 11). CIDA believes that the new

programming approaches that have emerged in recent years hold the promise of improving development effectiveness since they are rooted in the principle of country ownership. In countries with a reasonably sound policy and management environment, CIDA intends to use programme-based approaches, such as Sector-Wide Approaches (SWAs) and basket funding type of arrangements. These concepts are increasingly being introduced in CDPFs with CIDA trying to shift away from stand-alone projects.

Box 11. Canada's contribution to capacity development

Canada sees itself as having a comparative advantage in capacity development with its well-established democratic structures, effective dialogue between government, civil society and the private sector, and high quality of life. It also has demonstrated expertise to share in many areas such as environmental management, social development and human resource development. Canada's development programme includes a large number of capacity development initiatives, ranging from such activities as formal education, on-the-job training, the reinforcement of research capacity, to institutional strengthening, including the establishment of sound and equitable decision-making systems in governments. Reinforcing the policy environment is a feature in most CIDA's country programmes, with the promotion of good governance, human rights, and democratic accountability receiving increased attention. Supporting capacity development to advance gender equality has long been a key area of focus of Canadian programmes. Regional co-operation and integration is another area of capacity building in which Canada has been involved quite extensively, notably in the Caribbean.

CIDA is planning to launch in early 2003 a study to comprehensively review its capacity development activities. Such a study would be useful to document more systematically CIDA's achievements in this area in order to share lessons-learned with other donors. In this context, it would be of particular interest to see how Canada's approach to capacity development is linked to sustainable poverty reduction results, namely the improvement in living standards of beneficiaries, particularly the poor.

CIDA is ready to consider conditional budget support and now has Treasury Board's approval currently under discussion for necessary revision. A number of other factors constrain CIDA's flexibility to do so (tied aid, geographic and sectoral dispersion and importance attached to responsive programming). The OAG has endorsed the new directions following a close collaboration in building an acceptable accountability framework for CIDA, which includes the following responsibilities:

- Completing a careful risk analysis before committing to the funding.
- Managing the risks in a continuous manner by monitoring the programme with the appropriate expertise, including through active participation in regular co-ordination meetings with the host country.
- Proposing or supporting remedial action in a timely fashion if circumstances warranted.
- Pre-establishing an exit strategy and communicating it clearly to all parties involved.

CIDA has shown its determination to move ahead in a pragmatic way in the field. In Senegal, for example, CIDA has adopted a constructive approach in the education sector and uses its portfolio of projects to support a programme-level intervention, which is based on Senegal's 10 year National Plan for Education. Similarly, CIDA is testing programme-based approaches in about 20 selected countries in Africa, Latin America and Asia. Emphasis is being placed on local ownership, a comprehensive programming framework and co-ordination with other donors under partner country leadership. CIDA is favourable to the harmonisation of donor procedures in order to reduce transaction costs for partner countries and is willing to move towards the use of joint assessment, reporting and evaluation. The DAC field visit to Senegal, however, indicates the distance still to go for CIDA to shift away from projects as an aid delivery mechanism.

Apart from programme-based approaches, enhanced local ownership would also imply increased responsibility for financial management by the partner country. CIDA could therefore take incremental steps to embed its project interventions within local institutional and financial frameworks, making use of local procedures and processes. This could include delegating more financial responsibility to local counterparts.³¹ Whenever possible, working directly through existing national structures instead of using Canadian executing agencies could also be adopted as a policy principle.

Presence in the field

After experiencing a costly decentralisation process in previous years, the responsibility for aid management and decision-making in CIDA has been recentralised in headquarters since the early 1990s. In 2001, there was a total of 107 CIDA staff members posted in embassies in more than 50 different developing countries. These staff are technically seconded to DFAIT and formally communicate with CIDA through DFAIT. Because of its limited field presence, CIDA has established PSUs to provide assistance in programme planning and project delivery to CIDA and partner countries including, in some of the most difficult situations, financial management, administrative and logistical support to the Canadian organisations in the field. There are currently about 40 PSUs, with a combined annual budget of CAD 20 million (USD 13 million) and staffed mainly with locally engaged employees.

CIDA realises that increased field presence will be necessary to accompany its shift towards programme-based approaches, which require deeper knowledge of the partner country situation, greater policy-dialogue and donor co-ordination. CIDA intends to increase field presence in countries with which it envisages enhanced partnership and is exploring less expensive options than in the past, such as the pilot approach in Honduras. Since CIDA field staff are seconded to DFAIT, there are certain limits. Therefore, the agency is considering how to rely more on local expertise and enable its PSUs to play a stronger role in providing analytical support to the formulation and monitoring of its programmes. At the same time, the situation in Senegal suggests a need for a clearer division of roles and responsibilities among CIDA's headquarters, the embassy and the PSU and a better grasp of the skills-mix and number of staff at each level.

Although the different options for increased field presence are still under consideration, there is a clear trend towards reinforced PSUs and the use of locally employed people. At the same time, many developing countries do not have large pools of qualified people. While they are under increasing demand from donor agencies, they are valuable assets within partner countries' own administrations.

31. CIDA has already delegated financial responsibility in some cases where there is local institutional capacity like BRAC in Bangladesh.

Canada

Therefore, CIDA should take due consideration not to exacerbate the difficulties of partner countries' administrations to retain the people they need.

In terms of delegation of authority, field staff are associated in decision-making which remains centralised in headquarters. Their role in monitoring and evaluation is limited since Canadian executing agencies report directly to their headquarters, which in turn report to CIDA's headquarters. A certain level of flexibility and decision-making has been introduced with the creation of decentralised funds. Such funds can be used in a strategic way to bring additional and complementary support to on-going activities or to identify new ones. Other funds have been created to reinforce the focus on gender equality. The shortcoming of these funds is that some of them are financed through counterpart funds linked to credit lines tied to the procurement of Canadian goods. (See Chapter 4.) CIDA could look at ways to delegate more decision-making authority to its teams in the field. The agency is experimenting with its programme in Honduras by decentralising to the field the identification, selection and approval of activities under the new country programme.

