OECD Development Assistance Peer Reviews

CANADA



The Development Assistance Committee:
Enabling effective development

OECD Development Assistance Peer Reviews: Canada

2012



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The Peer Review Process

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD's Development Co-operation Directorate 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 formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from France and the Netherlands for the Peer Review of Canada on 15 May 2012.

In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the **Development Assistance Committee**, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the European Union.

Canada – Aid at a glance

CANADA

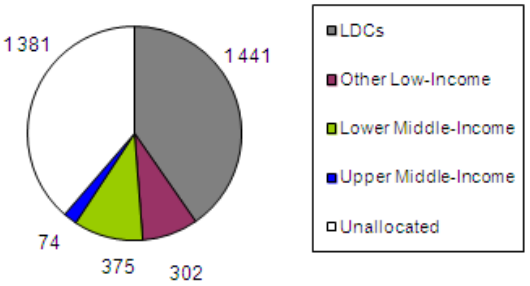
Gross Bilateral ODA, 2009-10 average, unless otherwise shown

Net ODA	2009	2010	Change 2009/10
Current (USD m)	4 000	5 202	30.0%
Constant (2009 USD m)	4 000	4 570	14.3%
In Canadian Dollars (million)	4 564	5 359	17.4%
ODA/GNI	0.30%	0.34%	
Bilateral share	79%	75%	

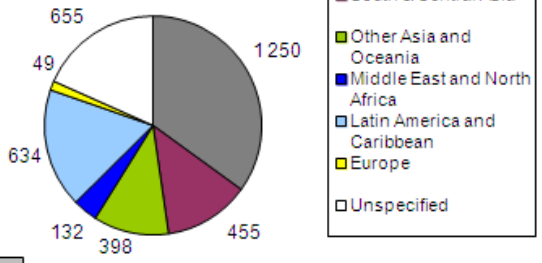
Top Ten Recipients of Gross ODA (USD million)	
1 Haiti	289
2 Afghanistan	250
3 Ethiopia	114
4 Ghana	107
5 Sudan	107
6 Tanzania	103
7 Mali	90
8 Mozambique	79
9 Pakistan	72
10 Bangladesh	69
Memo: Share of gross bilateral ODA	
Top 5 recipients	24%
Top 10 recipients	36%
Top 20 recipients	46%

By Income Group (USD m)

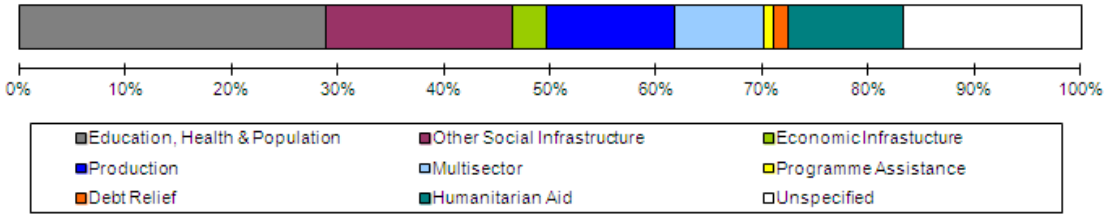
Clockwise from top



By Region (USD m)



By Sector



Source: OECD - DAC ; www.oecd.org/dac/stats

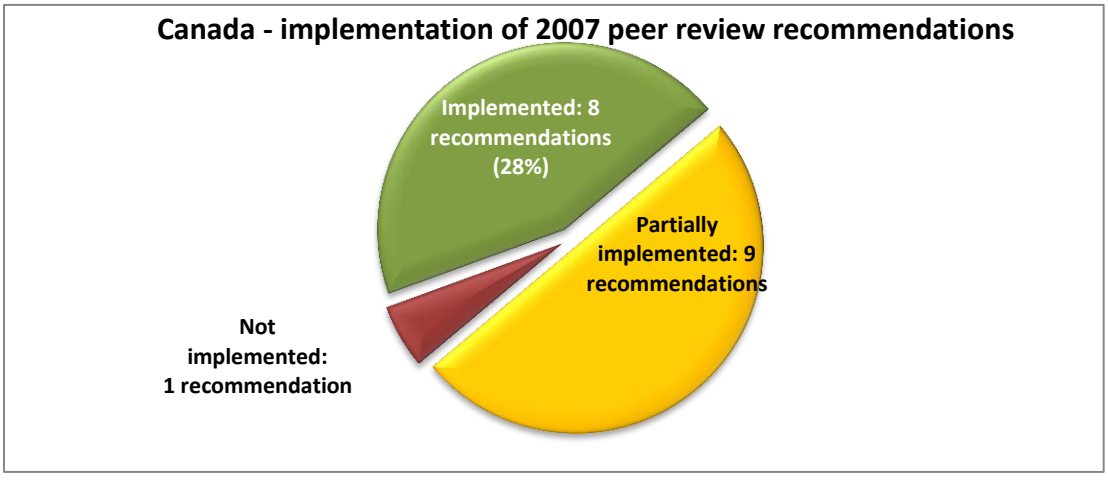


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List of Acronyms

CCIC	Canadian Council for International Co-operation
CERF	Central Emergency Response Fund
CIC	Citizenship and Immigration Canada
CIDA	Canadian International Development Agency
CSO	Civil society organisation
DAC	Development Assistance Committee
DFAIT	Department of Foreign Affairs and International Trade
GDP	Gross domestic product
GHD	The Principles and Good Practice of Humanitarian Donorship
GNI	Gross national income
GPSF	Global Peace and Security Fund
IAE	International Assistance Envelope
IATI	International Aid Transparency Initiative
IDRC	International Development Research Centre
IFIs	International financial institutions
IMF	International Monetary Fund
INCAF	International Network on Conflict and Fragility
LDCs	Least developed countries
LICs	Low income countries
MDG	Millennium Development Goal
MNCH	Maternal, newborn and child health
MOPAN	Multilateral Organisation Performance Assessment Network
NGO	Non-governmental organisation
OAG	Office of the Auditor General
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PAA	Programme Activity Architecture
PAGER	Policy Action Group for Emergency Response
PBA	Programme Based Approach
PSGs	Peacebuilding and statebuilding goals
PSU	Programme Support Unit
PWCB	Partnerships with Canadians Branch (of CIDA)
RBM	Results-based Management

SEA	Strategic Environmental Assessment
START	Stabilization and Reconstruction Taskforce
TB	Treasury Board of Canada
TC	Technical co-operation
UN	United Nations
UNHCR	UN Refugee Agency
WHO	World Health Organization

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

Notes on data used:

The data used in this report are based on the OECD's Creditor Reporting System (CRS), unless indicated otherwise. Slight discrepancies in totals are due to rounding. For comparisons over time, the peer review used 2009 constant US dollars. For data concerning only one year, the peer review used current US dollars for the corresponding year.

Annual average exchange rate (CAD per USD)

2007	**2008**	**2009**	**2010**	**2011**
1.0743	1.0753	1.1410	1.0302	0.9891

DAC'S Main Findings and Recommendations

Overview

Over the last six decades Canada has gained a strong reputation for its contributions to international development, multilateral organisations and the promotion of human rights. The strengths of Canada's development co-operation include its well-respected field presence in its partner countries; its dedicated support for research for development via the International Development Research Centre (IDRC); its significant and strategic support for the multilateral system; its effective whole-of-government approach for disaster response and fragile states, particularly Afghanistan and Haiti; and its good track record as a constructive partner within the development co-operation and humanitarian communities.

Canada's aid programme stood at USD 5.3 billion in 2011 (0.31% of its national income), making it the eighth largest DAC member. Since 2007 Canada has achieved the challenging targets it set itself for its international assistance volumes; in the decade between 2001 and 2010 it managed to double its aid in nominal terms (i.e., the money of the day). The DAC commends Canada for this achievement. However, some of these gains are likely to be reversed, given that Canada's ODA volume shrank by more than 5% in real terms (i.e., after removal of the effect of inflation) between 2010 and 2011 and is set to fall further in 2012. Canada still needs to draw up a timetable for achieving the international commitment of giving 0.7% of its gross national income (GNI) as ODA.

Since its last peer review in 2007, Canada has strengthened the legal and strategic framework for its development co-operation in two ways. First, its 2008 *ODA Accountability Act* has improved the accountability of development co-operation and established poverty reduction and the promotion of human rights as the key aid criteria. Second, its new approach to development co-operation, introduced in 2009, concentrates Canada's aid on fewer thematic and geographical priorities. The DAC welcomes Canada's efforts to make its assistance more focused while improving accountability. It now recommends establishing a clear, simple and consistent vision for Canadian aid – one that is anchored sustainably within its foreign policy and that remains stable over the long term. The DAC also commends Canada for making progress towards untying its aid and encourages it to go further in line with Accra and Busan commitments. Canada still needs to make further progress in a number of areas, including policy coherence for development, streamlining its development co-operation system consistent with its business modernisation initiative and increasing the predictability of its aid.

Overall framework for development co-operation

Canada needs an overarching vision for its development co-operation

Key findings: *Canada lacks a clear, top-level statement that sets out its vision for development co-operation. The new approach to Canadian aid is not yet supported by sufficient or transparent decision-making criteria, complicating its processes and public accountability and constraining discussions with key stakeholders, including parliament.*

Recommendation: To provide a clear strategic vision within Canada's foreign policy context, demonstrate application of its new approach to development co-operation and provide a transparent basis for accountability, Canada should:

- Put in place an overarching development co-operation vision that is owned by and guides the whole of the Canadian government for at least the next five to ten years.
- Define its new approach and objectives in measurable terms, particularly its thematic and geographical priorities.
- Complete its civil society effectiveness strategy and its strategic papers for gender equality and the empowerment of women, environmental sustainability and governance.

Canada's strengthened legal framework for its development co-operation, in the form of the ODA Accountability Act, emphasises the centrality of the Paris Declaration on Aid Effectiveness and the Millennium Development Goals (MDGs). Its main purpose is to strengthen accountability within Canada's development co-operation system and to establish three criteria that must be satisfied for international assistance to be reported to the Canadian parliament as ODA: it must (i) contribute to poverty reduction; (ii) take into account the perspectives of the poor; and (iii) be consistent with international human rights standards. These criteria have been disseminated across the government and have helped to raise the profile of ODA. They should be fully reflected in all of Canada's development co-operation strategies and programmes.

Canada is now focusing its assistance on a smaller set of sectors, multilateral entities and countries. This new approach should be elaborated in Canada's development co-operation strategy, and especially be set within the context of its foreign policy. There remains a need for a clear, simple and consistent vision for Canada's aid along with details of how its new approach to development co-operation is to be translated into objectives, strategy and programmes. Canada's five priority themes are wide-ranging; brief strategy documents have so far been written for the three themes led by the Canadian International Development Agency (CIDA): food security, children and youth, and sustainable economic growth. The Committee was informed that CIDA has recently developed performance management frameworks for these three thematic priorities, together with new strategic papers for three cross-cutting issues (gender equality and women's empowerment, environmental sustainability and governance) and a civil society effectiveness strategy.

Engaging with the private sector

Key findings: *Canada's new emphasis on sustainable economic growth is an opportunity for it to engage the private sector in development, particularly creating an enabling environment for business and supporting access to markets for developing countries. This is very much in line with the outcomes of the 2011 Fourth High Level Forum on Aid Effectiveness in Busan regarding public-private co-operation. Canada needs to ensure that development objectives and partner country ownership are paramount in the activities and programmes it supports. As the DAC has advised other members, there should be no confusion between development objectives and the promotion of commercial interests.*

Recommendation: To guide its engagement with the private sector, Canada should:

- Use analysis and broad consultation to develop a strategy for working with the private sector and ensure that this gives a clear rationale for Canada's engagement, and includes well-defined aims, strategic objectives and transparent procedures for partnerships with private sector enterprises.

Canada recognises the central role of the private sector in advancing innovation; creating wealth, income and jobs; mobilising domestic resources; and contributing to its thematic priority of sustainable economic growth and CIDA's overall mission of poverty reduction. This is already an element of CIDA's sustainable economic growth strategy. CIDA, the Department of Finance and the Department of Foreign Affairs and International Trade (DFAIT) are all engaging with the private sector in Canada and developing countries to explore ways in which private enterprises can participate in the design and implementation of development projects and programmes. As Canada implements these programmes, care needs to be taken to ensure that development objectives and partner country ownership are adequately reflected in the activities and programmes that are developed with the private sector. In addition, Canada should consider how the private sector projects it supports, as well as activities such as "aid for trade," can more directly create a good climate for investment and business in partner countries.

Promoting development beyond aid

Strong political will must drive a government-wide approach to policy coherence for development

Key findings: *Canada has made progress towards establishing the building blocks for policy coherence for development, which are: political commitment; policy coordination mechanisms; and monitoring, analysis and reporting systems. But, like other DAC members, Canada has yet to show that development impacts (potential and actual) are being considered in relevant policies.*

Recommendation: To give policy coherence for development sufficient weight in decision making, Canada should:

- Ensure systematic screening of relevant existing policies and legislative proposals for their impact on developing countries.
- Forge political and administrative commitment to a programme for policy coherence for development across all relevant departments. The programme should set measurable and strategic cross-governmental objectives and provide a clear plan for achieving them.
- Reinforce existing co-ordination mechanisms and strengthen capacity for monitoring, analysis and reporting of policy coherence for development issues in relevant federal departments and Canadian diplomatic missions in partner countries.

Canada's approach to policy coherence for development has been successful in certain areas, such as trade policy, where Canada has increased access to its markets for exports from 48 least developed countries (Box 0.1). However, policy coherence for development could be improved by strengthening existing co-ordination mechanisms and bringing a broader range of government departments into the picture. This should, at the very least, enable a systematic screening of relevant existing laws and policies as well as new legislative or policy proposals for their impact on developing countries.

Box 0.1. Good practice: increasing access to Canadian markets for 48 least developed countries

The Least Developed Country (LDC) Market Access Initiative extends duty-free and quota-free access to Canada's markets for imports from 48 least developed countries, with the exception of supply-managed agricultural products (dairy, poultry and eggs).

In 1983, Canada first introduced a preferential least developed country tariff to address the trade concerns of LDCs. In 2003, Canada substantially liberalised this programme and promised to eliminate tariffs and quotas on all LDC exports to Canada (except for over-quota supply-managed agricultural products). A more recent change was the inclusion of textile and clothing products under the initiative, substantially increasing export opportunities for LDCs to Canada. At the same time, Canada introduced new, liberal rules of origin which have also increased trade opportunities for LDCs. To increase predictability, Canada renews its programme only every 10 years; the current programme will last until 2014.

A higher level of political commitment to policy coherence for development would help Canada to ensure all government departments consider the impact of new policies on developing countries. To further improve policy coherence on priority development issues, strategic objectives could be developed in consultation with a range of relevant government departments. The understanding of development issues is strongest in those government offices that have been working with CIDA on global concerns, such as the Department of Environment. Greater understanding of development should be built in relevant government departments, along with greater capacity to act to prevent incoherent policies.

Investing resources to make whole-of-government approaches work

Key findings: *Canada shows good practice in implementing whole-of-government approaches in fragile states, particularly in Afghanistan. Its assistance in other partner countries would be more effective if it applied the relevant programme considerations emerging from Afghanistan in those contexts.*

Recommendation: Apply relevant programme considerations emerging from Afghanistan and other fragile state contexts to strengthen whole of government approaches, including:

- ensuring relevant federal departments are committed to the process;
- adopting an integrated approach, particularly at the partner country level;
- matching ambition with human and financial resources;
- delegating the necessary level of authority to the field; and
- adapting processes and protocols for effective delivery.

Canada has invested resources in strengthening development-oriented relations between relevant federal departments. In particular, Canada has strengthened inter-departmental co-operation in the field of conflict, security and fragility, both at the political level and in-country. This is especially evident in its civil-military co-operation in Afghanistan – one of the largest of Canada's development programmes. Canada's successful operations in Afghanistan have been facilitated by the highest levels of inter-departmental co-ordination led by the ministers of international trade, international co-operation, national defence, foreign affairs and public safety. Between 2008 and 2011 these ministers met every week to consider all issues related to Canada's mission in Afghanistan. Canada also established a special Afghanistan taskforce that was housed in the Privy Council Office (PCO) and staffed with officials seconded from various government departments, including Foreign Affairs, CIDA and the Department of National Defence.

Canada's engagement in Afghanistan highlights two key factors for successful whole-of-government approaches: (i) that the relevant federal departments are committed to the process, and make significant investments of time and energy to define and agree common objectives from the start; and (ii) that a strategy, resources and an integrated approach are all discussed, agreed and followed. In Afghanistan, and Haiti to a large extent, Canada has been able to match its capacity in-country with its ambitions (funds, human resources, tools, instruments); ensure field-based teams are delegated enough authority; and adapt its processes and protocols to facilitate effective operational delivery. These programme considerations should be applied to other fragile states in which Canada is working and all Canadian government contributions and development-related activities should generally be better integrated in partner countries.

The relevant federal departments can converge effectively when Canadian interests require a robust development assistance programme, as in Afghanistan and Haiti. In most cases, however, there is no clear whole-of-government, or even whole-of-CIDA, strategy for development co-operation in partner countries.

Aid volume and allocation

Ensure Canada's ODA volumes keep growing

Key findings: *Between 2001 and 2010 Canada doubled its aid. These increases allowed Canada to give valuable additional support to low income countries, particularly in sub-Saharan Africa; to respond to global emergencies, such as the 2007 food crisis; and generally to strengthen its role in development co-operation. The reductions in Canada's ODA since 2011 – combined with its plan to concentrate on fewer countries, many of which are middle income – may undermine the support it has given in recent years to poor countries with weak capacity, especially in sub-Saharan Africa.*

Recommendation: To maintain its strong role in development co-operation, Canada should:

- Maintain ODA at the current level of 0.31% of GNI (USD 5.3 billion) in the short term with a view to returning to its previously higher level as soon as possible.
- Adopt a plan for ODA growth that takes it towards the international target of 0.7% ODA/GNI, building on its earlier success in increasing ODA.
- Continue to concentrate ODA on its thematic and geographical priorities.

Canada succeeded in doubling its aid in nominal terms between 2001 and 2010, and had an exemplary record in meeting its international commitments. It was the first donor to disburse its funds for the L'Aquila Food Security Initiative (a pledge worth USD 1.1 billion). It doubled its aid to Africa between 2005 and 2010 (reaching USD 2.1 billion in 2008/09 and again in 2009/10). And at the 2010 G-8 Summit in Muskoka, Canada committed USD 1.06 billion of new funding for maternal, newborn and child health – 80% of which will go to sub-Saharan African countries.

In 2011, Canada's net ODA fell to USD 5.3 billion (which represented 0.31% of GNI); a reduction of 5.3% from 2010 levels (when ODA/GNI was 0.34%) at 2010 prices and exchange rates. Canada's government is committed to balancing its budget by 2014/15 by reducing expenses in all federal departments. The savings planned in Canada's International Assistance Envelope will be achieved by streamlining administrative services, ensuring more efficient programme delivery and further increasing the focus, efficiency and accountability of Canada's aid programme. Canada's 2012 federal budget reduces its International Assistance Envelope (95% of which is ODA) by 7% (USD 389 million) by 2014-2015 and beyond.

These cuts will affect Canada's aid volumes. Given Canada's expected healthy rate of economic growth over the medium term (2-3%), this reduction in aid volume is likely to lead to a further decline in ODA/GNI ratios and would reverse many of the gains of the last ten years. Any reductions should be achieved in a way that has the least impact on Canada's partner countries and ensures the greatest degree of predictability. Canada's aim is to make its development co-operation more efficient and effective. Improving the quality and value for money of Canada's aid will certainly strengthen the case for scaling it back up when this becomes possible.

Canada has reduced the number of its country-to-country development partnerships from 77 at the time of its last peer review to 43 today, which include 20 "countries of focus" in which CIDA concentrates most of its bilateral country programmable aid. Canada as a whole focuses on five thematic priorities. The DAC commends these efforts to maximise impact, but two important issues must be managed carefully:

- Canada will need to withdraw from activities and programmes that are no longer priorities. Exit strategies for these "legacy projects" are currently being developed by CIDA in consultation with partners. This should continue, and the strategies should be made public once they are finished. Effective communication about these choices is also necessary within CIDA in order to avoid confusion or uncertainties.

- CIDA's 20 countries of focus include 7 sub-Saharan African countries, even though this region is furthest from achieving the MDGs. Canada managed to double its aid to sub-Saharan Africa over the last five years and has a strong commitment to poverty reduction. It would be appropriate therefore for Canada to continue to prioritise sub-Saharan Africa within its programmes.

Organisation and management

Modernising CIDA: decentralising, streamlining and simplifying

Key findings: *CIDA has launched a business modernisation initiative to improve its performance, particularly for accountability, decentralisation, internal efficiency and approval processes. While considerable progress is being made, Canada's partners and operational staff argue that CIDA's procedures are still cumbersome and its decentralisation reforms have not yet been completed, slowing down implementation of programmes and putting a strain on low-capacity partners.*

Recommendations: Building on progress already made with its business modernisation initiative, CIDA should further simplify and modernise its development co-operation by:

- Completing its decentralisation, giving field-based teams in partner countries enough advisory and managerial capacity and programme and financial authority to deliver more effective aid.
- Streamlining approval procedures further and making them more predictable.
- Clarifying, harmonising and simplifying reporting requirements.

In response to criticisms of its performance, CIDA has been modernising its business practices in order to streamline its procedures and decentralise its operations. Delegated programme and financial authorities have not been revised for decades and this is leading to inefficient operations, with even small-scale decisions referred upwards for approval. Prior to 2009 CIDA's project approval process involved 28 documents and 49 signatures and took about three and a half years. CIDA's approval process was not only lengthy, it was also unpredictable; this caused problems for partnerships and made CIDA's aid less effective. CIDA's compliance requirements, information demands, parliamentary reporting and public communication efforts have expanded since 2007 and the burden of this on staff appear to be heavier than in some other DAC members.

The reforms proposed under CIDA's business modernisation initiative, such as decentralisation and streamlining of procedures, should make a difference, but further work is required. The project approval process has now been streamlined to 10 documents and 20 signatures. Further streamlining and standardising is underway. A comprehensive electronic guide to CIDA's rules and tools is now available to staff, both at headquarters and in the field. Decentralising and delegating authority to CIDA field teams in its priority partner countries is widely seen as a key step in modernising Canadian development co-operation and making it more effective. However, delegation reforms appear to have slowed in the last year. CIDA has shifted more of its people to the field and revised its systems to support local management. Three final steps are now needed to complete the reform: (i) post the necessary financial and contract officers (local and Canadian) to partner countries; (ii) finish adapting systems for local management; and (iii) delegate the necessary financial and programme authorities to the field. These steps should also result in increased efficiencies and a reduction in country programme staff in headquarters.

CIDA: the challenge of developing, using and maintaining a satisfied workforce

Key findings: *CIDA faces challenges in managing its personnel. Staff turnover is an issue, particularly at senior levels; staff are dissatisfied with CIDA processes; and CIDA risks not having sufficient people with the right skills to support its programmes.*

Recommendations: To achieve its aim to become one of the most effective development co-operation agencies, CIDA should:

- Put in place a comprehensive human resources plan that addresses the issue of senior staff turnover, responds to staff concerns and equips the Agency with the capacity it needs to achieve its aims.
- Ensure that any new arrangements for local advisory and support services in priority partner countries retain the strongest features of the current Programme Support Unit, particularly the high quality locally-grounded technical expertise.
- Be more open, using regular dialogue and communication to keep employees and partners informed of changes and reforms.

The Minister and President of CIDA have remained the same for much of the period since the last peer review, providing some stability compared to the previous history of frequent changes at these levels. Nevertheless, the Agency has experienced turnover in its other senior grades (vice presidents, chief finance officer, directors general, and directors). The current level of turnover at these senior levels of the Agency constrains progress towards implementing reforms and achieving long-term objectives. A second challenge is that according to a recent public service employee survey carried out by the Treasury Board of Canada CIDA's employees have raised serious concerns in a number of areas. Their main complaints included constantly changing priorities, lack of stability in the Agency, too many approval stages and unreasonable deadlines. There is also a concern that CIDA needs to do more to attract and develop the skills and expertise it requires to support its thematic priorities and cross-cutting issues. The Committee was informed that CIDA has recently put in place a management plan for specialists.

A related concern is that legal and security reasons are prompting CIDA to consider a new arrangement for hiring local advisers and administrative staff in its partner countries. The current arrangement, the Programme Support Unit (PSU), has been successful in establishing strong and well-respected field teams in Canada's priority partner countries. However, the Committee was informed that this arrangement carries with it significant financial and legal risks as it is not fully compliant with the Government of Canada's Financial Administration Act (FAA) and CIDA may be viewed as exceeding its authorities by creating perceived Government of Canada entities abroad. To address these risks, CIDA has developed a new approach involving a flexible menu of options which in some instances may involve outsourcing the PSU entirely to private entities. There are risks and opportunities associated with this change: it could threaten the quality of Canadian development co-operation and its comparative advantage through a loss of continuity, learning, knowledge sharing and local expertise in partner countries. Positive aspects include an opportunity to conduct business more cost-effectively using local services. Lastly, the changes experienced by staff during this period of reform and change will intensify as the impact of the 2012 federal budget is felt and CIDA makes savings by streamlining management and administrative services. During this period it

will be necessary to offer extra support to staff and external partners and regularly update them about the changes that are happening.

Improving the impact of development co-operation

Translate Canada's commitment to aid effectiveness into better practice

Key findings: *Canada has made progress on transparency and use of common and joint approaches. Surveys of donors' progress towards meeting the Paris Declaration commitments since 2005 show that Canada (along with other DAC members) is lagging behind in implementing the aid effectiveness principles, particularly aid predictability. In Canada's case, part of the reason for this is that CIDA's Aid Effectiveness Action Plan combines domestic accountability and internal efficiency with implementing the Paris Declaration principles themselves. This lessens the emphasis on the principles. In addition, the approach taken to date is concerned only with the aid delivered by CIDA (68% of Canada's total ODA in 2011).*

Recommendations: In continuation of its efforts to make its aid more effective, Canada should:

- Update CIDA's Aid Effectiveness Action Plan and ensure it is fully aligned with the Paris Declaration principles and the objectives agreed at Busan.
- Use this revised Aid Effectiveness Action Plan to mobilise all relevant federal departments and partnerships to make Canada's aid fully effective, particularly in domains where its performance is lagging, such as aid predictability.

Box 0.2. Good practice: Emphasising results, transparency and accountability

Canada is recognised for the emphasis it places on being result-orientated[1] and ensuring accountability. As host of the 2010 G8 Summit, it urged a focus on maternal and child health with the Muskoka Initiative for Maternal Newborn and Child Health designed to prevent 1.3 million deaths of children under the age of five and 64,000 maternal deaths over the next five years. In addition, the UN commission on Information and Accountability for Women's and Children's Health chaired by Canadian Prime Minister Stephen Harper and Tanzanian President Jakaya Kikwete is a concrete example of putting country ownership and accountability for results at the centre of a development priority.

The Commission was built around national leadership, strengthening capacity and reducing reporting burdens, and established a set of core indicators for the health sector to enable all stakeholders to actively pursue common goals and outcomes in maternal, newborn, and child health. By putting people and results at the core, addressing accountability and transparency, bringing coherence to country-led priorities, these global initiatives have become models for effective international co-operation.

Canada has also strengthened its accountability to the public by increasing the information available to Canadians on the concrete results of Canada's development co-operation by launching the "Development for Results Report", an annual reader-friendly overview of concrete results across CIDA programming, and 'Country Report Cards", focussed on results achieved in Canada's Countries of Focus.

1 One: The Data Report 2011

Canada has made progress in some important aspects of effective aid, such as transparency, untying its aid, making more use of partner country systems and working

with other partners on joint analysis and evaluations (Box 0.2). However, further progress is needed to meet its Paris / Accra commitments. A particular weakness is the unpredictability of Canada's aid which can compromise its ability to align to partner countries' planning and budgeting systems. Canada should publish its bilateral country programme estimates on an annual or medium term basis and ensure that its priority partner countries in particular are able to plan with confidence, at least based on CIDA's contribution. One reason for Canada's inconsistent performance on aid effectiveness is that, although CIDA put in place in 2009 an aid effectiveness action plan, this does not focus exclusively on implementing the Paris Declaration principles. The 2009 Aid Effectiveness Action Plan has two major weaknesses: first, it is only an action plan for CIDA and excludes other parts of Canada's development co-operation system; and second, it combines organisational efficiency and domestic accountability with the Paris Declaration principles themselves.

Sustain the significant progress in untying aid

Key findings: *Canada has made progress towards untying its aid. This has resulted in better value for money in key areas of Canada's development co-operation – particularly its food aid, which it untied in 2008. The proportion of Canada's total aid that is untied was 80% in 2010.*

Recommendation: To provide even better value for money Canada should:

- Complete untying of all remaining aid, setting out steps to untie its aid to the maximum extent, in line with the Accra and Busan commitments; and
- avoid tying any more aid in the future.

The DAC commends Canada for the promise it has made to untie all of its aid by 2013, and for the progress it is making towards that aim, particularly for entirely untying its food aid (Box 0.3). Canada's share of untied aid covered by the *OECD DAC Recommendation on Untying ODA to the Least Developed Countries* (LDCs) increased from 94% in 2007 to just over 99% in 2010, much higher than the DAC average of 88% for 2010. When total aid to all developing countries (not just LDCs) is taken into account, Canada's proportion of total aid untied was 80% in 2010. Given the commitments agreed in Accra and Busan to untie aid to the maximum extent, Canada is encouraged to go further in its efforts to untie its aid. The DAC also encourages Canada to continue its active and constructive participation in the DAC Working Party on Statistics' thinking on defining and reporting tied aid.

