

The Deputy Director
DEVELOPMENT CO-OPERATION DIRECTORATE
Director's Office

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To: DAC Delegates and Observers

Canada Mid-term Review, 12-15 July 2021, Ottawa – Paris

Dear Colleagues

On behalf of the Development Assistance Committee's (DAC) Secretariat, I conducted the mid-term review of Canada virtually, together with DCD Director Jorge Moreira da Silva and John Egan. We would like to thank then Deputy Minister Leslie MacLean and Assistant Deputy Minister Elissa Golberg as well as Directors General and Directors of Global Affairs Canada (GAC) and all staff for the very constructive meetings and close co-operation in the lead up to the review. Over 12-15 July we had rich discussions with senior officials from Global Affairs Canada and federal government agencies, as well as representatives of civil society organisations (CSOs), private sector organisations and innovation partners.

The mid-term review focused on implementation of the recommendations of the OECD DAC 2018 peer review in the context of developments that have taken place since. In particular, Canada has partnered to advance global goods and promote global solutions, and prioritised improving the quality and quantity of sustainable development finance for the poorest and most vulnerable. It has consolidated its feminist policy framework and updated departmental forms and tools, advanced new programming in support of gender equality and the empowerment of women and girls, approved its humanitarian-development-peace nexus plan, and reinforced the role of evaluation and learning.

Canada's response to the COVID-19 pandemic is framed by its Feminist International Assistance Policy (FIAP) and the 2030 Agenda for Sustainable Development. Canada has supported the COVAX facility and its ACT-Accelerator, committed USD 1.9 billion in additional and re-purposed international assistance, initiated the COVID-19 Global Evaluation Coalition and, together with the United Kingdom, established a Development Ministers' Contact Group. In addition, Canada co-convened with Jamaica and the UN Secretary General three leader level discussions as part of the Financing for Development in the Era of COVID-19 and Beyond initiative and advocated within the G20 for the Debt Service Suspension Initiative and allocation of additional IMF Special Drawing Rights. Like other DAC members, Canada has adjusted its ways of working in response to the pandemic, adapting funding procedures in consultation with its partners.

Global Affairs Canada adopted an action plan to address the 14 recommendations the DAC made in 2018, and we were pleased to note progress, in particular with recommendations related to:

- completing and disseminating policies for the six priority action areas in its feminist international assistance policy;
- engagement with Canadian civil society organisations (CSOs);
- financial delegations for international assistance; and
- addressing remaining amalgamation challenges.

The feminist international assistance policy is providing clear direction to Canada and its partners

In a rapidly shifting global context, the FIAP has proven to be a robust policy framework guiding Canada's support for those most directly and severely impacted. Canada's feminist and human rights based approach is centred on overcoming systemic structures and barriers. Canadian civil society and private sector partners recognise and appreciate the clear direction that the FIAP provides. The six action area policies, together with accompanying guidance and tools, are helping staff of Global Affairs Canada and its partners to implement the FIAP. In addition to placing gender equality at the centre of efforts to address multi-dimensional poverty, Canada recognises that gender inequality intersects with other dimensions of exclusion, discrimination and



marginalisation. We noted that Global Affairs Canada's experience applying this intersectional approach to tackling inequality would be of interest to DAC members participating in the Community of Practice on Poverty and Inequalities.

A more systematic approach to analysing existing policies would enhance Canada's approach to policy coherence for sustainable development

Canada has well-established structures and mechanisms for fostering a coherent approach across the federal government to new policies, programmes and initiatives. The Privy Council template for Cabinet memoranda requires departments to analyse and note the environmental and gender implications of policies in order to inform decision-making. In addition, Finance Canada has begun applying a Quality of Life framework to incorporate criteria such as prosperity, health, environment, social cohesion and good governance into the federal government budgeting and policy development process. This is good practice in relation to new policies. The National Strategy for the implementation of the 2030 Agenda encourages government organisations to assess the social, economic and environmental impacts of policies by identifying gaps, synergies and trade-offs toward advancing the goals, including transboundary impacts. We pointed out that Canada could enhance its approach to policy coherence for sustainable development by being equally systematic about existing policies, analysing them to identify potential negative transboundary impacts on developing countries and taking corrective action to address any that exist. Canada welcomed discussion with other DAC members on further improving policy coherence for sustainable development.

Articulating a modern understanding of development effectiveness would enrich Canada's partnerships with all development co-operation actors

Canada is participating in and actively listening to discussions on effectiveness – including in the DAC where it co-facilitated the informal reference group on development effectiveness with Switzerland – and has engaged actively in reform of Global Partnership for Effective Development Co-operation monitoring. Global Affairs Canada intends to use these discussions to shape its forthcoming guidance note on development effectiveness. Canada wants to respond better to local needs, opportunities and context, and better reflect the sophisticated nature of its relationships with partner countries. Articulating and sharing its views on a modern understanding of effectiveness would enable Canada to contribute positively to shaping the emerging consensus on effectiveness. It would also enrich Canada's engagement with partner country governments and provide direction as it broadens its partnerships with other actors.