Future considerations

CDPFs could be more comprehensive, with better integration of CIDA's different activities as well as a reflection of the interests of other federal departments and agencies. They could also include an indicative budget reflecting total Canadian bilateral ODA to partner countries in order to increase transparency and predictability.

CIDA is encouraged to consider ways of increasing local ownership by reviewing the role of Canadian civil society entities and Canadian executing agencies against its intention to shift towards programme-based approaches. The contribution of various Canadian actors and their role in supporting country-led poverty reduction strategies should be more systematically assessed.

CIDA should clarify the respective roles of staff in headquarters, embassies and PSUs and envisage more delegated authority to the field in the context of the new business models it is developing, especially for programme-type approaches.

Canada is encouraged in its efforts to shift towards programme-type approaches and the achievement of greater local ownership, focussing on fewer sectors in a selected number of recipient countries.

ANNEX I

CANADA'S ANNOUNCEMENT FOR THE G8 AFRICA ACTION PLAN

In the area of fostering economic growth:

- Opening Canada's markets to African imports by eliminating tariffs and quotas on most imports from 48 Least Developed Countries (LDCs), of which 34 are in Africa, effective 1 January 2003.
- CAD 100 million to encourage private sector investment by creating an African investment fund that will leverage private sector resources for investment projects, including infrastructure, such as roads, water supply and pipeline construction.
- CAD 20 million for three initiatives to increase Africa's trade capacity by working to promote exports within and outside Africa and to strengthen the role of African countries and institutions in multilateral trade negotiations.
- A trade mission to sub-Saharan Africa during the coming year to foster partnerships between African and Canadian companies.
- CAD 35 million for three initiatives to help bridge the digital divide by supporting African initiatives that expand the use and benefits of new information and communications technologies.

In the area of strengthening institutions and governance:

- CAD 28 million to support skills and expertise development in the public sector in countries committed to improving governance, including financial accountability and economic policy.
- CAD 9 million to strengthen the role of the parliamentary system in countries committed to political reform, including parliamentary oversight and reinforcing the role of women in government. This will be complemented by an active role for African and Canadian parliamentarians.
- CAD 6 million to help improve local governance by working with African partners to develop new approaches to providing basic community needs, such as access to water, sanitation and health.
- CAD 3 million to continue to support NEPAD outreach activities that promote awareness and public discourse in Africa on the NEPAD.
- CAD 4 million to reinforce Pan-African conflict prevention and resolution by helping the new African Union (formerly the Organisation for African Unity) to strengthen links with sub-regional organisations that develop and implement peace and security programs.
- CAD 15 million to strengthen regional security through targeted efforts in West Africa to help build safer communities.

In the area of investing in the people and future of Africa:

- A doubling of Canada's investment in basic education in Africa to CAD 100 million per year by 2005 (This initiative will be financed through new and existing resources that are additional to the Canada Fund for Africa).
- CAD 50 million towards the development of an HIV vaccine for Africa and other Africa-based HIV/AIDS health research.
- CAD 50 million to support polio eradication by collaborating with UNICEF and the World Health Organisation and by challenging our public and private partners in the Global Polio Eradication Initiative to eliminate the disease by 2005.
- A doubling of Canada's support by investing an additional CAD 40 million for Africa-specific research on agricultural productivity through the Consultative Group on International Agricultural Research, which will concentrate on the needs of small-scale farmers and women producers.
- CAD 50 million to improve water management and access to water and sanitation through the Global Water Partnership.
- CAD 10 million to collaborate with the African Development Bank to support a Project Preparation Facility to help develop financially viable water and energy infrastructure projects.
- Up to CAD 1.5 million over three years to support work with Olympic Aid, an athlete-driven organisation to promote healthy child development in Africa through sport and play program for kids and youth because every child has the right to play.

Canada is committed to increasing, untying and improving the effectiveness of its aid. This includes:

- Doubling Official Development Assistance by the end of the decade through yearly eight per cent increases, of which at least half will be earmarked for Africa.
- Canada meeting its international commitments at the Organisation for Economic Co-operation and Development to untie aid to LDCs. Of particular relevance to Africa is our intention to open select development projects to competitive bidding in LDCs, giving successful local suppliers the opportunity to develop expertise in delivering development projects.
- Working to ensure that Canadian development programs use more effective approaches based on developing country-driven strategies and priorities and well co-ordinated support from international partners.

Just over CAD 420 million of the Canada Fund for Africa will be allocated toward today's new initiatives. Funding for all of the initiatives is provided for in the December 2001 budget and is therefore built into the existing fiscal framework.

ANNEX II

THE 1998 DAC PEER REVIEW AND CANADA'S ACHIEVEMENTS

Key issues	Concerns expressed in 1998	Progress achieved
Volume of Aid	The reductions in ODA raise concerns about Canada's ability to meet expectations about its role in the world.	Canada's ODA/GNI ratio continued to decline. However, ODA is expected to grow by 8% per annum so as to double by 2010. Commitment to increased ODA has yet to be fulfilled.
Dispersion of resources	The question of a wide geographical dispersion and the need for greater concentration on a limited number of countries is a long-standing issue.	Canadian aid continues to be geographically dispersed. CIDA hopes to use ODA increase as an opportunity to focus on 10-15 countries. However, priority countries have yet to be selected.
Agenda	CIDA's programme priorities represent a formidable agenda and raises the concern of defining measurable and realistic objectives, consistent with available financial and human resources.	A major departure from past practice is CIDA's increased sector focus and selectivity in partner countries. <i>Strengthening Aid Effectiveness</i> also prescribes the need for enhanced partnership with a limited number of the poorest countries and reduced number of sectors. Results are yet to be demonstrated.
Poverty reduction focus	The translation of poverty reduction thrust into country programmes still has some way to go. The distinction between poverty reduction and basic human needs are not always clear. The objective of enhancing trade with fast growing developing countries with attendant benefits to employment in Canada may be perceived as a shift in priorities driven by commercial concerns.	New country strategies (CDPF) are generally based on country-led poverty reduction strategies such as PRSPs. However, CIDA could mainstream poverty reduction throughout the agency with a clearer message, stronger leadership and a more rigorous monitoring system. The central role of poverty reduction for the entire Canadian aid system needs to be rearticulated.
Tied aid	There is a need to re-examine the efficiency of tied aid as a means of promoting Canadian exports and employment, alongside the costs and benefits of tied aid to developing countries.	The Canadian government agreed to untie its aid according to the DAC Recommendation. Implementation authority has been obtained by the Treasury Board.

