

CANADA

Development Assistance Committee (DAC)
PEER REVIEW



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Commission of the European Communities takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

This work is published on the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

Shortly available in French under the title:

Examen du CAD par les pairs Canada

© OECD (2007)

No reproduction, copy, transmission or translation of this publication may be made without written permission. Applications should be sent to OECD Publishing: rights@oecd.org or by fax (+33-1) 45 24 13 91. Permission to photocopy a portion of this work should be addressed to the Centre Français d'exploitation du droit de Copie, 20 rue des Grands-Augustins, 75006 Paris, France (contact@cfcopies.com).

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 Belgium and Switzerland for the Peer Review on 10 October 2007.

*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, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.

ACRONYMS

ALNAP	Active Learning Network for Accountability and Performance
CCIC	Canadian Council for International Co-operation
CDFAI	Canadian Defence and Foreign Affairs Institute
CIC	Citizenship and Immigration Canada
CIDA	Canadian International Development Agency
CSOs	Civil society organisations
DAC	Development Assistance Committee
DFAIT	Department of Foreign Affairs and International Trade
GHD	Good humanitarian donorship
GNI	Gross national income
GPSF	Global Peace and Security Fund
HAPS	Humanitarian Assistance, Peace & Security Directorate General
HIPC	Heavily-indebted poor countries
IAE	International Assistance Envelope
ICF	Interim Co-operation Framework
IDRC	International Development Research Centre
IFIs	International financial institutions
IMF	International Monetary Fund
ICTs	Information and communication technologies
LDCs	Least developed countries
LICs	Low income countries
MDG	Millennium Development Goal
MINUSTAH	United Nations Stabilization Mission in Haiti
NGO	Non-governmental organisation
OAG	Office of the Auditor General
ODA	Official development assistance
PAP	Programme Aid Partnership
PARPA	Action Plan for the Reduction of Absolute Poverty

START Stabilization and Reconstruction Taskforce

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

Slight discrepancies in totals are due to rounding

Exchange rates (CAD per USD)

2001	2002	2003	2004	2005	2006
1.548	1.57	1.4	1.301	1.212	1.1343

Aid at a glance

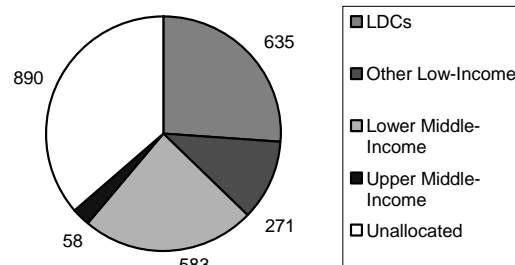
CANADA

Gross Bilateral ODA, 2004-05 average, unless otherwise shown

Net ODA	2004	2005	Change 2004/05
Current (USD m)	2 599	3 756	44.5%
Constant (2004 USD m)	2 599	3 410	31.2%
In Canadian Dollars (million)	3 382	4 552	34.6%
ODA/GNI	0.27%	0.34%	
Bilateral share	77%	75%	

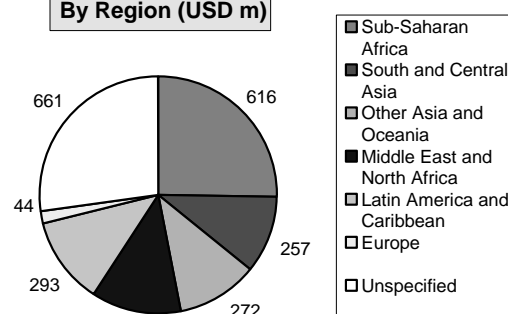
By Income Group (USD m)

Clockwise from top

Top Ten Recipients of Gross ODA
(USD million)

1 Iraq	229
2 Afghanistan	73
3 Ethiopia	62
4 Haiti	60
5 Indonesia	56
6 Ghana	50
7 Bangladesh	50
8 Mozambique	42
9 Mali	40
10 Cameroon	39

By Region (USD m)



By Sector

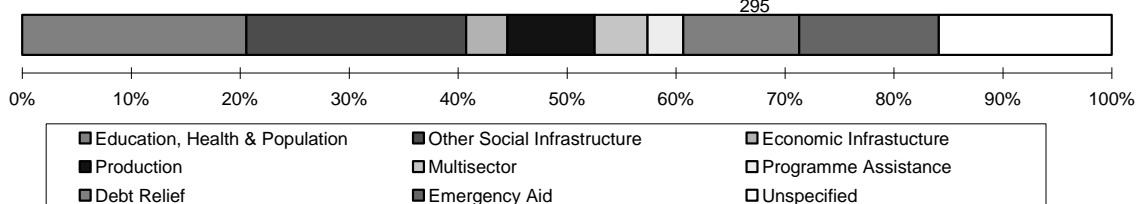


TABLE OF CONTENTS

ACRONYMS	4
THE DAC’S MAIN FINDINGS AND RECOMMENDATIONS.....	10
SECRETARIAT REPORT	19
CHAPTER 1 STRATEGIC FOUNDATIONS AND NEW ORIENTATIONS	19
Strategic foundations of Canadian development co-operation	19
Strengthening Canada’s development co-operation mandate and CIDA.....	19
The International Assistance Envelope: a financial and policy tool for the government.....	20
Orientations and initiatives	21
Need for a clear vision for development assistance	21
Major initiatives since the last peer review	21
Commitments to annual ODA increases	21
Focus on Africa.....	21
Increased focus on results and accountability	22
A whole-of-government approach to international development co-operation	23
Steps to strengthen aid effectiveness.....	23
The strategic framework	24
CIDA’s Sustainable Development Strategy.....	24
Democratic governance.....	25
Gender equality and environment	26
Public awareness and support.....	27
Strong public support for Canadian development assistance.....	27
Communicating and building public awareness.....	28
Future considerations.....	29
CHAPTER 2 POLICY COHERENCE	30
Creating a supportive context for political leaders to overcome challenges	30
The lack of political continuity	30
Different interpretations of policy coherence	30
The lack of a clear framework	31
The challenge of policy co-ordination.....	31
Two examples: migration and extractive industries.....	32
Strengthening Canada’s analytical capacity for policy coherence for development	33
Future considerations.....	33
CHAPTER 3 ODA VOLUME, CHANNELS AND ALLOCATION	35
Overall official development assistance	35
A rising trend in Canadian official development assistance	35
A complex international assistance architecture	36
The bilateral channel: policies and allocations	36
Bilateral aid is spread too thinly.....	36
Aid to fragile states prevails.....	37
Unallocated aid is still an issue	38
Aid modalities, instruments and categories	38

An emerging trend towards programme-based approaches	38
Good performance on food aid, humanitarian assistance and debt relief	38
A renewed partnership with civil society organisations.....	39
Bilateral ODA by sector and theme	39
Sector support spread thinly	39
The multilateral channel	40
Strong support for multilateral organisations.....	40
Increasing the effectiveness of multilateral aid to reduce poverty	41
Future considerations.....	42
CHAPTER 4 ORGANISATION AND MANAGEMENT	43
Continuous improvement of the Canadian public sector	43
Shared responsibility for Canada's international assistance	43
Development co-operation system in need of change	46
CIDA needs to adapt to the demands of the Paris Declaration	46
Public service reforms and the development co-operation system.....	47
The drive towards renewal and modernisation	47
Reforms of financial management, accountability and audit	48
Strengthening the results framework and service delivery	49
Full evaluation coverage may be at the expense of a more strategic focus.....	49
Increased emphasis on providing information to central agencies.....	50
Efforts to lower operating costs	50
Broad engagement with civil society organisations	50
IDRC's strategic approach to research management	51
Future considerations.....	53
CHAPTER 5 AID EFFECTIVENESS	54
Canada's political commitment to aid effectiveness	54
Implementing the aid effectiveness agenda throughout the Canadian system	54
Demonstrating results to the Canadian public	55
Creating corporate incentives for harmonisation and alignment.....	56
Communicating the aid effectiveness agenda	57
Implementing the international aid effectiveness agenda at country level	57
Increasing in-country delegation of authority	57
Deepening harmonisation and alignment	57
Strengthening partner countries' accountability systems	58
Pursuing mutual accountability	58
Untying Canadian aid further.....	59
Future considerations.....	59
CHAPTER 6 SELECTED THEMES.....	61
Capacity development	61
Making CIDA's approach to capacity development more strategic	61
Sharing good practice and tackling remaining challenges	62
Learning from IDRC's approach to capacity-building	63
Canada's engagement in fragile states and countries in crisis.....	64
The influence of global security considerations.....	64
A flexible whole-of-government approach	64
Co-ordinating support to fragile states	66
The risk of dispersing resources.....	67
Future considerations.....	69

ANNEX A PROGRESS SINCE THE 2002 DAC PEER REVIEW	71
ANNEX B OECD/DAC STANDARD SUITE OF TABLES.....	74
ANNEX C FIELD VISIT TO MOZAMBIQUE.....	81
ANNEX D FIELD VISIT TO HAITI	89
ANNEX E ASSESSMENT OF CANADA'S HUMANITARIAN ACTION.....	94
DESCRIPTION OF KEY TERMS	103
BIBLIOGRAPHY	105

Tables

Table 1. DFAIT and CIDA's roles and responsibilities	67
Table B.1. Total financial flows	74
Table B.2. ODA by main categories.....	75
Table B.3. Bilateral ODA allocable by region and income	76
Table B.4. Main recipients of bilateral ODA.....	77
Table B.5. Bilateral ODA by major purposes.....	78
Table B.6. Comparative aid performance	79
Table E.1. 2006 Humanitarian assistance programmes spending.....	96

Figures

Figure 1. 2007/08 International Assistance Envelope	20
Figure 2. Five-year trend in Canadian ODA as per cent of Gross National Income	35
Figure 3. Distribution of CIDA's gross bilateral aid by country	37
Figure 4. Organigram of the Department of Foreign Affairs and International Trade	44
Figure 5. CIDA Organigram.....	45
Figure 6. Allocation of Peace and Security Pool funds (2006-07)	66
Graph B.1. Net ODA from DAC countries in 2005.....	80
Figure C.1. Canadian ODA by sector in Mozambique for Fiscal Year 2005-06	85
Figure C.2. Canada's 2006 direct bilateral ODA to the Government and indirect bilateral ODA to NGOs.....	87

Boxes

Box 1. Haiti moves forward toward equality between women and men.....	25
Box 2. Canada's Office for Democratic Governance (ODG)	25
Box 3. The Canada Fund for Africa trade-related initiatives (Mozambique).....	31
Box 4. CIDA's aid allocation criteria.....	37
Box 5. Assessment of IDRC's key areas examined by the Auditor-General in 2003	52
Box 6. CIDA's 2006 aid effectiveness agenda	55
Box 7. Mutual accountability in Mozambique	59
Box 8. Training Centre for Health Renewal in the Inhambane Province of Mozambique	62
Box 9. The DAC Principles for Good International Engagement in Fragile States and Situations applied to Canada's assistance to Haiti	65
Box 10. START's achievements	68
Box C.1. CIDA's field presence in Mozambique	84
Box C.2. Summary of CIDA's major activities in Mozambique.....	86

THE DAC'S MAIN FINDINGS AND RECOMMENDATIONS

This year's peer review of Canada's development co-operation programme highlights Canada's renewed commitment to Africa; a promising approach toward fragile states, such as Haiti and Afghanistan; initiatives to make Canadian aid more effective, focusing on accountability and explaining results to the Canadian public and parliament; and strong commitment to good humanitarian donorship (GHD). Canada still faces some challenges, including: (i) strengthening the mandate for development co-operation and for CIDA, while addressing some of the agency's fundamental structural issues; (ii) producing a policy for development co-operation which focuses on reducing poverty; (iii) articulating an approach to policy coherence for development; (iv) continuing to increase aid to meet Canada's commitments made at Monterrey; (v) focusing its aid on fewer partner countries in order to generate stronger impact and voice; and (vi) galvanising the implementation of the Paris Declaration on Aid Effectiveness. These steps are needed if Canada's performance is to match its ambition to become a leading player in the donor community.

Overall framework and new orientations

Significant developments since the last peer review

Commitment to Africa

Canada continues to support Africa strongly. The government is on track to meet its commitment of doubling assistance to the continent by 2010 and is working with G8 and African partners to fight HIV/AIDS, tuberculosis and malaria; to build African capacity to address peace and security challenges; and to support economic development and governance reforms. The DAC appreciates these initiatives and encourages the government to develop a clear and coherent strategy for focusing its aid on key areas for Africa's development, *e.g.* agriculture, governance, investment, trade, health or peace and security. Canada's engagement in Africa should be long term and combined with substantial amounts of development aid in order to make aid more predictable and to generate economic opportunities, reduce poverty and foster political stability.

Promising approach toward fragile states and countries in conflict

Global peace and security is a defining element of Canada's foreign policy, with implications for development and the geographic allocation of aid. In fragile states and countries in conflict, the whole-of-government approach is bringing together the Department of Foreign Affairs and International Trade (DFAIT), the Department of National Defence and the Canadian International Development Agency (CIDA) with some success. The approach is the outcome of a government-wide shared view and holds significant potential for policy coherence and co-ordinated programming across Canada's federal departments and agencies. Since the review was undertaken, Canada has re-engaged in Latin America, including the Caribbean.

More effective aid

- The DAC acknowledges Canada's efforts to make its aid more effective, in particular:
- Canada has forgiven most ODA-related debt and increased its proportion of untied bilateral aid to the least developed countries (LDCs) from 32% in 2001 to 66% in 2005.

- The government changed its food aid policy in 2005 so that up to 50% (previously 10%) of its food aid could be purchased locally in certain LDCs and lower income developing countries.
- Canada has opened its market to duty-free and quota-free imports of most goods and services from poor countries and passed legislation to make generic HIV/AIDS drugs and other medicines more accessible.
- CIDA has begun concentrating aid in fewer countries and is experimenting with modest decentralisation in six African countries, moving away from traditional projects toward more programme-based approaches. The agency has made its operations more results-oriented and efforts are underway to reduce administrative costs.
- Canada has volunteered to chair the international Advisory Group on Civil Society and Aid Effectiveness. Canadian thinking on this topic will feed into the deliberations leading to the 2008 *High Level Forum of Aid Effectiveness* to be held in Accra, Ghana.
- CIDA is engaged in strengthening multilateral institutions' ability and effectiveness, in particular to meet the Millennium Development Goals for health, education, gender equality and environmental sustainability. The government is also intensifying its collaboration with multilateral and other federal partners to support effective aid through the Good Humanitarian Donorship Initiative.