Global Affairs Canada has strengthened its results approach through a dedicated and comprehensive capacity building strategy and the provision of tools, both of which will soon be featured on the OECD's Development Co-operation TIPS – Tools Insights Practices platform. The Architecture for Results of International Assistance (ARIA) helps staff align corporate, programme and portfolio, and project level outcomes and indicators, and helps with rolling up results information for assessment and reporting at the programme, portfolio and corporate levels. We encouraged Global Affairs Canada to continue to share in the OECD/DAC Results Community its successes with results-based management and the challenges it faces.

Canada is broadening its partnerships with civil society and the private sector

Canada sees CSOs as actors in their own right, and engages with them on policy and programming issues. The CSO Policy Advisory Group (CPAG), a joint GAC and CSO group, was established to support effective implementation of the nine objectives in Canada's CSO Policy. Also, GAC-CSO task groups meet to address a range of challenges and jointly develop solutions, including to those posed by COVID-19. Global Affairs Canada partnered with Cooperation Canada to create Digna, a sector hub for Canadian CSOs on preventing sexual exploitation and abuse that prioritises prevention and a survivor-centred approach. This is a good example that other members might follow. In addition, Global Affairs Canada plans annual meetings with the sector. While sector representatives view these efforts positively, they note that participation in a broad range of consultations incurs significant transaction costs for CSOs and for the department. They would value the opportunity to discuss and agree on a streamlined approach to consultations, as well as on the topics to be discussed in such consultations. Global Affairs Canada is exploring outreach to and inclusion of a broader range of partners, including small and medium-sized organisations. Actively sharing Canada's lessons, experience and key challenges as a member of the DAC Community of Practice on Civil Society would make a valuable contribution to the toolkits that will be developed to support implementation of the recently approved DAC Recommendation.

Canada recognises that the private sector is made up of diverse stakeholders including micro, small and medium-sized organisations, co-operatives, large entities and financial institutions each with its own role and potential contribution to sustainable development. Canada's [Private Sector Engagement for Sustainable Development strategy](#) outlines three roles for private sector entities – as beneficiaries of private sector development efforts in developing countries, as a source of Canadian



and local expertise and intelligence, and as financing and innovation partners – and it groups programming approaches under improving the business environment, developing partnerships and increasing investment. In developing this strategy, Canada drew on the Kampala Principles on Effective Private Sector Engagement in Development Co-operation. Global Affairs Canada is progressing discussions with pension funds and investors about investment opportunities, with a view to de-risking and demystifying work in different developing country contexts. A guidance note on innovative financing for sustainable development outlines the innovative financial instruments and resources that Canada has introduced to support achievement of FIAP objectives and the sustainable development goals (SDGs). Representatives of the private sector and innovation partners welcome the FIAP and the efforts Global Affairs Canada is making to engage new partners, innovate and leverage additional finance, including through blended finance. New authorities that facilitate use of guarantees, sovereign loans, equity and unconditional repayable contributions will enhance this work. While Partnership Branch acts as the main point of contact between each organisation and the department, sector representatives would welcome a more cohesive approach to accessing Global Affairs Canada initiatives, and departmental assistance to facilitate engagement with partner countries and multilateral partners. Canada effectively championed the OECD DAC Blended Finance Principles during its 2018 G7 Presidency and is encouraged to make use of the recently released guidance which underpins the Principles.

A multilateral engagement strategy aims to provide a framework for Canada's partnerships with multilateral institutions

A planned multilateral engagement strategy, the first since amalgamation in 2013, will provide a framework and guiding principles for Canada's partnership with multilateral institutions and enable adaptation to context. Global Affairs Canada intends to balance country ownership and localisation of efforts with transparency, accountability and stewardship. In relation to multilateral development co-operation Canada places importance on achieving outcomes and results, making progress with United Nations reform and orienting multilateral efforts to issues of priority to Canada. While it is providing less earmarked funding for humanitarian assistance in line with its Grand Bargain commitments, Canada's share of earmarked multilateral funding has nevertheless averaged 46% of multilateral aid since 2013 compared with the DAC average of 38%. While Canada provides a significant percentage of core funding to multilateral development banks and vertical funds, like other DAC members it gives a much lower percentage of core funding to United Nations Funds and Programmes (14% for the period 2012-19). Canada continues to work with multilateral partners, such as the UN Funds and Programmes, to better demonstrate how core funding is used to achieve development results at the country-level to strengthen support for this type of funding. Canada's provision of softly earmarked country-specific project-type funding comprised 48% of financing for UN Funds and Programmes from 2012-2019 compared with the DAC average of 26%. Canada seeks to preserve the quality of flexible less earmarked non-core funding by providing support that is multi-year, disbursed in a timely fashion, and delivered through development-related pooled or entity-specific thematic funds. Recognising that there are a range of approaches to core and earmarked funding amongst DAC members, GAC is interested in learning more about good practices and clarifying differing views on multilateral financing. We encouraged Canada to contribute to the DAC conversation about an appropriate balance between un-earmarked, core support to multilateral institutions and support using soft or hard earmarking.