Box 0.3. Good practice: untying Canada's food aid

Canada untied all its food aid in April 2008 and now puts an emphasis on purchasing food aid in developing countries. Prior to April 2008, 50% of Canada's food aid had to be purchased in Canada. In making this change, Canada stated that it has been demonstrated that tying aid often leads to inefficiencies and does not always benefit the intended recipients. Canada is therefore working with the World Food Programme (WFP) to explore the impact of untying food aid on the timeliness and flexibility of response. Canada is playing a leading role in the renegotiation of the Food Aid Convention, which – by measuring only tonnages supplied – hampers cash-based approaches, works against high nutrient (but low weight) foods, and does not reward twinning or joint approaches with new donors. Canada has asked WFP to explore the impact of untying on the timeliness and flexibility of responses.

Towards better humanitarian donorship

A consistent humanitarian donor despite lacking a clear public strategy

Key findings: *Canada has several strengths as a humanitarian donor, such as cross-government co-ordination and an extensive rapid response toolbox; however, decision-making criteria should be more transparent, including for its "matching fund" mechanism, so as to demonstrate compliance with key humanitarian principles. Canada has also not communicated the results it expects its humanitarian programme to achieve, limiting public accountability and constraining discussions with key stakeholders, including parliament.*

Recommendation: To provide clear strategic vision, demonstrate application of humanitarian principles and provide a transparent basis for accountability in the humanitarian programme, Canada should:

- Disseminate a cross-government humanitarian strategy, with transparent and measurable objectives and expected results, in line with the principles of Good Humanitarian Donorship, following consultation with key stakeholders.
- Provide guidance for the application of the matching fund mechanism, through which the government matches fundraising efforts of registered Canadian charities to increase transparency, and to better demonstrate compliance with humanitarian principles.

Canada's strengths as a humanitarian donor include its excellent cross-government co-ordination mechanism in response to catastrophic disasters, its extensive rapid response toolbox and its strong track record as a constructive partner within the humanitarian community. Since the last peer review, Canada has fully untied its food aid (Box 0.3), providing a commendable example for other DAC donors to follow. Canada's approach to civil military co-ordination also follows good practice.

A more focused programme could improve the predictability of Canada's humanitarian funding and strengthen accountability. To do this Canada will now need to disseminate its long-awaited cross-government strategy. This should be based on Canada's comparative advantage and outline the results it expects to achieve. Canada also needs to improve the speed of disbursement to NGOs. Furthermore, Canada will need to establish clearer funding criteria and to make its decision process more transparent, otherwise it will remain vulnerable to misunderstanding and criticism that funding is not always guided by humanitarian principles. This also applies to the government's mechanism to "match" public fundraising efforts by some Canadian charities dollar for dollar. The use of this tool has unfortunately raised a number of questions about whether humanitarian principles are being respected.

Canada's lack of an overarching, publicly-available strategy with measurable objectives complicates the reporting of consolidated humanitarian results to taxpayers. Nevertheless, Canada does play an active and constructive role in monitoring its partners.

Canada should also consider relying more on CIDA's humanitarian systems and delegating more decision-making authority to the humanitarian team, in order to improve the timeliness and effectiveness of its humanitarian assistance.

From political will to effective programming: the challenges of resilience and recovery

Key findings: *Canada recently made strong political commitments to strengthen its disaster risk reduction and resilience programming which should now be translated into practice.*

Recommendation:

- Strengthen humanitarian and development tools for building resilience and supporting post-crisis recovery to ensure a holistic response to disaster risk and recovery situations.

Supporting post-crisis recovery is a challenge for many donors, and Canada is no exception. There are some examples of humanitarian and development links, but Canada needs to strengthen its approach in supporting recovery and resilience building, especially in countries where it does not have a development presence. Recent experiences in Haiti, where the Director General of the Haiti bilateral programme was consulted on all projects being undertaken in the country, may provide a good model for forging stronger links between Canada's different programmes. Stronger links through the thematic priority of food security may also offer opportunities.

Chapter 1.

Strategic Orientations

Since its last Development Assistance Committee (DAC) peer review in 2007, Canada has strengthened its legislative framework and introduced a new approach to its development co-operation, one that concentrates its aid on a smaller number of thematic priorities and partner countries. This chapter looks at Canada's strategic orientations for its development co-operation in the light of this new approach and examines what this means for each of its main aid delivery channels. In addition, this chapter considers how Canada has strengthened the accountability arrangements for its aid, focused more on results and increased transparency. Building on Canada's actions in response to recommendations in the previous peer review and other changes made since 2007, the chapter highlights five areas for future consideration: completing the strategic framework for Canada's development co-operation; completing the Canadian International Development Agency's (CIDA) new civil society effectiveness strategy; developing a strategy for Canada's support for private sector development; finalising CIDA's strategies and frameworks for mainstreaming cross-cutting issues; and strengthening reporting and communication on the results of Canada's development co-operation.

A strong reputation in development co-operation

Over the last six decades Canada has built a strong reputation for its contributions to international development, multilateral organizations and the promotion of human rights. The strengths of Canada's development co-operation include its well-respected field presence in its partner countries; its dedicated support for research for develop via the International Development Research centre (IDRC); its significant and strategic support for the multilateral system; its effective whole-of-government approach for disaster response and in fragile states, particularly Afghanistan and Haiti; and its good track record as a constructive partner within the development co-operation and humanitarian communities.

Overall Canada has made good progress towards implementing the recommendations made in the 2007 DAC peer review. This made 18 recommendations in total (OECD, 2007a, and Annex A), organised into six categories: strategic orientations; development beyond aid; ODA volume, channels and allocations; organisation and management; aid effectiveness; and humanitarian assistance. As shown in Annex A, Canada has fully implemented eight of these recommendations and partially carried out 9 more; only one remains to be taken up. The three strategic recommendations made in 2007 were to develop a clear vision for development assistance, to integrate environmental sustainability more systematically into programming and to develop a communications strategy that strengthens public outreach. This last recommendation has been implemented, as the Canadian International Development Agency (CIDA) has now put in place a communications framework. The remaining strategic recommendations have been partially followed up, and are discussed in this chapter.

Canada is reforming its aid, but it still needs a clear and consistent vision

The last peer review highlighted weaknesses in Canada's legal and policy foundations for its development co-operation. These have been tackled to some extent through two changes. First, Canada has strengthened the legal framework for its development co-operation through the new *ODA Accountability Act* (Government of Canada, 2008), which came into force on 28 June 2008. The main purpose of the act is to strengthen accountability within Canada's development co-operation system. Second, its new approach to development co-operation, introduced in 2009, concentrates Canada's aid on fewer thematic and geographical priorities. This new approach emphasises five thematic priorities and concentrates CIDA's bilateral programming on 20 "countries of focus" (CIDA, 2009a). Canada is in the process of revising the strategic framework for its development co-operation in the light of this new approach. Moreover, Canada's development co-operation is not yet set sustainably within its overall foreign policy and there remains a need for a clear, simple and consistent vision for its aid. These issues are discussed further in the sections below.

A strengthened legal framework for Canada's development co-operation

The *ODA Accountability Act* applies to all federal departments providing official development assistance (ODA), particularly CIDA, and complements the existing legal framework for Canadian aid, chiefly the *Financial Administration Act* and the *Department of Foreign Affairs and International Trade Act*. The *ODA Accountability Act* lays out three conditions or criteria that must be satisfied for international assistance to be reported to Parliament as ODA: assistance must contribute to poverty reduction, take into

account the perspectives of the poor and be consistent with international human rights standards. Most importantly, the act has helped both to define and raise the profile of ODA within the government and ensure that Canada's aid remains focused on poverty reduction. While the act is concerned mainly with accountability, it does include the DAC's definitions of ODA and key references to the Millennium Development Goals (MDGs) and aid effectiveness, emphasising the centrality of these for Canada's development co-operation.

The need to anchor development co-operation sustainably within Canada's foreign policy

Canada justifies its development co-operation policies in terms of both recipient country need and its own foreign policy objectives, which are increasingly concerned with national security, Canadian commercial interests and the promotion of Canadian values: such as, freedom, democracy, human rights and the rule of law. The Department of Foreign Affairs and International Trade (DFAIT) is responsible for the country's foreign policy, including development co-operation. It is CIDA – an agency created out of the Department of External Affairs in 1968 – which is mandated to manage most of Canadian ODA and to lead Canada's development policy agenda domestically and internationally. Other departments – chiefly DFAIT, Finance, and the International Development Research Centre (IDRC) – are gradually playing more important roles (see Chapter 4). In addition, the Prime Minister of Canada has also been active on development issues since 2007, particularly in respect of support for Maternal, Newborn and Child Health (MNCH). Most international assistance resources, both ODA and other official assistance (such as G8 Global Partnership Programmes and peacekeeping missions), are managed within Canada's International Assistance Envelope (IAE, see Figure 3.2 in Chapter 3). The IAE is both a financial structure and a policy tool to enable ministers, chiefly Foreign Affairs, International Co-operation and Finance, to review how various programmes and expenditures combine to create a Canadian response to global challenges. The IAE is discussed in more detail in Chapter 3.

Since the federal election in 2006, Canada has increasingly emphasised economic prosperity and security in its foreign policy and a gradual shift has occurred from some of the positions laid out in its 2005 International Policy Statement (Government of Canada, 2005). In particular, Canada has strengthened its focus on trade with the United States and the European Union and increased diversification to Asia. Defence and security are also key elements of Canada's foreign policy, with the country continuing to play a role in Afghanistan and the Americas and, more recently, in Libya. Other issues highlighted in Canadian foreign policy since the last peer review are immigration and refugees; and countries undergoing transitions, such as those affected by the Arab Spring. While aid is recognised as an aspect of Canada's foreign policy, it has yet to be developed as an enabler to achieve long-term objectives, such as international security, stability and global prosperity.

A new emphasis on narrowing the focus of Canada's assistance for greater aid effectiveness

In 2009, in line with a recommendation in its last peer review, Canada started to narrow the sectoral and geographical focus of its international assistance in order to improve the effectiveness of its aid (Government of Canada, 2011a). At the time of its last peer review Canada's international assistance was guided by its 2005 International Policy Statement (Government of Canada, 2005) as well as a *Sustainable Development*

Strategy (CIDA, 2005) and 15 different sector and cross-cutting policies. Canada now focuses on the following five thematic priorities in order to better respond to the challenges facing developing countries, to maximise the impact of its assistance, to increase its ability to achieve positive results and to give Canada leadership and expertise in these key areas (Government of Canada, 2011a):

- increasing food security;
- securing the future for children and youth;
- stimulating sustainable economic growth;
- advancing democracy; and
- ensuring security and stability.

With its emphasis on agriculture, nutrition, maternal and child health and basic education, Canada's priorities are in line with the three criteria specified by its ODA Accountability Act and support the first five MDGs. Broadly, these priorities are also an appropriate response to global development needs, especially in the light of the food crisis that emerged in 2007. In addition, they continue some of the themes supported under Canada's earlier development policies, such as CIDA's *Policy on Promoting Sustainable Rural Development Through Agriculture* (CIDA, 2003) and *Canada's International Policy Statement* (Government of Canada, 2005). Advancing democratic governance was also a theme of CIDA's earlier strategies. These five thematic priorities are the responsibility of the whole of the Canadian government, with CIDA leading on food security, children and youth and sustainable economic growth, while other departments, namely DFAIT, contribute more particularly to the priorities of advancing democracy and ensuring security and stability.

In 2007 Canada had 77 country-to-country development partnerships, including 9 countries of focus: Bangladesh, Bolivia, Ethiopia, Ghana, Honduras, Mali, Mozambique, Senegal and Tanzania. However, as noted in the last peer review, Canadian bilateral resources were spread too thinly and only six of the nine countries of focus were among the top 20 recipients of Canada's bilateral aid in 2005/06 (OECD, 2007a). Canada's new approach actually increases its countries of focus from 9 to 20 (one of which, the Caribbean, is actually a region, Table 1.1 and Figure 3.4), but its aim is to concentrate most of CIDA's bilateral programming on these and to contribute to the development of an additional 23 countries where it maintains a modest presence as well as six regions; thus reducing the number of its country-to-country development partnerships to 41. This is in line with DAC good practice for aid effectiveness and Canada's progress in this regard is discussed in Chapter 3.

While links to the MDGs are clear in Canada's thematic priorities, they are less apparent in its selection of countries of focus (Table 1.1). Out of the 20 countries selected almost half are middle income and already on-track for achieving the MDGs. Canada has a good record in allocating its aid mainly to low income countries that are off-track for MDG achievement, particularly those in sub-Saharan Africa (see Chapter 3); it is not clear how this will be maintained in the light of these country selections. Canada reports that when making its choices it took into account the development needs of the countries, their capacity to use aid effectively and their alignment with Canadian foreign policy priorities. Canada also took into consideration division of labour to a certain extent, by including in its decision-making process analysis of Canadian leadership as well as country programmable aid statistics from DAC surveys. Canada intends to consult on

exit strategies with the governments of countries that it is leaving or scaling back, together with partners. The country selections will be subject to periodic review.

Table 1.1. Canada's 20 countries of focus, 2011

Americas: Bolivia, Caribbean Regional Programme, Colombia, Haiti, Honduras, Peru.
Asia: Afghanistan, Bangladesh, Indonesia, Pakistan, Vietnam.
Eastern Europe: Ukraine
North Africa and the Middle East: West Bank and Gaza
Sub-Saharan Africa: Ethiopia, Ghana, Mali, Mozambique, Senegal, the formerly unified Sudan, Tanzania.

The ingredients for success: a clear strategic framework and plenty of time

Canada's strategic framework should include an overarching statement, set firmly within its foreign policy, on the purpose of its development co-operation within which its thematic priorities can sit. This represents an important lesson arising from other DAC peer reviews (OECD, 2008a). Indeed, Canada's previous DAC peer review, the Auditor General of Canada and civil society representatives have all called for a clear vision for Canadian development co-operation − one that should remain stable over time. This statement and the thematic strategies should be combined with a set of guiding documents for each of the five themes. Canada's efforts to make its aid more effective will be hampered without this kind of framework. The sections that follow give some more specific pointers for how this clear strategic framework can be achieved.

Canada's thematic priorities need greater elaboration and a long life

A long-standing weakness of Canada's aid had been its frequently changing priorities. Since it can take years to design and carry out projects and programmes effectively and even longer for changes in direction to take hold, CIDA's country desks and programme managers had been constrained by the short life-spans of Canada's various aid policies and priorities. Following the announcement of Canada's new approach, CIDA and DFAIT began to reorient and redirect their programming to align with fewer geographic and thematic priorities. The three priority themes led by CIDA are extensive and have been broadly defined in the strategy documents produced by the Agency to date (CIDA, 2011a, b and c). The two priorities led by DFAIT are equally wide-ranging and have not been outlined in overall strategy documents as the Department's activities in these areas operate at the level of programme strategies. These strategies are approved at the level of the Cabinet and include evaluation and review mechanisms.

Implementation plans for Canada's thematic and geographic priorities are needed

To be successful with its new approach, Canada needs to translate its thematic and geographical priorities into a set of well-focused plans that allow for sufficient flexibility in implementation and stick to these for a period of at least five to ten years. The relevant federal departments need more strategic guidance on how to support the geographical and thematic priorities at global and country level, and within all of Canada's various aid delivery channels and instruments.

To guide its work at the operational level, CIDA has put in place guidelines on specific programming areas (e.g. skills for employment) and is developing performance management frameworks for each of the three thematic priorities on which it leads. These documents should go a long way towards improving the timeliness and effectiveness of Canadian aid (Chapters 4 and 5) as they will set out results-based frameworks for each thematic priority and include standardised indicators that will be used to measure performance and impact at country level. CIDA should take care with the development and use of these indicators to ensure that they are streamlined, outcome-oriented, measure only what is important and, as far as possible, are aligned to partner countries' own indicators. The frameworks should clarify the Agency's focus within each of the thematic and cross-cutting priorities. They should also provide sufficient, clear-cut and consistent guidance so that geographical directorates, field teams and the managers of the various aid delivery channels can make the right choices in selecting which thematic priority to focus on (country directors can choose only two of the three led by CIDA) and, within these, which programmes to support. Most importantly, the thematic priorities and Canada's focus within these should remain consistent and stable over time.

Ensure a tighter thematic focus that reflects partner country priorities

The peer review team commends Canada for narrowing its thematic and geographical focus; at country level Canada's sectoral priorities will need to reflect the national development objectives of its partner countries to ensure that it meets the aid effectiveness principle of alignment (Chapter 5). In particular, CIDA should ensure that it selects its priority areas in its countries of focus following full consultation with the partner country government and other development partners. The rationale for thematic selections in each country should be made explicit in discussions and in Canadian country strategies. In addition, Canada's exit from countries and sectors that are no longer a priority should be managed responsibly to ensure that development objectives are not affected adversely.

Make country strategies much more transparent

CIDA's latest country strategies are better than previous versions, but they do not include measurable objectives or financial allocations and are largely concerned with the elements of CIDA's bilateral programme that is managed by its field teams located in Canada's diplomatic missions. CIDA's country strategies were criticised by the last peer review and the Auditor General (Office of the Auditor General of Canada, 2009). In response to these criticisms CIDA developed new templates. These new model strategies were approved by the Minister of International Co-operation for each of the 20 countries of focus in 2009. They will run until 2014, unless new ones are triggered by certain specified events, such as the development of a new poverty reduction strategy in a partner country or a drastic change in the country context, such as a significant natural disaster. CIDA's country strategies do not include programming through the multilateral and civil society channels, or the contributions from other federal departments, such as DFAIT and IDRC, which can be considerable. In Ethiopia, for example, almost 40% of Canada's assistance to the country is omitted from CIDA's strategy. This is mainly because information about Canada's total contribution to a partner country is not being brought together at the country level.

Canada, not just CIDA, should be clearer about the rationale for what it is doing and what it is trying to achieve in each of its partner countries. In line with the Paris Declaration aid effectiveness principles, wherever possible Canada should base its

country programmes entirely on partner countries' own national development strategies and through joint analytical work that is initiated and led by the partner country (see Chapter 5). CIDA's country programmes should continue to clarify why it is engaged in the country and how this shapes the partnership, particularly in the light of the changing development landscape and the growing role of new actors. The Agency should also identify which specific objectives it contributes to in the partner country's national development strategy and how this is related to MDG achievement and other development goals. Most importantly, it should set and publish a budget for its support for the partner country that is predictable over time.

Maintain Canada's focus on sub-Saharan Africa

Sub-Saharan Africa, the region furthest from achieving the MDGs, had been given a higher profile in Canada's policies and strategies since the international conference on finance for development held in Monterrey, Mexico, in 2002, and this has continued throughout the period covered by this peer review. For example, Canada achieved its goal to double aid to Africa (from 2003-2004 levels to USD2.1 billion in 2008-2009)[1] and maintained the same level in 2009/10. In addition, at the 2010 G-8 Summit in Muskoka, Canada committed USD 1.06 billion of new funding for maternal, newborn and child health (MNCH) – 80% of which will go to sub-Saharan African countries. Seven countries from sub-Saharan Africa are among its 20 new countries of focus (Table 1.1.). In completing its strategic framework, Canada should be clear on how it will maintain the centrality of sub-Saharan Africa and the achievement of the MDGs in that region within its development co-operation.

Ensure Canada's support to fragile states will deliver the New Deal

Canada's new approach includes a focus on four priority fragile states, namely Afghanistan, Haiti, the formerly unified Sudan and the West Bank and Gaza Strip. CIDA's approach to fragile states is outlined in several policy documents, particularly the *Canadian Guidelines for Security System Reform* (Government of Canada, 2011d); CIDA's internal guide *On the Road to Recovery: Breaking the Cycle of Poverty and Fragility* (CIDA, 2008) and its *Operational Guidelines for Programme Managers in Acutely Fragile States and Conflict-Affected Situations* (CIDA, 2009g). These documents reflect international norms and good practices, including the guidelines produced by the OECD-DAC,[2] and are subject to regular up-dates in keeping with the evolving international norms, such as the latest *World Development Report on Conflict Security and Development* (World Bank, 2011a), OECD statebuilding guidance (OECD, 2011a) and, in particular, the *New Deal for Engagement in Fragile States* endorsed at the Fourth High Level Forum on Aid Effectiveness in Busan in December 2011 (International Dialogue on Peacebuilding and Statebuilding, 2011). Canada contributed substantially to both the OECD statebuilding guidance and the New Deal, including through its co-chairmanship of the OECD/DAC INCAF Network.

In Busan,[3] over 40 countries and organisations, including Canada, endorsed the *New Deal for Engagement in Fragile States*. The New Deal includes an agreement on five peacebuilding and statebuilding goals (PSGs). These goals are seen as important foundations for progress towards the MDGs in fragile states, where an exclusive focus on poverty reduction is often insufficient and the re-establishment of citizen security, justice, jobs, revenues and services is considered the highest priority. Canada will need to demonstrate how its support in fragile states, including the considerable support it channels through multilateral organisations, will contribute to achieving the

peacebuilding and statebuilding goals and should use these to guide global and country-level funding decisions. Strong senior leadership support from DFAIT and CIDA will be needed, since ensuring security and stability remains a priority for both: Foreign Affairs through the Stabilization and Reconstruction Task Force (START) which is based at DFAIT and the Agency as it is one of its six programme activities (see Chapter 3).

The New Deal specifies a number of reforms in aid delivery and operations that should be reflected in the work of START, which plays the leading role in carrying out Canada's peace, security and reconstruction programming. START performs its functions well, but, with the exception of Canada's programmes in Afghanistan and Haiti, funds for supporting fragile states are constrained and human resources are often stretched. In addition, with the exception of Afghanistan, field level teams do not have sufficient delegated authority or adequate processes and protocols to allow for effective action (see Chapter 4). The New Deal emphasises the use of simplified procedures and tools for fragile states. A particularly helpful tool is CIDA's risk assessment framework, which is used for analysing contextual, programmatic and fiduciary risk, particularly in fragile states. This tool was introduced by the Agency in 2011 and it is a requirement for its programmes to identify risk tolerance thresholds. While some stakeholders perceive the Agency as risk-averse, these views must be weighed against Canada's significant engagement with fragile states, which are inherently high risk environments.

A key opportunity to align all Canada's aid delivery channels around a common approach

Canada's new approach applies to all of its aid delivery channels, with the exception of IDRC,[4] and CIDA is in the process of establishing clear strategic orientation for those that it manages. In addition to bilateral programmes managed by CIDA teams based in Canada's diplomatic missions, these include the multilateral channel, partnerships with civil society organisations (CSOs) and regional programmes. This revision has required, for each channel, decisions on thematic and geographic priorities and a focus on results. As discussed above, it will also be important to ensure that the contributions of these different aid delivery channels are brought together and reflected at the country level.

Keeping support to the multilateral system strong and strategic

In reflecting its new approach in its multilateral aid, particularly the focus on the five thematic priorities, Canada should take care to maintain and build on its strong track record as a good and strategic contributor to the multilateral system. Canada views the multilateral system as complementary to its bilateral efforts, particularly in fragile states, and works hard through a whole-of government approach involving DFAIT, CIDA, the Department of Finance and other relevant departments to influence multilateral aid policies, strategies and programmes. Canada provides strong support for the UN system, particularly the reform to achieve consistency across all the UN development agencies. It also makes a considered contribution to the work of the World Bank and International Monetary Fund – discussed further in Chapter 3. In completing its strategic framework, Canada should outline how the multilateral channel will complement its bilateral efforts in the context of its new approach.

Since the last peer review CIDA has completed a comprehensive review of its multilateral portfolio and, on the basis of this, has developed its first *Multilateral Effectiveness Strategy* (CIDA, 2010a) together with institutional strategies for each of the 18 entities with which Canada works the most. The main objectives of these institutional strategies are to encourage the organisations to focus on results and to promote aid

effectiveness principles. Canada should continue to make use of and contribute to joint evaluations for assessing the relevance, effectiveness and need for reform of multilateral organisations. In particular, it should continue to support the work of the Multilateral Organisation Performance Assessment Network (MOPAN), of which Canada is an active and long-standing member.

Improving how CIDA works with civil society organisations

CIDA has changed the way it works with Canadian CSOs in the last few years, particularly to increase competition for funding. The principal changes involved introducing a new comparative selection process for calls for proposals in the Agency's Partnerships with Canadians Branch (PWCB), formerly the Canadian Partnership Branch, as of July 2010. CIDA also decided that PWCB would concentrate 50% of its funding on Canada's 20 countries of focus, with the balance available for programming in other ODA-eligible countries. In addition, 80% of PWCB funding is now concentrated in the three thematic priorities led by CIDA. There were delays in processing five of the first seven calls for proposals under these new procedures and CSOs have complained about a lack of transparency regarding the process. It appears that these two issues (delay and lack of transparency) are adversely affecting the Agency's credibility and public support. The teething problems encountered with the new procedures and the perceptions regarding transparency are being tackled by CIDA. The Agency reports that improvements to procedures have been made with each call for proposal and PWCB is carrying out a lessons learned exercise to resolve the issues.

CIDA should take a fresh look at how it can better achieve its development aims in relation to civil society. The Agency is currently developing a new civil society effectiveness strategy; this provides an opportunity to do just that. This draft document should be consulted on, finalised and disseminated so that CSOs are informed about how the Agency will work with them in the future and for what purpose. It should also provide CIDA programme managers with a clear mandate in working with CSOs and investing in strengthening southern civil society. Based on lessons from peer reviews (OECD, 2011b), CIDA's new civil society strategy should include:

- a clear set of aims and strategic objectives, such as strengthening civil society in countries of focus;
- a definition of CSOs and NGOs;
- a clear rationale for why the agency is working with these different types of organisations; and
- guidelines for the necessary action to achieve strategic objectives, including principles and conditions for working with CSOs.

The strategy will need to strike a balance between respecting CSO autonomy as development actors in their own right, and steering CSOs to deliver Canada's development co-operation objectives.

Ensuring regional programmes also reflect the new approach

CIDA has reflected its new approach to development co-operation in the way it works at the regional level with regional institutions or country groupings. According to DAC statistics, Canada's regional and global programmes accounted for a quarter of its bilateral ODA in 2010. These programmes are designed to provide solutions to common problems

that require global and regional co-operation and play an important and effective role in tackling broad cross-border issues; they are also in most cases geared towards institutional support. The regional programmes include: Pan-Africa (focusing on support for the African Union); Central Africa; Southern and Eastern Africa; West Africa; Caribbean (also one of the 20 countries/region of focus); Inter-American; and South East Asia. CIDA has provided directions to the managers of its regional programmes in terms of its five thematic priorities. The regional programmes encompass the 20 countries of focus, but the geographical range is much broader than these, particularly in sub-Saharan Africa - this channel is therefore important for maintaining the centrality of that region within Canada's development co-operation.

Taking a cautious approach to engaging with the private sector

Canada's thematic focus presents opportunities for it to engage in the private sector, particularly in terms of using aid to leverage and catalyse resources for development, including those coming from the private sector. Canada's interest in collaborating with the private sector, in keeping with the Busan outcome document, should be carefully managed to ensure that partner country-led development objectives are adequately reflected. DFAIT and CIDA are looking at opportunities for the Canadian private sector to engage in development co-operation. The initial focus is on corporate social responsibility in the extractive industries sector. An important mechanism for this work is Canada's Investment Co-operation Programme (formerly known as the Industrial Co-operation Programme) which has recently been transferred from CIDA to DFAIT. Canada should now consider how the projects supported under this programme, as well as its other related activities such as "aid for trade," can more directly support a broader aim of achieving a good climate for investment and business in partner countries (see Chapter 5).

Canada needs a strategic approach for mainstreaming cross-cutting issues

Since 2009 Canada has focused on three cross-cutting issues (environmental sustainability, gender equality and governance) for its international assistance programming and is currently developing strategic documents to guide its work in these areas. These three cross-cutting issues were chosen by Canada as they were seen as critical elements of the five thematic priorities as well as necessary conditions for success in the 20 countries of focus. While the cross-cutting issues apply to all Canadian international assistance programming, CIDA takes the lead in integrating them across its development co-operation. The strategic papers being developed by CIDA for each of the cross-cutting issues are expected to guide the managers of programmes; these will be in addition to guidelines that are already in place for integrating gender equality and environmental sustainability into policies and programmes as well as guidelines for governance that are currently being prepared. These new guidance documents on the three cross-cutting issues should reflect on CIDA's experience to date and also take account of mainstreaming in other agencies, particularly in gender equality, which has received the most attention of evaluators (African Development Bank, 2011).

Gender equality and women's empowerment

CIDA has made a long-term effort to mainstream gender equality across its programmes and to bring gender equality into its policy dialogue with partners. The Agency's approach to mainstreaming gender equality is guided by its *Policy on Gender Equality* (CIDA 1999) as well as its *Gender Equality Action Plan* (CIDA, 2010b), and is supported by gender

advisers at headquarters and in 11 of the 20 countries of focus. Since 2008 CIDA has tracked its support for gender equality results through a mandatory gender equality policy marker. The Agency's new strategy for gender equality and women's empowerment will complement its existing Policy on Gender Equality (CIDA, 1999) and its *Framework for Assessing Gender Equality Results* (CIDA, 2009b).

Environmental sustainability and climate change

While CIDA has focused on gender equality for several decades, it has less experience of mainstreaming other cross-cutting issues. The Agency's approach to mainstreaming environmental sustainability and climate change issues was criticised in Canada's last peer review and is less developed than its approach to gender equality. CIDA's environmental policy has not been reviewed or updated and environmental impact assessments still focus on negative impacts to the exclusion of positive opportunities. However, a short e-learning course on environment is now mandatory for all staff. CIDA is also looking at how Canada's environmental policies can be better reflected in its priority themes and evaluations. All Canadian-supported interventions are screened for environment and climate issues during project preparation through an environmental assessment, as required by CIDA's *Policy for Environmental Sustainability*; the *Canadian Environmental Assessment Act*; the *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*; and CIDA's *Implementation Directive on Strategic Environmental Assessment of Policy Plan and Program Proposals*. Nonetheless, independent environmental agencies and CSOs in Canada have advocated that more emphasis is needed on climate change adaptation and mitigation and that CIDA should undertake more rigorous analysis of proposed policies and programmes for climate risks and opportunities. CIDA has developed an *Environmental Integration Strategic Paper* through a series of consultations and drafting cycles and this should take care of most of the concerns, once it has been approved and implemented.