Canada

Canadian Partnership	The challenge is to ensure that Canadian initiatives, partnerships and accountability systems reinforce rather than weaken partnership with developing countries. There is also a need for Canadian institutions and solutions to adapt to local needs.	The new emphasis on ownership derived from <i>Strengthening Aid Effectiveness</i> poses a major challenge in CIDA's traditional approach of Canadian civil society being a driving force of programming. CIDA is reviewing how the underlying principles of the aid effectiveness agenda can be applied to Canadian Partnership programming.
Results-based management	CIDA is facing the dilemma of reconciling partner country leadership with the accountability criteria of CIDA by the Canadian government, Parliament and public.	CIDA has made progress on the issue of attribution with the OAG which is supportive of CIDA's focus on demonstrating results rather than being preoccupied with their attribution to specific contribution. However, the major issue now is for RBM to be more strategic and selective in identifying the significant results to be measured in order to check the validity of CIDA's contribution to the MDGs.
Human resources	Staff renewal is needed to face a rapidly ageing workforce as well as to develop a human resource base in line with new programme priorities.	CIDA has been able to increase its staffing levels in the late 1990s and to diversify its expertise. CIDA has also focussed on the recruitment of younger professionals.
Decentralisation of aid management	CIDA's slim presence in the field may not be fully compatible with the demands for improved field-based partnerships and donor co-ordination.	CIDA has decided to increase its field presence in countries where it intends to have enhanced partnerships. These countries have yet to be selected.

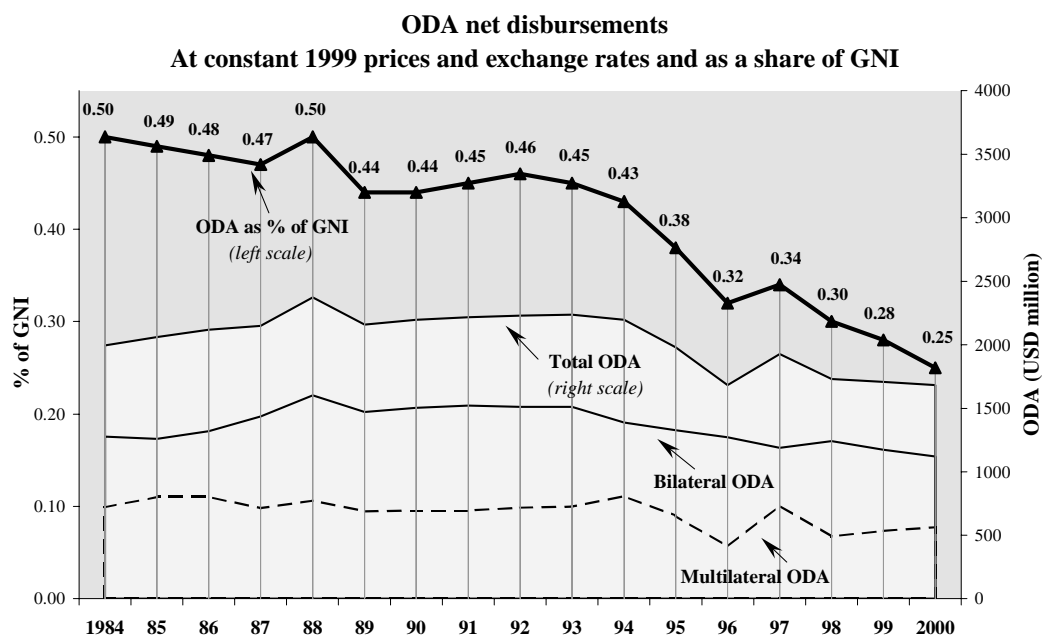
ANNEX III
OECD/DAC STANDARD SUITE OF TABLES

Table III-1. Total financial flows

USD million at current prices and exchange rates

Canada	Net disbursements						
	1984-85	1989-90	1996	1997	1998	1999	2000
Total official flows	1 682	2 931	2 334	3 170	3 828	3 829	3 565
Official development assistance	1 628	2 395	1 795	2 045	1 707	1 706	1 744
Bilateral	1 018	1 636	1 356	1 263	1 222	1 172	1 160
Multilateral	610	759	439	781	484	534	583
Official aid	n.a.	6	181	157	157	165	165
Bilateral		6	181	157	157	165	165
Multilateral		-	-	-	-	-	-
Other official flows	54	530	358	968	1 964	1 959	1 657
Bilateral	16	530	358	968	1 964	1 959	1 657
Multilateral	38	-	-	-	-	-	-
Grants by NGOs	156	246	302	175	155	137	168
Private flows at market terms	412	17	4 099	7 275	5 503	4 463	5 820
Bilateral: <i>of which</i>	240	26	4 099	7 275	5 503	4 463	5 820
Direct investment	279	83	4 562	6 707	5 656	4 052	4 953
Export credits	- 27	58	- 8	47	161	-50	- 32
Multilateral	172	- 10	-	-	-	-	-
Total flows	2 250	3 194	6 735	10 620	9 486	8 429	9 553
<i>for reference:</i>							
ODA (at constant 1999 \$ million)	2 027	2 177	1 681	1 926	1 732	1 706	1 683
ODA (as a % of GNI)	0.50	0.44	0.32	0.34	0.30	0.28	0.25
Total flows (as a % of GNI) (a)	0.68	0.57	1.18	1.76	1.60	1.14	0.95

a. To countries eligible for ODA.