The DAC appreciates Canada's initiatives and the processes which they have set in motion. However, challenges remain. Canada needs to demonstrate stronger commitment to the principles of the Paris Declaration on Aid Effectiveness; along with the MDGs, this declaration should be a key element of Canada's development co-operation. Canada should also broaden its aid effectiveness agenda beyond focusing on accountability and demonstrating results to the Canadian public and parliament as is currently required by its Treasury Board Secretariat. The Federal Accountability Act and its Action Plan, introduced in April 2006, reinforce that focus, with potential implications for learning, innovation and risk-taking. While the DAC welcomes the government's reforms of financial management, accountability and audit, they could increase the amount of paperwork both in Canada and in partner countries. In rolling out these reforms, Canada should consider the trade-offs between increasing corporate efficiency and avoiding risk, and ensuring accountability to Canadian taxpayers and partner countries.

Strengthening Canada's development co-operation mandate and CIDA

Canada's development assistance programme is a key element of foreign policy and should be given a stronger foundation, whether through legislation or other means. The programme is based on a number of federal statutes which do not establish a strong legal status for development co-operation. While CIDA is responsible both for policy and for implementing the major portion of Canada's development assistance, its mandate is weak and its reports to parliament are not sufficiently development results-oriented. Consequently, the agency has been particularly affected by changing political circumstances and leadership, changes which have brought frequent policy pronouncements rather than stable and clear directions.

Producing a policy for development co-operation

Canada needs a development co-operation policy that puts poverty reduction at the heart of its international development assistance. Whilst the government has produced several sector policies, strategies and reports which cite Canada's goal of reducing poverty, these documents generate a

diffuse set of orientations. There is no clear single point of reference for Canada's development co-operation. A development co-operation policy with a clear focus on poverty would also give direction to Canada's federal departments and other partners working in areas such as security and trade. The policy should: (i) be set in the context of the Paris Declaration, endorsed by the government; (ii) clarify Canada's plans to scale up aid to achieve the commitments made at Monterrey; and (iii) spell out the priority countries, sectors and themes for Canada's engagement, based on clear development criteria.

Further mainstreaming gender equality and environment

Gender equality in policy work and programming represents a sizeable share of Canada's bilateral aid, with CIDA implementing most gender-related activities. The agency can pride itself in its leadership role in pursuing gender equality and women's empowerment and for bringing gender issues onto the global policy stage. CIDA's *Framework for Assessing Gender Equality Results* is the first assessment tool for a cross-cutting issue to be developed by an OECD country. This framework should help respond to criticisms expressed in an internal evaluation that gender equality is not sufficiently mainstreamed into programming. CIDA is currently reviewing its 1999 gender equality policy to take stock of lessons learned.

CIDA is also reviewing its 1992 *Strategy on Environmental Sustainability*. The agency's monitoring and tracking system ensures that Canada's Environmental Assessment Act is applied to projects. While this may avoid negative impacts, it will not necessarily ensure positive environmental benefits from programme or project interventions. The new Investment Monitoring and Reporting Tool, recently developed for performance monitoring and reporting at the project/investment level, can capture how the environment is positively integrated into all investments.. Canada should allow the use of partner countries' environmental impact assessment systems where they meet internationally accepted levels, rather than relying on its own. This would help build capacity and strengthen national systems, in line with the principles for more effective aid. The agency should also take environmental concerns more into consideration when evaluating projects and programmes: an internal review found that the environmental performance of development initiatives was not addressed in 61% of CIDA's evaluations.

Developing a communication strategy

Most Canadians support development co-operation, although public understanding of development issues is rather basic. Whilst the government tries to build public development awareness through its corporate communication and outreach programmes, it does not have a communication strategy that links development co-operation, effective aid and the MDGs. Applying the Paris Declaration principles implies changing how aid is delivered; thus it is important that the Canadian public and parliament understand what local ownership and mutual accountability mean and how they can be applied so that both Canada and the partner country can benefit from the latter's increased control over its development process and outcomes.

Recommendations

- 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.

- Canada should broaden its perspective on aid effectiveness to strengthen the focus on outcomes in partner countries.
- CIDA should integrate environmental sustainability more systematically into programming, including in evaluations, as it is now doing in gender equality.
- The Canadian government is encouraged to share with the DAC good practice in implementing the whole-of-government approach, as in Afghanistan, Haiti and Sudan.
- 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.

Policy coherence for development

Developing a clear framework for policy coherence for development

Policy coherence for development has also suffered from the lack of policy continuity and consistency. Canada's political and policy discussions reveal a debate at two different levels in relation to policy coherence for development. At the first level, development co-operation is expected to be coherent with foreign policy; the emphasis is often on what development can do for foreign policy rather than the reverse. For example, Canada's assistance to Afghanistan is perceived as helping to combat poverty and extremism and ultimately contributing to Canada's national security. At the second level, the primary focus is on internal policy coherence for making aid more effective. For example, CIDA wants to improve the coherence between its partnership and bilateral programmes in the context of the partner country ownership principle on which the Paris Declaration is founded.

At the same time, Canada recognises that coherence is needed in economic, social, political and environmental policies to achieve the strategic goals of reducing poverty, respecting human rights and making development sustainable. The whole-of-government approach now largely addresses the challenge of policy co-ordination. DFAIT implements a broad range of policies relevant to development and this facilitates policy coherence. Outside the foreign affairs remit numerous committees at different levels, including parliamentary and inter-departmental committees, co-ordinate policy on a range of issues. For example, to understand how migration and related policies affect developing countries, Canada is engaged in interdepartmental dialogue through the International Migration Group involving CIDA, Citizenship and Immigration Canada and Health Canada, among others. This approach ensures that Canada speaks with one voice at international discussions. Nevertheless, Canada does not have a clear statement promoting policy coherence for development, which hinders CIDA's leadership on development issues in government discussions and negotiations.

Recommendation

- 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.

Aid volume and distribution

Upward trend in Canada's ODA

Compared to net official development assistance of USD 1.92 billion in 2001, Canada's 2006 ODA amounted to USD 3.71 billion. This was 9.2% less in real terms than in 2005, when aid had been boosted by significant debt relief to Iraq and humanitarian aid following the Indian Ocean tsunami. Canada's assistance fell from 0.34% of gross national income (GNI) in 2005 to 0.30% in 2006, ranking Canada ninth out of 22 DAC members in terms of aid volume and fifteenth in terms of aid as a share of national income.

Canada's ODA has risen in line with the DAC average since 2001 but is nevertheless significantly lower than the UN 0.7% ODA/GNI target. Successive governments have committed Canada to doubling international assistance by 2010/11 from the 2001/02 level and have subsequently increased aid budget allocations by 8% annually.

Country aid allocation is becoming more selective

The Canadian programme has for a long time been dispersed over a large number of countries. In 2003, CIDA undertook to focus more of its bilateral aid in nine countries (Bangladesh, Bolivia, Ethiopia, Ghana, Honduras, Mali, Mozambique, Senegal and Tanzania) and in 2006, six out of these nine countries were among the top 20 recipients of CIDA's bilateral aid after Afghanistan, Haiti and Sudan. Spending to the top 20 increased to 68% of bilateral aid allocable by country in 2005-06 compared to 60% in 1999-2000. Predicting future Canadian aid allocations will be difficult, however, until the government specifies and makes public a list of core countries and more aid is allocated on a medium-term basis.

The need to restructure the International Assistance Envelope

The International Assistance Envelope (IAE) is Canada's financial and policy tool for monitoring the whole-of-government approach. It enables ministers to review how various programmes and expenditures combine to create the Canadian response to global challenges. The IAE provides for both ODA and other types of assistance that do not meet the ODA definition, e.g. G8 Global Partnership Programmes, counter-terrorism capacity-building initiatives, support for non-UN mandated peacekeeping and peacemaking missions and security. There is no separate and transparent ODA framework incorporating the activities of the federal departments and agencies concerned. Furthermore, over a third of Canada's bilateral ODA on average is not allocated to a particular region and over 40% is not allocated to a particular income group.

A renewed partnership with civil society organisations

Canada has a vibrant civil society and substantial ODA funds flow to and through Canadian civil society organisations (CSOs). CIDA's Partnership Branch manages the overall relationship with Canadian private and voluntary sector partners, except for relations with democratic governance partners, which are managed by the Office of Democratic Governance. Canada has been involved in policy work and dialogue with Canadian CSOs on the role of non-state actors in programme-based approaches and aid effectiveness. New application forms for CIDA's Voluntary Sector Fund and the Voluntary Sector Programme ask Canadian partners to clearly indicate how their proposed projects will support country-led poverty reduction strategies. The agency has also engaged in "partnership renewal" involving Northern and Southern civil society and private sector organisations. The process has been accompanied by high-level engagement with CSOs in Canada as well as with Southern and

Northern CSOs in the work of the DAC Advisory Group on Civil Society and Aid Effectiveness. The DAC welcomes this initiative to engage CSOs in the implementation of the Paris Declaration. At the same time, Canada should be mindful that working with a large number of CSOs may incur excessive administrative costs.

The need for a stronger strategic approach to multilateral aid

Canada's management responsibilities for multilateral assistance are somewhat dispersed: DFAIT manages the political relationship with the UN system, the Finance Department manages the relationship with the IMF and the World Bank, in consultation with CIDA and DFAIT, and the departments of Health, Environment, Agriculture and Agri-Food Canada manage Canada's relationship with UN agencies. This spread of responsibilities calls for a stronger strategic approach that spells out the specific role and objectives of the federal departments and agencies dealing with multilateral assistance. This is particularly important given Canada's whole-of-government approach to fragile states and countries in conflict. To encourage the coherence of its bilateral and multilateral policies in fragile states, CIDA could engage with multilateral aid agencies in its processes for programming aid to these states.

Recommendations

- 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.
- The International Assistance Envelope should be refined to facilitate clear reporting of ODA in accordance with Canada's aid policy and to allow greater transparency.
- The Canadian government should allocate aid in fewer countries on the basis of development criteria that maintain the focus on reducing 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.
- 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 .

Organisation and management

Delegating authority to the field and reviewing the organisational structure

CIDA's staff are concentrated at headquarters, and all significant policy and spending decisions are taken in Ottawa. The DAC finds this organisational structure incompatible with emerging programme-based approaches and Canada's ambition to gain influence at the country and international levels. International assistance reform, embodied in the Paris Declaration, provides a new impetus for CIDA to restructure and to decentralise its operations to the field. Shifting authority to the field will allow the agency to react both flexibly and quickly to local needs and to develop and nurture relationships with a broad range of stakeholders at the country level, in the spirit of the Paris Declaration. The structural transformation which CIDA has begun since this review was undertaken, could address these concerns.

Clarifying the evaluation policy

In April 2007 the government announced a reform of its evaluation policy to strengthen its evaluation function and its independence from operations. The DAC welcomes this step. However, as all activities will now have to be evaluated, the reforms will have resource implications, including for CIDA. Whether the Treasury Board has made sufficient allowance for this is unclear. CIDA's present list of evaluation reports includes mostly programme evaluations. The agency has performed key evaluations in Afghanistan and on gender equality which had an impact at the corporate level; as well as joint institutional evaluations of UNICEF, the World Food Program, and the International Fund for Agricultural Development; and joint country evaluations of Egypt, South Africa and Tanzania. However, the Committee questions whether CIDA will be able to meet its requirements for internal, strategic as well as joint evaluations, given the size of its evaluation unit. The DAC encourages the government to clarify how the central evaluation policy will address these concerns.

Simplifying the accountability system

At present, CIDA integrates results-based management, evaluation, internal audit and knowledge management into its Performance Management Branch. The agency's Results and Risk Management Accountability Framework sets out the approach to monitoring and provides the basis for evaluation and risks assessment. The articulation of results and risks is an important aspect of the system. However, that system is cumbersome, with limited differentiation in the indicators required and the processes involved for large and small programmes. While this helps to compare results between different activities, efficiency is compromised.

Taking further steps to implement the Paris agenda

Galvanising the principles of the Paris Declaration

CIDA should introduce corporate incentives to galvanise the implementation of the Paris Declaration principles, e.g. rewarding country managers for progress made on harmonisation and alignment, and developing some guidance and training to mainstream good practice. The agency has begun working with other donors and could do more joint country and sector analysis, programming and evaluations. Other possible options, which CIDA is also testing in the field, include delegating more aid management responsibility to other donors and making better use of existing local harmonisation plans. To reduce transaction costs in the long run and to help increase partner countries' ownership of their own development, Canada should progressively integrate its parallel implementation units into partner countries' line ministries, in consultation with other donors involved. In the spirit of mutual accountability, Canada should encourage and enable its partner countries to be accountable to their beneficiaries, parliaments and to Canada for the proper use of funds.

Consolidating a consensus on capacity development

Both CIDA and the International Development Research Centre (IDRC) are actively engaged in strengthening capacities in partner countries. CIDA's flexible, learning-by-doing approach relies on ongoing monitoring and dialogue rather than on *ex ante* capacity assessments and planning. IDRC has developed tools and typologies to help staff and managers conceptualise, plan, monitor and evaluate capacity development in research. The DAC encourages CIDA to help consolidate a consensus on capacity development with national governments and other donors, making it a central topic of the policy dialogue; and to address the systemic factors discouraging country-led capacity development. A strategic and co-ordinated approach to building local capacities is even more necessary in fragile states

where weak administrative and management capacities can lead donors to substitute for the national administration.

Recommendations

- CIDA should review its organisation and consider adapting structures that enable increased management and financial authority to field directors/heads of aid.
- 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.
- Canada should streamline and simplify its monitoring and reporting system for results-based management as part of its performance management reforms.
- 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.
- The Committee encourages CIDA to build on IDRC's unique approach to capacity building in developing countries. CIDA could draw further on the Center's research to enhance its policy formulation and evidence-based programming.

5. Humanitarian action

Canada regards humanitarian action as an important part of its ODA and foreign policy. It is consistently in the top ten of humanitarian aid donors by volume and its influence matches this level of funding. Canada is closely associated with pursuing and promoting GHD and the wider strengthening of the international humanitarian system through its active participation in the GHD initiative and agency governing bodies.

Humanitarian action in Canada is characterised by a well co-ordinated whole-of-government approach, a systematic process for needs-based resource allocation and an emphasis on multilateral and unearmarked funding channels. Canada has been at the forefront of implementing funding modalities to strengthen the humanitarian system, channelling 80% of its contributions (mainly core or unearmarked contributions) through the United Nations.