Accountability arrangements should be geared towards results and transparency

Canada has made some serious efforts to improve the transparency and accountability of its development co-operation. For example, since its last peer review, CIDA has increased the information available to Canadians on the concrete results of Canada's development co-operation by launching its *Development for Results Report*, an annual reader-friendly overview of concrete results across CIDA programming, and *Country Report Cards* that are focused on results achieved in CIDA's countries of focus. Nevertheless, there is scope for CIDA in particular to communicate the results of its aid more effectively, especially in its communications with the Standing Committee on Foreign Affairs and International Development of the Canadian Parliament. The Committee would prefer to receive reports from CIDA and DFAIT that are shorter on detail and more focused on the results of Canada's development co-operation and the challenges that are being faced.

Canadian CSOs and NGOs consider that their consultations with government officials on development are deficient, relative to the spirit and requirements of the ODA Accountability Act, and needed to be reinvigorated, particularly policy dialogue. A dialogue with civil society and other stakeholders took place in 2008 on the thematic priorities, but, since 2009, consultation and policy dialogue has become *ad hoc* and selective. CIDA in particular should ensure that consultation on policy is transparent and that it occurs earlier in the process, which would make it more meaningful. In this regard it would be helpful if CIDA could develop and publish a guideline for policy consultation so that all participants know

how these exercises will be carried out and what they can expect in terms of process and feedback. In addition, CIDA should stimulate more robust debates on policy within the Agency, across government and with universities, research institutes, individual scholars, think tanks and civil society.

Research on public opinion commissioned by CIDA in 2009[5], found that Canadians are not very knowledgeable about their country's foreign aid programme and familiarity with CIDA is particularly low. The research did show that Canadians are broadly supportive of the aid priorities that made up the MDGs, with most respondents agreeing that the most important steps for Canada were to reduce war and conflict in the world and to ensure fair access to markets for developing countries. In the context of its communications framework, CIDA needs to develop a coherent set of messages for target audiences stressing recent achievements in development, such as reducing poverty and progress towards the MDGs, and Canada's role in this, particularly its continued endeavour to find the best possible way to make a contribution. The Agency's public engagement strategy, once implemented, can help to increase public awareness, but with only limited programming resources available for this purpose, implementation will be constrained. Important areas of communication, such as development education, require more support.

CIDA's decision at the end of 2011 to join the International Aid Transparency Initiative (IATI), after long-standing participation in the development of this initiative, will help it to improve the public availability and accessibility of information on its aid – this is a welcome move. This decision further underscores Canada's commitment to transparency and accountability. Joining IATI is part of Canada's Open Government Action Plan announced on 12 April, 2012 under which CIDA is already taking steps to improve access to data and information, such as through its Open Data Portal.

Future considerations

- Building on Canada's new approach, it should now complete the strategic framework for its development co-operation, particularly to introduce an overarching policy statement, and set it in the context of Canadian foreign policy. This strategic framework should be put in place and followed for a period of at least five to ten years.
- CIDA's new civil society effectiveness strategy should be developed through broad consultation and strike a balance between respecting CSO autonomy and steering them to deliver Canada's development co-operation objectives. It should set out clear aims and strategic objectives and include definitions of and a rationale for why CIDA is working with CSOs and NGOs.
- Building on Canada's new thematic priorities, CIDA should provide a clear rationale for why it is working with the private sector. It should set out clear aims and strategic objectives and outline transparent procedures for partnerships with private sector enterprises, ensuring that development objectives and partner country ownership are reflected in these.
- CIDA should reflect on and learn from its experience of mainstreaming gender equality, environmental sustainability and climate change issues as it completes its strategic papers for these cross-cutting issues. It should ensure that it has appropriate specialists and adequate funds to support these technical domains in its 20 countries of focus.

- Strengthen communication and engagement by: completing CIDA's public engagement strategy; targeting resources and appropriate methods to key audiences (in Canada and partner countries), particularly the Canadian public; and engaging strategically with the Canadian parliament, civil society, development institutions, scholars and think tanks both at the policy and programming levels.

Notes

1. Signed up to at the 2005 Gleneagles G-8 Summit.
2. Canada is currently a co-chair of the DAC's International Network on Conflict and Fragility.
3. The Fourth High Level Forum on Aid Effectiveness, held from 29 November to 1 December 2011, in Busan, Korea. www.aideffectiveness.org/busanhlf4/. CIDA's President, Margaret Biggs, was speaking at the side-event on Building Resilience for Aid Effectiveness.
4. This Crown corporation has a separate and quite distinct mandate, see Chapter 4.
5. Secondary Analysis of Public Opinion Research on Development Issues, Report by Environics Research Group, March 2009.

Chapter 2.

Development Beyond Aid

Canada has gone some way towards establishing the building blocks for policy coherence for development, which are: political commitment; policy coordination mechanisms; and monitoring, analysis and reporting systems. It needs to show that the mechanisms it has put in place produce policies that are compatible with development across the board. Canada has built on its good practice in implementing whole-of-government approaches, particularly its work in Afghanistan. It should now make sure that the main programming considerations from Afghanistan are applied in other fragile state contexts in which it is working. This chapter suggests four future considerations: build stronger political commitment and put in place a policy coherence for development agenda; ensure there is sufficient capacity within the relevant federal departments to work on policy coherence for development issues; strengthen the analysis of how Canada's domestic policies are affecting developing countries; and integrate all Canadian government contributions in partner countries, particularly in fragile partner countries.

The need for greater commitment to policy coherence for development

The OECD emphasises that policy coherence for development involves three building blocks: (i) a political commitment that clearly specifies policy objectives; (ii) policy co-ordination mechanisms; and (iii) monitoring, analysis and reporting systems to provide the evidence for accountability and for well-informed policymaking and politics (OECD, 2009). The status of these building blocks in Canada has improved to some extent since the time of its last peer review: see the details presented in Table 2.1.

Table 2.1. Canada's progress in building policy coherence for development, 2007-2011

Building block	Situation in 2007	Progress made by 2011
Political commitment with clear policy statements	Canada demonstrated some understanding of the importance of the issue in its reporting, but inconsistent and insufficient political commitment and a lack of a clear framework to promote policy coherence for development hampered progress. There were no clear policy statements.	Little change since 2007. There are no clear policy statements and no overall framework for policy coherence for development, despite being recommended by Canada's last peer review.
Policy co-ordination mechanisms that can resolve conflicts or inconsistencies between policies and maximise synergies	Policy co-ordination was acknowledged to be a challenge. While there were numerous bodies and committees at different levels to facilitate co-ordination, the highest being cabinet, the absence of a clear framework for tackling issues of policy incoherence was a constraint. Migration and extractive industries had been identified as the two most challenging areas for policy coherence for development and inter-departmental committees were in the process of being set up to deal with these. CIDA did not have sufficient capacity to engage with other federal departments on development issues.	Some progress since 2007. The Government of Canada's cabinet system is the central mechanism for handling policy coherence issues – the Minister of International Co-operation is a full member of cabinet. Beneath the cabinet two Deputy Minister committees foster whole-of-government approaches to global issues: the Deputy Ministers' Committee on Global Trends, Foreign Affairs and Defence and the Deputy Ministers' Committee on Conflict and Fragility, both of which are co-chaired by CIDA's President and the Deputy Minister of Foreign Affairs. There are also a number of other committees and working groups at the official level that include a range of government departments focused on Canada's international development policy and engagement. While CIDA has made some progress in developing a set of issues for action, the absence of an overall framework for policy coherence for development continue to hamper progress.
Monitoring, analysis and reporting systems	There were no specific monitoring, analysis and reporting systems in place. However, the Canadian system overall had significant analytical capacity and CIDA and DFAIT were engaged in policy analysis on development topics, collaborating as required with relevant departments within a network.	Some progress since 2007. While there are no specific monitoring systems in place for policy coherence for development, departmental reports on plans and priorities and departmental performance reports tabled in parliament by the President of the Treasury Board on behalf of ministers each year examine the government's strategic priorities across departments and the relationships between them. In its 2010-11 departmental report to parliament CIDA included, for the first time, a performance indicator on policy coherence for development.

The Canadian government recognises in its policy statements that aid is only one factor in development, and that its impact depends on how well Canada and its partners combine it with other policies and leverage other resources for the benefit of developing countries. Given its understanding of these issues and its commitments to achieving the MDGs in all countries, Canada works to ensure that its domestic and international policies are coherent and support – or at least do not undermine – its development co-operation policies.

Since 2007, Canada's efforts to make its policies more coherent with its development co-operation have mainly involved the use of existing co-ordination mechanisms, such as cross-departmental committees. The highest-level of these committees is the cabinet, of which the Minister of International Co-operation is a full member. In line with the *2008 OECD Ministerial Declaration on Policy Coherence for Development* (OECD, 2008b), to which Canada, through its Minister of Finance, is a signatory the Canadian cabinet is required to: (i) involve appropriate departments and other relevant bodies in the policymaking process and to ensure that their voices are heard; and (ii) ensure that information is gathered on the development impact of policies so that it can influence Canadian policy and its interactions with the developing world. This in turn requires cabinet to inform the various departments dealing with policy decisions that might affect development. Crucial to the success of these mechanisms is the role of the Minister of International Co-operation as facilitator of the process within cabinet.

Canada's approach to policy coherence for development has been successful in certain areas, such as trade policy, particularly increasing access to Canadian markets for 48 least developed countries (Government of Canada, 2011a). Policy coherence for development could be improved if a broader range of government departments bought into the agenda, to enable a systematic screening of all relevant legislative proposals for their impact on developing countries. Understanding of development issues is strongest in the government offices that have been working with CIDA on global concerns, such as the Department of Environment. In order to increase development policy understanding and awareness across the entire Canadian government, three changes will be necessary; these are listed below and described in more detail:

i) a higher level of political articulation of and commitment to policy coherence for development, and a *requirement* that all government departments must consider this dimension of policy;

ii) the introduction of a set of strategic cross-government objectives;

iii) A stronger development-related understanding within the most relevant government departments (such as Trade and Environment), as well as greater capacity to facilitate the policy coherence for development agenda.

Building greater political commitment

There have not been any high-level political statements from Canada supporting policy coherence for development since the last peer review. Political articulation of and commitment to the issue should be raised so that the agenda is owned by all government departments. Commitment and support from the Prime Minister, the Minister of Foreign Affairs and the Minister of International Co-operation are vital to ensure that cabinet and all Canadian government actors keep policy coherence for development on their agendas. Without the commitment of these leaders it will never be a *requirement* that all government departments must consider policy coherence for development.

Developing strategic cross-governmental objectives

Progress towards policy coherence for development also depends on embedding the concept within Canada's various government departments and setting clear priorities for its implementation. The OECD recommends getting all departments to sign up to a clearly-prioritised and time-bound policy coherence for development agenda which

establishes cross-governmental objectives and a plan for achieving these (OECD, 2009). Some elements of this agenda may be found in the proposals that CIDA completed during 2011 for setting up inter-departmental groups. A number of possible areas have been identified by the Agency for potential action by these groups, including:

i) natural resources, which will integrate the existing interdepartmental strategy on corporate social responsibility;

ii) trade;

iii) finance; and

iv) human rights and democracy.

(Government of Canada, 2011a).

While CIDA is not necessarily the overall policy lead on these issues, the Agency could facilitate the development and ownership of these policy coherence for development proposals by the relevant inter-departmental groups and then the relevant departments should promote them jointly at higher levels of government as an agenda for action. Once adopted, Canada should define specific objectives and a cross-governmental approach for achieving results in each of the areas of action. Such an approach should not preclude other opportunities for tackling incoherence that may arise.

Increasing government capacity for and understanding of policy coherence for development

CIDA is responsible for facilitating policy coherence for development across the Canadian government, but it does not appear to have a strong enough mandate or leverage for achieving this aim, nor has it put in place sufficient competent in-house capacity for this responsibility. The peer review team's discussions with civil society representatives and think tanks revealed a perception that the Agency is junior to other government departments and unable to exert influence over them. If CIDA is to continue as the facilitator of policy coherence for development, it may need a clearer mandate in its dealings with other government departments – it will also need the strong support of DFAIT. It will also, as Canada's last peer review made clear, need to increase its capacity to "engage with other federal departments to highlight the impact of their policies on development; make use of available research; and identify statistical and analytical knowledge gaps" (OECD, 2007a).

Co-ordination of these issues is led by CIDA's Strategic Policy and Performance Branch. While it does not have a dedicated unit for policy coherence for development, members of the branch work closely with other units within the Agency and with other government departments as part of project teams on specific coherence issues.

It is necessary to strengthen CIDA's capacity for co-ordinating policy coherence for development as suggested by Canada's last peer review. It is equally important to ensure that:

- such capacity is recognised and acknowledged within the wider government community so that the Agency is able to fulfil its coordination role;
- resources are concentrated on a prioritised coherence agenda with clear objectives and activities, as suggested above;

- the understanding of development among relevant teams within relevant government departments, such as Environment, Finance, Agriculture and Defence, are also built up; and

- the procedures for inter-departmental working are operating effectively.

Progress in monitoring, analysing and reporting policy coherence for development

Canada has made progress in monitoring, analysing and reporting on policy coherence for development since the last peer review (Table 2). In its 2010-2011 *Report on Plans and Priorities* (CIDA, 2011d), CIDA specifically included a performance indicator of policy coherence for development as follows "integration of development considerations in other Canadian policies that have an impact on development (e.g. foreign, defence, environment, and immigration)." A review of the Agency's performance against this measure has been included in its Departmental *Performance Report,* released in the Autmn of 2011. Canada can build on this progress by taking into account the lessons identified by the OECD in relation to policy coherence for development (OECD, 2009).

- *Monitoring:* Canada does not yet have a formal monitoring system to assess the development impact of its domestic policies, noting, of course, that not all of these policies are relevant. Within CIDA, progress on policy coherence from a development perspective is monitored internally alongside other operational goals. In the field, Canada makes only limited use of its embassies to monitor the impact of relevant Canadian policies on partner countries' development.

- *Analysis:* A more focused and prioritised coherence agenda, such as the one proposed by CIDA, would allow research and analysis to target a select number of important strategic issues. DFAIT's and CIDA's resources could also be better used by drawing on the expertise of civil society and research institutes.

- *Reporting:* Public reporting on how Canadian policies contribute to development is done mainly through the *Reports on Plans and Priorities* and *Departmental Performance Reports* which are submitted to parliament every year. The existing reporting could be improved by focusing it on a prioritised coherence agenda, as suggested above, with clear objectives and by incorporating field perspectives gleaned from Canada's embassies in partner countries.

Progress in using whole-of-government approaches

Canada has continued to build on its whole-of-government approaches reported on in its last peer review (OECD, 2007a). Canada has maintained and improved its whole-of-government approaches, including:

- continuing to convene committees and working groups at the political and staff level to co-ordinate Canada's international development and humanitarian responses. An example is START, which includes Canada's Global Peace and Security Fund (see Chapter 1) and the inter-departmental task force on natural disasters abroad (see Chapter 6);

- taking specific initiatives in certain policy areas and establishing task forces on particular issues, such as in response to disasters (see Chapter 6).

In addition, the ODA Accountability Act has helped to raise the profile of development and ODA within the government (Chapter 1).

In carrying out whole-of-government approaches in fragile states on-going concerns and issues for Canada include:

- continuously updating Canada's overall joint strategy and guidelines for fragile states and clarifying where, why and how the different departments are going to bring their joint focus to bear in these challenging contexts (see Chapter 1);
- arranging more cross-postings between the three principal departments − development, defence and foreign affairs − to increase policy and programming links;
- achieving greater synergy between development and peacekeeping/security efforts as their activities are separate in most cases.

As suggested in Chapter 1, Canada's responses to these challenges in fragile states should be in accordance with the New Deal endorsed in Busan and should also build on the lessons that it has learned in recent years, particularly in fragile states. These lessons are discussed in the following section.

Investing resources to make whole-of-government approaches work

Over the last five years Canada has learnt several important lessons about the costs and benefits of engaging in whole-of-government approaches, particularly in Afghanistan, Haiti and the formerly unified Sudan. Of these, the most important is that effective whole-of-government approaches require a high level of political commitment, plus clear and strong leadership. Another lesson is that a significant investment of time and energy is needed from the start to define and agree on common, or at least complementary, objectives among participating departments and then to discuss strategy and resources. The necessary condition for effective participation is that resources can be mobilised once agreement has been reached on what the government as a whole is trying to achieve. Without this condition being met, as other DAC members have found, whole-of-government approaches can consist of little more than co-ordination for co-ordination's sake. A further programme consideration arising from Canada's experience in Afghanistan is that once resources have been mobilised, it is essential that sufficiently high level co-ordinating mechanisms are put in place to provide the necessary inter-departmental oversight and ensure that decisions are made in a timely and informed manner.

Canada has invested resources in strengthening development-oriented relations between relevant Canadian departments. In addition to the various development-oriented committees and task forces which have involved different government departments, CIDA has worked closely with the Department of Finance and DFAIT on the Agency's multilateral strategy, particularly its relationship with the IFIs (see Chapter 1). These arrangements, together with strengthened cross-government working on specific issues, have helped to develop a shared understanding of common challenges and have enhanced the basis for successful cross-sectoral co-operation. Examples include CIDA's co-operation with the Department of Finance on its sustainable economic growth strategy; joint efforts between DFAIT and CIDA over Aid for Trade, including the promotion of trade reform and building trade-related capacity and infrastructure in partner countries;

food security; inter-departmental work on the extractive sector, including the promotion of corporate social responsibility among Canadian businesses; and Canada's whole-of-government approach to Afghanistan, discussed in more detail below.

Progress with inter-ministerial co-operation in fragile states, especially Afghanistan

Canada has strengthened inter-departmental co-operation in the field of conflict, security and fragility, both at the political level, and in-country, particularly through its civil-military co-operation in Afghanistan (Box 2.1) – the second largest of Canada's development programmes in 2010.

Box 2.1. Canada's programme in Afghanistan: 2008-2011

Between 2001 and 2007, Canada's assistance to Afghanistan evolved from an initial focus on basic human needs to a security-focused mission including governance, development and humanitarian objectives. In 2008, the *Independent Panel on Canada's Future Role in Afghanistan* recommended that Canada adopt a greater civilian and reconstruction focus for its 2008-2011 engagement. This marked a major milestone for Canada's support for Afghanistan. Canada recognised that the political, security, economic and social spheres are interdependent and that failure in one risks failure in all others. The work of the panel introduced a shift to a whole-of-government approach to the mission in Afghanistan. This approach resulted in a set of clear priorities for the programme, higher levels of delegated authorities to allow the field team to implement them and clear benchmark targets to be achieved. This clearly-prioritised programme, combined with the necessary authorities and resources in-country, gave momentum to the concerned Canadian government departments (diplomatic, defence, development, and security) to work together towards a unified aim: to help Afghans rebuild Afghanistan into a viable country that is better governed, more stable and secure.

Source: Information presented to the peer review team by CIDA.

Between 2008 and 2011 the Cabinet Committee on Afghanistan brought together, on a weekly basis, the Canadian ministers of international trade, international co-operation, national defence, foreign affairs and public safety to consider all issues related to Canada's mission in Afghanistan**.** The Cabinet Committee was also responsible, *inter alia*, for preparing quarterly progress reports for the Canadian Parliament, particularly for the special Parliamentary Committee on Afghanistan which was created to oversee Canada's engagement. The reports assessed progress towards specific qualitative and quantitative benchmarks that were consistent with the Afghanistan National Development Strategy. Canada also established taskforces within CIDA and DFAIT, as well as a special Afghanistan taskforce that was housed in the Privy Council Office and staffed with seconded officials from various government departments, including DFAIT, CIDA and the Department of National Defence.

At the country level, Canada met the requirement of an effective and co-ordinated approach in Afghanistan by ensuring that:

- its capacity in-country matched its ambitions (funds, human resources, tools, instruments);
- there was an appropriate degree of delegated authority to its field-based team; and

- the necessary processes and protocols that allow for effective operational delivery were in place.

In July 2011, Canada ceased combat operations in Afghanistan; this move heralds a new chapter in its engagement in the country. Canada's new programme for Afghanistan (2011-2014), announced at the end of 2010, builds on its significant experience and investments in the country to date to support country-owned priorities that are considered essential to Afghanistan's future. CIDA expects Canada's whole-of-government machinery for Afghanistan to be dismantled (CIDA, 2011e) and that the Agency itself will alter its operating structure for the country as it manages the transition to a new kind of engagement. While Canada's whole-of-government-approach to Afghanistan will be maintained at some level, the political oversight of the programme will be lessened and the defence component will reduce. Canada's ultimate aim continues to be to help Afghans rebuild Afghanistan into a country that is better governed, more stable and secure. It remains to be seen whether Canada will maintain a strong civilian presence in Afghanistan and what effect this will have on the size of the Canadian development programme there and how this is delivered.

One of the main programming considerations emerging from Canada's experience in Afghanistan is that planning from a whole-of-government perspective in fragile states is best guided when supported by joint programming frameworks endorsed at appropriate levels within the Government, preferably by Cabinet. For example, The West Bank and Gaza country strategy was developed through, and based on, a whole-of-government approach. However, the process requires the necessary buy-in from the relevant government departments. As noted earlier in this section, it will also need a significant investment of time and energy from the start to define and agree common objectives among participating departments and then to discuss strategy and resources. All participating departments would have to be bound by the agreed strategy and to use it as the principal guide for their operations. It is important to bear in mind, however, that there is no simple way to balance strategic or geo-political objectives with statebuilding and development objectives. The role of the Canadian diplomatic mission, the ambassador or high commissioner in particular, as the principal co-ordinator of the whole-of-government approach in-country is also critical for its success.

Future considerations

- Strengthen Canada's political articulation of and commitment to policy coherence for development; and create a policy coherence for development agenda which sets measurable and strategic cross-governmental objectives and provides a clear plan for achieving these to guide all relevant departments.

- Ensure that Canada has within its government system a sufficiently endowed capacity, in technical and political terms, to coordinate policy coherence for development.

- Strengthen the analysis of how Canada's domestic policies affect developing countries. This should include more systematic processes for feedback and analysis from the field, strengthened capacity for coordination through the establishment of a dedicated policy coherence for development unit in CIDA, better information flows among government departments in Ottawa, and the use

of analysis by universities, CSOs and think tanks to inform Canada's monitoring, reporting and policies continually.

- Ensure Canada's future support for its partner countries incorporates relevant programme considerations in respect of whole-of-government approaches. In particular, the integration of all Canadian government contributions and development-related activities in countries where a consistent and co-ordinated approach among humanitarian, development, diplomacy, and defence is critical.

Chapter 3.

Aid Volumes, Channels and Allocations

Since 2007 Canada has set and achieved challenging targets for its aid volumes and over the decade 2001 to 2010 it managed to double its aid in nominal terms. In 2011 Canada's net ODA was USD 5.3 billion (which represented 0.31% of GNI). Canada's achievements in increasing the volume of its ODA and its efforts to focus its assistance on a smaller set of sectors, multilateral entities and countries are commendable. However, Canada's aid volume has shrunk in real terms by 5.3% between 2010 and 2011 and is set to decline further from 2012 onwards. Building on Canada's progress, this chapter suggests five future considerations: make a plan for increasing Canada's ratio of ODA to gross national income; allocate more of its bilateral ODA to CIDA's 20 countries of focus; continue to focus multilateral ODA on a small number of organisations while working closely with MOPAN to measure multilateral agency performance and contributing to joint evaluations; complete on-going work to increase transparency.

The need to sustain increases in Canada's ODA volumes

Canada succeeded in reaching its target to double its International Assistance Envelope (IAE) in nominal terms between 2001 and 2010. It has increased its ODA by an average of 8% every year during this period (Annex B, Table B.1). The peer review team commends Canada for this achievement and for meeting its international commitments since its last peer review, particularly:

- increasing its funding for low income countries, especially those in sub-Saharan Africa (Chapter 1) – Canada doubled its aid to Africa between 2005 and 2010;
- the L'Aquila Food Security Initiative - where Canada was the first donor to fully disburse its pledge of USD 1.1 billion;
- replenishing the Global Fund to Fight AIDS, Tuberculosis and Malaria;
- leading a global effort to reduce maternal and infant mortality and improve the health of mothers and children in the world's poorest countries;
- maintaining progress towards meeting its USD 450 million commitment to the Africa Health Systems Initiative.

These significant increases and achievements are welcome and are the result of careful long-term planning combined with a strong commitment, but they have not been sustained - Canada's aid volume has shrunk in real terms by 5.3% between 2010 and 2011. In 2011, the key figures for Canada's development co-operation were as follows:

- it was the 8th largest DAC donor; supplying 4% of DAC members' total ODA. At the time of the last peer review (2007) Canada was the 9th largest DAC member in terms of ODA volume;
- its net ODA was USD 5,3 billion (which represented 0.31% of GNI); this was the highest volume of aid ever achieved by Canada in nominal terms, all of which was provided in the form of grants;
- Canada's ODA/GNI ratio reduced from 0.34% in 2010 to 0.31% in 2011. This makes it the 14th DAC member (out of 24) for its ODA as a share of national income, and marks an improvement of one place since the last peer review. But it is well short of the long-standing UN target of giving 0.7% of gross national income (GNI) as ODA, which the Government of Canada has not endorsed.

Following the decline in its aid volume between 2010 and 2011 Canada is set to reduce its aid by further amounts over the medium term. Canada's March 2012 budget, which is laying out the Government's *Deficit Reduction Action Plan*, includes proportional reductions to the Public Service's budget including its international assistance portfolio for the period 2012-13 to 2014-15 and ongoing. Canada will reduce funding for the International Assistance Envelope by a total amount of USD 389 million (at 2010 annual average exchange rate) in nominal terms by 2014-15. The savings will be produced by the relevant entities as shown in Table 3.1 through streamlining management and administrative services. The International Assistance Envelope

comprises 95% of Canada's total ODA. Therefore, these savings will affect Canada's aid volume.

Table 3.1 Planned Reductions - International Assistance Envelope

Savings planned from IAE (base year 2011-12) in USD millions (at 2011 annual average exchange rate)

	2012–13	2013–14	2014–15	Ongoing
International Assistance Envelope (IAE)	**178.73**	**249.41**	**389.00**	**389.00**
Canadian International Development Agency	151.03	189.51	315.72	315.72
Department of Finance (IAE only)	0.00	0.00	0.00	0.00
Foreign Affairs and International Trade Canada (IAE only)	15.33	28.48	28.78	28.78
International Development Research Centre	6.13	15.13	22.74	22.74
Royal Canadian Mounted Police (IAE only)	1.28	1.28	1.28	1.28
Natural Resources Canada (IAE only)	4.94	4.94	4.94	4.94
Note: Totals may not add due to rounding.				

Source: Canada's Economic action Plan 2012 (Government of Canada, 2012)

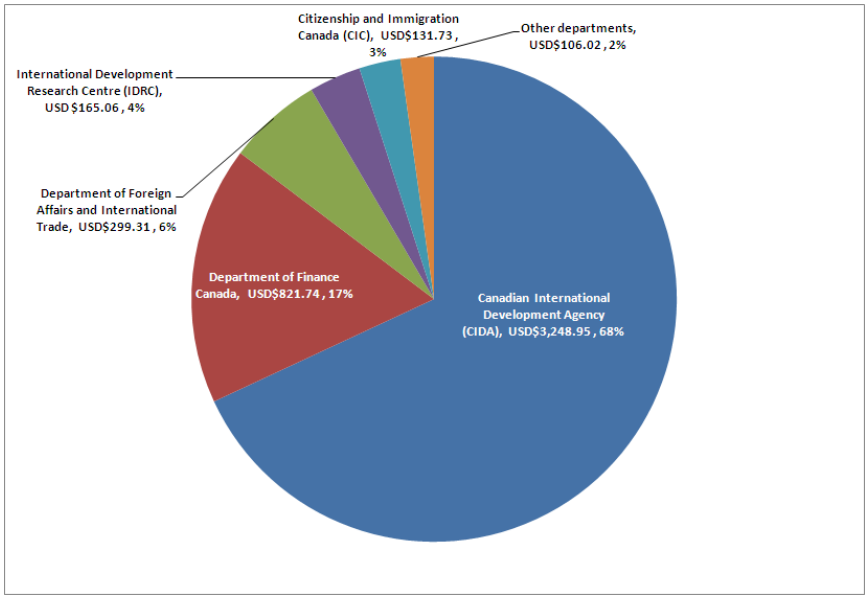
In light of Canada's expected rate of economic growth over the medium term of 2-3% (OECD, 2011c), the planned reduction in its aid volume from 2012 is likely to lead to a further decline in its ODA/GNI ratios. This would reverse the gains of the last ten years. These reductions in Canada's aid should be made in ways that best protect its partner countries, provide predictability and honours existing commitments.

Given Canada's healthy economic outlook, there would appear to be potential for increasing aid volume. However, while Canada has been less affected by the financial crisis and subsequent global recession than other OECD countries, its government remains committed to balancing its budget by 2014/15. It is doing this by reducing expenses in all federal departments. Canada should make every effort to ensure that its level of aid is commensurate with its economic status.

A consolidated system for managing development co-operation

Canada's system for managing aid is more concentrated than most DAC members. In 2010/11, 68% of its ODA was managed by a single agency, CIDA, and 98% of its ODA was concentrated in just five departments (CIDA, Finance, DFAIT, IDRC and Citizenship and Immigration); see Figure 3.1. While the proportion of Canada's ODA managed by CIDA is less than in the last peer review, when it was 75%, the Agency remains responsible for the bulk of Canadian development and humanitarian assistance (Government of Canada, 2011a). There are, however, issues regarding the co-ordination of ODA across Canadian government departments and within CIDA; these are discussed in Chapter 4. Humanitarian assistance is discussed in Chapter 6.