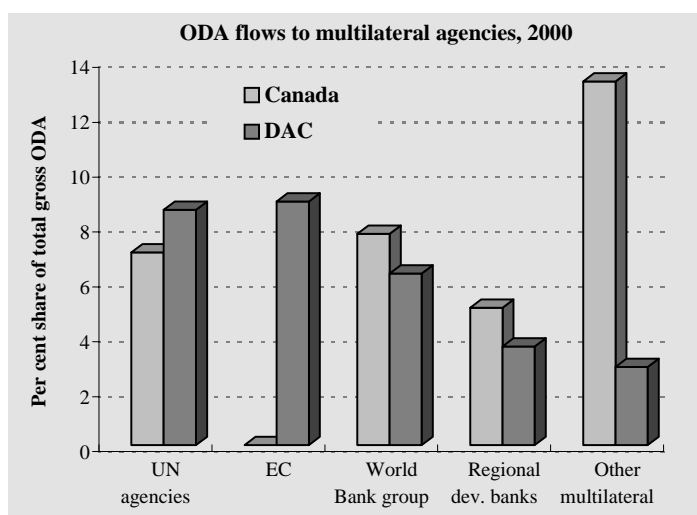
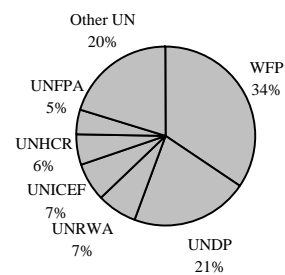
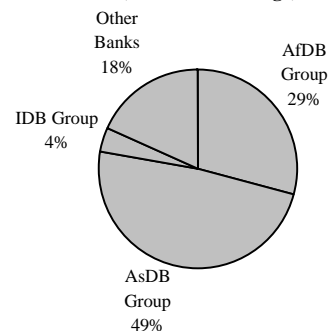
Source: OECD.

Table III-2. ODA by main categories

Canada	Constant 1999 USD million					Per cent share of gross disbursements					Total DAC 2000%
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
	Gross Bilateral ODA	1 315	1 280	1 274	1 197	1 143	76	63	72	69	
<i>Grants</i>	<i>1 303</i>	<i>1 276</i>	<i>1 266</i>	<i>1 195</i>	<i>1 143</i>	<i>75</i>	<i>63</i>	<i>72</i>	<i>69</i>	<i>67</i>	<i>55</i>
Project and programme aid	349	260	173	221	193	20	13	10	13	11	13
Technical co-operation	310	384	433	347	340	18	19	25	20	20	21
Developmental food aid	78	154	116	61	77	5	8	7	4	5	2
Emergency and distress relief	163	150	153	164	194	9	7	9	9	11	6
Action relating to debt	120	55	95	57	12	7	3	5	3	1	4
Administrative costs	112	108	111	135	128	6	5	6	8	7	5
Other grants	172	164	186	210	199	10	8	11	12	12	4
<i>Non-grant bilateral ODA</i>	<i>12</i>	<i>5</i>	<i>7</i>	<i>2</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>15</i>
New development lending	12	5	7	2	1	1	0	0	0	0	14
Debt rescheduling	-	-	-	-	-	-	-	-	-	-	0
Acquisition of equity and other	-	-	-	-	-	-	-	-	-	-	1
Gross Multilateral ODA	411	736	491	535	563	24	37	28	31	33	30
UN agencies	171	89	141	143	120	10	4	8	8	7	9
EC	-	-	-	-	-	-	-	-	-	-	9
World Bank group	17	286	133	136	131	1	14	8	8	8	6
Regional development banks (a)	34	125	94	70	86	2	6	5	4	5	4
Other multilateral	190	236	124	185	226	11	12	7	11	13	3
Total gross ODA	1 726	2 017	1 765	1 731	1 706	100	100	100	100	100	100
Repayments and debt cancellation	- 45	- 91	- 33	- 25	- 24						
Total net ODA	1 681	1 926	1 732	1 706	1 683						
<i>For reference:</i>											
<i>ODA to and channelled through NGOs</i>	257	162	183	207	196						
<i>Associated financing (b)</i>	-	-	-	-	-						

a. Excluding EBRD.

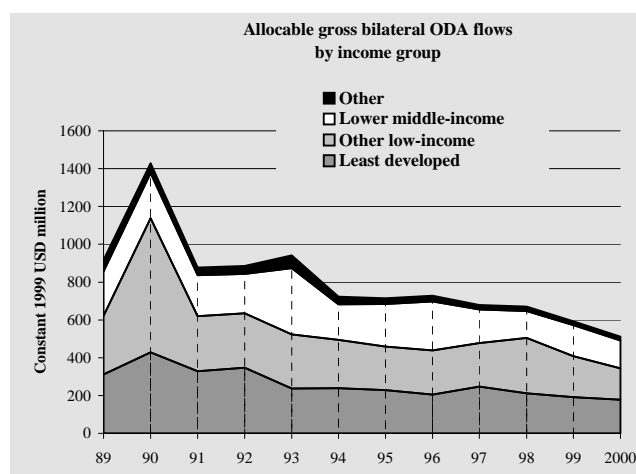
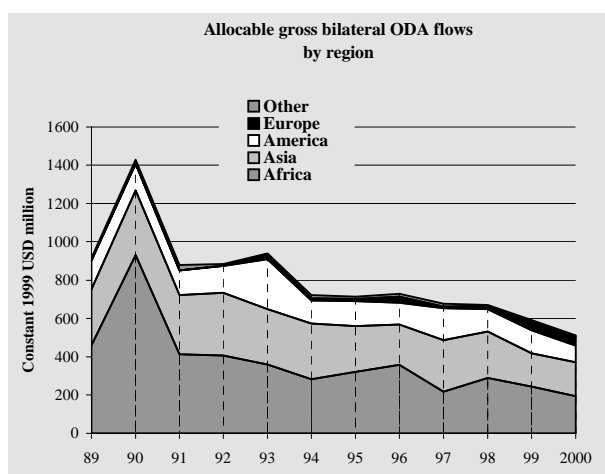
b. ODA grants and loans in associated financing packages.

Contributions to UN Agencies
(1999-2000 Average)Contributions to Regional Development
Banks (1999-2000 Average)

Source: OECD.