A policy document is being prepared to formalise a number of established aspects of Canada's approach underpinned by GHD and International Humanitarian and Human Rights Law. This forthcoming policy balances material assistance with the protection of civilians in armed conflict, as well as focusing on disaster risk reduction. Canada should ensure the policy document reflects the whole-of-government consensus that gives Canada's humanitarian action a firm foundation, while maintaining its independence from other government objectives.

While Canada funds all humanitarian sectors, a relatively high proportion (47%) of CIDA's humanitarian expenditure was on food aid in 2006. Canada should consider whether this level of support to food aid always matches the level of need in a particular crisis or a particular year. It should consider whether more flexibility can be built into sectoral allocations, subject to Canada's current commitments under the Food Aid Convention and without reducing total contributions. The DAC appreciates Canada's recent efforts to reduce the tying of its emergency food aid and encourages the government to consider untying it entirely.

Canada was among the first contributors to the new Caribbean Catastrophe Risk Insurance Facility which will provide participating governments from the Caribbean region with immediate access to liquidity if hit by a hurricane or earthquake. Being better prepared for disasters, and reducing risk and vulnerability to disasters, is expected to be an area of focus in Canada's forthcoming humanitarian policy. CIDA should continue to use the opportunities created by disasters to leverage interest in planning for future disasters.

Recommendations

- 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.
- Canada should consider untying its emergency food aid entirely.
- 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.

SECRETARIAT REPORT

CHAPTER 1 STRATEGIC FOUNDATIONS AND NEW ORIENTATIONS

Strategic foundations of Canadian development co-operation

Strengthening Canada's development co-operation mandate and CIDA

Canada's development assistance programme is a key element of foreign policy and should be given a stronger foundation. The programme is currently based on a number of federal statutes¹ which do not establish a strong legal status for development co-operation. Canada would benefit from a clear, simple and consistent vision for development assistance focusing on reducing poverty and achieving the MDGs, and using the Paris Declaration as the guide for effective implementation.

The Minister for International Cooperation leads Canada's development programme and oversees the Canadian International Development Agency (CIDA). CIDA is responsible both for policy and for implementing the major portion of Canada's development assistance. Until 1968 most of Canada's development assistance programme was managed by the External Aid Office within the former Department of External Affairs. Following an Order in Council, the External Aid Office's name was changed to CIDA. While not established under its own statute, CIDA is designated as a government department for the purpose of the Financial Administration Act. The agency's mandate and reporting requirements to parliament are weak, and it is particularly vulnerable to changing political circumstances and leadership. In order to provide a clearly designated focal point with an unambiguous mandate to tackle global poverty, CIDA should be strengthened to become an autonomous and well-resourced agency, with a clear role and specific objectives that are monitored by parliament.

Other important players in Canada's international development co-operation include the Department of Foreign Affairs and International Trade (DFAIT), the Department of Finance, the Privy Council Office,² the Treasury Board Secretariat, the International Development Research Centre (IDRC) and the Department of National Defence. These main actors are discussed in the context of the organisation and management of Canada's development co-operation and approach to fragile states and countries in crisis.

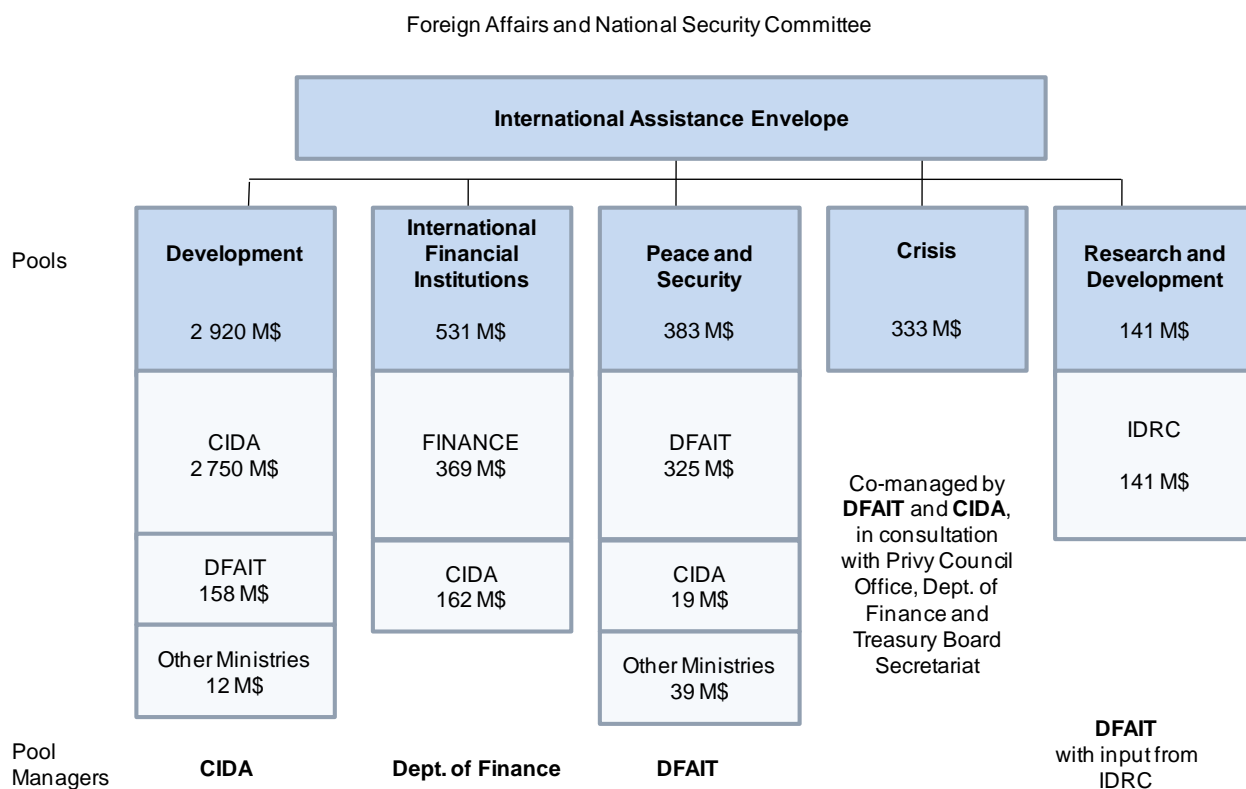
1 These include the Department of Foreign Affairs and International Trade Act, the Bretton Woods and Related Agreements Act, the International Development (Financial Institutions) Assistance Act, the International Development Research Centre Act, and the recent Canada Fund for Africa Act.

2 The Privy Council Office has an indirect role in International Assistance Envelope management, allocation and Crisis Pool funding (discussed later) by virtue of its role in providing advice to the Prime Minister, and supporting the Cabinet Committees. The Treasury Board Secretariat reviews Cabinet allocation decisions under the Envelope and Crisis Pool funding and approves CIDA programming beyond delegated ministerial authorities.

The International Assistance Envelope: a financial and policy tool for the government

All international assistance resources, both official development assistance (ODA) and other official assistance, are managed within the International Assistance Envelope (IAE). The IAE is both a financial structure and a policy tool to enable ministers “to review how various programmes and expenditures combine to create a Canadian response to global challenges” (Government of Canada, 2006a). The IAE provides for decentralised management by federal departments via five funding and programming pools, with ministers acting as pool managers (Figure 1). CIDA manages most of the IAE; it was allocated the largest share of planned aid resources in 2007/08 (68%), followed by DFAIT (11.2%), the Department of Finance (8.6%), IDRC (3.3%) and other government departments (1.2%) (CIDA, 2007). Nearly 8% of the IAE, in the Crisis Pool, was unallocated at the beginning of fiscal year 2007. CIDA’s share of the envelope is smaller now than in 2000, when the agency managed 79% of the envelope’s total development resources (OECD, 2002).

Figure 1. 2007/08 International Assistance Envelope



Source: Government of Canada, 2006

The cabinet decides on the allocation of Canada’s incremental IAE resources by pool, programme and department. Resource allocations can fluctuate from year to year, *e.g.* as a result of government decisions to increase funding to international thematic funds (*e.g.* Global Fund to fight HIV/AIDS, Tuberculosis and Malaria) or to specific countries (*e.g.* Afghanistan for reconstruction efforts). To improve the transparency of the process as well as aid predictability, the Canadian authorities should specify how annual increases in the budget would be allocated by purpose, *e.g.* poverty reduction activities, security-related development expenditures or humanitarian aid.

Orientations and initiatives

Need for a clear vision for development assistance

The Government of Canada needs a policy which clarifies the links between international development co-operation and poverty reduction, and which lists Canada's priority countries and sectors for assistance before Canada can allocate aid resources efficiently across countries, sectors, federal departments and agencies. The policy vision should focus on achieving sustainable livelihoods in poor countries and engage Canadian federal departments and other partners in balancing security needs and development objectives. As a minimum, the policy agenda should also:

- Set out Canada's plans for scaling up aid to achieve commitments made at the 2002 UN Conference on Financing for Development at Monterrey;
- spell out the priority countries, sectors and themes for Canada's engagement based on clear development criteria;
- specify the government's strategy for withdrawing from sectors where Canada does not have proven comparative advantage or documented results.

Linking development assistance to the Millennium Development Goals (MDGs) should make Canada's support attractive to parliament and the Canadian public. CIDA's *2008-09 Report on Plans and Priorities* may provide a good starting point for defining such a policy.

In its March 2007 federal budget announcement, the Canadian government decided to concentrate aid in fewer countries, to strive to be among the five largest donors in core countries, to reduce administrative costs, to increase field presence and to inform parliamentarians and the Canadian public about development results. The review team encourages Canada to also focus on the quality of aid, working together with partner countries to achieve the MDGs, to contribute to the implementation of the Paris Declaration on Aid Effectiveness and to set a date for meeting the UN 0.7% ODA/GNI target (Chapter 3).

Major initiatives since the last peer review

Commitments to annual ODA increases

Since the 2002 peer review, Canadian governments have pledged to increase aid to developing countries. In 2003, the government fulfilled its commitment made at Monterrey to increase Canadian aid by 8% up to 2004/05. Following the G8 Summit at Gleneagles, Scotland in 2005, the government renewed its pledge to double Canadian assistance by 2010/11, bringing Canada's official development assistance to 0.34% of gross national income in 2005. The 2007 Federal Government's budget reconfirmed previous governments' commitments to double international assistance from the 2001/02 level by 2010/11 and provided CAD 315 million in additional resources for Afghanistan and global vaccines.

Focus on Africa

Successive Canadian governments have made public announcements about Canada's strong interest in Africa. When the government pledged in 2002 to double international assistance by 2010/11, it undertook to dedicate at least 50% of the new resources to Africa. Since then several initiatives have been launched for Africa, *e.g.* in health (HIV/AIDS), education, peace and security; and to address regional issues. For example:

- The CAD 500 million Canada Fund for Africa (Box 3), launched in June 2002 for five years as part of the G8 Africa Action Plan, targets large-scale regional programmes and also supports the Pearson Peacekeeping Centre³ to strengthen the capacity of West African countries to train and deploy civilian police for peace operations.
- Canada has eliminated tariffs and quotas on most imports from 34 African countries.
- Canada was the first country to change its legislation to provide the poor with access to more affordable, life-saving drugs for HIV/AIDS, malaria, and other major diseases.
- Canada created the Canada Investment Fund for Africa, a joint public-private sector initiative designed to provide risk capital for private investments in Africa that generate growth. The fund operates in a commercially viable manner and demonstrates good corporate social responsibility practices in all its operations. It is contributing CAD 100 million from the federal budget and the remainder is raised from private sector partners.

At the 2007 G8 Summit in Heiligendamm (Germany), Canada declared that it was on track to meet its commitment to double assistance to Africa from CAD 1.05 billion in 2003/04 to CAD 2.1 billion in 2008/09. Canada also announced that it would continue to work with G8 and African partners to fight HIV/AIDS, tuberculosis and malaria; to build African capacity to address peace and security challenges; and to support African-led initiatives on economic development and governance reform.

The review team appreciates Canada's initiatives to open up opportunities and address problems that are specific to the African continent. However, despite these efforts, Canada does not yet have a clear and coherent policy for focusing its aid on key areas for Africa's development, *e.g.* agriculture, governance, investment, trade, health or peace and security. Longer-term engagement in Africa should ensure predictable and substantial amounts of development aid to generate economic opportunities, reduce poverty and foster stability.

Increased focus on results and accountability

The Federal Accountability Act and its Action Plan, introduced in April 2006, reinforce the government's focus on results and accountability. However, it has potential implications for innovation and risk-taking. The act outlines specific measures to help strengthen accountability and increase transparency and oversight in government operations, delivering on a number of the government's reform promises.⁴ Concurrently, the government is examining options to ensure the independent evaluation of CIDA's aid programme and to provide for more frequent reporting to parliament and the Canadian public. Canada's strong emphasis on corporate accountability, responsibility and transparency for more effective aid is well appreciated. However, the emphasis on corporate results should not undermine the ability of individuals and organisations to learn, innovate

3 The Pearson Peacekeeping Centre's mission is to support and enhance Canada's contribution to international peace, security and stability. It is a division of the Canadian Institute of Strategic Studies funded by DFAIT and the Department of National Defence. It is an education, training and research facility with a mandate to be a knowledge base and educational facility for trainers.

4 These reforms concern the Lobbyists Registration Act; ensuring truth in budgeting with Parliamentary Budget Authority; enhancing transparency in the procurement of government contracts; strengthening access to information legislation; strengthening the power of the Auditor General; banning secret donations to political candidates; strengthening the role of the Ethics Commissioner; and making qualified government appointments.

and take risk. And the focus on meeting the government's strict fiduciary requirements should not prevent Canada from fulfilling the obligations of the Paris Declaration on Aid Effectiveness.

A whole-of-government approach to international development co-operation

Canada's 2005 *International Policy Statement* broke new ground with an entirely new approach to Canada's international development assistance, which had previously been expressed in *Canada in the World* released in 1995. The 2005 statement introduced Canada's first integrated, or whole-of-government, approach, bringing together diplomatic, defence, development, trade and investment strategies. The approach is applied mostly in fragile states and countries in crisis, current priorities being Afghanistan, Haiti and Sudan. It is the outcome of a government-wide shared view and has good potential to make Canadian foreign policy more effective and cohesive.⁵ Canada should share with the DAC lessons and good practice from implementing that approach into its programming in fragile states. The case of Haiti (Annex D) illustrates that collaboration across diverse organisational cultures can succeed and can be carried further with targeted corporate incentives.