Figure 3.1. Canadian ODA by government department in 2010-11



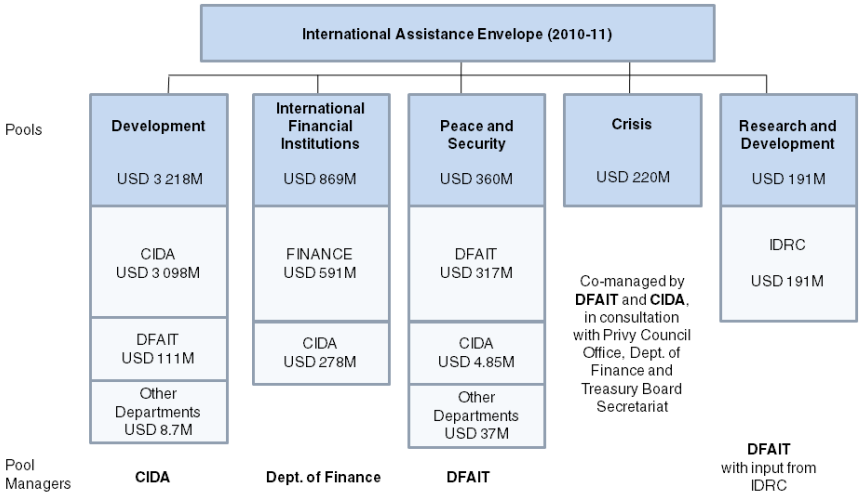
Source: data presented to the peer review by CIDA (at 2010 annual average exchange rates)

The IAE: a useful mechanism for presenting ODA, but not a strategic framework

As noted in Chapter 1, Canada continues to operate its International Assistance Envelope (IAE), which groups most of the federally-funded development co-operation expenditures under one planning and budgeting framework (see Figure 3.2). The IAE is managed in five resource pools. While the IAE is a useful mechanism for determining international assistance allocations, including ODA and to respond to pressures and crises, some scholars have pointed out how the divisions of authority in the IAE undermine the overall consistency of Canadian aid and the effectiveness of CIDA as the principal provider of development assistance. This is mainly because the budget presentation facilitated by the IAE, while useful in providing an overview of the majority of ODA allocations, is not always used as an overall strategic framework to foster complementary relationships and synergies across the key departments of the Canadian government.

The annual IAE allocation planning cycle principally involves five departments: CIDA, DFAIT, Finance, The Treasury Board Secretariat and the Privy Council Office. Within this cycle, resources that have already been allocated[1] are taken into account in their respective pools with reference levels set for each department.. As noted above, in the recently released 2012 budget, the government has identified USD 389 million in ongoing programme and operating savings from the IAE to be fully implemented by 2014-15. The only components of Canadian ODA not included in the IAE are bilateral debt relief (1% of total ODA in 2010/11), refugee costs, foreign student costs, provincial and municipal governments and undisclosed sources. Together these come to less than 5% of total ODA in 2010/11.

Figure 3.2. The International Assistance Envelope, 2010-2011



Source: data presented to the peer review by CIDA (at 2010 annual average exchange rates)

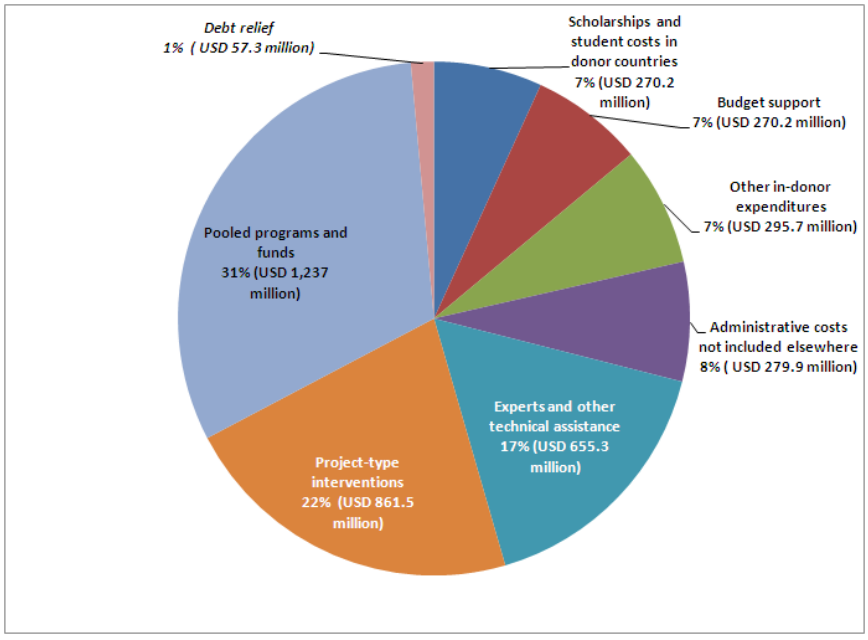
Getting the balance right between bilateral and multilateral channels

The division of Canada's ODA between the bilateral and multilateral channels has varied over the last five years from a ratio of 69:31 (the bilateral: multilateral share of Canada's gross disbursements) in 2006 to 76:24 in 2010 (Annex B, Table B.2). Its division is a subject of an on-going debate among the Departments of Finance, DFAIT and CIDA and there is no policy governing this ratio. The Department of Finance would prefer a larger proportion of Canada's ODA to be devoted to core support for multilateral organisations. It sees the IFIs in particular as more aid effective and efficient with greater leverage power and with more effective instruments at their disposal, such as callable capital. However, DFAIT and CIDA both wish to maintain the current ratio. The peer review team encourages these three departments to continue this debate in the context of Canada's foreign policy objectives and to ensure that it is supported by evidence of the effectiveness and impact of the two channels, particularly in terms of implementation and international governance.

Focusing bilateral ODA better

To better focus its bilateral ODA, Canada is reflecting its thematic and geographical priorities in its country-to-country programmes, usually carried out by CIDA teams based in its diplomatic missions; programmes delivered by civil society development organisations, including those funded through CIDA's Partnership With Canadians (PWC) programme as well as Geographic Programmes; and bilateral ear-marked funds channelled through multilateral organisations, with Canada effectively controlling or earmarking the disbursement of funds to an agency by specifying the purpose of the expenditure and other aspects of the investment (often referred to as multi-bi). Within these channels, Canada's bilateral ODA is delivered mostly in the form of pooled programmes and other kinds of programme based approaches (PBAs), projects, technical co-operation and budget support (Figure 3.3). CIDA's regional programmes, which are usually about one quarter of Canada's bilateral ODA, are reflected in Figure 3.3 but are discussed later in this Chapter.

Figure 3.3. Canada's bilateral ODA by type of aid, 2010-2011



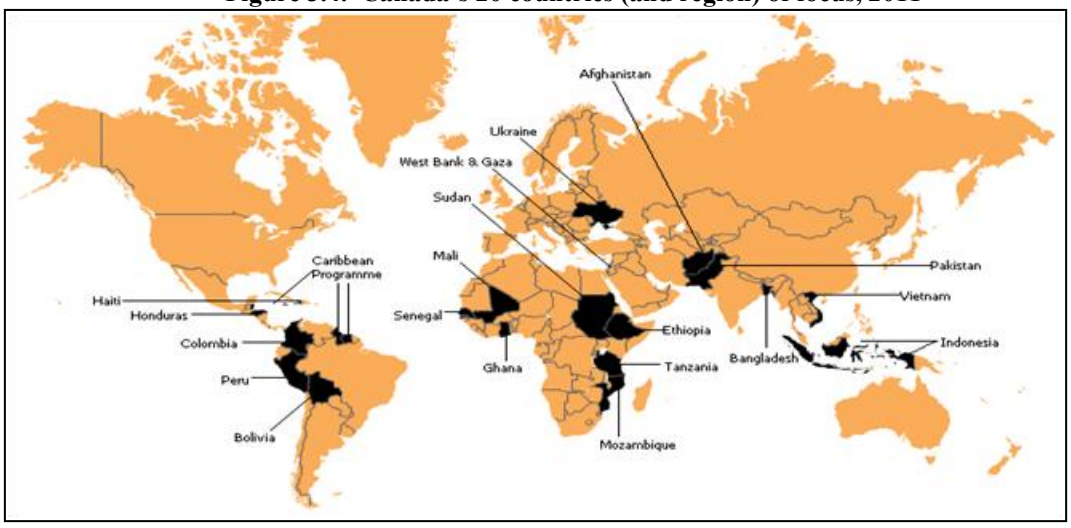
Source: CIDA provisional data presented to the peer review (at 2010 annual average exchange rates)

A key challenge for Canada is to ensure that these various types of aid are functioning well and are focused on its thematic and geographic priorities (see Chapter 1). Under its *Aid Effectiveness Action Plan* (Chapter 5) CIDA is committed to a target of delivering 50% of its bilateral ODA through programme based approaches, when appropriate conditions are met (CIDA, 2009c). Budget support was 7% of Canada's bilateral ODA in 2010-11 and Canada has made no commitments to increase it in future years. Debt relief is a very small component and will disappear in the medium term as the stock of debt becomes exhausted. Other types of aid are likely to remain constant. Canada has also shown leadership in the use of innovative financing mechanisms for development. This includes using advance market commitments to achieve development results; using loans, guarantees, equity investments and advisory services to help fill a long-term financing gap faced by small and medium sized agri-businesses; and providing concessional financing to catalyse climate change projects in developing countries (Government of Canada, 2011a).

Geographical concentration is increasing

Following a recommendation in its last peer review Canada has taken steps to concentrate its bilateral ODA on fewer countries and to disengage from countries where it does not have a comparative advantage. As discussed in Chapter 1, CIDA has gradually reduced the number of its country-to-country programmes and regions from 77 to 47 and, from these 20 countries of focus (Figure 3.4) are targeted to receive 80% of CIDA's bilateral programming. Government-wide, however, Canada's bilateral ODA is spread more broadly with only one-third of the total amount reaching the 20 countries of focus in 2010.

Figure 3.4. Canada's 20 countries (and region) of focus, 2011



A key measure of concentration is the proportion of a DAC member's total bilateral ODA that is spent on its top 20 aid recipients. In 2009-2010 the top 20 recipients of Canada's bilateral ODA accounted for 46% of the total: this is an increase of only 3 percentage points since the last peer review and is lower than the DAC average of 52% (see Figure 3.6 and Annex B, Table B.4). Canada's top 20 recipients in 2009-2010 included seven non-focus countries. Whether this will change from now on depends on Canada's allocation processes, particularly CIDA's, and the extent to which these reflect the prioritisation of the 20 countries of focus for a sufficient period. It is important to note that 31% of Canada's bilateral ODA is not allocated to countries in 2010, and this affects the picture. Taking only Canada's bilateral ODA allocated to countries into account, the percentage of this spent in its top 20 recipients in 2010 is much higher: from 57% (199-2003) to 75% (2009-2010). This indicates that Canada is becoming a more concentrated donor.

Being responsible for most of Canada's bilateral ODA, it is CIDA which will need to do most to concentrate development co-operation on the 20 countries of focus. CIDA's programming funds are allocated firstly to six high level programme activities within its Programme Activity Architecture (PAA): (i) fragile countries and crisis-affected communities; (ii) low-income countries; (iii) middle income countries; (iv) global engagement and strategic policy; (v) Canadian engagement; and (vi) internal services. CIDA's countries of focus form the core of the first three programme activities of the PAA. In addition, outcome statements reflecting the results the Agency aims for within its thematic priorities are expressed for each of its six programme activities. Canada is seeking to become a significant donor (*i.e.*, among the 5 largest) in at least 10 of its countries of focus in order to improve aid effectiveness – in 2010 Canada is among the top 5 donors in just three of its 20 countries of focus (Haiti, Mali and the formerly unified Sudan); it is in the top 5 bilateral donors in an additional four of its countries of focus (Ethiopia, Ghana, Honduras and Senegal). Further rationalisation of Canadian ODA, if co-ordinated effectively with other development partners, could contribute to the global division of labour among donors.

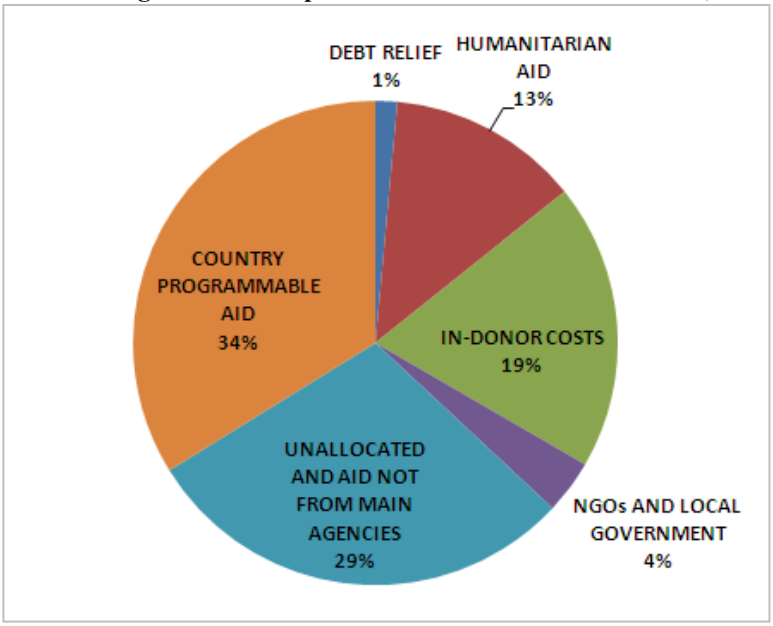
One third of Canada's bilateral aid is unallocated by country

As indicated above, issues with the allocation and reporting of Canada's bilateral ODA since its last peer review make it difficult to present a complete picture of its portfolio over the last five years in terms of recipient countries. Since 2006, the share of bilateral ODA unallocated by country, as reported by Canada, has been, on average, 37% of its total gross bilateral disbursements each year. This is higher than the DAC average of 27% (Annex B, Table B.4). One key factor in this is that in 2009/10 one-quarter of Canada's gross bilateral ODA was allocated to regional and global programmes; a higher proportion than any other DAC member. Much of this regional and global programming is comprised of earmarked funding to multilateral and global organizations. As discussed in Chapter 1, these regional programmes are designed to provide solutions to common problems that require regional co-operation. These regional expenditures are not allocated to specific countries in Canada's reporting and are difficult to identify as purely regional expenditure. Canada is taking steps to allocate a greater proportion of its aid by country and expects more detailed information to be reported to the Creditor Reporting System (CRS) in 2011 on 2010 flows.

Canada's country programmable aid is more focused

Country programmable aid (CPA) is a measure of a donor's contribution to the "core" development programmes of its partner countries; it is spent in the partner country and is normally reflected in government-to-government agreements, such as memoranda of understanding. Canada's CPA amounted to USD 1.34 billion in 2010 (representing 1.4% of global CPA) and is equivalent to 34% of its gross bilateral ODA, lower than the DAC average of 55%.

Figure 3.5. Composition of Canada's bilateral ODA, 2010



Source: OECD statistics

Factors contributing to Canada's low CPA figure include the high proportion of unallocated bilateral ODA, discussed above, and of partnership programmes (29%); and Canada's high in-donor costs (19%). Canada's in-donor costs consist mainly of:

(i) imputed student costs - the funds spent on individuals studying in Canada (4.1%); (ii) the costs of refugees in-country (7.2%); and (iii) administrative costs of 7.5%.

Canada has greatly reduced the number of recipients of CPA, concentrating it in its 20 countries of focus. Canada's CPA was allocated to 48 recipient countries in 2010 (down from 100 in 2007), of which 19 were countries of focus.[2] These 19 countries received 86% of all Canadian CPA. The average CPA in its countries of focus for 2010 was USD 42 million – *versus* an average in its other partner countries of USD 20 million. Canada remains the least concentrated of all DAC members in terms of the distribution of its CPA: it is a significant donor in 21 out of 48 countries supported with CPA (a lower proportion than the average for DAC members) and only 16 of the 21 in which it is significant are countries of focus. Canada is also a significant provider of CPA in 5 nations that are not countries of focus. Nonetheless, this analysis indicates that Canada is a more concentrated donor than in 2007, and thus a more effective one. Canada intends to increase the amount of its CPA it spends on its 20 countries of focus as it reduces its support for countries where it has a modest presence.

Allocations to Canada's thematic priorities: focusing within the focus

As discussed in Chapter 1, since 2009, CIDA has prepared new country strategies in accordance with Canada's five thematic priorities. Canada reports that its expenditures in 2010/11 were focused almost entirely on the five thematic priorities (mostly the three led by CIDA) and will be again in 2011/12 (Government of Canada, 2011a). Most of these spending patterns reflect commitments made prior to the adoption of the five themes in 2009 and therefore indicate a continuation of programming rather than a point of departure for Canada's aid – as noted earlier in this report, the five themes are not new. CIDA is now "focusing within the focus", prioritising within the three thematic areas that it leads: food security; children and youth; and sustainable economic growth. As Canada makes its decisions on focus, country by country and programme by programme and also as it implements the savings planned in the 2012 budget, it will be necessary to stop activities and programmes that are no longer priorities. Exit strategies for these "legacy projects" are currently being developed by CIDA in consultation with partners. This should continue, and the strategies should be made public once they are finished. Effective communication about these choices is also necessary within CIDA in order to avoid confusion or uncertainties (Chapter 5).

Increased spending on cross-cutting issues: gender equality and the environment

Gender equality and women's empowerment is an important part of CIDA's programming (see Chapter 1). Canada spent a higher proportion of its sector allocable ODA to support gender equality and women's empowerment in 2010 (60%, or USD 1.34 billion) than most other DAC members. This is a significant increase over the amount of ODA Canada devoted to this activity in 2007, when it was a little below USD 1 billion.

Canada increased allocations for biodiversity, climate change mitigation and combating desertification between 2007 and 2010. Canada is meeting its commitment to provide its fair share of the Fast Start Financing pledge made under the Copenhagen Accord in 2009, a total of USD 1.16 billion for fiscal years 2010/11, 2011/12, and 2012/2013. Canada's support is new and additional to previously planned climate change financing and it has honoured its pledge without allocating existing or committed spending away from other priorities. For example, following Canada's association with the Copenhagen Accord, it was estimated that Canada's international support in the

climate change area would reach USD 39.7 million in fiscal year 2010-11, to which was added USD 388.2 million in new and additional climate change financing as part fulfilling the Copenhagen commitment during that same year. Canada has played a leading role in the DAC's Network on Environment and Development Co-operation, chairing this group from 2007 to 2009, and CIDA currently chairs the Network's Task Team on Strategic Environmental Assessment. In addition, Canada has been leading innovative work on food security (Chapter 6) and climate change financing.

Sharpening the focus of support to civil society

The volume of aid that Canada channels to and through CSOs has increased from USD 469 million in 2005 to USD 763 million in 2010 (20% of total bilateral ODA), making it one of the largest components of Canada's international assistance. This reflects CIDA's recognition of CSOs' comparative advantage in terms of their proximity to beneficiaries and their flexibility. While Canada used to provide a share of its support to CSOs as core contributions (called "institutional funding" by Canada), it has been moving away from this practice. The emphasis is now on channeling funds *through* CSOs for specific purposes proposed by the CSOs themselves in most cases, within the geographic and thematic parameters of the respective branch (see Chapter 1). In 2010 approximately 31% of these funds were programmed under CIDA's Partnership with Canadians Branch (PWCB), with 37% flowing from Geographic Branches and 32% from the Multilateral and Global Programmes Branch, primarily for humanitarian assistance (through a separate mechanism, discussed in Chapter 6). The Multilateral and Global Programmes Branch also supports some CSOs working in the health and nutrition sectors at a regional and global level. While it is not possible to get an accurate picture from DAC statistics of how much of Canada's ODA is channeled to Southern CSOs, it is clear from CIDA's own data that it is much less than the amounts channeled to and through Canadian NGOs, although a great deal of this amount is in turn transferred to Southern partners.

Canada's new civil society effectiveness strategy (discussed in Chapter 1) should clarify its aims for this aspect of its development co-operation. If one of the main aims is to contribute to the establishment and strengthening of civil society in the South as a building block for structural poverty reduction and the advancement of democracy and human rights, then the approach and procedures may need to change. While PWCB funding arrangements do include local NGO/CSO development and sustainability indicators, in practice the Canadian CSO-led programmes are focused on delivering services to support the thematic priorities, such as food security. CIDA's guidelines for Canadian CSOs allow but do not require capacity building of host country partners. CIDA is considering making this a requirement so that Canadian CSOs are not simply conduits for funding.

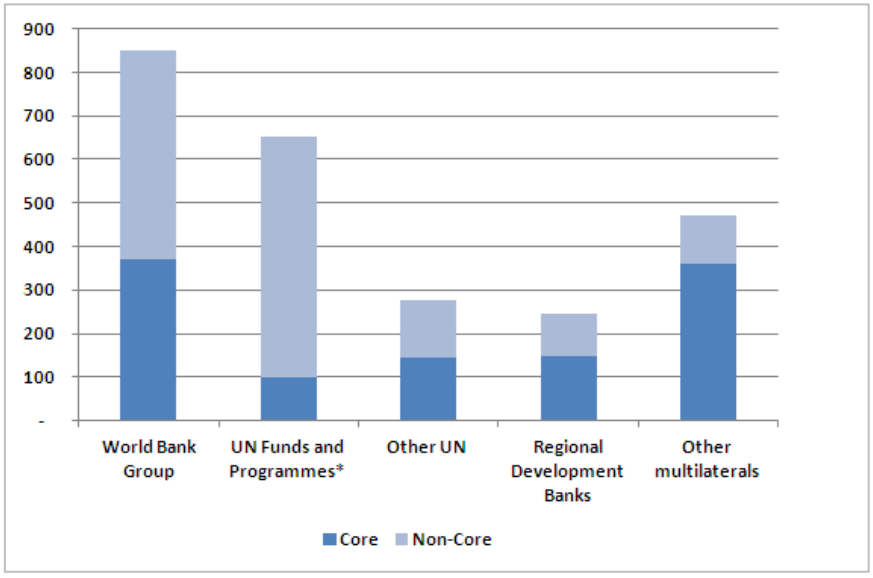
Southern CSOs and NGOs have developed strongly over the last decade and, with exceptions, now possess capacities and qualities to such a degree that they do not necessarily require a Northern intermediary NGO as a financing channel, although other partnership benefits are still gained, such as access to international networks and expertise in certain areas. All of this suggests that Canada's approach could do more to strengthen Southern civil society and be more country specific. This could be achieved by channelling a greater proportion of funds for strengthening Southern civil society directly to CSOs in partner countries through Canada's diplomatic missions. A greater integration of civil society objectives across CIDA's country strategies would also create opportunities to explore complementary means of strengthening Southern civil society, such as investments in the enabling environment. Canada would need to ensure a

minimum allocation of human resources dedicated to civil society programming in the field and at HQ in order to ensure effective integration.

Maintaining large and strategic contributions to the multilateral system

Canada has made large (on average USD 1 billion per year) and strategic core contributions to the multilateral system since the last peer review and it plans to maintain these in the future. In 2010, Canada provided USD 1 282 million in multilateral ODA (as "core" funding), corresponding to 24% of its gross ODA. In the same year, Canada channelled an additional USD 1 367 million through multilateral organisations in the form of non-core contributions to fund specific earmarked activities (referred to above as multi-bi), for a total of USD 2.6 billion channelled to and through the multilateral system (Figure 3.6). As discussed above, the multilateral channel is the second largest in the Canadian portfolio (Annex B, Table B.2) and it is managed jointly by CIDA and the Department of Finance, with an increasing emphasis on agency performance. In terms of volume, Canada was the 10th largest DAC contributor of multilateral ODA during the period since the last peer review. In 2010, 86% of Canada's support was concentrated on the four clusters in Figure 3.6 together with the Global Fund to Fight AIDS, Tuberculosis and Malaria.

Figure 3.6. Canada's core and non-core multilateral aid, 2010 (2010 USD million)



Source: OECD Creditor Reporting System (CRS)

The multilateral organisations interviewed for this peer review confirmed that the majority of Canadian support is provided in a form that is welcomed by them. In 2010 Canada's largest non-core contributions consisted of contributions to the Global Agriculture and Food Security Programme (USD 223.3 million), the World Bank's Maternal and Child Health programme (USD19 million) and the IDB's Haiti Reconstruction Fund (USD 26.8 million) - 18% of Canada's non-core contributions were humanitarian aid. There are advantages for Canada, the multilateral organizations and partner countries in ear-marking these funds – for example, Canada is able to focus on specific sectors, regions and countries; the multilateral organization increases its overall resource envelope; and the partner country gains where the multilateral channel (which often harmonizes several bilateral contributions) replaces a parallel Canadian bilateral

initiative. As Canada continues to rely on these organizations to deliver specific programmes, its ear-marked funding will need to be balanced with appropriate levels of core contributions and continued engagement with the governance structures of the entities supported.

Canada combines its financial contribution with strategic participation in the governance structures of the organisations it supports, with responsibility for this shared between the Department of Finance, DFAIT and CIDA. Canada aims to make the IMF, World Bank Group and UN system stronger and more effective and makes contributions to capital, special funds, trust funds and global initiatives to this end. Canada is the ninth largest shareholder at the IMF and the seventh largest at the World Bank Group. These organisations confirmed to the peer review team that they appreciate Canada's reasonably high level of core contributions and its positive engagement in the governance of their organisations through board meetings. Canada's financial support for the UN system as a proportion of its multilateral ODA is much larger than most other DAC members and it is regarded highly by the UN development agencies as one of their most important donors. Canada has actively supported the *Delivering as One* approach being piloted by the United Nations system at the country level and engages in processes aimed at achieving this. Canada's leadership during its G8 Presidency and its high level support of the UN Commission on Information and Accountability for Women's and Children's Health which is co-chaired by Prime Minister Harper, also reflect its willingness to promote more effective health aid architecture and complementarities across health organisations.

Canada sees the multilateral organisations as key players in global responses to emergency situations, such as the food crisis of 2008 and the challenges of fragile states (70% of its non-core contributions to multilateral organisations went to fragile states in 2010), and plans to target its resources on those multilateral entities that are "effective and efficient and aligned with our government's policies" (CIDA, 2011f). Increasingly, Canada has used agency performance as part of its criteria for allocation decision making, basing its assessments on a portfolio review it carried out in 2009 and external evaluation reports, together with the work of MOPAN. However, Canada's emphasis on agency performance should not exclude it from financing entities that have key roles within the multilateral governance system. Canada should also ensure that its evaluations of agency performance complement MOPAN's and are incorporated within that network's approach over time.

Non-ODA flows

According to DAC figures (Annex B, Table B.1), after years of steady growth the level of other official flows and private flows from Canada to ODA-eligible countries declined steeply following the global financial crisis of 2008. However, this was partially off-set by net private grants of USD 1.3 billion. While Canadian investors cut their flow of funds to ODA-eligible countries by more than three-quarters in 2009 (from USD 16 billion in 2008 to USD 3 billion in 2009), by 2010 the flow had increased to USD 14 billion, much closer to 2008. In pursuing its focus on stimulating sustainable economic growth, Canada aims to use its ODA to support the development of the right kind of conditions for investment and to leverage private sector investment in its partner countries, principally through the activities outlined in its thematic strategy, discussed in Chapter 1.

Future considerations

- Canada should make all effort to at least maintain its ODA at the current level of 0.31% of GNI (USD 5,290 million) in the short term with a view to returning to its previously higher level as soon as possible. Building on its achievements in increasing its ODA over the decade 2001-2010, Canada should adopt a plan for ODA growth for the next 10 years that takes it towards the international target of 0.7% ODA/GNI.
- Continue to concentrate its country programmable aid on the 20 countries of focus and five thematic priorities and manage its exit from activities, programmes, sectors and countries that are no longer priorities responsibly. This focus on the 20 countries of focus must be balanced with Canada's continuing commitment to low income countries, particularly in sub-Saharan Africa.
- Continue to concentrate multilateral ODA on a small number of entities and link support more closely to agency performance, the role of the agency within the multilateral governance system and Canada's priorities.
- Continue to make use of MOPAN to measure multilateral agency performance and also contribute to joint evaluations within this network and through the DAC's Evalnet to help build more effective global aid architecture and make the most of synergies within the multilateral system.

Notes

1. Usually about 90-95% of the envelope based on allocations programmed.
2. The Caribbean regional programme (treated as a special focus country by Canada) is excluded from this analysis.

Chapter 4.

Organisation and Management

Canada's development co-operation system is well established. Its strengths include its well-respected field presence in its partner countries, its mechanism for achieving effective whole of government approaches in countries such as Afghanistan and Haiti and its improved evaluation arrangements. Areas for strengthening include: co-ordination of Canada's development co-operation across the federal departments responsible for ODA and also within CIDA; further streamlining of approvals, compliance and reporting procedures and requirements within CIDA; unfinished reforms in CIDA, such as decentralisation; arrangements for managing local specialists and staff in Canada's partner countries; and management of staff within CIDA. Canada has partially acted on the organisation and management recommendations from its last peer review, including through the creation of CIDA's-Business Modernisation Initiative (late 2009) and has made progress in the areas of decentralisation and evaluation. This chapter highlights five areas for future consideration: (i) clarifying mandates, roles and responsibilities for departments to co-ordinate development activities amongst all Canadian departments responsible for ODA; (ii) further streamlining CIDA's organisation and procedures ; (iii) completing CIDA's decentralisation reforms; (iv) further strengthening decision making, quality assurance and accountability to parliament and taxpayers by implementing the findings of CIDA's new Evaluation Directorate; (v) finalizing CIDA's comprehensive human resources plan.

Shared responsibility for Canada's ODA

In the context of Canada's foreign policy, responsibilities for development assistance remain shared across several departments, with five of these - CIDA, DFAIT, the Department of Finance, IDRC and Citizenship and Immigration Canada – managing 90% of total ODA (see Chapter 3). In total, 12 government departments reported on ODA disbursements in the *2010-2011 Report to Parliament on the Government of Canada's Official Development Assistance* (Government of Canada, 2011b). This document contains a detailed list of each department's international assistance activities, including ODA funded programmes. The International Assistance Envelope structure is the tool by which the Government of Canada coordinates its ODA efforts (see Chapters 1 and 3).