Table III-3. Bilateral ODA allocable by region and income group

Canada	Constant 1999 USD million					Per cent share					Total DAC 2000%
	1996	1997	1998	1999	2000	1996	1997	1998	1999	2000	
Africa	356	217	289	244	194	49	32	43	41	38	36
Sub-Saharan Africa	239	191	263	217	171	33	28	39	37	34	29
North Africa	117	26	25	27	22	16	4	4	5	4	7
Asia	211	270	241	174	176	29	40	36	29	34	39
South and Central Asia	113	150	123	84	87	16	22	18	14	17	13
Far East	97	119	119	89	89	13	18	18	15	17	25
America	115	167	118	120	88	16	25	18	20	17	12
North and Central America	66	100	73	81	57	9	15	11	14	11	6
South America	49	67	45	39	31	7	10	7	7	6	7
Middle East	14	15	5	5	5	2	2	1	1	1	4
Oceania	0	0	0	0	0	0	0	0	0	0	2
Europe	31	9	17	49	48	4	1	2	8	9	7
Total bilateral allocable	727	678	670	592	511	100	100	100	100	100	100
Least developed	203	245	211	191	177	28	36	31	32	35	26
Other low-income	235	232	293	216	167	32	34	44	36	33	33
Lower middle-income	258	177	144	165	146	35	26	21	28	29	35
Upper middle-income	30	23	21	19	21	4	3	3	3	4	6
High-income	-	0	0	0	0	-	0	0	0	0	0
More advanced developing countries	1	-	1	0	-	0	-	0	0	-	-
<i>For reference:</i>											
<i>Total bilateral</i>	1 315	1 280	1 273	1 197	1 143	100	100	100	100	100	100
<i>of which: Unallocated</i>	588	603	604	605	633	45	47	47	51	55	26



Source: OECD.

Table III-4. Main recipients of bilateral ODA

Gross disbursements, two-year averages

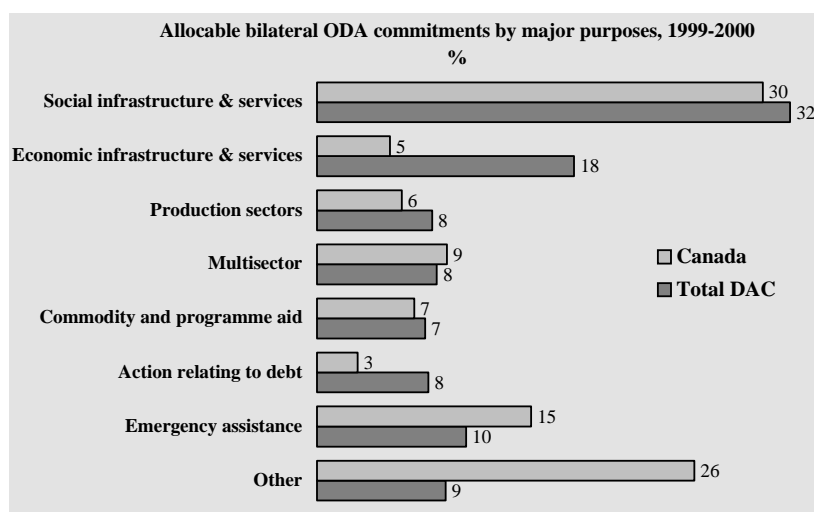
Canada	1989-90				1994-95				1999-2000		
	Current USD million	Constant 1999 USD mn.	Per cent share		Current USD million	Constant 1999 USD mn.	Per cent share		Current USD million	Constant 1999 USD mn.	Per cent share
Cameroon	92	83	7	China	61	59	8	Bangladesh	34	33	6
Bangladesh	88	80	7	Bangladesh	53	51	7	China	30	30	5
Kenya	67	60	5	Egypt	47	45	6	Indonesia	26	26	5
Ghana	67	61	5	India	42	40	6	Haiti	23	22	4
China	53	47	4	Peru	27	26	4	India	19	19	3
Top 5 recipients	368	331	28	Top 5 recipients	230	222	31	Top 5 recipients	132	130	24
Zambia	52	46	4	Indonesia	24	24	3	Sts Ex-Yugoslavia unsp.	18	18	3
Côte d'Ivoire	45	40	3	Philippines	22	21	3	Mali	16	15	3
Indonesia	45	41	3	Ghana	20	19	3	Honduras	15	15	3
Pakistan	43	39	3	Mali	18	18	2	Yugoslavia (incl. Kosovo)	15	15	3
Zimbabwe	38	34	3	Tanzania	18	17	2	Ghana	14	14	3
Top 10 recipients	590	532	46	Top 10 recipients	332	321	45	Top 10 recipients	211	208	38
Senegal	36	33	3	Rwanda	17	17	2	Senegal	14	14	3
Tanzania	36	33	3	Haiti	17	16	2	Viet Nam	13	13	2
India	34	31	3	Senegal	16	15	2	Egypt	13	13	2
Jamaica	34	31	3	Pakistan	15	15	2	Ethiopia	13	13	2
Congo, Dem. Rep.	33	30	3	Thailand	15	14	2	Pakistan	13	12	2
Top 15 recipients	763	689	59	Top 15 recipients	412	398	55	Top 15 recipients	277	272	49
Mozambique	31	28	2	Zambia	14	14	2	Tanzania	12	12	2
Morocco	30	27	2	Côte d'Ivoire	14	14	2	Cameroon	12	12	2
Egypt	27	24	2	Zimbabwe	13	14	2	South Africa	11	11	2
Philippines	26	24	2	Cameroon	13	13	2	Côte d'Ivoire	11	11	2
Thailand	26	23	2	Mozambique	12	12	2	Philippines	11	10	2
Top 20 recipients	902	815	70	Top 20 recipients	478	465	64	Top 20 recipients	334	329	60
Total (123 recipients)	1 296	1 172	100	Total (136 recipients)	743	718	100	Total (136 recipients)	560	551	100
Unallocated	668	607		Unallocated	718	695		Unallocated	631	619	
Total bilateral gross	1 963	1 779		Total bilateral gross	1 461	1 413		Total bilateral gross	1 191	1 170	

Source: OECD.