Global Affairs Canada's efforts to address amalgamation challenges would be of interest to other DAC members

Global Affairs Canada has created a dedicated rotational international assistance stream within the foreign service and updated the Canadian Foreign Service Institute's professional learning programme to include international assistance modules. A pilot on coherent planning at Canadian missions is underway. Two evaluations of the coherence of diplomacy, trade and international assistance have surfaced important evidence of what is working within geographic branches in Ottawa and at missions abroad. A further two evaluations are planned. The department faces challenges related to the use of different reporting and information management systems and the need for operational guidance on how staff from different streams might work together more coherently. Canada's work on the humanitarian-development-peace nexus is expected to provide good learning for the department. Conscious of the fact that many DAC members face similar issues, we encouraged Global Affairs Canada to share its efforts to address amalgamation challenges.

Working with partners to achieve efficient, effective and innovative international assistance remains a work in progress

While Global Affairs Canada's streamlining efforts have addressed a number of programming challenges that CSOs, private sector institutions and innovation partners face by simplifying application processes and reporting, implementing partners consider that more could be done. Application processes are burdensome for the department and the sector. Despite processing



time frames having been reduced over the past few years, the time taken between receiving applications and communicating decisions remains long from the perspective of applicants. Vetting occurs each time organisations apply for funding and while some sector representatives appreciate the recent loosening of reporting requirements, for others the requirements have become tighter; some long-standing and trusted partners have moved from annual to six-monthly and quarterly reporting. Civil society representatives point to limited use of institutional funding and framework agreements, both of which could achieve considerable efficiencies for the department and the sector. As both the department and its partners note, Global Affairs Canada's willingness to introduce exceptional measures in response to COVID-19 show that further streamlining is possible. We encouraged the department to build on these efforts.

Implementing partners perceive Global Affairs Canada to be risk averse and feel that this might be a factor at play in the time it is taking to launch a comprehensive and coherent approach to the innovative financing portfolio. Sector representatives would like the department to explore opportunities to scale up innovative and successful processes, taking account of risk but not being unduly constrained by it. Global Affairs Canada is aware of this and has recently adopted an Enterprise Risk Management Strategy that better integrates risk management at the project, programme and strategic levels, leverages data and metrics to assess and respond to risks, and raises risk awareness among staff (including by documenting lessons learned). We encouraged the department to continue to develop this system, focusing on integration and coherence, increasing data and understanding of risks, engaging with staff on ways of learning from what works and what does not, and acknowledging and managing risk as part of business.

Scaling up official development assistance

Canada has continued to increase its ODA volume reaching USD 5 billion in 2020, representing 0.31% of gross national income. Global Affairs Canada provides evidence of effective international assistance, and demonstrates development results through its reports and communication products. This helps the Minister make the case for ODA to Cabinet colleagues, and helps deliver on the mandate commitment to increase international assistance every year to 2030. Building public and political support is critical and civil society has a role to play in generating interest amongst Canadians. The OECD can help with analysis of recent trends, innovations and adaptations in development co-operation. Like a number of DAC members, Canada increased resources in response to the pandemic. As its economy recovers from the pandemic's consequences, Canada will need strong resolve to maintain its intention to continue to increase ODA to 2030. Further increases in the volume of Canada's international assistance and investing a greater share of its national income would lend credibility to its efforts to increase the quantity and quality of sustainable development investments. Increased transparency in the annual budget would improve international assistance reporting.

Conclusion

We are very encouraged by Canada's efforts to address the DAC's 2018 recommendations, which have already led to tangible progress. There is much that Canada can share with other members of the Committee. The next peer review will be an opportunity to discuss the extent to which Canada has managed to fully implement its action plan and reap the benefits of its efforts. In particular, it will enable clarification of how a modern understanding of development effectiveness has enriched Canada's partnerships with all of its development co-operation partners; how further streamlining of departmental systems and processes has contributed to more efficient, effective and innovative international assistance; and how Global Affairs Canada has made further progress with the challenge of building a shared culture across the department. The peer review will also allow a more in-depth assessment of how Canada is promoting policy coherence for sustainable development, addressing any negative impacts on developing countries arising from its existing policies. We will also look forward to learning about Canada's efforts to increase its international assistance each year towards 2030. We encourage Canada to discuss these findings with its partners.

Yours sincerely

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