CIDA remains Canada's principal agency for delivering its ODA, it is now managing 68% of this, compared to 75% in 2007. This change reflects the growing role of other departments in Canada's ODA and the transfer of certain programmes, such as the former Industrial Co-operation Programme (now the Investment Cooperation Program) from the former Partnership Branch of CIDA to DFAIT's International Business Development, Investment and Innovation Branch (see Chapter 1). The five thematic priorities described in Chapter 1 are providing a focus for the various departments, with CIDA leading on the first three in particular (food security, children and youth, sustainable economic growth) and DFAIT leading on the fourth and fifth: advancing democracy and promoting security and stability.

Some structural changes since 2007

There have been some changes to Canada's development co-operation system since its last peer review. The changes that have occurred concern CIDA mostly and include certain structural modifications (such as the re-organisation of the Geographic Programs Branch and creation of the Partnerships With Canadian Branch) and the launches of the previously mentioned Business Modernisation Initiative, incorporating decentralisation of operations; re-engineering of core programming processes; the Strategic Planning and Reporting Framework referred to above; strengthening the Agency's policy function; and a revision of the Agency's evaluation policies and function. These changes are being carried out with a particular focus on Canada's domestic accountability and value for money. While the budget perspectives from 2012 onwards are creating a challenging environment (Chapter 3), there are ways Canada can make better use of its development co-operation resources, particularly its people, and through on-going reforms, such as decentralisation.

The need for better co-ordination of Canada's development co-operation

While Canada's system for managing its aid is reasonably concentrated compared to other DAC members (see Chapter 3), there is still a need for ODA to be better co-ordinated. Current development thinking, reinforced by lessons from peer reviews, suggest that better integrated national development co-operation systems will foster complementary relationships and synergy by bringing fragmented systems under one strategic umbrella, particularly in partner countries (OECD, 2008a). As suggested in Chapter 1, Canada needs to develop a single strategic framework, or umbrella, to bring together all of its forms of development assistance, particularly in partner countries.

CIDA and DFAIT should co-ordinate with each other strategically to achieve synergies in supporting Canada's five thematic priorities; currently, the efforts of the two departments appear to be more co-existing than mutually reinforcing. This also seems to be the case in Canada's partner countries; the peer review team's field visit to Ethiopia (Annex C) revealed that there was no whole-of- government strategy for development co-operation. Instead there were two different streams, one managed by CIDA's in-country team (focused on the delivery of aid activities) and the other, led by DFAIT, on security, defence and trade issues. Moreover, the Paris Declaration on Aid Effectiveness should concern all of Canada's ODA providers, not just CIDA's field-based teams, as seems to be the case currently. Lastly, greater synergy could also be achieved among CIDA and IDRC. Given IDRC's significant volume of activities in support of capacity building for research in developing countries (Box 4.1) and ODA-funding (USD 169 million in 2010), there should be greater use of its knowledge and experience to inform overall Canadian development co-operation policies and objectives.

Box 4.1. Canada's International Development Research Centre (IDRC): helping developing countries to find solutions to their problems since 1970

IDRC, a Crown Corporation, funds and strengthens the capacity of researchers in the developing world so they can build healthier, more prosperous societies. These researchers and their institutions are usually responsible for managing the financial and technical aspects of IDRC supported programmes. IDRC also includes people from developing countries among its Board and staff, occupying key positions in governing and delivering its work.

IDRC supports research on development problems, many of which require solutions that cross borders: agriculture & the environment, global health policy, science & innovation, and social & economic policy. All of IDRC's research programmes correspond either to Canada's foreign policy or aid priorities, and its work in support of science and innovation derives largely from G-8 mandates acceded to by the Canadian government over recent years. Many projects have resulted in concrete improvements in the lives of poor people, such as access to clean water; food security; better management of natural resources; and sustainable agriculture.

Source: information presented to the peer review team by IDRC

When it became a separate entity and was detached from the former Department of External Affairs in 1968, CIDA's mandate as a government department was established through a Foreign Affairs statute, the *Department of Foreign Affairs and Trade Act*. As noted earlier, the Minister of International Cooperation continues to sit in the cabinet and is a key member of the cabinet's Committee on Foreign Affairs and Defence. The Agency is mandated to manage most of Canadian ODA and to lead Canada's development policy agenda domestically and internationally, but its responsibility for co-ordinating Canada's policy and vision for development co-operation could be strengthened. CIDA and DFAIT continue to have different, but complementary, objectives – development and poverty reduction for CIDA; and foreign affairs, security, economic objectives and trade for DFAIT. The two departments have been able to converge effectively when Canadian interests were interpreted to require a robust development assistance programme, as was the case in Afghanistan and Haiti (see Chapters 1, 2 and 6).

Modernising Canada's development co-operation system

The government of Canada's modernisation efforts are affecting its aid management system in various ways, especially in terms of internal accountability, efficiency and compliance with financial management guidelines. The Federal Accountability Act was part of these wider public sector reforms, which are being carried out under the auspices of the Treasury Board. This body plays a key role in improving public and financial management within the federal government, including approvals of delegated authorities, monitoring and up-grading the Government's Expenditure Management System and carrying out four-year cycles of strategic departmental reviews. CIDA, Canada's main ODA agency, has been assessed annually by the Treasury Board Secretariat through a performance management tool called the Management Accountability Framework (MAF). CIDA's recent assessment shows progress with all evaluated elements being rated as either "acceptable" or "strong". Areas where CIDA was rated as strong include: quality and use of evaluation, integrated risk management and the effectiveness of information technology management. Areas where CIDA should improve include: values-based leadership and organisational culture; managing for results; and effectiveness of asset management.

Steps to rationalise CIDA's management and streamline its structure

One of the main objectives of CIDA's *Business Modernisation Initiative* is to re-engineer its processes to ensure consistent and efficient delivery of programming for better development results. The Agency has produced new tools and guides to support its programming, funding, operations and risk management functions. In addition to its integrated business planning, which allows CIDA's branches to identify resource requirements to support programmes and operations and to identify funding gaps, the Agency adopted a mandatory monitoring and reporting tool in 2010 for both individual investments and programs. This tool integrates results and risks in the area of performance management. At the same time, new tools for managing fiduciary risks have been developed to reduce the transaction costs of low-risk programmes.

The following five changes have been made to CIDA's structure since 2007: (i) there have been slight organisational amendments in the President's office based on the assignment of various accountabilities required to support the President and the Minister; (ii) the grouping of all geographic branches under the responsibility of one single unit with a Senior Vice-President; (iii) in 2007, the role of Vice President for Human Resources and Corporate Services was divided into two distinct positions; the Chief Financial Officer was created and subsequently the role of Director General for Human Resources began to report directly to the President; (iv) the creation of the Partnerships with Canadians Branch (see Chapter 1); and (v) upgrading the evaluation unit to a Directorate.

CIDA: centralised and overburdened by approval and reporting procedures

As part of its efforts to streamline its procedures, CIDA is working to standardise and embed its various business processes into one single programming process with five variants. A review in 2009 by the Auditor General of Canada revealed that the average project approval process in CIDA involved 28 documents, 49 signatures and took about 3.5 years (Office of the Auditor General, 2009). Agency-wide implementation of the new programming process is planned to begin in April 2013, following a period of piloting and testing. CIDA reports that the number of documents required for each project

approval is already down from 28 to 10 and the number of signatures has decreased from 49 to 20. The new *Agency Programming Process* will also integrate the project data requirements of the International Aid Transparency Initiative (IATI) that CIDA joined in November 2011.

In the area of financial management, accountability and audit, CIDA's determination to ensure quality control and transparency and to report fully on its aid activities is commendable. But, as signalled in its last peer review, this has resulted in cumbersome reporting arrangements. These can also contradict CIDA's commitments to the Paris Declaration on Aid Effectiveness (see Chapter 5). The burden of CIDA's reporting arrangements appears to have grown since 2007, particularly for reporting to parliament and taxpayers (see Chapter 1). Some reforms, including comprehensive electronic tools, have been introduced in 2008 to further reduce the burden on management and staff, but CIDA's reporting and compliance requirements appear to be heavier than in some other DAC member members.

Immediate improvements in CIDA's performance could be made possible by cutting down its centralised decision-making processes and increasing the levels of delegated programme and financial authority, or, at the very least, making better use of the levels of authority that already exist. According to Agency staff at headquarters and in the field the existing levels of delegated authority are not always being used and that even approvals for small projects are often referred upwards for decisions. Canada's last peer review encouraged CIDA to apply to the Treasury Board for a higher ministerial level of delegated authority. CIDA reports that in 2008/09, delegated authorities were increased for the following: Food aid – USD 100 million, and non Food Aid - USD 50 million. Currently the Minister of International Co-operation has authority to make decisions on commitments up to an amount of USD 20.22 million; the President of CIDA has authority up to USD 5.1 million (at 2011 exchange rates). More appropriate levels of authority for these senior posts ought to be substantially higher, in line with established practices among Canada's peers, with commensurate higher levels of authority for the posts beneath the President.

Further streamlining of CIDA's approval procedures and reporting requirements will reduce pressure on Canada's administrative costs. The Agency reports further decreasing its administrative costs from 6.6% of its budget in 2008/09 to 6.1% in 2010/11 by increasing efficiencies and streamlining processes. Additional, efficiency gains are expected by CIDA in the future in the context of the savings planned under the federal budget 2012 (Chapter 3). Achieving further efficiencies will be particularly challenging for CIDA as it expects smaller marginal reductions in operating costs in the future and no significant increase of ODA in the medium term.

CIDA's decentralisation: more to be done

Canada's last peer review encouraged CIDA to "reshape its structure and decentralise its operations to field offices" in the interest of making Canada's aid more effective (OECD, 2007a). In response to this and to later recommendations by Canada's Auditor General, and in accordance with aid effectiveness principles, CIDA embarked on a five-year decentralisation plan (2010-2015) and reviewed its systems to facilitate local management of resources in 15 out of the 20 CIDA countries of focus. The objectives of this decentralisation reform are to: "enhance field presence" and "achieve Canada's aid effectiveness agenda, and support strengthened strategic focus and improve service delivery, effective use of resources, and accountability for results" (Government of

Canada, 2011a). As of the summer of 2011, 10 of 15 focus country programmes slated for decentralization by the Agency had Directors in the field. This number will increase to 12 in the summer of 2012.

The Agency has shifted more of its people to the field and revised some of its systems to support local management. CIDA's increased presence in partner countries is welcomed by partner governments and other donors, but there remain three important steps that need to be taken to make decentralisation a success:

- Post the necessary financial and contract officers (local and Canadian) in partner countries.
- Complete the remaining work on adapting systems for local management.
- Delegate the necessary programme and financial authorities to the field.

The Agency is increasingly well positioned for increased delegations to the field and the above last steps will help to achieve that aim. Adequate delegated authority in the field is still rare in Canada's development co-operation system. Exceptions include Afghanistan, where the Canadian government quickly put in place a USD 20 million *Local Initiatives Fund* in Kandahar for rapid response to needs (see Chapters 1 and 2). In the rest of Canada's system, a CIDA field director theoretically has USD 500,000 financial approval authority. But in reality, it appears that almost all decisions are referred back to headquarters for approval. Canada's approvals system remains centralised, lengthy and unpredictable and this reduces the impact and flexibility of its field-based teams and precludes them from building effective partnerships with actors in the field. The peer review team saw evidence of this in Ethiopia (Annex C). Delegating authority to the partner country level is critical to delivering effective aid as it allows field-based staff to engage better with local partners and to make swift and locally-informed decisions about aid activities.

CIDA has stressed that one of the original expectations of its decentralisation reform was that it could reduce staff through increased field deployments. However, while the percentage of Agency staff posted in partner countries increased between 2007 and 2011, there has not been a commensurate reduction in the size of country teams at headquarters. In 2007, a little over 7% of CIDA's total staff (132) were posted in the field. By 2011 this had increased to 8.5% - 170 staff (Government of Canada, 2011a). It is, however, unclear whether the increase in the proportion of field-based staff has been accompanied by streamlining the country teams in headquarters.

The need to maintain quality local advisory support

Canada has a cadre of well respected local technical specialists and support staff at both the missions (locally-engaged staff) and within their Program Support Units (PSU) that contribute greatly to its comparative advantage and the effective delivery of its aid activities in its partner countries. Locally engaged staff are considered CIDA field-based staff and are based at the Canadian missions. The Programme Support Unit (PSU) is a mechanism which allows Canada to hire local technical and support staff in its partner countries on a project basis and external to Canada's diplomatic missions. By contrast with other locally-engaged staff, the employees of the PSUs are hired on contract and have separate working arrangements from CIDA's headquarters and field-based staff. The peer review team's visit to Ethiopia (Annex C) confirmed that PSU technical advisers contribute greatly to Canada's comparative advantage in that country, providing

valuable technical support, sharing their networks and language skills and representing CIDA in technical meetings.

For legal and security considerations, CIDA is considering a new PSU model (referred to as Field Support Services), whereby in some instances the recruitment and management of locally recruited staff would be entirely outsourced to private entities. The field visit to Ethiopia suggests that this model could be risky – in particular it could threaten the quality of Canadian development co-operation and contribute to the loss of CIDA's institutional memory in its partner countries. The implementation of the new PSU model has been delayed. The Agency's country teams have been advised to extend current PSU projects while decisions on the future arrangements are made. Any new arrangements for local advisory and support services should retain the strongest features of the current model, particularly the high quality locally-grounded technical expertise. There should be frequent communication with current PSU staff about the new arrangements and the transition process.

Canada's evaluation capacity: upgraded and more effective

The evaluation function in Canada's federal departments and agencies is governed by the *Financial Administration Act, 1985* and the Treasury Board's *Policy on Evaluation* of 2009. While these two documents govern the evaluation of Canada's ODA funded investments, Canada does not have a consolidated or whole-of-government approach to evaluating the results of its development co-operation. This section focuses on CIDA's evaluation policy and practices, given that it is the primary aid agency in Canada's system.

CIDA has built a strong evaluation capability and is in the process of updating its 2005 policy for evaluation in the light of the Treasury Board policy referred to above. CIDA's revised evaluation policy is currently in draft form and is going through the agency's internal approval process. The draft policy, and the accompanying draft Directive for CIDA's Evaluation Function, is comprehensive and broadly in line with DAC guidance, with a few exceptions. In particular, while the policy refers to the Paris Declaration principles and the Accra Agenda for Action, it should give greater emphasis to mutual accountability, promote the leading role that partner countries should play in evaluations and provide a clear mandate for joint evaluation (see Chapter 5).

CIDA has acted on Canada's last peer review's recommendation to provide more independence for its evaluation function. The Agency's evaluation unit has been upgraded to a directorate and has more staff and a bigger budget. The Agency's Evaluation Committee, the body responsible for overseeing evaluation, has been reconstituted to include a majority of external/independent members. This influx of independent committee members has brought fresh ideas and perspectives to CIDA's evaluations, particularly in the light of Canada's new approach to development co-operation (see Chapter 1). The Evaluation Directorate has 18 staff and, in 2011/12 an annual budget of USD 3.6 million (salary and non-salary combined). These resources are considered by CIDA and the Evaluation Committee to be adequate. The expenditure on evaluation, which is 0.1% of CIDA's total disbursements, should be protected from cuts within the budget process for 2012. The Directorate is responsible to the Evaluation Committee for developing and carrying out a five-year rolling evaluation plan, in consultation with CIDA's branches. This plan is approved by the President of CIDA following advice from the Evaluation Committee and published on CIDA's website.

CIDA's evaluations are being publicised widely and are informing the Agency's policies and strategies. The Evaluation Directorate publishes its reports and management responses on CIDA's intranet and website and on the DAC Evaluation Resource Centre (DEReC). It also tracks how management acts on its evaluations through a similar system to the one used for the agency's audit process. These good practices have been recognised by the Treasury Board, which rated CIDA's Evaluation Directorate as "strong" in each of its last five annual ratings of Canadian government evaluation units.

Four challenges for the future

As CIDA revises its evaluation policy, it can take the opportunity to improve further this key function. Recognising the progress that has been made in evaluation, CIDA acknowledges four challenges which it now needs to tackle:

i) human resources: several senior staff will soon retire from the Evaluation Directorate - the challenge for CIDA is to maintain the quality of its evaluation staff as it recruits new leaders;

ii) building a culture of evaluation: CIDA would like to mainstream and disseminate a culture of evaluation at both branch level *and* corporate level - this would help further develop an evaluation and knowledge culture throughout the Agency;

iii) communicating results: CIDA needs to find a systematic and effective way of communicating evaluation results and lessons - a new annual report on CIDA's evaluation function is planned and evaluations are publicly available on CIDA websites, but there could be further efforts to ensure wide distribution of evaluation reports, user friendly syntheses of findings, seminars and workshops for actively promoting knowledge sharing and best practice;

iv) keeping up-to-date: as in other donor agencies, CIDA needs to maintain lively internal debate on trends in evaluation methodologies and international lessons. CIDA's new *Strategy for Dissemination of Evaluation Knowledge* (CIDA, 2011g) should build on the Agency's positive experiences to increase the visibility, accessibility and use of evaluation findings and lessons both within and outside the Agency.

Making the most of Canada's development co-operation staff

Five federal departments support Canada's ambition to become one of the most effective bilateral donors. Canada's ODA is managed by the equivalent of 2,700 full time employees ("Full Time Equivalents") across these departments (Table 4.1). This is a large workforce and CIDA in particular faces a number of human resources challenges. At CIDA, Canada's *2011 Public Service Employee Survey* (Treasury Board of Canada Secretariat, 2011) provided employee perceptions on Workforce and Workplace, Employee Engagement, Leadership and Organisational Culture indicators. While 81% of CIDA staff liked their jobs and 73% were happy with their immediate supervisor, the survey also revealed areas of dissatisfaction. The main complaints included constantly changing priorities, lack of stability in the Agency, too many approval stages and unreasonable deadlines. In addition 43% of CIDA respondents, compared to 27% in the public service of Canada as a whole, stated that they intended to leave their current

position in the next two years. The survey's findings were confirmed by the peer review team's interactions with CIDA employees and the Agency's local union representatives.

Table 4.1. Full-time government equivalent employees involved in International Assistance in 2011-2012

Federal department	Number of full-time equivalent working on international assistance activities
CIDA	1 911*
IDRC	487
DFAIT	205
Department of Finance	10
Citizenship and Immigration Canada	73+

* Does not include staff of Programme Support Units (PSUs) in partner countries
+ Citizenship and Immigration Canada is only able to confirm the number of people working on its Resettlement Assistance programme (73); it is not possible for the department to calculate how many people are working on its Settlement and the Interim Federal health programmes as only a portion of these programs are reported as ODA

Source: Data presented to Peer Review Team by the Government of Canada

The Vice President of the Business Modernisation Initiative (BMI), with the support of the Human Resources Branch has been focusing on the decentralisation reform discussed above. According to Agency staff this has been at the expense of other important concerns. In addition to the points highlighted in the Treasury Board's survey, employees have voiced concerns about (i) CIDA's apparent shift towards a greater use of generalists and outside advisers at the expense of its in-house experts; and (ii) the lack of a management model which uses and values CIDA's professional and specialist resources effectively. There is also a concern, most recently expressed by Canada's Auditor General, that the Agency needs to do more to attract and develop the skills and expertise it requires to support its five thematic priorities and its cross-cutting issues (Office of the Auditor General, 2009). CIDA's senior management stresses the importance of training and knowledge dissemination and confirm that there are several mechanisms within the Agency for staff to access information, training and other learning opportunities to increase knowledge.

CIDA has enjoyed a period of stability at the very top of its organisation since the last peer review, but at its senior grades there has been considerable staff turnover. CIDA's current Minister is the longest-serving in the Agency's history and CIDA's President has been in office for almost four years. CIDA's staff turnover rate in the last five years has been around 10% overall. But there has been significant turnover amongst the Agency's senior-level managers which was partly, but not only, a result of the organisational reforms that took place in these years. For instance, CIDA has had three Chief Finance Officers over the last three years, at a time when the Agency has rightly been emphasising improved financial management and auditing. If not communicated clearly and planned for appropriately, this level of turnover at the senior grades of the Agency can demoralise lower-level staff, as well as erode the organisation's institutional memory and constrain progress towards long-term objectives.

One of CIDA's corporate risks, identified in its last report to parliament, was the challenge associated with attracting, developing and retaining competent staff. The strategies that are emerging as part of the Integrated Business Planning process should address this risk. These issues should be tackled by CIDA through further organisational

reforms, streamlining its procedures, a comprehensive human resources plan and more regular dialogue and communication with staff about changes in institutional priorities and policy.

If carried out successfully and quickly, the Agency's reforms discussed in this chapter will go some way towards improving its organisation and management. But, to be successful, Canada should stick to its current development co-operation priorities for the next five to ten years and CIDA should streamline its structure, procedures, processes, reporting and compliance requirements and decentralise its operations. This would help to remove many of the barriers to a more effective mobilisation of CIDA's technical expertise.

Future considerations

- Improve the coordination of development co-operation amongst all federal departments responsible for ODA, clearly outlining the roles of key departments in facilitating this. Achieve stronger synergies among the relevant federal departments within Canada and in partner countries.

- Streamline CIDA's organisation and procedures further, particularly its decision-making and reporting processes. As part of this, CIDA should ask the Treasury Board for more appropriate levels of ministerial authority for financial decision making and make full use of existing delegated authorities.

- CIDA should complete the decentralisation of its operations in accordance with its plan. It should give its field-based teams in partner countries appropriate levels of capacity and delegated authority; the scope to directly control the local advisory and support services they need; and the flexibility they require to engage in policy dialogue, to react to new opportunities and to deliver more effective aid.

- CIDA should make full use of the evidence produced by its new Evaluation Directorate to produce comprehensive and reliable information on how to achieve development results. This can be used for decision making, quality assurance and accountability to parliament and taxpayers.

- CIDA should put in place a comprehensive human resources plan that responds to the concerns of its staff and use more open and regular dialogue and communication tools to keep employees informed of changes and reforms.

Chapter 5.

Aid Effectiveness and Results

Since its last peer review Canada has taken steps to make its aid more effective. It has acted on the recommendations related to this in its last peer review and in the 2009 Report of the Auditor General of Canada (Office of the Auditor General, 2009) and it has made the 2005 Paris Declaration on Aid Effectiveness and 2008 Accra Agenda for Action cornerstones of its development policy, with a particular emphasis on results and internal accountability. Canada has made progress in areas such as aid untying, use of common approaches in partner countries and aid transparency. Moving forward, it needs to improve the predictability of its aid, increase its participation in joint missions and further operationalise a Paris Declaration oriented approach to managing for results and accountability. Building on Canada's contributions to the Fourth High-Level Forum on Aid Effectiveness in Korea in 2011, this chapter suggests that it should make further progress by: updating its strategic framework on aid and development effectiveness; strengthening its performance in areas such as predictability, transparency and mutual accountability; and clarifying its policies and approach regarding managing for and reporting on results.

A commitment to the principles of effective aid, but a mixed performance in practice

Canada's commitment to aid effectiveness is longstanding and has taken several forms: its 2002 Policy Statement on Strengthening Aid Effectiveness, a 2004 action plan to promote harmonisation, and the three-year Aid Effectiveness Action Plan adopted in July 2009 (CIDA, 2009c). At the global level, Canada has also been an active member of the Working Party on Aid Effectiveness (WP-EFF) and is on the Executive Committee of this body. Together with Morocco, Canada has led efforts within the WP-EFF to develop a vision to take to the Fourth High-Level Forum on Aid Effectiveness in Busan, Korea at the end of 2011. Canada also promoted the Paris Declaration principles through the Canadian-led maternal and child health initiative, launched in 2010 during the G8 Summit meeting in Muskoka.

Canada has partially implemented the aid effectiveness recommendations from the last peer review (OECD, 2007a; Annex A). In particular, it has taken the following steps:

- it has made significant progress in untying its aid;
- it is shifting from project to programme-based approaches (PBAs);
- CIDA has adopted an *Aid Effectiveness Action Plan* (CIDA, 2009c);
- the Paris Declaration has been declared a cornerstone of CIDA's corporate strategy and institutional management.

These are welcome achievements. However, Canada remains guided by domestic accountability issues and efforts need to be made to ensure that Canada's approach to aid effectiveness is mainstreamed across the whole of the government. CIDA's Aid Effectiveness Action Plan tracks progress and reports on the Agency's *internal* efficiency objectives as much as on Canada's aid effectiveness commitments that flow from the Paris Declaration and the Accra Agenda for Action. The Plan has provided direction for aid management and created impetus for change, but to fully promote the aid effectiveness agenda will require stability of vision and purpose, and a long-term perspective.

Translating commitments into practice is sometimes a struggle

Despite Canada's stated commitment to the aid effectiveness principles, it has sometimes struggled to translate them into practice across its development co-operation. Canada's performance against the aid effectiveness indicators that were internationally-agreed has been mixed, as reported through the three Paris Declaration monitoring surveys (Table 5.1). One of the main reasons for this uneven performance is that, since 2005, Canada has lacked a clear strategy for implementing the Paris Declaration. Indeed, both the last peer review and the Canadian Auditor General's 2009 report encouraged Canada to adopt a more comprehensive strategy for effective aid– one that encompassed the whole of its development co-operation.

In response to these two reports, CIDA adopted a new Aid Effectiveness Action Plan in July 2009. This Action Plan builds on an existing foundation of efforts to improve aid effectiveness and has been helpful in further advancing practical implementation of aid effectiveness commitments by Canada. However, this document should be improved.

Firstly, it should consider including other parts of Canada's development co-operation system. Secondly, it needs to better articulate the necessary steps for implementing all of the aid effectiveness principles and focus on results oriented measures as opposed to inputs.

Table 5.1. Canada's performance against aid effectiveness targets, 2010

Indicators		Indicator values				Illustrative 2010 Targets
		2005	2007	2010		
		32 countries	32 countries	32 countries	All countries	
3	Aid flows are aligned on national priorities	52%	45%	39%	30%	85%
4	Strengthen capacity by co-ordinated support	39%	61%	30%	27%	50%
5a	Use of country public financial management systems	42%	75%	72%	68%	67%
5b	Use of country procurement systems	44%	38%	77%	63%	Not applicable
6	Avoid parallel implementation structures	64	36	31	111	21
7	Aid is more predictable	44%	51%	49%	38%	72%
8	Aid is untied	79%	87%	100%	100%	More than 79%
9	Use of common arrangements or procedures	51%	56%	57%	50%	66%
10a	Joint missions	17%	14%	17%	15%	40%
10b	Joint country analytic work	37%	24%	68%	58%	66%

Source: OECD Report of the 2010 Survey of Aid Effectiveness (OECD, 2011d)

CIDA's current Aid Effectiveness Action Plan has seven objectives (focus, efficiency, accountability, predictability, alignment, inclusive partnerships and fragile states) which are supported by actionable and measurable commitments. The Action Plan brings together two agendas: it integrates Canadian policy measures (including geographic focus, thematic priorities) and the international commitments in Aid Effectiveness (Paris Declaration, Accra Agenda for Action) into one consolidated Plan that guides implementation and reporting towards 2012-13. Thus, it contains broader and differently formulated commitments and indicators than the Paris Declaration. For example:

- what the Agency refers to as "efficiency" in the plan includes a mix of various objectives such as aid untying, harmonisation and institutional mobilisation and incentives;

- the pivotal principle of country ownership does not feature prominently in the plan;

- accountability is entirely focused on Canadian domestic accountability;
- the plan does not fully support the commitment on predictability made in Accra by the donors "to provide developing countries with regular and timely information on their rolling three-to-five year forward expenditure and/or implementation plans";
- the plan's section on "Inclusive partnerships" contains commitments on strengthening the role of CSOs, Parliament, the independent media and other democratic institutions, but pays little attention to the role of other non-government actors, such as the private sector; and
- important dimensions of the Paris Declaration, such as managing for development results, are not specifically addressed in the plan.

CIDA's plan does contain measurable commitments on in-year and multi-year (3 years) predictability. CIDA's objectives in the plan relative to alignment commit the Agency to align its country programme strategies within local priorities, use partner country's public systems to the maximum extent possible, direct more demand driven and coordinated technical assistance and increase engagement in coordinated programming.

Participants in the Fourth High-Level Forum on Aid Effectiveness have promised to review and update their aid effectiveness strategies in the light of the Busan agreements. Canada should take this opportunity to revisit its strategic approach to aid effectiveness and ensure it fully aligns with the objectives agreed at Busan, including for achieving the core aid effectiveness agenda. Canada should use its revised strategy to mobilise all relevant government departments and partnerships to build on what has already been achieved and to make its aid fully effective.

Canada has made progress in some important aid effectiveness areas

While Canada's performance overall against the Paris Declaration indicators is uneven, it has made progress in some key areas, such as: untying its aid, making more use of partner country systems, doing more joint country analysis and improving aid transparency. These areas are discussed in more detail below.

Significant progress in untying aid

The peer review team commends Canada for the progress it has made towards untying its aid, particularly for entirely untying its food aid, as promised in 2008, at the Third High-Level Forum on Aid Effectiveness in Ghana, by Canada's Minister of International Co-operation. Canada's share of untied aid covered by the OECD DAC Recommendation on untying ODA to the LDCs (OECD, 2008c) increased from 93.7% in 2007 to reach a high of just over 99% in 2010. The peer review team congratulates Canada for this performance in fully implementing the Recommendation, which is above the DAC average of 88% in 2010. However, in respect of agreed transparency commitments in the Recommendation, the peer review team also encourages Canada to improve its posting of ex ante notifications posted to the DAC Bulletin Board (no notification has been recorded since 2008) and on the distribution of contracts awarded (no notification in 2009).

In 2008, at the Third High-Level Forum on Aid Effectiveness in Ghana, Canada's Minister of International Co-operation also announced that Canada would untie all

Canadian assistance by the end of the 2012/13 fiscal year and all participants including Canada agreed to "elaborate individual plans to further untie their aid to the maximum extent". Despite its good progress, when all aid to all developing countries (not just LDCs) is taken into account, Canada's proportion of total aid which is untied was 80%[1] in 2010, level with the DAC average. In this context, it is important that Canada sets out steps for untying its aid to the maximum extent. The peer review team also encourages Canada to continue its active and constructive participation in the ongoing reflection on tying definitions and reporting within the DAC Working Party on Statistics.