Table III-5. Bilateral ODA by major purposes

At current prices and exchange rates

Canada	1989-90		1994-95		1999-2000		Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	
Social infrastructure & services	373	24	311	21	380	30	32
Education	225	15	136	9	118	9	10
of which: basic education	-	-	1	0	13	1	1
Health	42	3	60	4	24	2	4
of which: basic health	-	-	26	2	17	1	2
Population programmes	1	0	19	1	30	2	2
Water supply & sanitation	20	1	15	1	31	2	6
Government & civil society	36	2	43	3	151	12	5
Other social infrastructure & services	48	3	38	3	28	2	6
Economic infrastructure & services	187	12	207	14	62	5	18
Transport & storage	28	2	75	5	12	1	9
Communications	85	6	54	4	6	0	1
Energy	55	4	22	2	30	2	4
Banking & financial services	1	0	25	2	9	1	1
Business & other services	18	1	30	2	5	0	3
Production sectors	254	17	90	6	72	6	8
Agriculture, forestry & fishing	178	12	38	3	47	4	6
Industry, mining & construction	66	4	48	3	20	2	2
Trade & tourism	11	1	1	0	5	0	0
Other	-	-	4	0	-	-	0
Multisector	30	2	103	7	111	9	8
Commodity and programme aid	216	14	154	11	83	7	7
Action relating to debt	2	0	66	5	35	3	8
Emergency assistance	38	2	197	14	183	15	10
Administrative costs of donors	179	12	121	8	133	11	6
Core support to NGOs	246	16	201	14	190	15	2
Total bilateral allocable	1 525	100	1 449	100	1 248	100	100
<i>For reference:</i>							
Total bilateral	1 781	68	1 488	68	1 292	66	73
of which: Unallocated	256	10	39	2	43	2	4
Total multilateral	839	32	687	32	661	34	27
Total ODA	2 620	100	2 175	100	1 952	100	100



Source: OECD.

Table III-6. Comparative aid performance

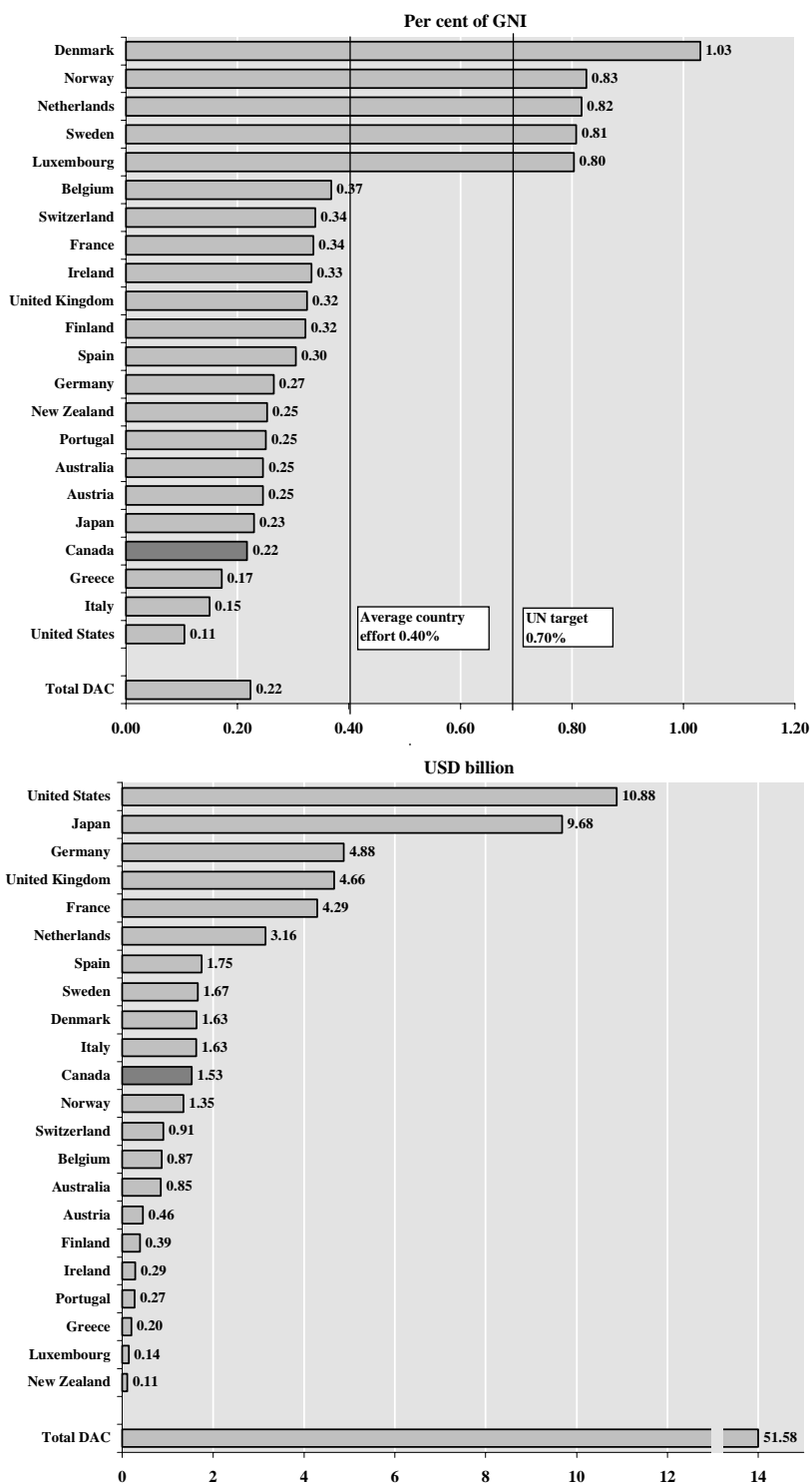
	Official development assistance			Grant element of ODA (commitments) 2000 % (a)	Share of multilateral aid				ODA to LDCs Bilateral and through multilateral agencies 2000		Official aid		
	2000		94-95 to 99-00 Ave. annual % change in real terms		2000				% of ODA	% of GNI	2000		
	USD million	% of GNI			% of ODA (b)	% of GNI		% of ODA			% of GNI	USD million	% of GNI
						(c)	(b)						
Australia	987	0.27	-0.7	100.0	23.2	0.06			21.1	0.06	8	0.00	
Austria	423	0.23	-4.1	96.1	39.3	18.8	0.09	0.04	23.2	0.05	187	0.10	
Belgium	820	0.36	2.0	99.4	41.8	18.5	0.15	0.07	25.0	0.09	74	0.03	
Canada	1 744	0.25	-4.1	100.0	33.5	0.09			16.8	0.04	165	0.02	
Denmark	1 664	1.06	4.3	100.0	38.5	32.9	0.41	0.35	32.1	0.34	189	0.12	
Finland	371	0.31	6.1	100.0	41.5	27.8	0.13	0.09	29.0	0.09	58	0.05	
France	4 105	0.32	-7.3	96.4	31.1	11.8	0.10	0.04	24.0	0.08	1 657	0.13	
Germany	5 030	0.27	-1.9	97.9	46.6	21.9	0.13	0.06	23.3	0.06	647	0.03	
Greece	226	0.20	56.2	13.0	0.11	0.03	7.8	0.02	12	0.01	
Ireland	235	0.30	13.2	100.0	34.1	14.2	0.10	0.04	47.7	0.14	-	-	
Italy	1 376	0.13	-5.5	98.5	72.6	26.3	0.09	0.03	26.7	0.03	406	0.04	
Japan	13 508	0.28	3.9	87.6	27.7		0.08		15.2	0.04	- 54	0.00	
Luxembourg	127	0.71	18.1	100.0	26.2	14.5	0.19	0.10	32.2	0.23	2	0.01	
Netherlands	3 135	0.84	5.5	100.0	28.5	21.0	0.24	0.18	24.9	0.21	306	0.08	
New Zealand	113	0.25	4.9	100.0	25.0		0.06		24.1	0.06	0	0.00	
Norway	1 264	0.80	2.1	99.9	26.1		0.21		33.2	0.27	27	0.02	
Portugal	271	0.26	0.9	99.1	34.0	12.0	0.09	0.03	43.2	0.11	27	0.03	
Spain	1 195	0.22	1.5	92.2	39.7	10.2	0.09	0.02	11.5	0.02	12	0.00	
Sweden	1 799	0.80	1.3	99.5	31.0	26.4	0.25	0.21	29.1	0.23	122	0.05	
Switzerland	890	0.34	2.1	100.0	29.5		0.10		29.7	0.10	58	0.02	
United Kingdom	4 501	0.32	1.5	100.0	39.8	18.1	0.13	0.06	30.9	0.10	439	0.03	
United States	9 955	0.10	0.2	99.7	25.6		0.03		19.5	0.02	2 506	0.03	
Total DAC	53 737	0.22	0.4	95.9	32.9	23.7	0.07	0.05	22.0	0.05	6 848	0.03	
Memo: Average country effort		0.39											