Steps to strengthen aid effectiveness

Since the release of *Canada Making a Difference in the World – A Policy Statement on Strengthening Aid Effectiveness* (CIDA, 2002), Canadian governments have taken a number of steps to improve the effectiveness of aid to poor countries:

- Most of Canada's ODA-related debt has been forgiven and Canada's food aid policy has changed to allow food aid to be purchased from lower income developing countries.
- Canada has opened its market to duty-free and quota-free imports of most goods and services from poor countries, and passed legislation to make generic HIV/AIDS drugs and other medicines more accessible.
- Aid resources are being concentrated in fewer countries,⁶ and modest decentralisation is being piloted in six of them.
- Efforts are underway to reduce administrative costs and CIDA has become a leader in making its operations more results-oriented, with encouragement from parliament.

CIDA's *Sustainable Development Strategy*⁷ and 2006 *Agenda on Aid Effectiveness* (Box 6) capture a number of principles of effective aid, though putting these into practice will require more effort as well as an action plan to implement the Paris Declaration. The agency is taking steps at country level to align development priorities with partner countries' national strategies for reducing poverty, to expand programme-based approaches, to pool funds and to harmonise Canadian activities and conditions with those of other donors to ease the burden on partner countries. It is also working with other donors to develop a common approach, discussed in Chapter 3, for assessing how multilateral organisations are relevant and effective. While the review team appreciates all these efforts, it also acknowledges that the lack of delegated authority to field office managers and of

5 The 2005 International Policy Statement was the product of a dialogue on foreign policy in 2003, an update produced by the Department of Defence in 2002/03 and consultations on aid effectiveness.

6 Canada states that between 2001 and 2006, 92% of new geographic resources generated from the 8% increase of the International Assistance Envelope were allocated to 10 countries.

7 In this report, CIDA's *Sustainable Development Strategy* refers to both *Sustainable Development Strategies 2004-2006* (SDS3) and its follow-up *Sustainable Development Strategies 2007-2009* (SDS4).

corporate-level measures to streamline aid management practices may threaten the full implementation of the Paris Declaration.

The strategic framework

CIDA's Sustainable Development Strategy

CIDA has written a *Sustainable Development Strategy* which is a requirement of all federal departments. However, its relationship to CIDA's other policy or thematic documents is unclear.⁸ The strategy has four core objectives: (i) equitable economic development; (ii) social development; (iii) environmental sustainability and natural resource management; and (iv) democratic governance and human rights, with gender cutting across all four of these themes. The strategy's aim is to reduce poverty by helping developing countries satisfy their basic needs and improve their quality of life without compromising that of future generations. These objectives constitute a formidable agenda for CIDA's programming, inevitably raising concerns about:

- keeping priorities consistent with the agency's available financial resources and technical expertise
- concentrating aid in sectors and themes in which CIDA has clear comparative advantages
- sharing resources between policy and field work
- conducting more joint analytical work with other stakeholders represented in the same sectors.

Considering the level of resources CIDA devotes to developing sector policies and strategies, the review team encourages the agency to make more efforts to link them to field realities and to submit its key strategic documents to debate in parliament to make them more visible and accountable to the Canadian public.

CIDA's *2007-08 Report on Plans and Priorities* provides useful insight into the directions of Canadian assistance in the medium-term. CIDA will continue shifting resources towards its focus countries, concentrating on high impact sectors such as education, health (including HIV/AIDS) and private sector development. Democratic governance will be integrated as a priority sector in all major country programmes. The agency will increase support to civil society organisations (CSOs), fostering the participation of women's groups in democratic processes, as in Haiti (Box 1). It will scale-up efforts to achieve the MDGs, using programme-based approaches to maintain key social services and co-ordinated approaches to strengthen country leadership and harmonise donors. It will enhance field presence and sector and local expertise where required and seek to lower risks and increase learning opportunities by fostering partnerships with other donors. Finally, the agency will use its new strategic planning model⁹ to demonstrate how investments, programmes and policies contribute to achieving corporate results and strengthening accountability. All of these planned directions demonstrate how CIDA is building on previous practice and lessons. The agency should also set out how these new directions will help fulfil the requirements of the Paris Declaration.

8 CIDA has produced policy documents on: environmental sustainability (1992); poverty reduction (1996); human rights, democracy and good governance (1996); basic human needs (1997); gender equality (1999); aid effectiveness (2002); private sector development (2003); rural development through agriculture (2003). It has produced strategies on: health (1997); ocean management and development (1998); knowledge development through information and communications (undated).

9 CIDA's strategic planning model, described in Canada's Memorandum, serves to enhance performance management through planning, monitoring, measuring and reporting.

Box 11. Haiti moves forward toward equality between women and men

A gentle, persistent wind of change is blowing in Haiti. The Kore Fanm Fund is helping to bring hope and strength to the island's women and girls who have long been denied their legal, political, and other rights as well as legal redress in cases of violence. Canada has devoted CAD 8 million to the fund to help Haitian organisations and institutions promote, protect and defend women's rights. Thanks to initiatives supported by the Kore Fanm Fund, awareness about women's rights and about violence against women has increased in Haiti, resulting in significant legal, social, and political change. Pro-voting campaigns carried out before Haiti's 2006 national election considerably increased the number of registered women voters, and a number of women candidates ran for office in the first round. Women's organisations formed a non-partisan network to share knowledge with the candidates, regardless of political affiliation. The network also developed a shared platform on issues of concern and each candidate made a commitment to promote the platform within her political party. Since then, five bills supporting women's rights have been finalised and a law has been passed making rape a crime. A gender directorate was created in the Ministry of the Status of Women and Women's Rights to raise awareness of gender equality in public institutions.

Democratic governance

Democratic governance is central to promoting "Canada's core values of freedom, democracy, the rule of law and human rights around the world" (Government of Canada, 2006).¹⁰ Democratic governance is CIDA's second highest area of spending after health, mobilising 150 agency staff around four major themes: freedom and democracy; human rights; the rule of law; and accountable public institutions, with assistance also covering conflict prevention, peace-building, security sector reform, crisis and transition states. The topic has emerged largely as a result of successive Canadian governments' aim to actively engage the Canadian public in spreading democratic values for equitable and sustainable development in developing countries. As part of that strategy, CIDA has created a new Office for Democratic Governance (formerly Canada Corps), reporting to CIDA's President. The office is an important unit outside the agency's existing branches, with a very specific mandate (Box 2). The reasons for its location and role within CIDA are not entirely clear given that the agency already has a large governance programme with strategies tailored according to each partner country's circumstances. Within the current reforms, the ODG will co-ordinate work on democratic governance across the agency.

Box 12. Canada's Office for Democratic Governance (ODG)

The Office for Democratic Governance was created in October 2006 (with 30 staff) by ministerial decision. Its mandate is "to enhance Canada's aid effectiveness by leveraging the country's comparative advantage in democratic governance programming". The ODG's ambition is to strengthen Canada's leadership in democratic governance through innovative practices; to build on good practice and lessons learned, and ultimately to work with Canadian and international partners to promote democratic governance in developing countries. The ODG calls on the experience and knowledge of Canadians through a variety of projects and initiatives, including:

(i) The Democratic Governance Fellows Program, which provides state-of-the-art thinking on democratic governance; develops working relationships between CIDA officials and leading Canadian and international expertise, particularly from developing and transition countries and well as specialised institutions; and provides expert input into the development, operation and evaluation of CIDA country programmes in democratic governance.

(ii) The Deployment for Democratic Development mechanism (*i.e.* recruiting and deploying Canadian democratic governance expertise in developing countries in response to requests from CIDA's geographic branches). This will contribute help promote democratic governance, conflict prevention and peace building in these countries.

Source: CIDA's Report on Plans and Priorities 2007-08.

10 *Speech from the Throne* (April 2006), which outlines the new government's programme.

Other federal departments and agencies involved in governance planning and interventions are: DFAIT, through the Democracy Unit responsible for the development of policy and strategy for democracy promotion within Canada's foreign policy; IDRC; Rights and Democracy; and Elections Canada. The Democracy Unit works closely with relevant divisions at CIDA and DFAIT, including the Office for Democratic Governance and the Stabilization and Reconstruction Task Force. The government of Canada should move towards developing a coherent and co-ordinated approach to governance engaging existing agencies around common goals and expected outcomes. Enhancing synergies between federal departments and between policy and operational work, and integrating lessons based on country-based practice, should also be elements of Canada's approach.

Gender equality and environment

Gender equality, policy work and programming are a sizeable share of Canada's bilateral aid (USD 60 million in 2005), with CIDA implementing most gender-related activities. The agency can pride itself in its leadership role in pursuing gender equality and women's empowerment and for bringing gender issues onto the global policy stage. Canada supports gender equality through policy dialogue, programming frameworks, institutional and capacity development, humanitarian and emergency assistance and peace-building activities. The agency is currently reviewing its 1999 gender equality policy to take stock of lessons learned. The new policy should take into account the principles contained in the Paris Declaration. In 2005, CIDA released its *Framework for Assessing Gender Equality Results*, the first assessment tool for a cross-cutting issue to be developed by an OECD country. This framework should help respond to criticisms expressed in an internal evaluation on the extent of mainstreaming of gender equality into programming (CIDA, 2006a).

CIDA is in the process of reviewing its *Strategy on Environmental Sustainability*, which dates back to 1992. Close to two-thirds of the agency's environment programming currently goes through the UN Environment Programme, the International Fund for Agricultural Development, the Global Environment Facility and the African Development Bank. Canada's Fund for Africa (Box 3) specifically includes initiatives to address desertification and land degradation. CIDA's promotion of environmental sustainability is ensured through a combination of environmental protection and enhancement approaches, risk management, and the responsible management of natural resources including both renewable and non-renewable resources. Its monitoring and tracking system ensures that Canada's Environmental Assessment Act is applied to projects that require an environmental assessment. However, while this may avoid negative impacts, it will not necessarily promote positive environmental benefits from programme or project interventions. The new Investment Monitoring and Reporting Tool, recently developed for performance monitoring and reporting at the project/investment level, can capture how the environment is integrated into all investments and, as such, may help promote such an approach.

Despite these initiatives, the peer review team concluded from its visit to Mozambique (Annex C) that Canada should further mainstream environmental needs, in line with corporate and programme priorities, and should also take into account partner countries' needs, existing legislation and other donors' activities in this area. Specifically, Canada should allow the application of national environmental impact assessment systems where they exist at internationally accepted levels, rather than relying on its own. This would help build capacity and strengthen national systems (in line with principles on effective aid). Bringing technical environmental expertise to both the field and headquarters might be especially important for agriculture and rural development activities, but applies also to Canada's other priority sectors. The agency should also take environmental concerns more into consideration when evaluating projects and programmes: an internal review found that the environmental performance of development initiatives was not addressed in 61% of CIDA's evaluations (CIDA, 2006a).

Public awareness and support

Strong public support for Canadian development assistance

A majority of Canadians support development assistance, although, as in other DAC countries, public understanding of development issues is rather shallow (OECD, 2003). The number of Canadians who say they have heard about the MDGs increased from 10% in 2003 to 19% in 2006. Just over half say they have never heard of them. And 53% of those who have heard at least a little about the MDGs rate the government's performance in improving the lives of people living in poverty as very good (8%) and good.¹¹ Broad interest in development issues is demonstrated by Canada's response to the *Global Call to Action Against Poverty*, the global version of the *Make Poverty History* campaign. In Canada it rallied more than 700 organisations and 250 000 Canadians behind a platform of debt cancellation, trade justice, more and better aid, and anti-child poverty measures. The aid pillar of the campaign is focused on a timetable for committing 0.7% of Canada's GNI to ODA and the introduction of legislation to establish poverty reduction as the exclusive mandate of Canadian ODA, consistent with Canada's human rights obligations (Reality of Aid Network, 2006).

A recent poll shows that 70% of those surveyed felt Canada has a moral obligation to help poor countries (CDFAI, 2007). Values-based motivations about poverty underlie support for the aid programme for most Canadians. Most Canadians support government spending on development even if they think about it in terms of humanitarian aid: there is particular demand for the authorities to address humanitarian crises, which Canadians also support individually (Focus Canada, 2006). This was especially demonstrated by the public response to the 2004 tsunami, with 200 000 Canadians donating CAD 213 million. Conservative voters (supporters of the current minority government) show solid support (61%) for development assistance. Such high public support for government spending on development assistance should encourage Canada to increase its ODA.

Canadians are rather more sceptical about the delivery channels and benefits of aid programmes, although about half of those polled know of CIDA's role and most support its continuing use (43% in favour and 20% against, the rest did not know). Trends emerging from surveys on perceptions of aid effectiveness are of concern: it seems that while 56% of Canadians do not see problems at home as inhibiting Canada's ability to assist poor countries, an overwhelming majority (82%) think that *much of the aid given to poor countries never gets to the people who need it* (Focus Canada, 2004). This opinion is driven primarily by perceptions of corruption in developing countries, but also of corruption or bureaucratic waste in aid organisations, as well as too much bureaucracy and red tape.

Canadians are concerned that either corrupt governments or weak developing country economies are the cause of poverty and debt in the developing world. These differing opinions appear to translate into two views of Canadian aid priorities: focus on the most needy countries (49%) or on countries that embrace important Canadian values such as free elections, a market economy and a willingness to curb government corruption (45%). Commenting on a recent Senate Committee report, the Canadian Council for International Cooperation (CCIC)¹² voiced support for the government's development assistance, including programme-based approaches, as well as CIDA's role. Support from Canadian

11 UN Millennium Campaign (2006), *The Millennium Development Goals: Global Public Opinion*, GlobeScan®, Project 3040.

12 The Canadian Council for International Cooperation is a coalition of Canadian CSOs working globally to achieve sustainable human development, end global poverty and promote social justice and human dignity for all. CCIC's Chief Executive Officer was the Co-Chair of the Make Poverty History campaign.

NGOs is crucial for CIDA in implementing the Paris Declaration. CIDA should invest greater resources in changing negative public perceptions about aid effectiveness by demonstrating results and engaging Canadians, parliament and opinion leaders in a more sophisticated debate about development. Otherwise support is likely to decline.

Communicating and building public awareness

Canada does not have an appropriate strategy to communicate the purpose and broad outcomes of development co-operation or the implications of the Paris Declaration for Canada's development assistance. The Canadian government tries to build public development awareness through its corporate communications and outreach programmes, such as speeches and public events attended by the minister and senior officials. The MDGs have proven to be a useful tool to explain development to the public; and a focus on Canada's work in Afghanistan or CIDA's education programmes in Mali has been helpful for government communications. However, efforts to communicate development results are undermined by the difficulty of getting success stories and statistics from sector and programme staff. The agency should prioritise this communication need during its management reforms.