Making more use of country systems

Canada is concerned to maximise the impact of its contribution while reducing its transaction costs and reducing its risks by using country systems which are under joint scrutiny. This partly explains why Canada's use of partner country public financial management systems increased from 42% in 2005 to 72% in 2010 in the 32 countries which participated in the three Paris Declaration Monitoring Surveys. This increase goes beyond the 2010 global indicative target of 67%, demonstrating Canada's ability to channel aid through partner countries' systems. In addition, 17 of Canada's strategies for its 20 countries of focus include a component for reforming and strengthening country systems so as to improve the management of public administration and public funds more broadly.

Canada also reviewed its policy on programme-based approaches (PBAs) in 2008 and has subsequently shifted to these from projects in situations where it can join other donors to support partner countries' own strategies. As recommended in the Auditor General's 2009 report (Office of the Auditor General of Canada, 2009) and discussed in Chapter 3, Canada has set challenging targets for using PBAs. The percentage of ODA allocated through these mechanisms increased from 51% to 57% between 2005 and 2010. The increased use of PBAs by Canada is being supported by improved guidance to CIDA's field-based and programme staff on how to manage fiduciary risk and assess the capacity of national systems. In Ethiopia, where most donors have faced challenges in using country systems, Canada uses aid delivery mechanisms, such as pooled funding, that are in line with the Ethiopian government's own preferences. In 2010/11, 71% of Canada's bilateral programme for Ethiopia was delivered through PBAs.

Working increasingly with other donors for analysis and evaluations

Canada has increased the percentage of its partner country analytical work conducted jointly with other development partners. This rose from 37% of the total in 2005 to 68% in 2010, surpassing the 66% 2010 global illustrative target for this indicator (Table 5.1). CIDA confirmed to the peer review team that it aims to do more joint work with other donors and that it has a strong interest in contributing to more collective and co-ordinated decision making, which will help reduce its own transaction costs and minimise risks. In the area of risk management, and as part of the post-Busan agenda, Canada is working with Denmark on a new joint framework for risk assessment which will encourage greater use of country systems and better alignment by all donors.

Canada has supported several joint in-country evaluations since its last peer review, including a 2011 evaluation of general budget support in Mali (led by the European Commission), a 2010 joint evaluation of conflict prevention and peace building activities in the formerly unified Sudan (led by the Netherlands) and several joint evaluations in Ethiopia. Lastly, Canada's participation in the OECD DAC Evaluation Network and the Multilateral Organisation Performance Assessment Network (MOPAN) also illustrates

Canada's desire for a more co-ordinated and collective approach to analytical work and aid decision making.

Further progress is needed to meet Canada's aid effectiveness commitments

Canada faces challenges in several aid effectiveness domains, particularly predictability. And as discussed in earlier chapters, Canada's aid would be more effective if CIDA in particular were able to decentralise its operations. These, and other issues, are discussed below.

Unpredictable aid

Canada was unable to provide its partners with predictable aid flows between 2005 and 2010. Canada increased the percentage of its aid that was predictable from only 44% to 49% over the course of the three Paris Declaration monitoring surveys (Table 5.1), well short of the global illustrative target of 72% for this indicator. In its progress report on *CIDA's Aid Effectiveness Action Plan 2009-10*, (CIDA, 2011g) the Agency acknowledges that little progress has been made in publishing Canada's bilateral country programme estimates on an annual or medium-term basis and that an internal discussion on possible approaches to make the practice more coherent and transparent is needed.. As discussed in Chapter 1, Canada's country strategies do not include annual or medium-term budget frameworks. Information on annual commitments and actual disbursements to countries also needs to be published since information is currently provided to partners only on an *ad hoc* basis at the country level. The peer review team's visit to Ethiopia confirmed that the Canadian field-based teams are challenged by the lack of multi-year budgetary frameworks. Beyond existing multi-year programming commitments, field teams are unable to comment on or communicate forward financial plans (Annex C). As mentioned in previous chapters, at the very least, CIDA's 20 countries of focus should be provided with reliable three-year financial commitments that are predictable over time.

Insufficient alignment with national priorities

Between 2005 and 2010, Canada's alignment to its partner countries' national priorities (as reflected in their macroeconomic frameworks and budgets) declined from 52% of its total bilateral aid to 39% in the 32 countries that participated in the three surveys (Table 5.1). Again this is well short of the global illustrative target of 85% for Indicator 3 of the Paris Declaration Monitoring Surveys. Canada's poor alignment performance could be explained by its inability to make its aid predictable and to communicate its support early enough to feed into its partner countries' budget and planning processes. Other explanations might be that partner countries did not reflect Canada's contribution accurately, or that Canada's perceived comparative advantage and priorities did not match with those set out by recipient countries. In all cases, Canada should review the reasons for its performance in this area and take the necessary action to deal with the situation.

It is likely that CIDA's unfinished decentralisation reform and its cumbersome requirements and procedures all adversely affect Canada's capacity to align its aid to the national priorities of its partners. CIDA's field teams face uncertain, burdensome, long and unpredictable internal approval processes for all decisions made by headquarters - given that very few decisions are made locally this is a considerable constraint for the timely and effective delivery of programming. The peer review team understands that this

situation affects all of CIDA's country teams, with the exception of Afghanistan and, possibly, Haiti.

The Paris Declaration Surveys show little progress in supporting joint missions

According to the Paris Declaration Surveys, between 2005 and 2010, Canada made little progress in supporting joint missions, with only 17% of its missions classed as joint in 2010, well behind the global illustrative target of 40% (Table 5.1). This performance is difficult to reconcile with Canada's increased participation in joint analytical work and the overall perception gained by the peer review team that Canada is willing to increase co-ordinated and collective action in its partner countries and is already using part of its PSU capacity in this sense. Such limited performance could be linked to difficulties in supporting joint missions with appropriate skills and may be partly explained by the fact that Canada recorded only missions that involved international travel; e.g. from headquarters. CIDA informed the peer review team that there is a great deal of unrecorded support from non-headquarters and field-based staff for joint missions. Canada should reflect on how to tackle this situation.

CIDA needs to improve its managing for development results and accountability

As noted above, managing for development results and mutual accountability are not clearly reflected in CIDA's Aid Effectiveness Action Plan. More positively, Canada emphasised planning and managing for development results in its contributions to the Fourth High-Level Forum on Aid Effectiveness in Busan. At this meeting Canada's Minister of International Co-operation highlighted Canada's concrete actions to strengthen accountability for results by all stakeholders at the country and sector level, in particular in the health sector through the 2010 G8 and 2011 UN initiatives on maternal and child health.

CIDA's longstanding approach to results-based management was redefined in 2008 with a new policy and mandatory reporting tools to demonstrate the results of Canadian aid. This has significant implications for its development co-operation system, increasing pressure for more monitoring and reporting on results. Achieving and demonstrating results have become central to CIDA's management approach, putting daily pressures on all Agency staff both in headquarters and the field. The Government's increased accountability requirements could overburden the Agency with multiple reporting, and too much focus on short-term and intermediary results which are easier to communicate than on longer-term development outcomes.

While the focus on results and internal accountability is welcome, CIDA in particular should tackle the following important issues in its current push for results:

- CIDA should communicate clearly about its own contribution to development results *and* how these are complemented by other actors and sector activities. As stressed by one senior CIDA manager, the organisation recognises it never acts alone– efforts to attribute results to CIDA alone could be misleading, including with members of parliament who are not sufficiently well informed on how Canadian aid works;

- there is a need to better distinguish between (i) reporting on value for money to the Canadian taxpayer, which primarily serves Canada's own domestic accountability; and (ii) managing for development results and mutual accountability, which are part of the Aid Effectiveness principles and focus on country-defined outcomes and country-led systems for achieving results.

Canada's limited alignment with national priorities and constrained support to strengthening country statistical and information systems make it difficult for it to support a partner country-led approach to development results or to strengthening country ownership. Both are key aspects of the aid effectiveness agenda.

At the global level, Canada has promoted the definition and use of accountability frameworks to support G8 and UN health and food security initiatives. These are increasing transparency and accountability. As these tools develop and are fine-tuned, it would be important to ensure that (i) they do more than demonstrate donor countries' accountability domestically; and (ii) are supported by realistic plans and strategies for generating, using and accessing essential data and other information in developing countries themselves.

Future considerations

- Update CIDA's Aid Effectiveness Action Plan and ensure it fully aligns with the Paris Declaration principles and the objectives agreed at Busan.

- Use the revised Aid Effectiveness Action Plan to mobilise all relevant federal departments and partnerships to make Canada's aid fully effective, particularly in domains where its performance is lagging, such as aid predictability and harmonisation.

- CIDA should clarify its policies and strategy on results while streamlining its reporting. It should focus on providing user-friendly, reliable and relevant information on results to decision makers, parliament, taxpayers and partners.

Notes

1. Calculated according the standard DAC methodology of the percentage of bilateral untied ODA in relation to total bilateral ODA (excluding administrative costs).

Chapter 6.

Humanitarian Assistance

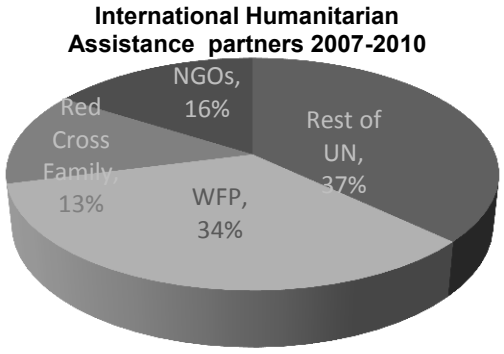
Canada's strengths as a humanitarian donor include its excellent cross-government co-ordination mechanism, its extensive rapid response toolbox and its strong track record as a constructive partner within the humanitarian community. Since the last peer review Canada has fully untied its food aid, for which it is to be commended, providing a good example for other DAC donors.

Areas for strengthening are mostly strategic in nature. Canada still lacks a clear public statement of its strategic direction in humanitarian assistance. This strategy would allow for clearer decision-making criteria, stronger accountability on expected results and more structured discussions with key stakeholders, including parliament. It could also guide the more principled application of its new matching fund mechanism, through which the government matches the fundraising efforts of registered Canadian charities for selected crises dollar for dollar. Canada also needs better and more timely development tools to ensure that a comprehensive crisis recovery can be systematically programmed and funded, together with tools to implement its strong political commitments in the area of risk reduction and resilience building. CIDA should also consider relying more on its humanitarian systems and delegating more decision-making authority to the humanitarian team, in order to improve the timeliness and effectiveness of Canadian humanitarian assistance.

A consistent, yet cautious, humanitarian donor, without a clear strategy

Canada has chalked up a number of useful results over the last four years; both in terms of programming and advocacy, but a more focused programme could improve the predictability of results and strengthen accountability. Food aid has been a notable success story, starting with the untying of the Canadian food aid budget, and consolidated though its useful leadership role in the re-negotiation of the 1999 Food Aid Convention. Programmatically, Canada has further strengthened its whole of government approach to disaster response, ensuring a co-ordinated, principled and appropriate cross-government response to major humanitarian emergencies – as seen, for example in Canada's solid response to the 2010 Haiti earthquake. And yet, a number of stakeholders interviewed for this peer review expressed their desire for Canada to increase efforts to punch more at its weight on the international stage. Canada's mandate, instruments, partners and volumes are outlined in Figure 6.1.

Figure 6.1. Canada's humanitarian assistance



Mandate: CIDA's Terms and Conditions for International Development Assistance, 2008 Development Assistance Accountability Act.

Division of Labour: DFAIT leads on policy, while CIDA is responsible for programming, operational policy and relations with partners.

Funding sources: International Humanitarian Assistance budget (annual), Crisis Pool (can be rolled over)

Funding volumes: CIDA's total humanitarian assistance FY 2010/11 was CAD 568.5 m)

Source: Canadian Memorandum, 2011 (partnerships) and information provided by CIDA (funding volumes)

The last peer review made three humanitarian recommendations: (i) formalise Canada's humanitarian action framework; (ii) untie its emergency food aid entirely; and (iii) integrate good practice in disaster risk reduction into programming (Annex A). Canada has made good on its promise to fully untie all emergency food aid. In April 2008, Canada opened its entire food aid budget to international procurement, with an emphasis on purchasing in developing countries. Information on the impact of untying its food aid could also be useful for other DAC donors. Disaster risk reduction now enjoys a high level of political commitment, but Canada does not yet have the right tools to reduce disaster vulnerability across all of its programming. The peer review team was informed by CIDA representatives that a new CIDA-specific humanitarian assistance strategy is being drafted, but that it has not yet been finalised or approved. These last two issues are discussed further below.

Canada still needs a clear humanitarian strategy

Finalising Canada's overall humanitarian strategy should now be a priority. It should provide clarity on Canada's overall humanitarian objectives by developing a cross-government strategy, based on Canada's comparative advantage and outlining expected results. A CIDA-specific humanitarian action framework was circulated within the Government of Canada and to NGOs for comment in 2007, but has remained an internal working paper. Making the strategy public, and extending it to cover all humanitarian responses across government, would support more predictable – and thus more focused – humanitarian programming and advocacy, while also facilitating structured discussions with key stakeholders, including partners and parliament. Clearer objectives would also provide a framework for stronger cross-government accountability. The role of humanitarian funds in post-crisis recovery and disaster risk reduction, two areas where Canada has shown political commitment, should be part of the new strategy.

Supporting post-crisis recovery

Supporting post-crisis recovery is a challenge for many donors, and Canada is no exception. Examples of humanitarian and development links exist, but the major challenge – providing earlier development funding to support recovery – is yet to be resolved. However, Canada's recent experiences in Haiti, where the Director General of the Haiti bilateral programme oversees the coherence of all CIDA's humanitarian and development efforts, may provide a good model, formalising links between Canada's different programmes. Stronger links through the thematic priority of food security may also offer opportunities. Otherwise, including humanitarian programming in country strategies – as is done in the West Bank and Gaza and Afghanistan, for example – is good practice, so long as humanitarian principles are respected, as is the requirement to analyse conflict and fragility risks when designing country programme.

However, Canada needs to develop the right tools to ensure that timely and appropriate funding is provided for post-crisis recovery programming, especially in countries without a development presence. At present, Canada relies on stretching humanitarian funds to support post-crisis recovery. *CIDA's Terms And Conditions for International Development Assistance* allows the use of humanitarian funds for recovery of refugees, returnees and the displaced (CIDA, 2009d). Partners confirm that funds are allocated for those purposes, including for food security. However, humanitarian funds are not always the most appropriate tools for recovery; Canada now needs to find other supplementary options – such as tools with longer time-frames and a wider scope of eligible activities.

The need to translate strong political commitment for disaster risk reduction into practice

Canada recently made strong political commitments to strengthening its disaster risk reduction (DRR) and resilience programming, but this has not yet been translated into practice. In the aid effectiveness conference in Busan, CIDA emphasised risk reduction as a key development issue. However, Canada does not yet have all the necessary tools to effectively include risk reduction as an integral part of programming. CIDA's terms and conditions specifically authorise funding for risk reduction under the International Humanitarian Assistance sub-class, but do not include risk reduction under its development instruments (CIDA, 2009d). In practice, CIDA uses humanitarian funds for specific, often short-term, risk reduction activities – especially emergency preparedness

in the Americas and the Caribbean[1] – but does not yet make risk reduction an integral part of all its development programmes. There are some exceptions – by supporting the Caribbean Catastrophe Risk Insurance Facility and the implementation of CARICOM's Enhanced Comprehensive Disaster Risk Management Framework, Canada assists Caribbean national governments and regional organizations to predict, respond to and manage natural disasters. This programme also provides disaster risk reduction programming through the Red Cross to tangibly reduce the risks from natural hazards and climate change at the community level.

Canada has opportunities for systematically integrating resilience into programming; there are also good practice examples that could serve as useful models. For example, Canada systematically analyses country-specific disaster risk when it designs development strategies, but it does not yet focus on this area in programming. It is therefore missing a key opportunity for strengthening the resilience of the most vulnerable. Pakistan is a notable exception, where an assessment of high disaster risk levels led to mitigation measures under the development strategy. Canada should now provide guidance to staff on how to integrate building resilience into all programming, and identify relevant funding windows.

Canada also has useful recent experience in beneficiary participation that could be replicated in future programming. In Haiti, partners report that Canada's efforts to consult with beneficiaries, and to work with the Diaspora and the Haitian government, helped it design and deliver a better response.

Humanitarian funding

Canada is consistently one of the top 10 humanitarian donors in terms of volume, with historically stable budget levels, but has an uncertain budgetary future (see Chapter 3). Canada spent nearly CAD 568.5 m million on humanitarian assistance in the 2010/11 fiscal year (Figure 6.1),[2] but will need to work hard to protect this level in the current climate of cross-government budget cuts.

Food aid accounted for 36% of the humanitarian budget in 2010/11[3], and partners insist that the full untying of food aid has enhanced Canada's response flexibility, reduced delivery costs, improved timeliness and supported the delivery of more appropriate commodities (CCIC, 2009). Other DAC donors could learn from Canada's experiences in untying food aid.

Be clear about where, how, who, and how much to fund

Canada will need clearer funding criteria, and to make its decision process more transparent, otherwise it will remain vulnerable to misunderstanding and criticism that funding is not always guided by humanitarian principles. Canada says it uses a calibration table and a humanitarian needs index tool to complement other information sources – international appeals, partners and Canadian field staff – in building a solid body of evidence for allocating funds to particular crises, sectors and partners. CIDA has also reviewed its multilateral partners (in 2009) to ensure that they are capable of delivering the required results. In spite of this, partners often cite the lack of transparency in Canada's funding allocation process. This should be easy to fix, however. Canada needs to outline and communicate clear humanitarian funding criteria based on its overall strategic aims; and publish both the evidence from its various analytical tools, and link this evidence to the final prioritisation of its funding decisions. This will ensure that all

key stakeholders – including parliament, taxpayers, the humanitarian community and affected communities – are aware of how and why Canada allocates its funds to meet priority humanitarian needs.

Back up solid partnerships with speedier disbursement rates for NGOs

The peer review team consistently heard that Canada is a supportive humanitarian partner, with the following good practices:

- **a clear strategy for engagement with multilaterals** – Canada has developed a cross-government multilateral strategy, supplemented by individual institutional strategies based on their respective agency mandates. This allows Canada to speak with one voice to multilateral partners. Canada's recent multilateral portfolio review confirmed that Canada has partnerships with those agencies able to deliver results and aligned with Canadian priorities;
- **multi-annual funding for good performers** – UN agencies who deliver results can receive multi-annual funding from Canada for three to five years. The West Bank and Gaza team, who also directly fund humanitarian programmes, can also provide multi-annual funding to partners;
- **support for innovative approaches** – Canada earmarks funds to support innovative projects, including the World Food Programme's forward purchase facility. It also supports tools developed during the humanitarian reform process, including the global Central Emergency Response Fund (CERF) rapid response mechanism.

Appropriate administrative burden – Canada consistently uses grant agreements – its most efficient funding channel – for humanitarian funding. NGOs may apply for a pre-approval process that deals with fiduciary risks, thus reducing paperwork required for each project proposal. Funding for rapid onset emergencies can also now also be backdated to cover specific project costs incurred between proposal submission and final approval, which helps offset funding delays (see below).

Some areas of partnership could, however, be improved. The most critical is CIDA's slow disbursement rate to NGOs – which took over three months during the recent Horn of Africa crisis, for example. This is mostly due to bottlenecks in the approval system, particularly at the final approval stage. A useful solution to this problem could be to move to a system of global decisions for each crisis – as other donors have done. This involves the minister approving overall crisis strategies and funding amounts, and then delegating the allocation of funding at project level to the humanitarian team. In other areas, Canada is encouraged to continue its efforts to harmonise with other donors its humanitarian messages on UN boards. Finally, CIDA should review its means for formal dialogue with Canadian NGOs – currently conducted through the Canadian NGO-led Policy Action Group for Emergency Response (PAGER) group – to ensure that this remains a dynamic forum for input on policy and related issues.

Deal with concerns about "matching funds"

Canada has an impressive array of tools available for rapid response, including a mechanism for the government to 'match' eligible public fundraising efforts by registered Canadian charities dollar for dollar, but this latter instrument is becoming rather controversial for some stakeholders (see next paragraph). Canadian tools for sudden onset and escalating emergencies include:

- emergency relief stockpiles (recently expanded);
- funding for deploying civilian experts through UN rosters (Gender Standby Capacity– GenCAP and Protection Standby Capacity - ProCAP);
- pre-positioning of rapid response funds and a rapid deployment field hospital with the Canadian Red Cross;
- multi-annual contributions to the CERF global rapid response tool;
- funding for the WFP's forward purchase facility;
- additional allocations from the Crisis Pool (with cabinet approval); and
- the "matching funds"

Matching the funds raised by registered Canadian charities for major crises, might at first glance appear to be a good way of boosting funds to respond to a particular crisis, and engaging increased public support. However, use of this tool has unfortunately raised a number of problems:

- **humanity, impartiality and independence** – humanitarian principles require the allocation of funding solely for saving lives and alleviating suffering wherever it is found.[4] Canada must demonstrate, through the communication of clear criteria, that the use of matching funds is not skewing its funding allocations towards high profile crises – where more funds will be raised from the public – at the expense of other emergencies with a lower media profile;
- **transparency** – criteria for the launch of a matching facility have not yet been communicated to Canada's partners or the public, although such criteria do apparently exist. The minister should clearly communicate the criteria for launching a matching facility, and explain how these criteria have been applied to individual crises. Canada should also continue to notify the public that matching funds go into a pool, and that the registered Canadian charities who raise funds will not necessarily receive a dollar-for-dollar match of what they raised;[5]
- **additionality** – the current system may lead to a misconception that the government is providing new funding for crisis response. Matched funds are allocated from either the Crisis Pool or CIDA's existing budget facilities, or a combination of both. This means these funds may not be entirely new ODA if a portion is sourced from existing CIDA budget facilities (although they are additional to the planned humanitarian share of ODA). This should be made clear to the public and partners;
- **timeliness** – the matching fund process, including the allocation of funds, takes time. Registered Canadian charities must raise funds up to a cut-off date and submit fundraising figures to the government, the fund size must then be determined, and finally a call for proposals must be made (note that some of these steps can occur simultaneously). Partners report that matched funds are not usually allocated until four months after a crisis occurs. At this point many of the initial crisis needs may have been met, with remaining needs focused on recovery and/or risk reduction and resilience.

Give CIDA's solid operational structure greater authority

Canada's humanitarian team has worked hard to develop solid systems for providing humanitarian assistance and Canada could now place more reliance on these systems, delegating them greater decision-making authority. This could improve the timeliness and effectiveness of humanitarian aid, and increase the scope for innovation. Evaluating the full range of management controls and risk management systems is outside the scope of this review, but the peer review team encourages the current external evaluation of CIDA's humanitarian assistance to assess the effectiveness of CIDA's humanitarian systems and to outline the scope for increased delegation of authority.

Box 6.1. Canada's good practice in whole-of-government response to major disasters



Source: Data presented to the Peer Review Team by the Government of Canada

Good practice in cross-government disaster response co-ordination

Canada's excellent whole-of-government system for disaster response ensures a co-ordinated, principled and appropriate cross-government response to major humanitarian emergencies (Box 6.1). The model works by building agreement on the proposed cross-government response through a rapidly established technical level task force, whose work is guided by a set of formal standard operating procedures. Consensus at the task force level smoothes the way for cabinet level discussions and encourages rapid and coherent recommendations to the Prime Minister. Canada is encouraged to extend this model to overseeing protracted crisis responses and to share it with other donors.

Canada's approach to civil military co-ordination also follows good practice. Solid guidelines on civil-military co-ordination are in place; these comply with international guidelines (GoC, 2011c).[6] Guidance on who should take decisions on military involvement is based on the risk involved, the type of military mission and the level of assistance. Military exit strategies are also outlined, including guidance on the handover to civilian personnel. NGOs and CIDA are involved in training key military staff, and in response simulations, and these good practices should be continued.

Monitoring focuses on partner performance, but not yet on Canada's results or on learning

Canada's lack of an overarching publicly available strategy or objectives complicates the monitoring of consolidated humanitarian results. However, an external evaluation has just been completed, and this should provide good lessons for future operations. In addition to this, Canada does systematically monitor its responses to major disasters through after-action reviews, and actively follows up on the recommendations.

Canada plays an active and constructive role in monitoring its partners. Canada is a useful and active member of multilateral boards, executive committees and donor support groups, and actively monitors the performance expectations included in individual multilateral strategies (see Chapter 1). The monitoring of NGO performance is well balanced and avoids an excessive compliance burden, which is to be commended. However, partners would like more clarity and predictability on how and when they should provide project updates to CIDA during responses to major crises. Partners also provide lessons learnt in their project closure documents, but are unsure about how this information is used or shared.

Future considerations

- Publish Canada's cross-government humanitarian strategy, in line with GHD principles. It should outline Canada's comparative advantage in the humanitarian arena, provide overall measurable objectives and determine expected results to guide future accountability. Consult widely during the development of this strategy, including with parliament, partners and the Canadian public.

- Ensure that the use of matching funds complies with the GHD principles by:
  - setting out the overall criteria that determine whether a matching fund facility should be launched.
  - communicating how these overall criteria have been applied to determine the launch (or denial) of matching fund decisions for new emergencies.
  - continuing to inform the public that the allocation of matching funds will be based on need, not on which NGO raised the funds.
  - communicating that depending on the situation, matched funds are not necessarily "new money", but instead come from a combination of existing resources and reserve set aside for large crises (the crisis pool).
- Strengthen humanitarian and development tools for reducing disaster vulnerability and supporting post-crisis recovery – especially for crises in countries where Canada lacks a country programme.

Notes

1. For example, CIDA supports the Canadian Red Cross First Responder Initiative, which strengthens the capacities of four national Red Cross societies in Central America and the Caribbean to prepare for and respond to disasters. CIDA also supports the Canadian Red Cross Caribbean Community Resilience to Disaster Risk project to enable communities, municipalities and regions to prepare for the impact of disasters – this using development funds.
2. Figures provided by CIDA.
3. Figures provided by Canada to the peer review team.
4. Principle 2 of the Principles and Good Practice of Humanitarian Donorship (GHD), available at www.goodhumanitariandonorship.org/gns/principles-good-practice-ghd/overview.aspx .
5. The original matching fund facility was launched following the 2005 tsunami. It matched funds raised by eligible registered Canadian charities directly, dollar for dollar (if NGO x raised $1, it would receive an additional $1 from the matching funds). Things have now changed, and matched funds are allocated to a general pool for a particular crisis. (CCIC, 2009). For example, partners report that of the CAD 70 million that was provided in matched funds for the 2011 Horn of Africa crisis, only CAD 15 million was eventually allocated to the organisations who had raised the initial funds.
6. The 1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief and the 2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies (GHD principle 20).

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Annex A

Progress Against the 2007 Recommendations

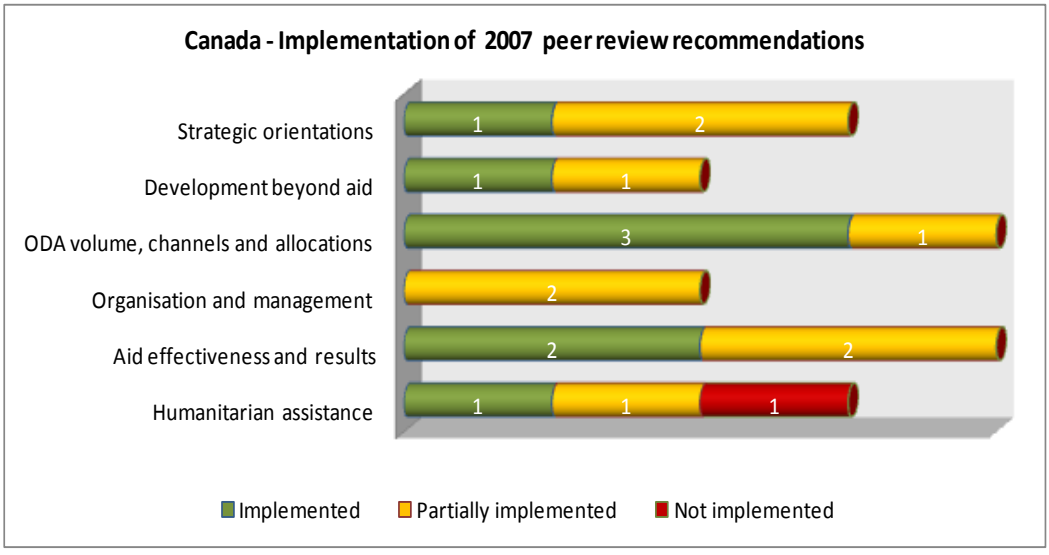
Key Issues	Recommendations 2007	Progress in implementation
Strategic orientations	Canada needs a clear, simple and consistent vision for development assistance - whether through legislation or other means – which would give CIDA a clear purpose and specific objectives that can be monitored by parliament. The vision should give proper importance and profile to reducing poverty and to the principles of the Paris Declaration on Aid Effectiveness.	Partially implemented. Canada has tackled some of the weaknesses in its legal and policy foundations identified by its last peer review. The *Official Development Assistance Accountability Act* approved by the Canadian Parliament in 2008 has helped to establish the purpose of ODA and includes key references to the MDGs and the Paris Declaration on Aid Effectiveness. In addition, Canada adopted a new approach to its development co-operation in 2009, one that focuses on five thematic priorities and 20 countries of focus. However, there is still a need for a clear, simple and consistent vision for Canada's aid that can be monitored by parliament.
	CIDA should integrate environmental sustainability more systematically into programming, including in evaluations, as it is now doing in gender equality.	Partially implemented Canada has made progress. In 2009, Canada reaffirmed its commitment to integrating environmental sustainability across its international assistance policy and programs and CIDA has developed a strategic framework to support this cross-cutting theme. However, Canada still has some way to go in responding to this recommendation. For example, CIDA's environmental policy has still not been reviewed or updated and environmental impact assessments still focus on negative impacts to the exclusion of positive opportunities. A short e-learning course on environment is now mandatory for all staff. CIDA is also looking at how Canada's environmental policies can be better reflected in its priority themes and evaluations.
	CIDA would benefit from a communications strategy that strengthens its outreach to the public and promotes a wider understanding of the efforts and outcomes of development co-operation and of the reform agenda embodied in the Paris Declaration	Fully implemented Canada has put in place a communications framework, and is in the process of promoting a wider understanding of its development efforts, the outcomes of development co-operation and of the reform agenda embodied in the Paris Declaration through the implementation of a public engagement strategy. There is evidence that the high level of communication on Afghanistan has led to better informed public debate.