Notes:

- a. Excluding debt reorganisation.
- b. Including European Community.
- c. Excluding European Community.
- .. Data not available.

Source: OECD.

Figure III-1. Net ODA from DAC countries in 2001 (prelim. data)



Source : OECD.

PRESS RELEASE OF THE DAC PEER REVIEW OF CANADA

The Canadian government has made a series of major funding and policy decisions that strengthen significantly its commitment to support sustainable development in developing countries. This follows a decade during which Canada's need for a balanced budget resulted in drastic cuts in its aid. The ratio of its official development assistance (ODA) to gross national income (GNI) halved to 0.22% in 2001 from 0.45% in the early 1990s. Canada ranks 19th out of the 22 Development Assistance Committee (DAC) members in terms of ODA per GNI and 11th in volume terms with ODA of USD 1.5 billion in 2001.

During the review of Canada's development co-operation policies and programmes on 15 November 2002, the DAC acknowledged Canada's special ability to help lead the international community towards actions which push out the frontiers of international co-operation in areas such as gender equality and capacity building. Against this background, the Committee welcomed Canada's commitment to increase international assistance funding by 8% per year with the aim of doubling ODA volume by the end of the decade and raising ODA/GNI ratio to around 0.35%, with the ultimate aim of reaching the UN target of 0.7%. The DAC noted Canada's role in the G8 Action Plan for Africa and the participation of the African heads of state representing the New Partnership for Africa's Development (NEPAD) at the G8 Summit held in Kananaskis. The ODA increase will give Canada an opportunity to support African development, including the private sector. Half of the new aid flows will be allocated to Africa and Canada estimates that Canadian dollars (CAD) 6 billion in existing and new funds will be disbursed to the region in the next five years. The DAC also welcomed Canada's decision to liberalise trade to Least Developed Countries (LDCs).

The DAC noted that this new political impetus to Canada's development efforts is accompanied by important challenges. The DAC Chairman, Mr. Jean-Claude Faure, summarised the Committee's main findings and recommendations:

- **Follow-through on announced ODA increase.** In the past decade, announcements on aid increases have not necessarily led to an increase in ODA largely due to fiscal problems. With a healthy budget situation now restored, sustaining the political commitment and the wide public support to increase ODA significantly during the rest of this decade will be important.
- **Engage and maintain public support.** The public expects to see more evidence of poor people's lives being improved. As the Canadian International Development Agency (CIDA) is developing a public engagement strategy, the DAC discussed the need for Canada to inform citizens of the challenges associated with development co-operation, at the same time highlighting positive results. This could be done through the revival of an annual report to the public by CIDA and launching of a report on Canada's overall ODA effort.