The Department of Foreign Affairs and International Trade engages the public directly in discussing foreign policy priorities, including via online e-discussions.¹³ CIDA's outreach programme involves both public engagement and education. The agency spends 0.7% of its aid budget on its information, public awareness and education programmes; 94 members of staff work in communications, although not all activities concern development assistance. The focus of resources, especially staff time, is on corporate requirements, especially meeting the needs of the Office of the Minister and Prime Minister. The review team recommends greater flexibility in the agency's ability to issue press statements and publish information on development aid. According to the CCIC, CIDA's approach to public engagement is narrowly-focused, small-scale, short-term and project-oriented, and the agency has no focal point for public engagement activities (Cass, 2006).

CIDA encourages all development partners to tell their development stories to help counter negative perceptions of development assistance and supports a wide range of civil society actors to strengthen public engagement on global issues, particularly through responsive partnership programming. Its development information programme supports a number of mass media and education initiatives, such as the Global Classroom, which focuses specifically on young people. IDRC regularly publishes its *Bulletin*, various features and news items. *In Focus*, a collection of the IDRC's research summaries, is an important source of information for people interested in development, both in Canada and globally. All research reports funded by IDRC are available on-line at no cost through a digital library linked to search engines such as Google Scholar.

A discussion paper prepared for DFAIT provides some ideas on improving public communications and information through innovative public involvement techniques pioneered by the Canadian Policy Research Network and the Public Policy Forum (Wood, 2004). For example, DFAIT could "bring alive" for much larger numbers of Canadians the unfolding story of development at a level that is both comprehensible to non-specialists yet significant for broad policy. Competitive "seed funding" could help engage Canada's cities and provinces in following the evolution of a priority country of Canadian development co-operation, supported by activities in the media, schools, chambers of commerce, professional associations and the like.

13 For example, the online discussion of democracy promotion from January 22 to March 30, 2007.

Future considerations

- Canada needs to clarify its vision for development assistance, giving proper weight and profile to poverty reduction. The government's policy statement should specify the core countries and sectors for Canadian assistance and the development criteria for aid allocations.
- In order to provide a clearly designated focal point with an unambiguous mandate to tackle global poverty, CIDA should be strengthened as an autonomous and well-resourced agency, with clarity of purpose and specific objectives that could be monitored by parliament.
- The Government of Canada should develop a clear and coherent policy for its assistance to Africa, focusing aid on key areas for the continent's development. Long-term engagement should ensure predictable and substantial amounts of development aid to generate economic opportunities, reduce poverty and foster political stability and security.
- The Canadian government's emphasis on corporate results should not undermine the ability of individuals and organisations to learn, innovate and take risk; and the focus on meeting national accountability requirements should not prevent Canada from fulfilling the obligations of the Paris Declaration on Aid Effectiveness.
- The Government of Canada should develop a coherent and co-ordinated approach to assistance programmes promoting good governance, and engage involved federal departments and agencies around common goals and expected outcomes.
- CIDA should integrate environmental sustainability more systematically into programming, including in 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 the reform agenda embodied in the Paris Declaration.

CHAPTER 2

POLICY COHERENCE

Creating a supportive context for political leaders to overcome challenges

Public understanding of the interrelatedness of the world, along with the new whole-of-government approach, provides a supportive context for enhancing policy coherence for development. Successive Canadian governments have sought to address specific issues (*e.g.* preparations for Doha Round trade negotiations) and to make system-wide improvements to enhance policy coherence. However, establishing a secure and sustainable framework for policy coherence for development has been constrained by a lack of political continuity and different interpretations of policy coherence within government. A clearer political commitment could help to overcome these challenges.

The lack of political continuity

In Canada, issues relating to development co-operation in general and policy coherence for development in particular, have suffered from a lack of policy continuity and consistency. Since 2003 there have been four different governments and four different Ministers for International Cooperation. Canadian observers note that, in different forums, government departments tend to make rather contradictory statements, which might be attributed to the changing political context and the challenge for officials to keep up with shifting policy. For example, Canada's Memorandum mentions the link between development and climate change, while NGOs and other observers perceive that the current government has been moving away from the Kyoto Agreement, perhaps wary of international solutions to issues of climate change (Gwyn, 2007).¹⁴ Canada's political leaders should agree a framework for policy coherence for development that can withstand political change.

Different interpretations of policy coherence

An agreed policy coherence framework should define clearly what is meant by policy coherence for development. Canada's political and policy discussions reveal two different interpretations: development assistance as a coherent element of foreign policy; and policy coherence as an aspect of Canada's aid effectiveness. In the first interpretation, development co-operation is expected to be coherent with foreign policy, though the emphasis is on what development can do for foreign policy rather than the reverse. For example, Canada's assistance to Afghanistan (*i.e.* reconstruction, microfinance, education and mine clearance) is perceived as helping to combat poverty and extremism and ultimately contributing to Canada's national security. This approach, outlined in the Speech from the Throne on 4 April 2006,¹⁵ is in line with the *National Security Policy* (2004), which considers development assistance to be an element of counter terrorism. It is also consistent with the support to fragile states and countries in crisis outlined in Canada's 2005 *International Policy Statement*. In the

14 The peer review team was also given an example of different departmental commitments to the International Labour Organization as regards the policy on decent work.

15 The Speech from the Throne outlined the new government's programme. Accessed on 7 May 2007 at http://www.sft.gc.ca/default_e.htm.

second interpretation, the primary focus is on *internal* policy coherence to improve aid effectiveness. For example, CIDA is concerned to improve the coherence between its Partnership and Bilateral Programmes. This critical aspect of CIDA's aid effectiveness agenda plays an important role in maximising the impact of planned budget increases.

Canada recognises that coherent policies are needed in economic, social, political and environmental areas to achieve the strategic goals of poverty reduction, respect for human rights and sustainable development. A typical area of concern, well understood by Canada, is the link between development and trade. In this connection, the Minister for International Cooperation has emphasised the importance of the Doha Round and the need to look for a win-win outcome in aid for trade in particular. The Canada Fund for Africa (Box 3) is a good illustration of trade-related initiatives in Mozambique which are coherent with development policy.

Box 13. The Canada Fund for Africa trade-related initiatives (Mozambique)

Canada contributes to Africa's development through the use of the five-year Canada Fund for Africa, established in June 2002 and managed within CIDA. In Mozambique, the fund supports the Joint Integrated Technical Assistance Programme (JITAP), the Programme for Building African Capacity for Trade (PACT) and the African Trade Policy Centre (ATPC). Each of the fund's trade-related initiatives supports capacity development, and in some areas specifically targets women. The technical assistance programme focuses on negotiation capacity in the multilateral trading system; PACT focuses on individual capacities in the trade field; and ATPC focuses on governments and regional economic communities. While this is clearly appreciated, Canada might give more attention to the overall private sector context. In Mozambique, for example, the fund's impact on business opportunities is not apparent. On the other hand, Canada's support for trade related initiatives has improved the effectiveness of the multilateral system: each of the fund's initiatives involves partnership or joint work with the UN and other international organisations.

The lack of a clear framework

The lack of a clear framework to promote policy coherence for development hinders CIDA's leadership on development issues in government discussions and negotiations. The 2005 and 2006 *Reports to Parliament on Canada's Performance* refer to policy coherence as an important means of reducing global poverty within the context of the MDGs, but do not clarify what actions have been or should be taken. The 2006 Speech from the Throne addressed trade and security, but this cannot be considered as a comprehensive commitment to policy coherence for development. If fully internalised by other government departments, the MDGs could provide the backdrop for an overall framework for policy coherence for development. As part of that framework, CIDA could strengthen its ability to promote policy coherence for development in cabinet discussions and in negotiations with other federal departments.

The challenge of policy co-ordination

Different Canadian federal departments acknowledge that in the past they have not always talked to each other when formulating policy. The whole-of-government approach now largely addresses the challenge of policy co-ordination, and the International Assistance Envelope, discussed in Chapters 1 and 3, has promoted better co-ordination and coherence in the international assistance field. DFAIT's remit also encompasses a broad range of areas relevant to development, which promotes internal coherence. In Mozambique (Annex C), the quality of the relationship between the department and CIDA was specifically commended. Outside the foreign affairs remit numerous committees at different levels, including parliamentary and inter-departmental committees, co-ordinate policies on a

range of issues. CIDA is involved in several of these committees¹⁶ and has also signed framework agreements with other departments (*e.g.* Statistics Canada and the Office of the Auditor General) so that their expertise can be brought to bear on development issues. Similarly, some agency staff are seconded to other departments, bringing the development voice into other policy areas and strengthening understanding and synergies. This trend should be reinforced, in particular for implementing the international agenda on effective aid. Canada has introduced useful innovations in its whole-of-government approach as a result of working on the policy problems of fragile states.

Two examples: migration and extractive industries

Migration and extractive industries are two challenging areas for policy coherence for development. To understand how migration and related policies affect developing countries, Canada is involved in interdepartmental dialogue through the International Migration Group involving CIDA, DFAIT, CIC and Health Canada, among others. This approach allows an interdepartmental and interdisciplinary examination of and approach to this issue and also creates co-ordinated positions in international discussions (*e.g.* at the World Health Organization World Health Assembly in May 2006 and UN High Level Dialogue on International Migration and Development in September 2006). To strengthen accountability measures in resource-rich developing countries, Canada also joined the Extractive Industry Transparency Initiative.

Canada's extensive work on the migration-development nexus makes the country well-placed to resolve policy incoherence in this area. For example, CIDA is engaged in policy discussion about the potential role of the Haitian diaspora as development actors. A pilot initiative has twinned Haitian diaspora organisations with Canadian development NGOs, working in partnership with Haitian counterparts. It could also consider offering incentives for Haitian diaspora health professionals to take up posts in Haiti (in consultation with Health Canada). The North-South Institute is investigating the extent to which immigrants to Canada have developed knowledge networks for the international transfer of technology.¹⁷ DFAIT's research division has also conducted research on the diaspora community, including the impact of remittances, investment, trade and social remittances on international development. The IDRC has fostered such knowledge networks among researchers in Canada and developing countries, for example, the Uganda Health Information Network and the System-wide Initiative on Malaria and Agriculture.

Evidence suggests that Canadian institutions and companies working overseas are not always aware of the MDGs. As for other donors, more effort is needed to engage with private companies about development, both in Canada and in the field. In 2006/07 the government held a series of roundtables across the country on corporate social responsibility. Canada could continue this outreach by establishing a regular dialogue with mining companies in order to raise their interest, with Canadian embassies playing a special role. Although CIDA aims to promote dialogue between government, civil society and the private sector, for example through international co-operation days, government engagement with the private sector seems to be constrained by distrust on both sides. Some private sector representatives feel isolated from CIDA, believing staff to be ambivalent towards the private sector. The feeling is that CIDA accepts that in developing countries the private sector is the engine of economic growth and essential for trade capacity-building, but it resists engaging in dialogue because of the private sector's profit-orientation. This distrust appears to be long-standing:

16 An omission is environment policy where CIDA is not involved in government discussions.

17 Research in other immigrant-attracting countries has shown the success of China, India and other countries in turning their brain drain into a brain gain. See research project at www.nsi-ins.ca/english/research/progress/36.asp.

CIDA's 2002 peer review of its private sector development programme found staff questioning Canadian private sector interests. Canada needs to overcome this distrust by stepping up the dialogue between government and the private sector.

In March 2007, an independent advisory group (composed of civil society and industry experts) urged the Government of Canada, in co-operation with key stakeholders, to adopt a set of standards for corporate social responsibility that Canadian companies, including extractive ones operating abroad, are expected to meet. These standards are reinforced through appropriate reporting, compliance and other mechanisms as well as a host of incentives and tools designed to help companies meet them. A series of recommendations was also made to help build the capacity of host countries and communities; these include a focus on transparency and corruption.¹⁸ This is an important step, and could put Canada in a leading position on this issue among donor countries. In some countries (e.g. Bolivia), CIDA is working with other donors to reform the regulatory framework for the private sector in terms of how royalties are used. CIDA's top management has also held discussions with senior company executives from Canada's globally-operating extractive industries in recognition that extractive industries can promote development; this needs to become a regular dialogue, focusing on potential synergies with Canada's development assistance.

Strengthening Canada's analytical capacity for policy coherence for development

The Canadian system overall has significant analytical capacity. Each federal department has its own policy unit, which may work with other units across government. CIDA and DFAIT undertake policy analysis on development topics, collaborating as required with other departments in a network, as in the example of migration studies with Citizenship and Immigration Canada. IDRC also sponsors longer-term development research through knowledge networks, which can also draw attention to policy coherence issues, and as part of its Mining Policy Research initiative. Some CSOs engage in policy advocacy research and analysis that help promote policy coherence for development. For example, the North-South Institute has research projects on migration and trade, finance and debt, and governance and conflict prevention.

While there are areas of intensive analytical activity, Canada could use some of its capacity to analyse certain gaps in knowledge relevant to current international development policies. In the case of migration, despite excellent collaboration between CIDA, DFAIT, CIC and other federal departments, government analysis and research on brain drain/gain of skilled medical personnel from and to Canada requires more concentrated effort and attention.¹⁹ For example, CIC does not have reliable statistics about African health personnel who enter Canada after transit through Europe, while the North-South Institute research on migration is aimed at addressing the lack of knowledge about brain drain, brain gain or brain circulation in Canada.

Future considerations

- Canada needs an overall framework for policy coherence for development to make policies consistent and underpin Canada's whole-of-government approach. Such a framework should involve all relevant departments and agencies.

18 See the report at http://www.business-humanrights.org/Links/Repository/956439/link_page_view. The advisory group included several mining company representatives and development NGOs. A government development voice appears to have been missing, however.

19 This is somewhat surprising since the issue was raised in the previous peer review of Canada.

- Canada should establish a regular dialogue with Canadian private companies, to help strengthen the role of the private sector in development in its core countries of interest.
- CIDA should increase its capacity to engage with other federal departments to highlight the impact of their policies on development, to take a view of available research and to identify statistical and analytical knowledge gaps. Canada should identify, and if necessary equip, a focal point responsible for looking across the work of departments.