Key Issues	Recommendations 2007	Progress in implementation
Development beyond aid	Canada needs to articulate its approach to policy coherence for development to implement the whole-of-government approach more systematically, involving all relevant departments and agencies.	Partially implemented. Canada has gone some way towards establishing the three building blocks for policy coherence for development. However, there has been no high-level articulation of Canada's approach to policy coherence for development since the last peer review. Policy coherence for development is still not a widely-used concept amongst government departments in Canada, but in some specific areas – such as increasing access to local markets for least developed countries – departments have worked together to find coherent policy positions which avoid jeopardising Canadian international development objectives. Such an approach is by no means systematic however.
	The Canadian government is encouraged to share with the DAC good practice in implementing the whole-of-government approach, as in Afghanistan, Haiti and the formerly unified Sudan.	Fully implemented Canada has done this through its participation in the 2009 3Cs conference in Geneva (on coherent, co-ordinated and complementary approaches in fragile situations), its trilateral work with the US and UK in Afghanistan, its monitoring of the principles for engagement in fragile states and the pivotal role it played in the 2009 Haiti meeting on this topic.
Aid volume, channels and allocations	Canada is encouraged to fulfil its aid objectives for 2010/11 and to draw up a timetable for achieving the UN 0.7% ODA/GNI target. It should continue to scale up its development aid to help achieve the MDGs, in line with its ambition to become a major donor.	Partially implemented. Canada met its goal to double its International Assistance Envelope by 2010 compared to 2001 in nominal terms. It also met its commitment to double its aid to Africa. Canada's rate of increase over the last decade has been 8% per year and between 2009 and 2010 was almost 13%. However, Canada has not yet drawn up a timetable for achieving the UN 0.7% ODA/GNI target.
	The International Assistance Envelope (IAE) should be refined to facilitate clear reporting of ODA in accordance with Canada's aid policy and to allow greater transparency.	Fully implemented. The IAE has been refined and the Government of Canada has released a series of statistical reports on its IAE and ODA spending (Government of Canada 2011b). The 2008 ODA Accountability Act establishes a new reporting regime to parliament that requires all ministers responsible for providing ODA to report annually to parliament on their ODA activities (CIDA, 2010c and CIDA, 2010d). This reporting must occur within six months of the end of the fiscal year. In addition, a statistical report on Canadian ODA activities must be published within 12 months of fiscal year's end. The IAE departments (CIDA, Finance, and DFAIT) have a central role to play in managing the reporting requirements.
	The Canadian government should allocate aid in fewer countries on the basis of development criteria that maintain the focus on reducing	Fully implemented. Since 2007 Canada has prioritised five themes and reduced its partner countries from 77 to 43 and, in

Key Issues	Recommendations 2007	Progress in implementation
	poverty and give greater predictability to its aid partners. It should also specify the list of core countries and priority sectors for Canada's international development assistance.	2009, it published a list of 20 countries of focus for CIDA and the criteria used to select them – extent of need, capacity to use aid effectively, and alignment with Canadian foreign policy priorities. 86% of Canada's country programmable bilateral aid, managed mainly by CIDA, went to its 20 countries of focus in 2010, all of it concentrated on its thematic priorities. Government-wide allocations of Canada's ODA are more focused than they were in 2007, but further concentration is needed. The predictability of Canada's aid has improved slightly since 2007.
	Canada should step up efforts to be more strategic in allocating multilateral aid and harmonise its own initiatives for multilateral aid effectiveness with existing frameworks, such as the Multilateral Organization Performance Assessment Network (MOPAN).	Fully implemented. CIDA conducted its own bilateral review of multilateral organisations in 2009 and is working with other donors and through MOPAN to continue improving a joint approach to assessing multilateral effectiveness. This work is being translated into more strategic allocations of multilateral aid through separate strategies for 18 priority multilateral organisations supported by Canada within the framework of Canada's overall Multilateral Effectiveness Strategy, which was put in place in 2010.
Organisation and management	CIDA should review its organisation and consider adapting structures that enable increased management and financial authority to field directors/heads of aid.	Partially implemented. Through the Business Modernisation Initiative, CIDA has increased its field presence and re-examined decision-making processes. However, CIDA has not delegated financial or decision-making authority to country offices and field directors, which limits the impact and effectiveness of decentralisation. The organisation remains top heavy and centralised and managers are overburdened with too many reporting requirements
	Canada should streamline and simplify its monitoring and reporting system for results-based management as part of its performance management reforms.	Partially implemented. In 2008, CIDA adopted a Results-Based Management (RBM) Policy update, with the objective of clarifying and simplifying RBM implementation across the agency. This has improved consistency in planning, monitoring and reporting throughout operational programmes. At the same time, Canada has developed new tools for risk assessments which are presented as essential elements of managing for results. The Agency introduced in 2011 the requirement for its programs to identify its levels of risk tolerance. Despite its strong risk management culture, the Agency is perceived as risk-averse, which may stifle innovation and undermine staff morale. This perception must be weighed against Canada's significant engagement with fragile states.
Aid effectiveness and results	Canada should broaden its perspective on aid effectiveness to strengthen the focus on outcomes in partner countries.	Partially implemented. While Canada has broadened its perspective on aid effectiveness, it has not strengthened the focus on outcomes in partner countries. In 2009 CIDA launched a new Aid Effectiveness Action Plan for

Key Issues	Recommendations 2007	Progress in implementation
		2009-2012. This plan sets out CIDA's own priorities and targets with a strong focus on efficiency and (Canadian) domestic accountability, and guides the implementation of selected commitments under the Paris Declaration and Accra Agenda for Action. Moreover, while there are no specific commitments on managing for development results and mutual accountability, the plan reinforces these principles, and could be strengthened by focusing on outcomes in partner countries.
	CIDA should provide appropriate incentives to strengthen Canada's commitment to implementing the Paris Declaration and commit firmly to working with other donors at field level.	Fully implemented. CIDA has introduced new training and incentives for staff to achieve aid effectiveness targets by linking performance contracts for staff to CIDA's aid effectiveness objectives. Canada has increased the amount of joint analytical work that it does but this is not reflected in the monitoring survey of the Paris Declaration, particularly against the indicator for participation in joint missions.
	Canada should encourage strategic approaches to capacity development, working together with other donors to strengthen partner countries' ability to formulate and co-ordinate their own capacity development frameworks and technical assistance needs.	Partially implemented. Canada's Aid Effectiveness Action Plan reflects the significance of capacity and institutional development in strengthening country systems. This supports CIDA's ongoing capacity development efforts, but more strategic direction is needed as recommended by Canada's last peer review..
	The Committee encourages CIDA to build on IDRC's unique approach to capacity building in developing countries. CIDA could draw further on the Centre's research to enhance its policy formulation and evidence-based programming.	Fully implemented. IDRC and CIDA have continued collaboration on research initiatives and engage in various ways and on many levels to improve Canada's development policy and programming. CIDA and IDRC's joint hosting of the International Forum of Research Donors' (IFORD) annual meeting in April 2009 was an opportunity for Canada to lead an important part of the international development policy sphere: increased harmonisation of shared research support and improved impact from the funding of international development research for poverty reduction. There remain opportunities for CIDA to make more use of IDRC work to provide evidence on which to base programming and priorities.
Humanitarian Assistance	Canada should formalise its humanitarian action framework after consulting across government and with stakeholders. This will help to ensure a consistent institutional response and to implement its commitment to good humanitarian donorship. This will also enhance understanding of how Canada approaches humanitarian action, including important principles such as the protection of civilians and disaster risk reduction.	Partially implemented. A humanitarian action framework was circulated within the government of Canada and to NGOs for comment in 2007 but has remained an internal working paper.
	Canada should consider untying its emergency food aid entirely.	Fully implemented. In April 2008, Canada opened its entire food aid budget to international procurement, with an

Key Issues	Recommendations 2007	Progress in implementation
		emphasis on purchasing in developing countries
	Canada should ensure that good practice in disaster risk reduction is integrated into programming and that high level buy-in encourages all appropriate geographical desks to be proactive in disaster risk reduction.	Not implemented. Disaster risk reduction now enjoys high level political commitment, but Canada does not yet have the right tools to integrate reducing disaster vulnerability across all programming.



Annex B

OECD/DAC Standard Suite of Tables

Table B.1. Total financial flows

USD million at current prices and exchange rates

Net disbursements

Canada	1996-2000	2001-2005	2006	2007	2008	2009	2010
Total official flows	**2 621**	**1 943**	**4 039**	**4 075**	**6 394**	**2 862**	**6 553**
Official development assistance	**1 799**	**2 385**	**3 683**	**4 080**	**4 795**	**4 000**	**5 202**
Bilateral	1 235	1 774	2 534	3 152	3 367	3 141	3 920
Multilateral	564	610	1 149	928	1 428	859	1 282
Other official flows	**822**	**- 442**	**356**	**- 4**	**1 599**	**-1 138**	**1 351**
Bilateral	822	- 442	356	- 4	1 599	-1 138	1 351
Multilateral	-	-	-	-	-	-	-
Net Private Grants	**176**	**514**	**1 100**	**1 355**	**1 491**	**1 338**	**1 953**
Private flows at market terms	**5 186**	**3 121**	**9 093**	**11 731**	**16 184**	**3 140**	**14 124**
Bilateral: *of which*	5 186	3 121	9 093	11 731	16 184	3 140	14 124
Direct investment	4 958	2 869	7 717	7 932	14 872	6 604	11 257
Export credits	21	142	950	1 413	324	-3 427	-1 843
Multilateral	-	-	-	-	-	-	-
Total flows	**7 984**	**5 578**	**14 233**	**17 161**	**24 069**	**7 340**	**22 629**
for reference:							
ODA (at constant 2009 USD million)	*2 876*	*3 250*	*3 848*	*3 912*	*4 423*	*4 000*	*4 570*
ODA (as a % of GNI)	*0.30*	*0.27*	*0.29*	*0.29*	*0.33*	*0.30*	*0.34*
Total flows (as a % of GNI) (a)	*1.31*	*0.64*	*1.14*	*1.22*	*1.63*	*0.56*	*1.46*
ODA to and channelled through NGOs							
- In USD million	207	252	386	467	650	625	763
- In percentage of total net ODA	12	11	10	11	14	16	15
- DAC countries' average % of total net ODA	*6*	*9*	*7*	*7*	*7*	*8*	..

a. To countries eligible for ODA.

ODA net disbursements
At constant 2009 prices and exchange rates and as a share of GNI

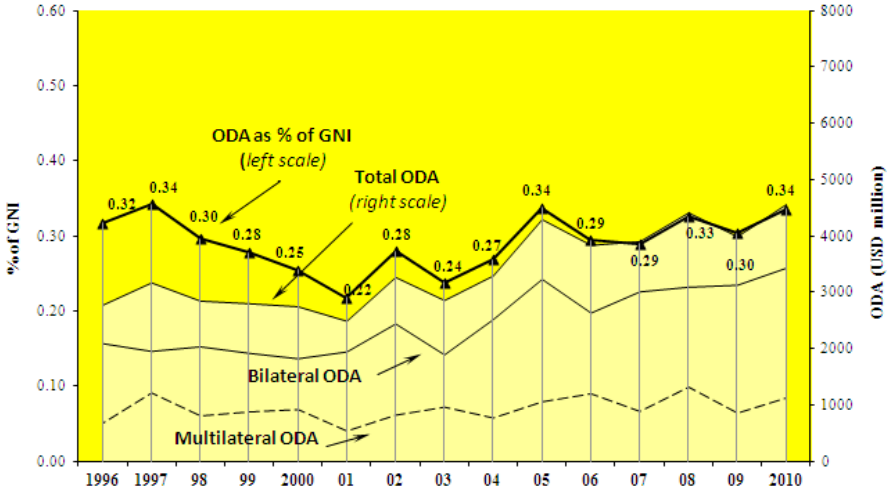
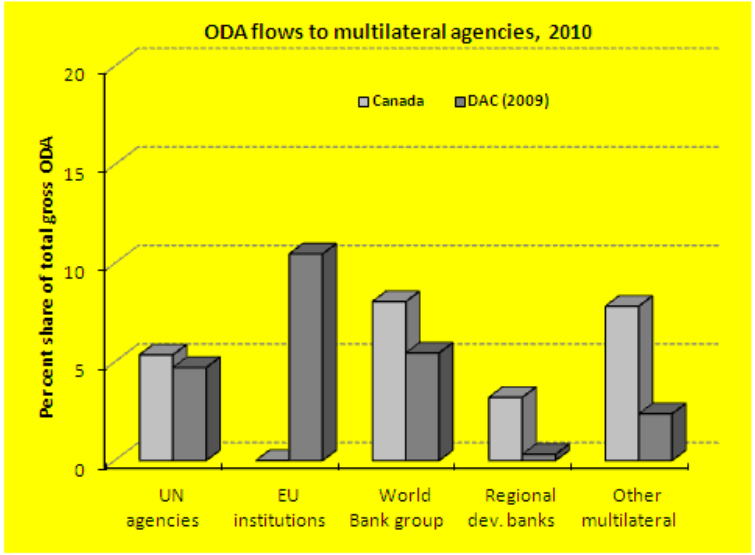
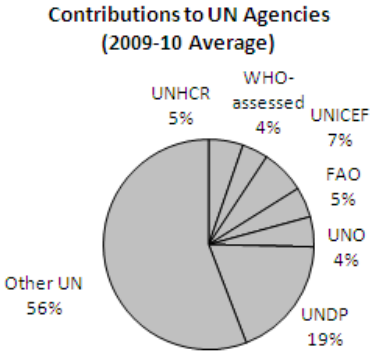


Table B.2. ODA by main categories

Disbursements

Canada	Constant 2009 USD million					Per cent share of gross disbursements					Total DAC
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	2009%
Gross Bilateral ODA	**2 695**	**3 060**	**3 142**	**3 182**	**3 482**	**69**	**77**	**70**	**79**	**76**	**72**
General budget suppot	42	48	23	62	52	1	1	1	2	1	2
Core support to national NGOs	28	19	22	26	21	1	0	0	1	0	2
Investment projects	-	-	-	-	-	-	-	-	-	-	15
Debt relief grants	272	14	132	48	50	7	0	3	1	1	2
Administrative costs	238	227	234	270	262	6	6	5	7	6	4
Other in-donor expenditures	169	184	185	238	260	4	5	4	6	6	3
Gross Multilateral ODA	**1 201**	**890**	**1 318**	**859**	**1 127**	**31**	**23**	**30**	**21**	**24**	**28**
UN agencies	328	214	211	210	247	8	5	5	5	5	5
EU institutions	-	-	-	-	-	-	-	-	-	-	10
World Bank group	295	318	635	40	371	8	8	14	1	8	5
Regional development banks	170	234	263	363	148	4	6	6	9	3	0
Other multilateral	408	123	208	246	361	10	3	5	6	8	2
Total gross ODA	**3 895**	**3 950**	**4 459**	**4 041**	**4 608**	**100**	**100**	**100**	**100**	**100**	**100**
Repayments and debt cancellation	**- 48**	**- 38**	**- 36**	**- 41**	**- 38**						
Total net ODA	**3 848**	**3 912**	**4 423**	**4 000**	**4 570**						
For reference:											
Free standing technical co-operation	*554*	*559*	*1 340*	*1 779*	*1 914*						
Net debt relief	*272*	*14*	*132*	*48*	*50*						
Imputed student cost	*83*	*135*	*144*	*132*	*144*						
Refugees in donor countries	*165*	*165*	*167*	*220*	*249*						





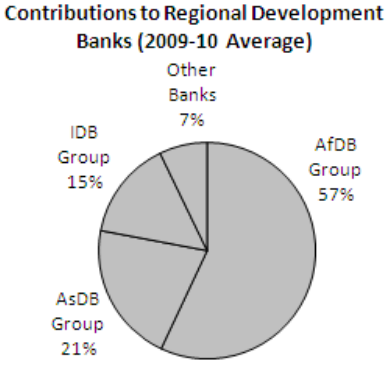
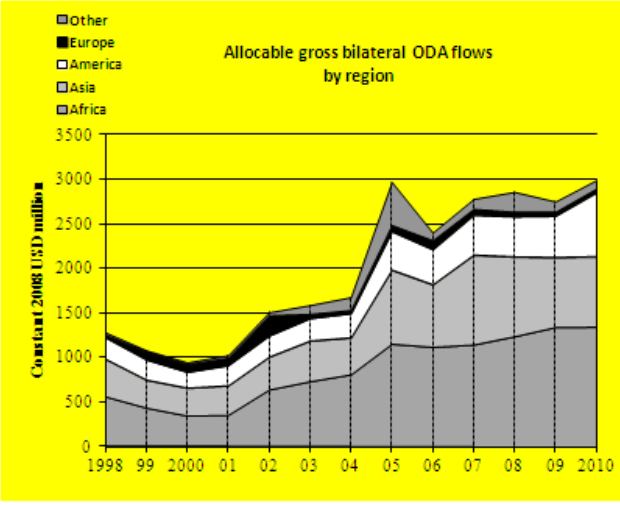
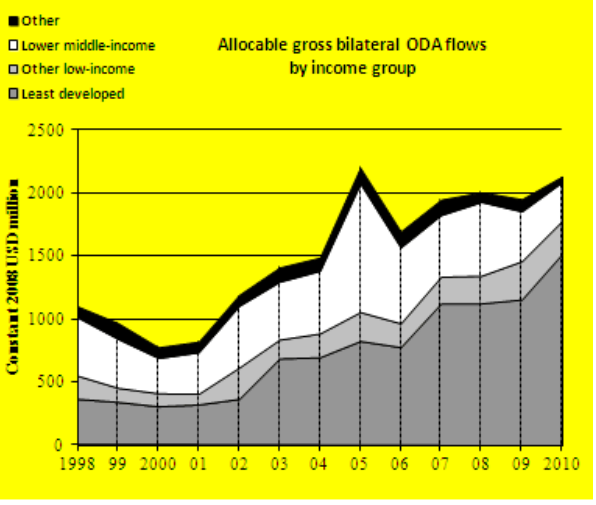


Table B.3. Bilateral ODA allocable by region and income group

Gross disbursements

Canada	Constant 2009 USD million					Per cent share					Total DAC
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	2009%
Africa	1 127	1 154	1 247	1 350	1 354	47	41	44	49	45	**41**
Sub-Saharan Africa	872	753	1 146	1 118	1 214	36	27	40	41	41	**35**
North Africa	36	34	45	40	24	2	1	2	1	1	**4**
Asia	699	1 006	893	784	788	29	36	31	28	26	**34**
South and Central Asia	338	523	456	387	460	14	19	16	14	15	**18**
Far East	165	186	257	146	121	7	7	9	5	4	**15**
America	389	444	445	459	711	16	16	16	17	24	**10**
North and Central America	193	228	258	216	508	8	8	9	8	17	**4**
South America	84	101	101	118	110	3	4	4	4	4	**5**
Middle East	82	104	220	92	91	3	4	8	3	3	**8**
Oceania	2	8	3	23	2	0	0	0	1	0	**2**
Europe	103	67	53	46	46	4	2	2	2	2	**5**
Total bilateral allocable by region	**2 403**	**2 782**	**2 861**	**2 753**	**2 992**	**100**	**100**	**100**	**100**	**100**	**100**
Least developed	777	1 124	1 125	1 156	1 517	46	58	56	59	71	**37**
Other low-income	191	213	221	305	263	11	11	11	16	12	**15**
Lower middle-income	604	491	587	397	310	36	25	29	20	15	**39**
Upper middle-income	127	120	76	97	45	7	6	4	5	2	**9**
More advanced developing countries	0	2	-	-	-	0	0	-	-	-	**-**
Total bilateral allocable by income	**1 699**	**1 950**	**2 009**	**1 954**	**2 134**	**100**	**100**	**100**	**100**	**100**	**100**
For reference:											
Total bilateral	2 691	3 060	3 142	3 182	3 482	*100*	*100*	*100*	*100*	*100*	***100***
of which: Unallocated by region	*288*	*278*	*281*	*429*	*489*	*11*	*9*	*9*	*13*	*14*	***22***
of which: Unallocated by income	*992*	*1 110*	*1 133*	*1 228*	*1 347*	*37*	*36*	*36*	*39*	*39*	***29***





1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4. Main recipients of bilateral ODA

Gross disbursements

Canada	1999-2003 average			Memo:		2004-08 average			Memo:		2009-10 average			Memo:
	Current USD million	Constant 2009 USD mln	Per cent share	*DAC countries' average %*		Current USD million	Constant 2009 USD mln	Per cent share	*DAC countries' average %*		Current USD million	Constant 2009 USD mln	Per cent share	*DAC countries' [1] average %*
Bangladesh	33	53	2		Afghanistan	168	169	6		Haiti	289	261	8	
States Ex-Yugoslavia	32	53	2		Iraq	134	147	5		Afghanistan	250	234	7	
China	30	48	2		Haiti	97	99	3		Ethiopia	114	105	3	
Afghanistan	28	42	2		Ethiopia	86	89	3		Ghana	107	100	3	
Cameroon	26	42	2		Indonesia	64	67	2		Sudan	107	100	3	
Top 5 recipients	**150**	**237**	**11**	**26**	**Top 5 recipients**	**549**	**569**	**20**	**32**	**Top 5 recipients**	**867**	**800**	**24**	**25**
India	25	39	2		Cameroon	62	67	2		Tanzania	103	96	3	
Cote d'Ivoire	23	37	2		Ghana	61	64	2		Mali	90	84	3	
Indonesia	21	33	2		Bangladesh	60	63	2		Mozambique	79	74	2	
Congo, Dem. Rep.	20	29	1		Sudan	56	57	2		Pakistan	72	66	2	
Haiti	17	27	1		Mozambique	53	55	2		Bangladesh	69	64	2	
Top 10 recipients	**256**	**402**	**19**	**40**	**Top 10 recipients**	**842**	**875**	**30**	**44**	**Top 10 recipients**	**1 279**	**1 184**	**36**	**38**
Ethiopia	17	25	1		Mali	52	54	2		Senegal	56	52	2	
Vietnam	16	25	1		China	43	45	2		West Bank & Gaza Strip	53	49	1	
Mali	16	25	1		Tanzania	42	44	1		Rwanda	36	33	1	
Tanzania	15	23	1		Pakistan	39	41	1		Congo, Dem. Rep.	36	34	1	
Ghana	15	23	1		Senegal	37	38	1		Niger	32	28	1	
Top 15 recipients	**334**	**523**	**25**	**50**	**Top 15 recipients**	**1 056**	**1 097**	**38**	**52**	**Top 15 recipients**	**1 491**	**1 380**	**42**	**47**
Mozambique	14	21	1		West Bank & Gaza Strip	32	33	1		Vietnam	30	29	1	
Philippines	13	21	1		Sri Lanka	31	32	1		Kenya	29	27	1	
Senegal	13	20	1		Vietnam	31	33	1		Indonesia	28	26	1	
Egypt	12	20	1		Congo, Dem. Rep.	26	27	1		Burkina Faso	27	25	1	
Pakistan	12	19	1		India	26	28	1		Cote d'Ivoire	25	25	1	
Top 20 recipients	**399**	**625**	**29**	**57**	**Top 20 recipients**	**1 201**	**1 251**	**43**	**59**	**Top 20 recipients**	**1 631**	**1 513**	**46**	**52**
Total (142 recipients)	**697**	**1 090**	**51**		**Total (147 recipients)**	**1 784**	**1 870**	**63**		**Total (143 recipients)**	**2 192**	**2 044**	**61**	
Unallocated	667	1 053	49	22	Unallocated	1 027	1 077	37	24	Unallocated	1 381	1 288	39	31
Total bilateral gross	**1 364**	**2 143**	**100**	**100**	**Total bilateral gross**	**2 810**	**2 947**	**100**	**100**	**Total bilateral gross**	**3 572**	**3 332**	**100**	**100**

1. 2009 only.

Table B.5. Bilateral ODA by major purposes

at current prices and exchange rates

Commitments - Two-year averages

Canada	1999-2003 average		2004-08 average		2009-10 average		2009
	2009 USD million	Per cent	2009 USD million	Per cent	2009 USD million	Per cent	Total DAC per cent
Social infrastructure & services	**781**	**34**	**1 378**	**44**	**1 691**	**48**	**44**
Education	273	12	279	9	453	13	9
of which: basic education	82	4	136	4	131	4	2
Health	99	4	307	10	546	16	5
of which: basic health	69	3	244	8	410	12	4
Population & reproductive health	49	2	89	3	55	2	7
Water supply & sanitation	57	3	47	2	45	1	6
Government & civil society	258	11	583	19	541	15	13
of which: Conflict, peace & security	-	-	82	3	152	4	3
Other social infrastructure & services	45	2	73	2	50	1	4
Economic infrastructure & services	**98**	**4**	**147**	**5**	**113**	**3**	**15**
Transport & storage	16	1	28	1	2	0	7
Communications	12	1	26	1	15	0	0
Energy	33	1	11	0	3	0	4
Banking & financial services	15	1	55	2	49	1	3
Business & other services	21	1	27	1	44	1	1
Production sectors	**143**	**6**	**219**	**7**	**429**	**12**	**6**
Agriculture, forestry & fishing	88	4	175	6	350	10	5
Industry, mining & construction	41	2	28	1	47	1	1
Trade & tourism	14	1	17	1	32	1	1
Multisector	**186**	**8**	**196**	**6**	**301**	**9**	**9**
Commodity and programme aid	**105**	**5**	**135**	**4**	**38**	**1**	**5**
Action relating to debt	**140**	**6**	**210**	**7**	**49**	**1**	**3**
Humantarian aid	**146**	**6**	**308**	**10**	**384**	**11**	**9**
Administrative costs of donors	**239**	**10**	**250**	**8**	**266**	**8**	**5**
Aid to NGOs (core support) [1]	**275**	**12**	**72**	**2**	**12**	**0**	**1**
Refugees in donor countries	**172**	**8**	**184**	**6**	**235**	**7**	**3**
Total bilateral allocable	**2 283**	**100**	**3 100**	**100**	**3 518**	**100**	**100**
For reference:							
Total bilateral	*2 327*	*72*	*3 226*	*74*	*3 603*	*81*	*73*
of which: Unallocated	*44*	*1*	*126*	*3*	*85*	*2*	*1*
Total multilateral	*894*	*28*	*1 107*	*26*	*844*	*19*	*27*
Total ODA	***3 221***	***100***	***4 333***	***100***	***4 446***	***100***	***100***