- **Focus on a limited number of countries.** Canadian aid is among the most dispersed of DAC members in terms of countries supported. This could be a disadvantage for Canada in making an impact and in its ability to influence other donors. It could also be contributing to the high administrative costs of Canadian aid. With the ODA increase, CIDA intends to focus its aid in a limited number of sectors and countries, a majority of these in Africa. Nevertheless, the implementation of this plan will require determined political will on the part of the Canadian authorities.
- **Enhance mainstreaming of poverty reduction.** Poverty reduction in support of the Millennium Development Goals (MDGs) is the overarching goal of Canadian aid. The DAC encourages further integration of the central role of poverty reduction into Canadian foreign policy.
- **Work further towards policy coherence for development.** This involves strengthening co-ordination across the Canadian government on relevant policy issues, such as immigration, conflict resolution and peace building, agriculture and food security.
- **Move forward with the trade liberalisation effort.** Canada is significantly liberalising trade with LDCs, giving them duty and quota free access to the Canadian market, with the exception of a few agricultural commodities such as dairy, poultry, and eggs. It is important for Canada to implement this decision in the most effective way and to examine further actions to help developing countries benefit from the global economy.
- **Further untie.** Following the DAC's Recommendation on Untying Aid to the LDCs, the Cabinet approved in June 2002 a new policy for aid untying. In accordance with the terms of the Recommendation to untie ODA to the LDCs on effort sharing, Canada should undertake its best endeavours to identify and implement supplementary actions to untie its bilateral assistance.
- **Re-examine the role of Canadian civil society in the context of developing country-led frameworks.** Civil society organisations are important players in CIDA's programming and one of Canada's special assets as they work to build capacity in their developing country partners. At the same time, the role of "responsive programming," which is driven by the initiatives of the Canadian partners, is an issue as the Agency moves to recognize the leadership and ownership of partner countries. The role of Canadian civil society organisations will need to adjust accordingly.
- **Strengthen aid effectiveness.** CIDA is carrying out a wide-ranging business transformation process which includes moving away from multiple project-oriented contracts to increased programme-type interventions. This would give more weight to country focussed initiatives, particularly through collaborative efforts with other donors, in line with effective strategies established by partner countries themselves.

The Canadian delegation was led by the Honourable Susan Whelan, Minister for International Co-operation. The examining countries were Italy and the Netherlands. Canada invited as observers representatives from the United Nations Economic Commission for Africa which is supporting the African Peer Review process in the context of NEPAD and the G8 Africa Action Plan.

DESCRIPTION OF KEY TERMS

The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information. Full definitions of these and other related terms can be found in the "Glossary of Key Terms and Concepts" published in the DAC's annual Development Co-operation Report.

ASSOCIATED FINANCING: The combination of OFFICIAL DEVELOPMENT ASSISTANCE, whether GRANTS or LOANS, with any other funding to form finance packages.

DAC (DEVELOPMENT ASSISTANCE COMMITTEE): The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its Members are given at the front of this volume.

DAC LIST OF AID RECIPIENTS: A two-part List of Aid Recipients was introduced by the DAC with effect from 1 January 1994. Part I of the List is presented in the following categories (the word "countries" includes territories):

LLDCs: Least Developed Countries. Group established by the United Nations. To be classified as an LLDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC list is updated immediately to reflect any change in the LLDC group.

Other LICs: Other Low-Income Countries. Includes all non-LLDC countries with per capita GNI less than USD 760 in 1998 (World Bank Atlas basis).

LMICs: Lower Middle-Income Countries, *i.e.* with GNI per capita (World Bank Atlas basis) between USD 761 and USD 3 030 in 1998. LLDCs which are also LMICs are only shown as LLDCs – not as LMICs.

UMICs: Upper Middle-Income Countries, *i.e.* with GNI per capita (World Bank Atlas basis) between USD 3 031 and USD 9 360 in 1998.

HICs: High-Income Countries, *i.e.* with GNI per capita (World Bank Atlas basis) more than USD 9 360 in 1998.

Part II of the List comprises "Countries in Transition". These comprise: i) more advanced Central and Eastern European Countries and New Independent States of the former Soviet Union; and ii) more advanced developing countries.

DEBT REORGANISATION: Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, rescheduling or refinancing.

DISBURSEMENT: The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. They may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (less any repayments of LOAN principal during the same period).

EXPORT CREDITS: LOANS for the purpose of trade and which are not represented by a negotiable financial instrument. Frequently these LOANS bear interest at a rate subsidised by the government of the creditor country as a means of promoting exports.

GRANTS: Transfers made in cash, goods or services for which no repayment is required.

GRANT ELEMENT: Reflects the **financial terms** of a commitment: interest rate, maturity and grace period (*i.e.* the interval to the first repayment of principal). The grant element is nil for a LOAN carrying an interest rate of 10%; it is 100% for a GRANT; and it lies between these two limits for a LOAN at less than 10% interest.

LOANS: Transfers for which repayment is required. Data on **net loans** include deductions for repayments of principal (but not payment of interest) on earlier loans.

OFFICIAL AID: Flows which meet the conditions of eligibility for inclusion in OFFICIAL DEVELOPMENT ASSISTANCE, except that the recipients are on Part II of the DAC LIST OF AID RECIPIENTS.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): GRANTS or LOANS to countries and territories on Part I of the DAC LIST OF AID RECIPIENTS (developing countries) provided by the official sector with the promotion of economic development and welfare as the main objective and which are at concessional financial terms (if a LOAN, having a GRANT ELEMENT of at least 25%).

OTHER OFFICIAL FLOWS (OOF): Transactions by the official sector with countries on the DAC LIST OF AID RECIPIENTS which do not meet the conditions for eligibility as OFFICIAL DEVELOPMENT ASSISTANCE or OFFICIAL AID.

PARTIALLY UNTIED AID: OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all recipient countries.

PRIVATE FLOWS: Consist of the following flows at market terms financed out of private sector resources:

Direct investment: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC LIST OF AID RECIPIENTS. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

Bilateral portfolio investment: Includes bank lending, and the purchase of shares, bonds and real estate.

Multilateral portfolio investment: This covers the transactions of the private non-bank and bank sector in the securities issued by multilateral institutions.

Private export credits: See EXPORT CREDITS.

TECHNICAL CO-OPERATION: Includes both i) GRANTS to nationals of recipient countries receiving education or training at home or abroad, and ii) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

TIED AID: Official GRANTS or LOANS where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all recipient countries.

UNTIED AID: OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services may be fully and freely procured in substantially all countries.

VOLUME: Unless otherwise stated, data are expressed in current United States dollars. Data in national currencies are converted into dollars using annual average exchange rates. To give a truer idea of the volume of flows over time, some data are presented in **constant prices and exchange rates**, with a reference year specified. This means that adjustment has been made to cover both inflation between the year in question and the reference year, and changes in the exchange rate between the currency concerned and the United States dollar over the same period.

THE DEVELOPMENT ASSISTANCE COMMITTEE



Development Co-operation Review Series

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