CHAPTER 3

ODA VOLUME, CHANNELS AND ALLOCATION

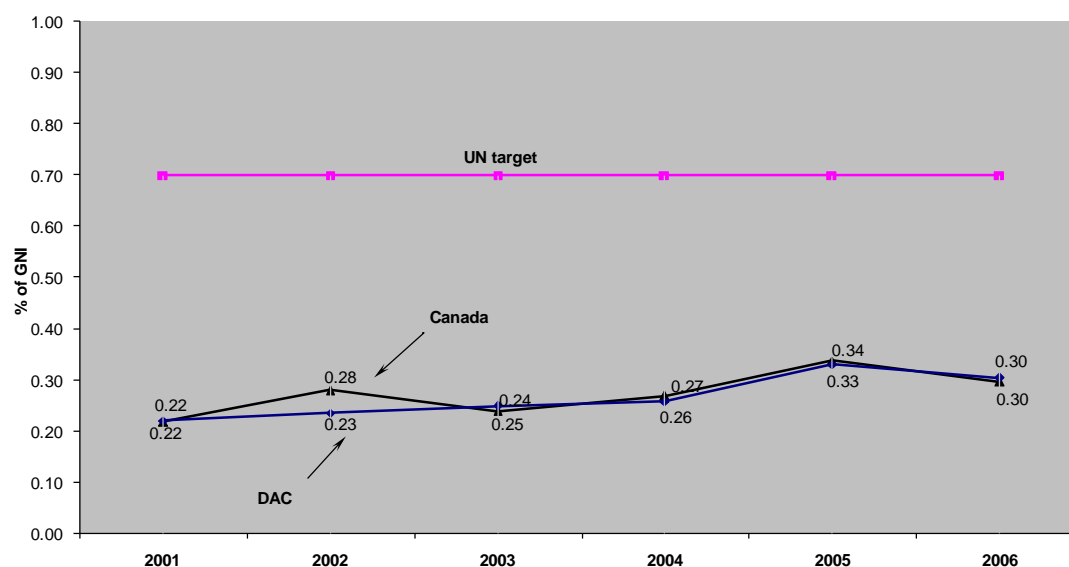
Overall official development assistance

A rising trend in Canadian official development assistance

Canada's 2006 net official development assistance amounted to USD 3.71 billion. This was 9.2% less in real terms than in 2005 when aid had been boosted by significant debt relief to Iraq and humanitarian aid following the Indian Ocean tsunami. Canada's assistance fell from 0.34% of gross national income in 2005 to 0.30% in 2006. While this is better than the 0.22% registered in the previous peer review (2001 data), it is still significantly lower than the 0.44% recorded in 1990. In 2006 Canada's aid ranked ninth out of 22 DAC members in volume and 15th as a share of national income.

The trend in Canada's ODA has risen in line with the DAC average since 2001 (Figure 2) but is nevertheless significantly lower than the UN 0.7% ODA/GNI target, a target which the current government has not explicitly endorsed. Successive governments have committed Canada to doubling international assistance by 2010/11 from the 2001/02 level and have subsequently increased aid by 8% annually. However, this annual increase will not be sufficient to reach the UN target by 2015. As all the stages of scheduled debt cancellations, notably Iraq and Nigeria, will soon be over, the future of Canadian aid is likely to depend on continued significant budget increases. With a real gross domestic product increase of 2.7% in 2006, continued budget surpluses and strong public support for development aid, the conditions seem right for Canada to draw up a timetable for meeting the UN target.

Figure 2. Canadian ODA as % of gross national income
(2001-2006)



A complex international assistance architecture

The International Assistance Envelope (IAE) provides for both ODA and other types of international assistance, such as G8 global partnership programmes, counter-terrorism capacity-building initiatives, support for non-UN mandated peacekeeping and peacemaking missions, and security.²⁰ In 2005, CIDA was responsible for managing approximately CAD 3 billion of the CAD 4 billion international assistance budget, mostly for development aid, humanitarian assistance, post-conflict stabilisation and the promotion of peace and security (Government of Canada, 2007). By comparison, the ODA portion not included in the IAE was CAD 908 million for bilateral debt relief (CAD 551 million), refugee costs (CAD 212 million), foreign students (CAD 83 million), provincial and municipal governments (CAD 40 million) and undisclosed sources (CAD 22 million).

The bilateral channel: policies and allocations

In 2005, 76% of Canada's gross ODA was disbursed bilaterally and entirely in grant form,²¹ compared to 71% for the DAC average (Annex 2 Table B.2). The division between the bilateral and multilateral channels of Canada's aid has been relatively constant since 2001. Bilateral disbursements can be managed by CIDA's four geographic branches, the Partnership Branch, and the Multilateral Branch for multilateral funds assigned to bilateral projects.

Bilateral aid is spread too thinly

The peer review team strongly encourages the Canadian government to accelerate the concentration of bilateral aid on fewer countries and to disengage from countries where Canada does not have a comparative advantage, phasing out projects that are unlikely to make a durable impact on poverty reduction. DAC data indicate that 142 countries received Canada's bilateral aid in 2004-05, compared to 136 in 1999/2000. These figures include partnership programmes with CSOs. Spending to the top 20 partners increased to 68% of CIDA's bilateral aid allocable by country in 2005-06 compared to 60% in 1999-2000.

Canada's bilateral aid concentrated on sub-Saharan Africa, mostly between 2001 and 2005, followed by South and Central Asia, the Far East, North and Central America, the Middle East, South America and Europe (Annex Table B.3). CIDA also maintains regional programmes to address trans-boundary issues such as natural resource management and security. Since the review was undertaken, Canada has re-engaged in Latin America, including the Caribbean.

The geographic allocation of Canadian ODA is likely to evolve following the 2007 federal budget's announcement that Canada will strive to be among the five largest donors in core countries of interest. Until the decision is taken on the list of priority countries, predicting where the bulk of aid will be allocated is difficult, although global security considerations and a possible re-engagement of Canada's development assistance in the Americas are likely to affect geographic preferences (Government of Canada, 2007). As a priority, the government should select the core countries using broad development criteria and maintain a credible level of bilateral ODA to those countries. In 2005/06, three different categories of countries received CIDA's bilateral assistance (Box 4).

20 These non-ODA activities represent 9% of Canada's bilateral assistance.

21 In Canada grants include contributions and other non-loan expenditures.

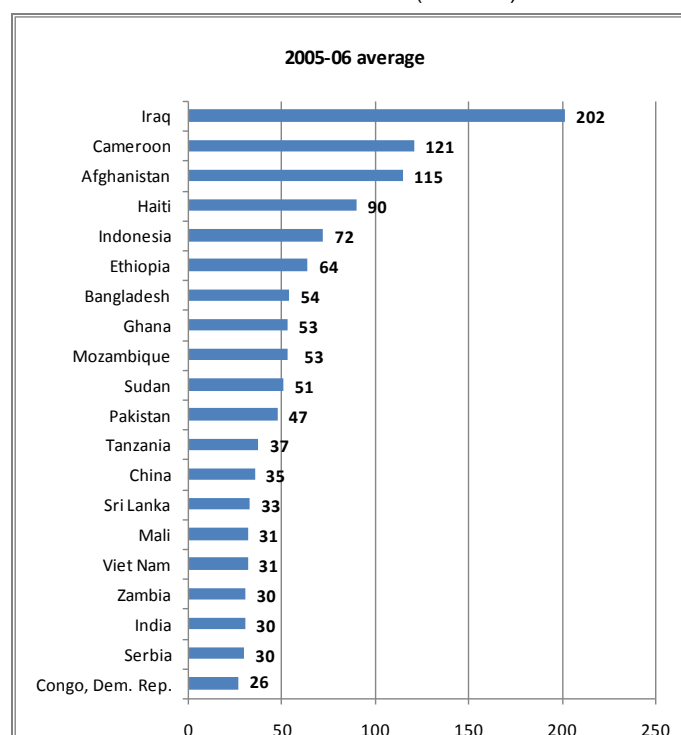
Box 14. CIDA's aid allocation criteria

CIDA has identified three broad categories of recipient countries based on their level of development and their ability to use development assistance effectively. The first tier is relatively well-off middle-income countries, e.g. the Ukraine and the Russian Federation. Here, Canada's presence is determined mostly by foreign policy considerations, with aid based on Canada's ability to make a difference in selected areas and on track record and synergy with other Canadian programmes. At the other end of the spectrum are low-income countries in crisis or in transition (e.g. Haiti, Afghanistan and Sudan) where Canada provides emergency humanitarian assistance, peace-building support and funding for NGO-implemented projects. Specific attention is paid to Canada's ability to make a difference and the existence of an international consensus on the need for development assistance. In between are the remaining low-income, relatively stable and well-governed countries suitable for scaling-up aid, such as Ghana, Bangladesh, Mozambique and Tanzania.

Aid to fragile states prevails

In 2003, following the release of *Canada Making a Difference in the World – A Policy Statement on Strengthening Aid Effectiveness* (CIDA, 2002), CIDA focused much of its bilateral aid on nine countries (Bangladesh, Bolivia, Ethiopia, Ghana, Honduras, Mali, Mozambique, Senegal and Tanzania). Canada's ODA to these nine countries increased from USD 298 million in 2003 to USD 376 million in 2005 (based on USD 2005 constant dollars). However, commitments to the nine priority countries have declined as a percentage of gross bilateral aid, likely as a result of the large aid efforts to Iraq and Afghanistan. Together these two countries accounted for 12% of gross bilateral ODA disbursements between 2003 and 2005. In 2005/06, six out of the nine countries were in the top 20 recipients of CIDA's bilateral aid behind Afghanistan and Haiti (Figure 3). In 2005, the *International Policy Statement* announced that at least two-thirds of Canada's bilateral aid should go to a core group of 25 development partner-countries by 2010/11, mostly in Africa where poverty levels are highest. However, at the time of writing, it is unclear which of these policies apply.

Figure 3. Distribution of CIDA's gross bilateral aid by country
2005-06 USD million (rounded)



Source: CIDA

Unallocated aid is still an issue

Canada's spending in the least developed and other low income countries was about 59% of bilateral gross disbursements allocable by country in 2004/05 (54% in 1994/95) compared with 47% for the DAC average. All but three of the top 20 recipients of Canadian aid in 2005²² were low income countries (Annex 2 Table B4). Whilst the above-average focus on low-income countries is welcome, Canada should ensure that its reporting system clarifies the destination of its ODA by recipient. Between 2001 and 2005, over a third of Canada's bilateral ODA on average was not allocated to a particular region and over 42% was not allocated to a particular income group (Annex Table B3). These figures are much higher than the DAC 2005 average of 13% and 18% respectively. CIDA reports that unallocated activities include transaction costs at the regional and continent level, refugee costs, overheads for the IDRC, the cost of federal departments' services to CIDA for delivering aid as well as policy co-ordination and communications costs.

Aid modalities, instruments and categories

An emerging trend towards programme-based approaches

Canada now delivers more of its aid through programme-based approaches, mostly in health and education. Before 2000 all CIDA bilateral funding was in project form, "frequently bypassing local government systems in favour of Canadian executing agencies, tied aid and responsive mechanism" (Government of Canada, 2007). Programme-based approaches rose from 5% in 2001/02 to 24% in 2005/06. These approaches include budget support (32%), pooled funding (45%) and project-type funding (23%). In Mozambique, one of CIDA's showcases for pooled funding, the share of direct bilateral aid going to sector funding was 55% in 2006, 6% for budget support and 39% for projects. These amounts do not take into account sizeable projects funded through CIDA's Partnership Branch.

Canada's project and programme aid fluctuated between 2001 and 2005, reaching 34% of Canada's disbursements in 2005 (15% is the average for DAC members — Annex 2 Table B2). Having peaked at USD 414 million in 2004, technical co-operation decreased to USD 304 million in 2005. Of Canada's free-standing technical co-operation in 2003, capacity development consumed 80%, followed by support to students (10%) and supply of technical experts, teachers and volunteers (6%). Short-term training, development research and administrative costs amounted to 1% each of total technical co-operation.²³

Good performance on food aid, humanitarian assistance and debt relief

Developmental food aid, humanitarian aid and debt relief are other important bilateral aid categories. Canada's bilateral (developmental and emergency) food aid increased to USD 124.73 million in 2005 from USD 89.24 million in 2004. The review team also commends Canada for its volume of humanitarian assistance, discussed in Annex E. United Nations figures from 2006 show Canada to be the eighth largest donor for this category, with contributions of USD 246 million. Canada has forgiven nearly CAD 2 billion of debt since 2000; Cameroon, Côte D'Ivoire, the Democratic Republic of Congo, Iraq, the states of ex-Yugoslavia, Poland and Zambia have been the

22 The exceptions were China, Indonesia (tsunami relief) and Iraq (debt relief).

23 These figures come from a DAC study on disaggregated technical co-operation based on data reported in 2003 in the Creditor Reporting System. The study will result in a statistical overview of DAC members' technical co-operation programmes that can be used as background for various discussions on aid modalities, including in the context of monitoring the Paris Declaration and estimating the flows that could be reflected on partner countries' budgets.

main beneficiaries. Through the Paris Club, Canada has agreed to cancel CAD 570 million of Iraq's debt over three years from 2005/06. The timing of debt relief to the Democratic Republic of Congo, the Republic of Congo, Haiti, Côte d'Ivoire and Sudan will depend on their progress in meeting donors' conditionality under the highly-indebted poor country (HIPC) initiative.

A renewed partnership with civil society organisations

Substantial ODA funds flow to and through Canadian civil society partners such as faith-based organisations, trade unions, NGOs,²⁴ professional associations, co-operatives, education institutions, private sector organisations and southern and international CSOs. The share of Canada's bilateral aid to NGOs between 2001 and 2005 was higher than the DAC average, but is still lower than the 17% reported in 2000. According to CIDA, a substantial part of Canada's direct support to partner countries' CSOs is not covered by the non-governmental organisation funding figures reported to the DAC (Government of Canada, 2006a); and 17% of its 2005/06 CSO disbursements went to organisations based outside Canada.

CIDA's Partnership Branch manages the overall relationship with Canadian private and voluntary sector partners, except for democratic governance partners, now managed by the Office of Democratic Governance. In 2005/06 the Partnership Branch accounted for 39% of CIDA's programming disbursements to CSOs, compared to 34% from the geographic branches and 26% from the Multilateral Branch.²⁵ CIDA provides access to programme and project funding on a cost-sharing basis (3:1 ratio).