1. Included up to 2009. In 2010 aid to NGOs is reportable by sector.

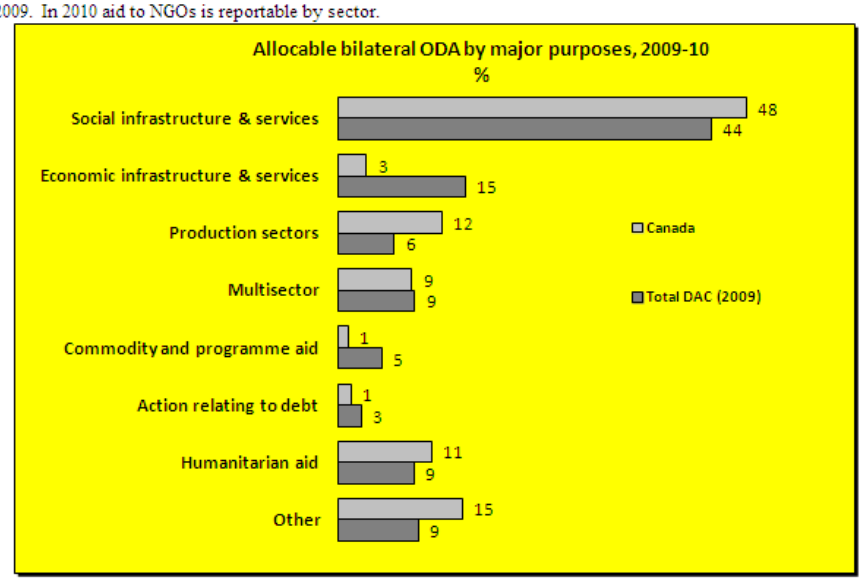


Table B.6. Comparative aid performance

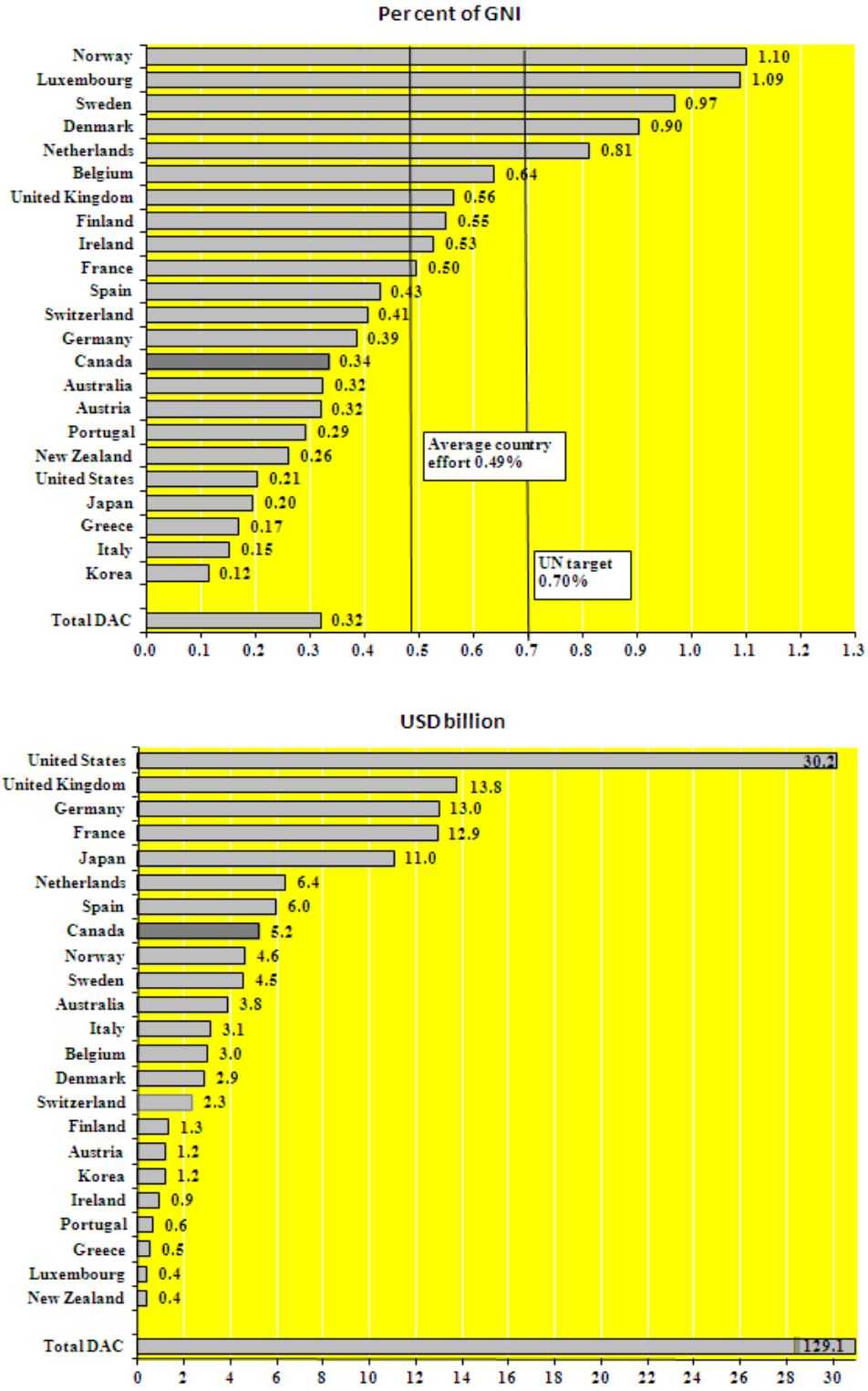
Net disbursements

	Official development assistance 2009		2003-04 to 08-09 Average annual % change in real terms	Grant element of ODA (commitments) 2009	Share of multilateral aid 2009				ODA to LDCs Bilateral and through multilateral agencies 2009	
					% of ODA		% of GNI			
	USD million	% of GNI		% (a)	(b)	(c)	(b)	(c)	% of ODA	% of GNI
Australia	2 762	0.29	8.2	99.0	16.3		0.05		26.4	0.08
Austria	1 142	0.30	13.2	100.0	55.6	26.9	0.17	0.08	30.4	0.09
Belgium	2 610	0.55	2.4	99.8	39.3	16.6	0.22	0.09	36.7	0.20
Canada	4 000	0.30	6.4	100.0	21.48		0.07		37.0	0.11
Denmark	2 810	0.88	2.1	100.0	32.2	22.6	0.28	0.20	39.1	0.34
Finland	1 290	0.54	9.2	99.9	38.7	22.0	0.21	0.12	34.9	0.19
France	12 602	0.47	2.5	88.8	43.0	20.0	0.20	0.09	26.0	0.12
Germany	12 079	0.35	7.7	93.3	41.2	17.3	0.15	0.06	28.1	0.10
Greece	607	0.19	6.7	100.0	51.1	4.0	0.10	0.01	19.2	0.04
Ireland	1 006	0.54	10.8	100.0	31.1	14.9	0.17	0.08	50.9	0.28
Italy	3 297	0.16	4.4	98.6	73.5	17.0	0.12	0.03	34.5	0.05
Japan	9 457	0.18	-0.3	86.5	34.8		0.06		34.0	0.06
Korea	816	0.10	14.0	93.3	28.8		0.03		30.7	0.03
Luxembourg	415	1.04	5.9	100.0	35.9	26.1	0.37	0.27	36.9	0.39
Netherlands	6 426	0.82	4.7	100.0	25.3	16.4	0.21	0.13	25.3	0.21
New Zealand	309	0.28	7.3	100.0	26.9		0.07		33.5	0.09
Norway	4 086	1.06	4.4	100.0	22.5		0.24		30.8	0.33
Portugal	513	0.23	-8.4	94.3	46.1	9.3	0.11	0.02	41.2	0.10
Spain	6 584	0.46	16.9	96.4	32.1	13.3	0.15	0.06	25.9	0.12
Sweden	4 548	1.12	8.8	99.9	33.8	27.30	0.38	0.31	30.7	0.34
Switzerland	2 310	0.45	3.7	100.0	24.2		0.11		30.2	0.14
United Kingdom	11 283	0.51	8.0	100.0	34.5	17.26	0.18	0.09	34.8	0.18
United States	28 831	0.21	6.1	100.0	12.7		0.03		32.6	0.07
Total DAC	**119 782**	**0.31**	**5.6**	**96.3**	**30.1**		**0.09**		**31.3**	**0.10**
Memo: Average country effort		0.48								

Notes:

a. Excluding debt reorganisation.
b. Including EU institutions.
c. Excluding EU institutions.
.. Data not available.

Figure B.1. Net ODA from DAC countries in 2009



Annex C

Field Visit to Ethiopia

The peer review team visited Ethiopia in December 2011. The team was made up of three examiners – two from the Netherlands and one from France – one observer from Indonesia, and two members of the DAC Secretariat. The team held meetings with:

- Canadian embassy staff and the staff of the PSU.
- Officials from the Ethiopian Government, including the Ministry of Finance and Economic Development (MOFED) and the Ministry of Agriculture.
- Ethiopian and Canadian civil society organisations.
- Other development partners including both bilateral and multilateral donors and organisations.
- Research institutes.

Information gathered during this field visit is used throughout this report to illustrate specific issues. This annex provides further detail, basic information on the country context and an overview of international development co-operation in Ethiopia. It focuses on: i) Canada's aid priorities in Ethiopia; ii) how Canada delivers its aid in the country; iii) how Canada adds value in Ethiopia; and iv) how Canada works at country level in the context of the decentralisation process.

Country context: persistent poverty and governance issues

The Federal Democratic Republic of Ethiopia is a least developed country. It ranks amongst the lowest in terms of both gross national income per capita (971 in constant 2005 PPP USD) and on the UNDP Human Development Index – 174th out of 187 countries in 2010 (UNDP, 2011). With a population of around 82 million, Ethiopia is the second most populous country in sub-Saharan Africa. The country carries a heavy humanitarian burden and is affected by extreme weather conditions and internal and external security challenges. Amongst its key domestic challenges, Ethiopia faces very high infant mortality (101 per 1 000 infants) and maternal mortality rates (590 per 100 000), although there have been significant improvements in these areas.

Ethiopia has achieved robust economic growth in recent years (10% in 2010), but this expansion is increasingly challenged by high inflation (around 40% in July 2011) and a difficult balance of payments. The problem is exacerbated by high fuel and food prices in the global market. According to the World Bank and International Monetary Fund,

Ethiopia's economy is expected to continue to grow at a healthy but slower pace as its macro situation remains under stress in the foreseeable future.

Governance challenges

Ethiopia has been ruled by highly centralised governments for many years. The ruling party, the Ethiopian People's Revolutionary Democratic Front (EPRDF), which has governed Ethiopia since 1991, has led an ambitious reform aimed at achieving a more democratic system of governance and decentralised authority. This has involved devolving more decision-making powers to regional states, *woredas* (district authorities) and *kebeles* (village authorities). However, a number of challenges remain. The national elections in 2010 illustrated the fragility of the democratic transition, the dominance of the EPRDF, and the weakened state of the opposition. The May 2010 parliamentary elections resulted in a 99.6% victory for the ruling EPRDF and its allies, reducing the opposition from 174 to only two seats in the 547-member lower house, one of which is party-affiliated. In addition, new legislation was adopted in January 2009 to regulate civil society organisations (CSOs), whose activities have been curtailed (discussed further below).

A new country strategy to tackle development challenges

Through the implementation of its *Plan for Accelerated and Sustained Development to End Poverty* (PASDEP, 2005/2006-2009/2010), Ethiopia has made significant progress in key human development indicators: primary school enrolments have quadrupled, child mortality has been cut in half, and the number of people with access to clean water has more than doubled (World Bank, 2010). The main challenge for Ethiopia now is to scale up progress towards achieving the MDGs and improve the quality of services beyond basic access, while fostering broad-based growth. The Government of Ethiopia has launched a new national development plan - the *Growth and Transformation Plan* (Government of Ethiopia, 2010) – which aims to:

- Achieve all the MDGs by 2015.
- Promote rapid and strong economic growth, targeted for 11% per year at worst and, at best, double the size of the economy by 2015, with GDP per capita expected to reach US$698 by 2015.
- Double agricultural production to ensure food security and further deploy safety net programmes.
- Develop the private sector and increase production in sugar, textiles, leather products and cement.
- Increase foreign exchange reserves and depreciate the Birr by 5% against the dollar each year.
- Significantly improve infrastructure (road network, power generation capacity, railway lines) by 2015.

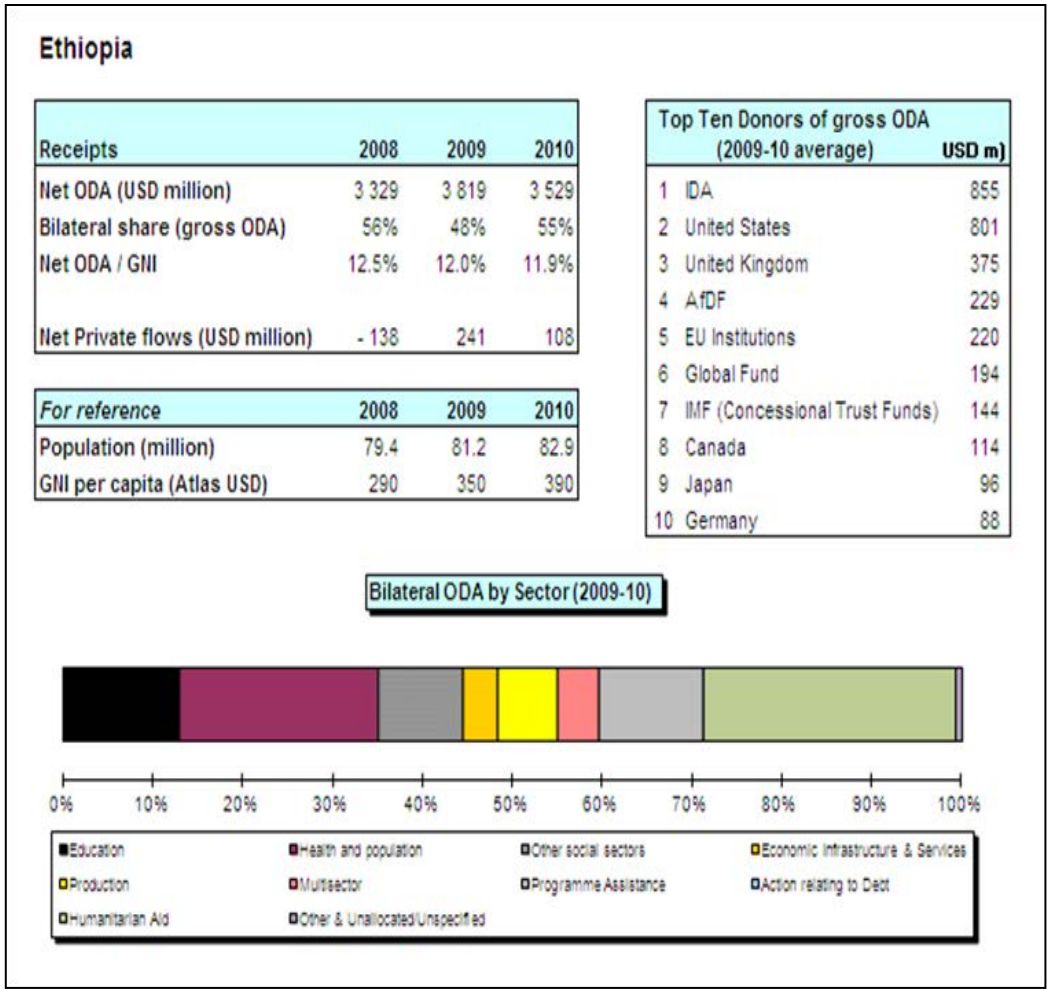
As stressed by the Minister of Finance and Economic Development in his Foreword to the *Growth and Transformation Plan* (GTP), "Implementation of the GTP requires huge resources and commitments" (Government of Ethiopia, 2010). Indeed, this plan is very ambitious. In order to support a shift towards a more private sector-friendly environment, many challenges must be removed, as illustrated by the low ranking of Ethiopia in the World Bank's *Doing Business 2012* Report – 11th worst out of 183 countries surveyed (World Bank, 2011b). More effective delivery and use of

development co-operation in Ethiopia will also be needed to support the country's progress towards its ambitious goals.

Development co-operation in Ethiopia

With aid representing around 12% of its gross national income, Ethiopia depends on external assistance (Figure C.1) to finance its development. In most years bilateral ODA represents more than half the total aid to Ethiopia, but one multilateral organisation, the International Development Association (IDA) is the largest donor, giving around 25% of all aid. The five main donors provide 70% of Ethiopia's aid but the country receives assistance from a total of 76 agencies. Canada is the third largest bilateral country aid provider (USD 114 million in 2009/10), after the United States (USD 801 million) and the United Kingdom (USD 375 million). Canada is the eighth largest donor overall.

Figure C.1. Development co-operation in Ethiopia: 2008-2010



Source: OECD, World Bank

Since 2005/06, when the donors decided to end general budget support (GBS) in reaction to the political crisis, Ethiopia has been using all aid modalities except GBS. The largest donors have decided to use pooled funding mechanisms, such as multi-donor trust funds and sector wide approaches, which allow them to share risk while supporting the country's strategies and plans. The main donors to Ethiopia find that the country makes good use of their aid relative to many other recipients; these donors are able to demonstrate clear development results which they use to strengthen their case for continuing their support. Development assistance provided by non-DAC countries (such as, China and some Arab states) is not reported, neither numbers nor modalities, although it seems to be increasingly important in Ethiopia. The Government of Ethiopia does not actively seek a division of labour among donors and prefers to use diverse sources and mechanisms of assistance to support its national policies.

Donor co-ordination: the Development Assistance Group

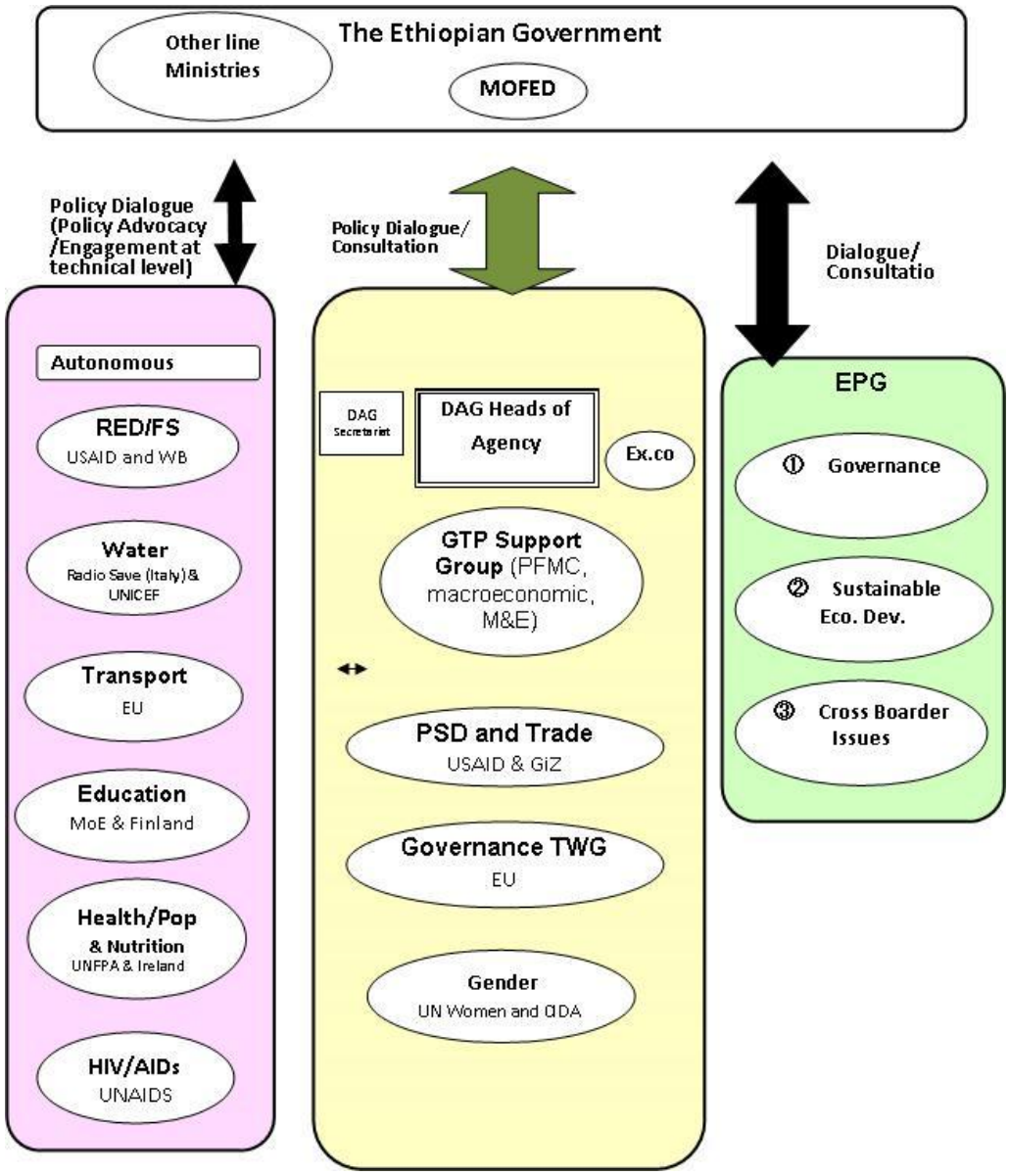
Donors established a Development Assistance Group (DAG) in 2001 (Figure C.2) to bring together 26 of the multilateral and bilateral partners (including non DAC members) providing development assistance in Ethiopia. Its aims are to foster and catalyse policy dialogue and to co-ordinate and harmonise donor support in the preparation, monitoring and evaluation of Ethiopia's Growth and Transformation Plan and progress towards the Millennium Development Goals (MDGs). The DAG works towards aid harmonisation and effectiveness in line with the Paris Declaration.

The DAG is supported by an executive committee and a secretariat and includes 10 thematic groups which are engaged in policy dialogue, advocacy and/or technical support with the Ministry of Finance and Economic development and other line ministries. Canada is actively engaged in several of them and co-chairs the thematic group on gender (together with UN Women).

Accountability, a challenging context for NGOs and CSOs

The Growth and Transformation Plan stresses the importance of wide public participation for both preparing and implementing this new political and economic framework. But accountability mechanisms between the Government of Ethiopia and its people have been challenged by the adoption by parliament, in 2009, of the *Charities and Societies Proclamation*. This law introduces a new classification for NGOs and CSOs, which authorises which areas they can engage in (e.g, limits the ability to work in rights-based programming), particularly for those who raise more than 10% from foreign aid. The international community, through the DAG, echoes concerns from domestic CSOs about the risk that this law could restrict donor support for programmes in areas of mutual interest, such as promoting democracy and good governance, human rights, conflict resolution, and advocacy for women, children and other vulnerable groups.

Figure C.2. The Development Assistance Group in Ethiopia



Source: UNDP Ethiopia

Canadian development co-operation in Ethiopia

Canada has been active for over 30 years in Ethiopia, where, despite political challenges, it has a good track record in areas such as food security and agriculture, governance, humanitarian aid and aid effectiveness. However, Canada now needs to adjust its country programme strategy to Ethiopia's Growth and Transformation Plan and its own thematic priorities.

Canada's aid priorities in Ethiopia

Food security, agriculture, governance and humanitarian aid have been Canadian priorities in Ethiopia for several years. In 2009, Canada's Minister of International Co-

operation approved the *Country Development Programming Framework (CDPF) 2009-2014* (CIDA, 2009e), which sets out a five-year strategic direction and three areas of focus: food security, children and youth, and justice reform. The country strategy focuses Canada's longstanding engagement in food security and agriculture on to the root causes of food insecurity, malnutrition and low agricultural productivity and incomes. Under Children and Youth – one of the three thematic priorities led by CIDA – Canada has refocused its engagement to support access to basic health commodities. In governance, Canada has supported the building of democratic institutions of accountability and oversight such as parliament and the court system. In 2009, an evaluation by CIDA of the CDPF confirmed the overall relevance and effectiveness of Canadian aid to Ethiopia (CIDA, 2009f).

The launch of the *2010/11-2014/15 Growth and Transformation Plan* by the Government of Ethiopia is the trigger for a new CIDA strategy for the country. This new strategy is in the process of being shaped in consultation with Canada's partners in the context of the Growth and Transformation Plan, as well as Canada's development and foreign policies. The development of this new strategy should also take account of Canada's on-going discussions in response to the Government of Ethiopia's requests to explore new modalities, such as soft loans for infrastructure, and economic co-operation in areas such as mining, agriculture, federal governance, science and technology. With regard to development co-operation specifically, the new country strategy should:

- Reinforce why Canada is engaged in Ethiopia and how this shapes the partnership, particularly in the light of the changing development landscape and the growing role of new actors.
- Set CIDA specific goals and a budget that are stable over time.
- Define exit strategies for programmatic areas that are no longer bilateral priorities (health, governance).
- Outline approaches for mainstreaming key issues, such as gender equality, environment and climate change and governance (particularly social accountability).
- Identify possible support by Canada in the area of sustainable economic growth with engagement in private sector development, particularly in terms of the enabling environment and access to trade.
- Set out a synergistic whole-of-Agency approach that combines all of CIDA's contributions to Ethiopia's development, including Partnerships with Canadians Branch (PWCB), the Multilateral and Global Programs Branch (MGPB), and the Regional Programs.
- Ensure that any strategic plans developed by CIDA, such as Country Strategies, are consulted and shared across the Government of Canada to ensure buy-in and complementary with other policies, activities and programming, such as programming by IDRC and DFAIT.

How Canada delivers its aid

Of the ODA that Canada will provide to Ethiopia in 2011-12, it is expected that roughly two thirds will be channelled through its bilateral country programme and the last third through multilateral partnerships and regional programmes. Based in the Canadian Embassy in Addis Ababa, the CIDA field team of 10 people manages the country programme and co-ordinates with CIDA's branches in headquarters. These branches include the Partnerships with Canadians Branch (PWCB) which funds 40 Canadian CSOs and NGOs in Ethiopia and the Multilateral and Global Programs Branch (MGPB) which focuses on humanitarian aid, food security, health and regional integration through the Pan African and Sub-Regional Programmes. In addition, IDRC has been active in Ethiopia since 1972 with 87 projects totalling around USD 25 million on food security, conflict prevention and, more recently, climate change. Private sector investment has been minimal so far.

Over recent decades, Canada's aid to Ethiopia has shifted from being project-based to a largely programme-based approach. Since 2006 and the end of general budget support, Canada has stopped direct financial transfers to the Government of Ethiopia and channelled its support to national programmes through multi-donor trust funds managed within multilateral organisations or partnerships. Using this pooled funding allows CIDA to use aid delivery mechanisms which are in line with the Government of Ethiopia's preferences, to provide for fiduciary assurance and make use of country financial systems. Despite its well-perceived engagement to support the country's own priorities, Canada's delivery of aid remains hampered by issues such as its lack of predictability. Also, although Canada's senior representatives in the country have established effective working relations with their counterparts in the Government of Ethiopia and the DAG and have earned their trust, Canada's aid program decisions are still perceived as very centralised, with limited delegation of authority for its field-based staff.

How Canada adds value in Ethiopia

Canada's long engagement in Ethiopia is significant and valued by all partners. Ethiopia's designation as one of the 20 countries of focus for Canada has triggered an increase in official development assistance, from a yearly average of USD 37,5 million between 1998 and 2003 to more than USD 140 million in 2010.[1] Canada is the third largest bilateral country donor in Ethiopia and combines development assistance with response to crisis situations (it is the fifth largest humanitarian donor in the country).

All stakeholders agree that Canada has made a positive contribution to Ethiopia, with food security and the agricultural sector being most often highlighted as areas of comparative advantage. A further comparative advantage for Canada is its strong field presence, relative to other donors, buttressed by the well respected local advisers that it employs through its PSU. Canada is also recognised by the government and other donors as a leader in supporting aid effectiveness principles and architecture. There is particular appreciation for the active role it has played in the DAG and its supporting structures. Canada should build on its performance in the aid effectiveness dialogue to further advance the implementation of these principles. This includes predictability and transparency, where Canada can help ensure that new arrangements led by the Government of Ethiopia, such as the Aid Management Platform (AMP), are successful.

CIDA has delivered an important share of its ODA through CSOs in the past. Given the challenging local context for Ethiopian CSOs, progress requires a long term commitment and adequate instruments. Based on the interviews during the field mission, the peer review recommends Canada continue to support CSOs through the Partnership with Canadians Branch and IDRC. But, in recognition of the challenges in the enabling environment, Canada should also consider joining other donors engaged in joint civil

society strengthening mechanisms such as the multi-donor civil society support programme and social accountability programme.

How is Canada's decentralisation process working?

Ethiopia is one of the nine countries (along with Tanzania, Ghana, Mali, Senegal, Mozambique, Peru, Honduras and Bangladesh) that have benefited from CIDA's decentralisation reform. The Country Program Director and Deputy Director/Chief of Operations positions have been moved from headquarters to the field and other positions – including technical expertise in agriculture and growth – have been created. But financial accounting and five CIDA staff working on the Ethiopia programme are still based at Headquarters. Compared to other donors, CIDA's procedures and requirements are cumbersome, presenting a problem for partners and staff. The field team's resources appear to be consumed by compliance with procedures, headquarters briefings and reporting. This leaves less space for more strategic analysis, field-based initiatives, networking and field visits. Moreover, financial delegated authority to the field is capped at CAD 500 000, which limits the Country Director's flexibility. With most of the necessary people and systems in place, CIDA should proceed with its plans to fully decentralise decision making to the field in order to increase responsiveness and improve the effectiveness of its aid. The next steps, to appoint financial and contract officers in the embassy and implement the remaining required changes to permit the granting of enhanced delegated authorities to the field, should proceed as soon as possible.

In Addis Ababa the Ethiopia-Canada Cooperation Office (ECCO) has been established as a bilateral project (Project Support Unit/PSU), distinct from the Embassy and CIDA. It aims to provide support in developing and managing the Canadian co-operation programme in Ethiopia, and has particular expertise in cross-cutting areas. The PSU model may be reviewed to tackle headquarter concerns about security and potential liabilities. This could result in contracting out local advisory functions to the private sector and further separating local technical assistance from the Embassy. The implementation of the new model has been delayed and programmes have been advised to extend current projects. At the time of the peer review field mission there was concern among CIDA and ECCO staff over this new model. Some interviewees felt it would lead to the loss of CIDA's current team of local advisers, most of whom are long-serving and widely recognised as key assets for the Agency. CIDA should ensure that any new arrangements for advisory and support services retain the strongest features of the current model, particularly high quality locally-grounded technical expertise. CIDA should also continue to ensure frequent communication with field office staff on the new arrangements and the transition process.

Notes

1. Sources: Ethiopia country programme evaluation and Canadian Embassy in Ethiopia.

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.[1]

ASSOCIATED FINANCING: The combination of official development assistance, whether grants or loans, with other official or private funds to form finance packages.

AVERAGE COUNTRY EFFORT: The unweighted average ODA/GNI ratio of DAC members, *i.e*. the average of the ratios themselves, not the ratio of total ODA to total GNI (cf. ODA/GNI ratio).

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 the Development Co-operation Report.

DAC LIST OF ODA RECIPIENTS: For statistical purposes, the DAC uses a list of ODA recipients which it revises every three years. From 1 January 2007, the list is presented in the following categories (the word "countries" includes territories):

LDCs: Least Developed Countries. Group established by the United Nations. To be classified as an LDC, 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 LDC group.

Other LICs: Other Low-Income Countries. Includes all non-LDC countries with per capita GNI USD 825 or less in 2004 (World Bank Atlas basis).

LMICs: Lower Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 826 and USD 3 255 in 2004. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

UMICs: Upper Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 3 256 and USD 10 065 in 2004.

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

DIRECT INVESTMENT: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of ODA 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.

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

EXPORT CREDITS: Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

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 (interval to the first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* as an indication of the opportunity cost to the donor of making the funds available. Thus, 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 loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): Grants or loans to countries and territories on the DAC List of ODA Recipients and multilateral agencies that are undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a grant element of at least 25%).

ODA/GNI RATIO: To compare members' ODA efforts, it is useful to show them as a share of gross national income (GNI). "Total DAC" ODA/GNI is the sum of members' ODA divided by the sum of the GNI, *i.e*. the weighted ODA/GNI ratio of DAC members (*cf.* Average country effort).

OTHER OFFICIAL FLOWS (OOF): Transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as official development assistance, either because they are not primarily aimed at development, or because they have a grant element of less than 25%.

TECHNICAL CO-OPERATION: Includes both a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and b) 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 aid recipient countries.

VOLUME (real terms): The flow data are expressed in United States dollars (USD). 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 in the donor's currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period.

1. For a full description of these terms, see the *Development Co-operation Report 2009*, Volume 10, No. 1.



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