Canada has been involved in policy work and dialogue with Canadian CSOs on programme-based approaches, aid effectiveness and the role of non-state actors. One important issue has been whether CSO programmes reinforce, offset or simply proceed regardless of the partner country's development frameworks and the thematic orientation of the Canadian programme. New application forms for CIDA's Voluntary Sector Fund and the Voluntary Sector Programme ask Canadian partners to clearly indicate how their proposed projects will support country-led poverty reduction strategies. CIDA has also engaged in a "partnership renewal" involving Northern and Southern civil society and private sector organisations. The process has been accompanied by high-level engagement with CSOs in Canada as well as with Southern and Northern CSOs in the work of the DAC Advisory Group on Civil Society and Aid Effectiveness, leading to the 2008 High Level Forum in Ghana. CIDA's partnership renewal is aiming for a "whole-of-agency" approach to managing relationships with key partners for development co-operation. This long-awaited initiative to engage CSOs in the implementation of the international aid effectiveness agenda is welcome.

Bilateral ODA by sector and theme

Sector support spread thinly

Canada's development assistance is focused on six priority sectors that are important for achieving the MDGs: democratic governance (including peace and security); private sector development; health (including HIV/AIDS); education (in particular primary education); environment; and equality between women and men. The latter two are considered to be cross-cutting. The

24 For fiscal year 2006/07, CIDA provided funding to and through 435 Canadian NGOs. These figures include foreign NGOs and all channels (multilateral and bilateral) but do not cover funding to and through all of the types of civil society organisations that CIDA funds, as referred to in the text.

25 Information provided during the Ottawa visit of the DAC peer review Team in April 2007.

government should clarify its position on these sectors and themes in conjunction with the release of its policy on international development assistance. In the meantime, CIDA should limit its interventions to a realistic number of fields of action within the framework agreed with partner countries, so that resources are not spread too thinly. Existing commitments, evident gaps, the division of labour among donors based on comparative advantages, and the benefits of multilateral co-operation should also be kept in mind.

A significant part of Canada's bilateral aid focuses on governance and civil society. In 2004/05 this category accounted for 16% of commitments, up from 12% in 1999/2000, compared to the DAC average of 11% (Annex 2 Table B5). This trend is likely to increase as democratic governance has become one of Canada's major strategic objectives (Chapter 1). Commitments to gender equality increased from USD 36 million in 2004 to USD 60 million in 2005, with aid going primarily to social infrastructure and women in development, followed by girls' education, productive activities and health and population. Iraq, Mozambique, Pakistan, Bosnia-Herzegovina and Bangladesh were the main recipients of gender equality-focused aid during that period.²⁶ Canada's commitments to basic social services also increased from 20% in 2000/01 to 30% in 2004/05, a performance which made Canada third on the list of the 22 DAC donors in 2005. Canada's commitments to HIV/AIDS control activities also grew significantly, from USD 40 million in 2003 (USD 24.6 million of which went to multilateral organisations) to USD 134.3 million in 2004 (of which USD 12 million went to multilateral organisations). Canada's disbursements during those two years were lower than committed amounts: USD 25.8 million and 73.6 million respectively.²⁷ Canada's assistance to the productive sectors, mostly agriculture, also rose from 6% of bilateral commitments in 1999-2000 to 8%. Investments in economic infrastructure and services seem to have declined as a result of Canada's engagement elsewhere.

The multilateral channel

Strong support for multilateral organisations

Canada values a stable and effective multilateral system to help achieve development and to create a secure and prosperous environment for Canadians at home and abroad. The share of Canadian ODA allocated through multilateral organisations in 2005 — 26% compared to the DAC average of 21% (Annex 2 Table B2) — illustrates that interest. Of this amount, just over 85% went to the core budgets of those organisations. Currently, 28 multilateral organisations benefit from Canadian funding. Planned multilateral spending for 2007/08 emphasises humanitarian assistance, peace and security, followed by health (including HIV/AIDS and nutrition), private sector development (infrastructure and agriculture), environment and gender equality. Canada does not have a separate strategy for its support to multilateral organisations.

The UN stands out as a major recipient of Canada's multilateral assistance since 2001 (Annex 2 Table B2). Support to UN organisations has gone up significantly from USD 120 million in 2000 to USD 271 million in 2005 (at constant 2004 prices). This was 8% of all Canada's ODA disbursements, higher than the 5% DAC average. Top UN recipients of Canadian multilateral aid in 2004/05 as a percentage have not changed since the previous peer review: World Health Organization (24% of total UN support in 2005),²⁸ United Nations Development Programme (20%), World Food Programme

26 DAC CRS Aid Activity Database at www.oecd.org/dac/stats/idsonline.

27 DCND/DAC/STAT/RD(2006)3/RD4.

28 Compared to 2002, CIDA's core contributions to UN organisations in 2005 included exceptionally large payments to the WHO for three major initiatives.

(10%), UNICEF (10%), United Nations Population Fund (5%) and UN High Commissioner for Refugees (5%). Selection criteria for UN agencies have been based on historical trends and fair burden sharing, with relevance and aid effectiveness now being equally considered.

In 2004/05, regional banks represented 6% of Canada's total gross ODA, of which the largest share went to the African Development Bank (44%), followed by the Asian Development Bank (29%) and the Inter-American Development Bank (11%). The share of total ODA contributions to the World Bank Group in 2005 was lower (5%) but exceeded that of other donors (4% average).

A high share of Canada's multilateral assistance targets global funds, primarily the Global Fund to Fight Aids, Tuberculosis and Malaria, which received the highest amount of annual core funding in 2005 (USD 115.5 million), and the Global Environment Facility (USD 25.25 million). Canada sees global funds as essential for building up viable health systems and human resources capacity in partner countries. Together with other donors it could engage in a dialogue with concerned organisations to encourage them to adopt the Paris Declaration principles for more effective aid.

Canada's management responsibilities for multilateral assistance are somewhat dispersed. DFAIT manages the political relationship with the UN system; the Finance Department manages the relationship with the IMF and the World Bank in consultation with CIDA and DFAIT; the departments of Health, Environment, Agriculture and Agri-Food Canada are also involved in the management of Canada's relationship with specialised UN agencies. This spread of responsibilities may call for a stronger strategic approach, which spells out the specific role and objectives of the federal departments and agencies dealing with multilateral assistance, in particular given Canada's whole-of-government approach to fragile states and countries in conflict (Chapter 6). To encourage the coherence of its bilateral and multilateral policies in fragile states, CIDA could strive to engage multilateral aid personnel in its processes for programming aid to fragile states.

Increasing the effectiveness of multilateral aid to reduce poverty

CIDA's Multilateral Programs Branch's main objective is to strengthen multilateral institutions' ability and effectiveness to reduce poverty and, in particular, to meet the MDGs in health, education, gender equality and environmental sustainability. Since the last peer review the branch has taken a strong interest in obtaining evidence of the effectiveness of multilateral development programmes through multiple sources. These have included CIDA's own evaluation studies; a small number of performance audits; annual surveys of field staff; other similar bilateral agencies' assessments as well as joint donor evaluations and special studies requested as part of negotiations on replenishing funds. These studies are useful both in a multilateral context as well as where multilateral projects share similarities with bilateral ones. Canada is also actively engaged with the UN Office for Coordination of Humanitarian Affairs on progressing the Humanitarian Reform Program and is intensifying its collaboration with multilateral and federal partners to support aid effectiveness in the Good Humanitarian Donorship Initiative.²⁹ Canada's support to improve the effectiveness of multilateral institutions, including the reform of the UN system, has generally been constructive.

Currently CIDA is building an initial framework to assess the effectiveness and relevance of multilateral institutions in terms of development results, management capacity and contribution to the MDGs and Canadian values. This framework — which will inform future policy and financial allocation decisions — includes the Multilateral Effectiveness and Relevance Assessment (MERA). This requires programme officers to analyse key multilateral institutions against a common set of indicators, drawing from the institutions themselves, multi-donor evaluations, CIDA's own surveys of

29 See <http://www.goodhumanitariandonorship.org/> for more details.

its field staff and the multi-donor working group called the Multilateral Organizations Performance Assessment Network (MOPAN). The review team commends Canada's active interest in multilateral effectiveness. The team encourages CIDA to consult other donors on ways to harmonise assessment processes across the board.

Future considerations

- Canada should draw up a timetable to reach the UN 0.7% ODA/GNI target and scaleup its development aid to contribute to new aid resources needed globally to achieve the MDGs.
- The International Assistance Envelope should facilitate clear reporting of ODA in accordance with Canada's aid policy and to allow greater transparency,
- The Canadian authorities should specify and make public the list of core countries and priority sectors for Canada's international development assistance. Aid allocation decisions should be based on broad development criteria in addition to performance in democratic governance.
- Canada should carry further its efforts to be more strategic in allocating multilateral aid and harmonize its own initiatives for multilateral aid effectiveness with existing frameworks, such as the Multilateral Organization Performance Assessment Network.

CHAPTER 4

ORGANISATION AND MANAGEMENT

Continuous improvement of the Canadian public sector

Since the previous peer review, successive Canadian governments have committed themselves to improving the management of the Canadian public sector. At the centre of the drive for improvement is the Treasury Board, a committee of the Privy Council since 1867, charged with management of the Canadian public service, supported by an influential secretariat.³⁰ Reforms have been promoted by a combination of the Treasury Board, the Office of the Comptroller General and the Canada Public Service Agency (CPSA). The government's 2005 budget also set out to clarify the relations of Crown Corporations with ministers, strengthen accountability and audit, and promote transparency in activities and appointments. Overall, these reforms take in a wide range of public sector management policy areas. This chapter focuses on opportunities for renewing the organisations responsible for international development assistance, while recognising potential risks and challenges.

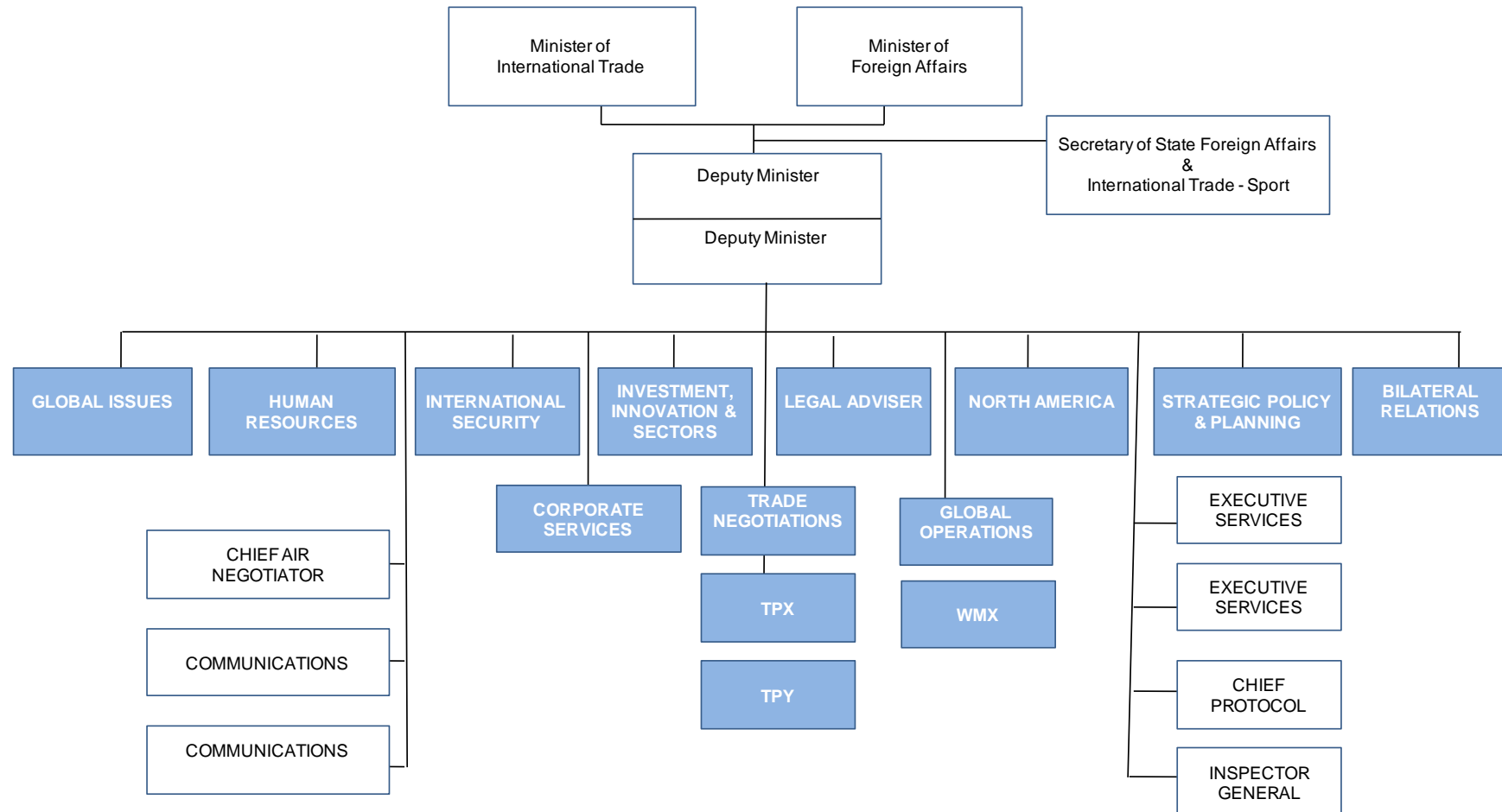
Shared responsibility for Canada's international assistance

Canada's development assistance involves many organisations, including federal and provincial governments, several Crown Corporations and a wide range of non-state actors, including CSOs and the private sector. The IAE assigns responsibility for managing the federal budget for international assistance to the Department of Foreign Affairs and International Trade (DFAIT), the Canadian International Development Agency (CIDA) and the Department of Finance (Figure 1, Chapter 1). The ministers responsible for these federal departments sit in the cabinet, which co-ordinates government policy. Although not a government department, the International Development Research Centre (IDRC) has a unique role as a Crown Corporation, reporting to parliament through the Minister of Foreign Affairs. These organisations are briefly discussed below.

In the current government, DFAIT has two ministers responsible for the main areas of foreign affairs and international trade, while retaining the single department. The ministers are each supported by a deputy minister and one secretary of state deals with both areas (Figure 4). Beneath this political level, the work of the department is organised according to different aspects that cut across both foreign affairs and international trade. A specific unit with 70 staff has been established to manage the Stabilization and Reconstruction Taskforce (START) programme, discussed in Chapter 6. The department also has extensive representation in other countries, including developing countries.

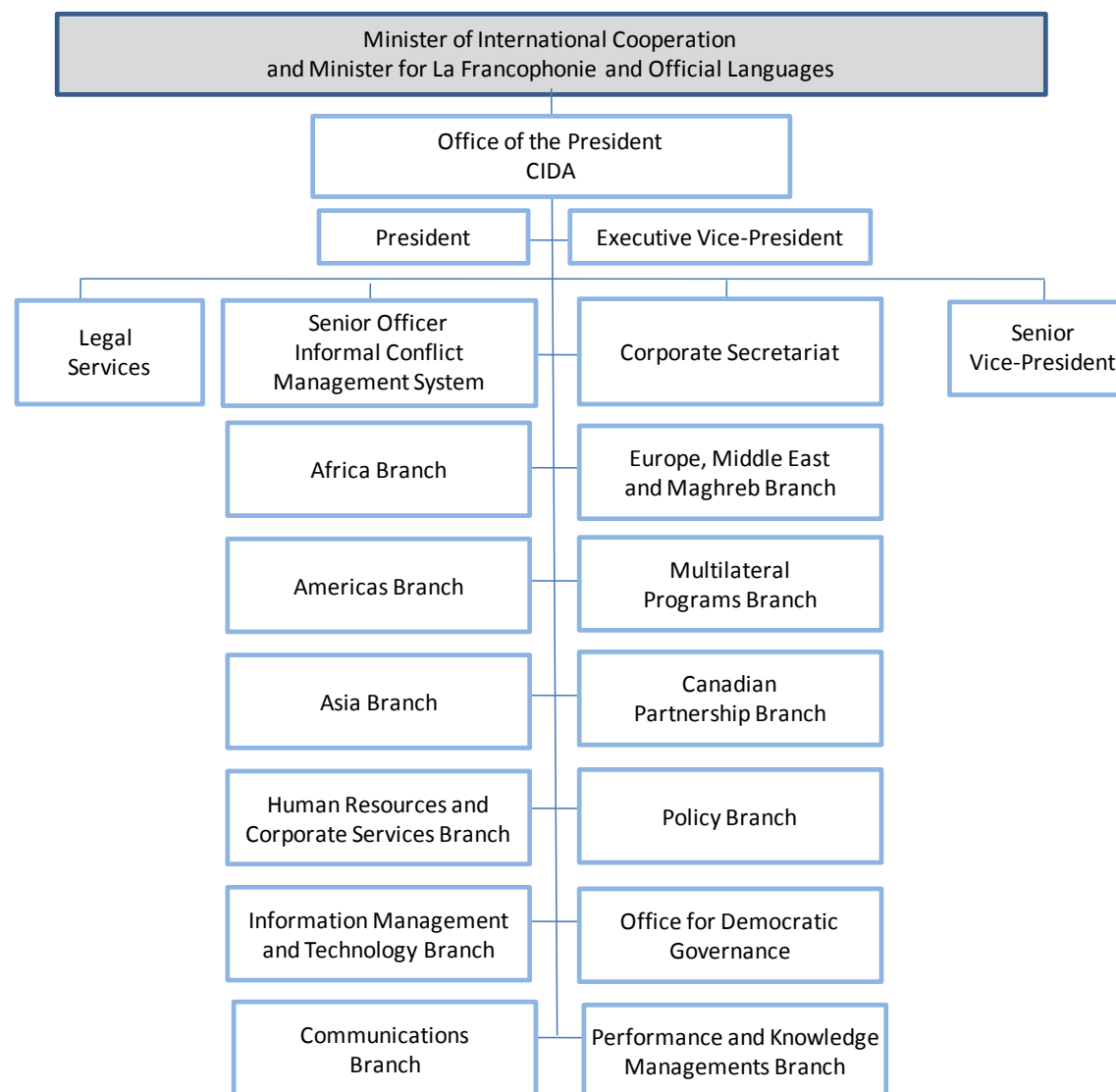
30 The current Treasury Board comprises the President of the Treasury Board, who is a cabinet minister, and five other senior cabinet ministers, including the Ministers of Finance and Foreign Affairs and International Trade.

Figure 4. Organigram of the Department of Foreign Affairs and International Trade



Source: DFAIT, 16.01.2007

Figure 5. CIDA Organigram



Source: CIDA, 8.6.2007

The Department of Finance, under the political leadership of the Minister of Finance, is responsible for relations with the World Bank and the IMF. The department shares responsibility with CIDA for managing funds for these organisations; 15 staff currently work on fund management.

Development co-operation system in need of change

CIDA needs to adapt to the demands of the Paris Declaration

CIDA is a project-focused organisation with all significant decisions on policy and spending taken in Ottawa. The agency's structure has evolved throughout its history to meet contemporary demands. It was one of the first development organisations to decentralise its operations until this experiment was brought to an end by budget cuts in 1992. Adaptation was also achieved by establishing new branches (e.g. the Office for Democratic Governance) or by responding to trends in development (e.g. merging functions under performance management). CIDA's structure emphasises aspects of policy and management that may seem disproportionate to its aid volume, emerging programme-based approaches and ambition to gain influence at the country and international levels. Changes in the context of international assistance, epitomised by the Paris Declaration, provide a new impetus for the agency to reshape its structure and to decentralise its operations to field offices. The structural transformation which CIDA has begun since this review was undertaken, could address these concerns. In particular, the government's announcement that field presence will be increased is a very important decision that should be followed through without delay.

Currently, CIDA's staff (1 852) are concentrated at headquarters. Only 132 Canada-based staff are in field missions, supported by 166 locally-engaged personnel. When redeploying its staff, including at executive level, CIDA needs to balance policy-making with field operations and consider the particular needs of staff working in development assistance. For example, CIDA is in the process of recruiting and training generalists who can move from one work area to another in headquarters. To deploy staff in partner country missions, it will need to reconsider the need for sector specialists, as well as providing incentives for all categories of staff to work overseas. These incentives will need to take account of language and other requirements. At present, the agency has an equitable representation of women (61.3%),³¹ aboriginal peoples (2.4%), persons with disabilities (3.6%), and visible minorities (10.2%).³² CIDA also informally monitors language preference to retain a balance between anglophone and francophone staff. The agency needs to address both high retention rate and high staff turnover and attract new recruits who can respond positively to the strong agency culture and values. To address the tendency of staff to cluster and stay in particular policy and management areas,³³ it has encouraged movement around the agency.

CIDA's organisational chart (Figure 5) shows hierarchical relations of organisational units reporting to the president and, ultimately, the Minister for International Cooperation. The president is supported by an executive vice-president and a senior vice-president. Legal services, ombudsman, and corporate secretariat report to the president. A vice-president heads the corporate Policy Branch, supported by an associate vice-president cum director-general of policy analysis, with 137 staff producing policy documents for the Canadian system and international forums. Six more vice-

31 Of the 11 Vice-Presidents, four were women. Two out of the four Directors-General that report directly to the President were also women.

32 In November 2006, the comparable workforce figures were women (58.5%), aboriginal peoples (2.4%), persons with disabilities (3.3%) and visible minorities (8.6%).

33 Language skills in English and French also played a part in this tendency to cluster. The Canadian government promotes a bilingual public service.

presidents head the four geographic branches, the multilateral branch, and the partnership branch. These “spending” branches also have units responsible for policy, and these enable horizontal co-ordination across the organisation. The 1 068 employees in these branches are mainly based in headquarters, though limited decentralisation is being piloted in six countries (Chapter 5). A vice-president heads the Human Resources and Corporate Services Branch, which has a staff of 268 persons. One director-general heads the Performance and Knowledge Management Branch. One director-general and one chief information officer have responsibility for different management and communications issues. Two more directors-general support the senior vice-president with corporate responsibilities. CIDA also has three regional offices in Canada, supported by three provincial satellite offices, which help the agency to reach the Canadian public, partners and contractors.

CIDA should review its top-heavy structure to reduce the number of senior level positions and administrative costs. It should consider alternative flatter structures that distribute programme leadership roles under the guidance of a compact management board. It should also review the financial authorities, span of control and division of labour between vice-presidents and directors-general. At present, the span of management control of a vice-president ranges from 30 staff in two divisions (Democratic Governance) to 217 staff in eight units (Asia Branch) to 289 staff in five units (Africa Branch); and he/she can approve bilateral projects up to CAD 5 million. For a director-general the financial authority is up to CAD 500 000 and the span of control ranges from 33 staff in four units (Performance and Knowledge Management) to 97 staff in four units (Communications).

Public service reforms and the development co-operation system

The drive towards renewal and modernisation

The government’s current management reforms focus on *renewal* and *modernisation*. These reforms are likely to further centralise power and control in the Treasury Board and its secretariat, in line with the renewed emphasis on comptrollership within the Canadian system. The reforms may also run counter to aspects of good public sector management that seek to release the energies of enterprising individuals by giving increased power to decentralised units and by emphasising networking.

Public Service Renewal is an umbrella initiative that includes the Public Service Modernisation Act, Policy Suite Renewal, and Leadership Renewal. Policy Suite Renewal, launched in 2005, will reduce the number of government instruments (policies, directives and standards) and strengthen the annual assessment of management performance in which government agencies account to the Treasury Board. Leadership renewal recognises that the public sector needs to enhance the capacities of staff to deal with the *modern world*. These initiatives, which focus more on corporate outcomes than aid effectiveness in the spirit of the Paris Declaration, will affect CIDA, DFAIT and the Department of Finance in three ways: (i) efforts to strengthen management performance will require more reports to the Treasury Board and the Comptroller-General; (ii) as seen elsewhere in this report, CIDA will have to focus its activities, reducing the number of partner countries and sectors; and (iii) CIDA will also have to strengthen its leadership training to meet the requirements for leadership renewal. Beyond this requirement, CIDA has also identified the need to enhance staff training in aid effectiveness.³⁴

34 Strengthening aid effectiveness will be the subject of a one-day mandatory training as part of CIDA’s Development Officers Learning Program.

Reforms of financial management, accountability and audit

In its drive towards greater effectiveness and its fight against corruption and waste, Canada's Government has launched several reforms of financial management, accountability and audit. The government's determination is understandable and commendable in many respects but has some downsides: the organisational reforms tend to increase CIDA's top-heavy management and the financial management and audit reforms could considerably increase the amount of associated paperwork. CIDA and DFAIT subsequently may need to pass on the requirements for increased reporting to their partners, both in Canada and in partner countries. The already cumbersome reporting arrangements of the Canadian government could become more onerous and inefficient, which would go against the spirit of public sector modernisation. In rolling out these reforms, Canada's Treasury Board and Comptroller-General will need to consider the trade-off between efficiency and risk-avoidance in development assistance, use of Canadian and partner country financial management systems, and the balance of accountabilities to Canadian tax-payers and partner countries.³⁵ Building the capacities of partner countries to a level that satisfies Canadian financial management requirements would count as ODA and follow the spirit of the Paris Declaration.

The Federal Accountability Act (2006),³⁶ introduced in Chapter 1, designates certain officials as accounting officers to report to the appropriate committee of parliament and also enhances transparency and expands the coverage of government audits. Following the model of the Comptroller-General, the post of chief financial officer is being created for all federal departments. The Treasury Board is revising the transfer payment policy, which has an impact on all government grants and contributions; and the government is making modifications to its expenditure management system to strengthen accountability for results and value for money. These reforms will be rolled out over the next few years, with some effects on the organisations responsible for international assistance. The impact will be particularly noticeable in CIDA where the internal audit function is currently an aspect of performance management, including evaluation, results-based management and knowledge management. For example, CIDA's president will be the accounting officer responsible for audited financial statements from 2008/09. The appointment of a Chief Audit Officer with a separate unit will mean revising the present integrated performance management arrangements which CIDA is making. The Auditor-General will undertake a follow-up investigation to check on progress.

Canada's increasing emphasis on accountability to parliament and the Canadian tax-payer could undermine the international thrust towards aid effectiveness outlined in the Paris Declaration. At present, CIDA only has one set of terms and conditions, fewer than for other government agencies, which is positive. It has sought exemptions from the Treasury Board to meet the requirements of Paris Declaration. A report by the Auditor-General in 2005 noted "Since our 2000 audit, CIDA has sharply increased the use of grants rather than contributions to fund aid projects. We are concerned that, without having assessed the probable impact on expected development results, by using grants CIDA may be sacrificing a degree of control and oversight over how recipients spend CIDA's funding (Government of Canada, 2005)." In June 2007, CIDA approved a new policy which sets the assessment of fiduciary risk for programme-based approaches. The review team encourages such initiatives that support the principles of the Paris Declaration.

35 It would also be helpful if the Treasury Board could review the financial delegations of authority, which seem low to meet the new aid effectiveness requirements. This issue is addressed in Chapter 5.

36 The act is a composite law (see footnote 6) dealing with several areas of accountability.

Strengthening the results framework and service delivery

The current government is concerned to improve the design and delivery of public sector services and to demonstrate results in a transparent and credible way. The management of resources and results system and the programme activity architecture that link programmes to results will be strengthened and will give the Treasury Board Secretariat greater leverage in negotiation. The emphasis on results will have effects on the organisations involved in international assistance, including on CIDA's very comprehensive results-based management. As noted above, CIDA integrates results-based management, evaluation, internal audit, and knowledge management into its Performance and Knowledge Management Branch, which will change as it rolls out these reforms up to 2010. The results and risk management and accountability framework sets out the current approach to monitoring and provides the basis for evaluation and risks assessment. The articulation of results and risks is an important aspect of the system. However, the current system is cumbersome, with limited differentiation in the indicators required and the processes involved for large and small programmes.³⁷ While this helps to compare results among different activities, efficiency is compromised. The system might also be used to justify risk aversion³⁸ rather than risk management, especially in those areas where it is more challenging to articulate measurable results (*e.g.* in governance).

Full evaluation coverage may be at the expense of a more strategic focus

In April 2007, the government announced changes to its evaluation policy to strengthen the evaluation function and make it independent from operations. Currently, CIDA's Evaluation Division undertakes major evaluations with the help of external evaluators, while the operating branches commission³⁹ evaluation studies using contractors. Major evaluations (*e.g.* the gender equality review) are used to influence policy reviews and other decisions and the branches must deposit their reports in a central database.⁴⁰ CIDA's present list of evaluation reports is composed mostly of programme evaluations (*e.g.* private sector development). Some key evaluations include the Afghanistan review (an important strategic evaluation since 80% of funds for the programme were pooled) and the gender equality evaluation, which had implications at the corporate level. Some joint institutional evaluations include UNICEF, the World Food Program, and the International Fund for Agricultural Development. Joint country evaluations have been done for Egypt, South Africa and Tanzania.

The government's policy requires that the deputy head of an agency should be the chair of the Evaluation Committee, as is already the case at CIDA. He or she should appoint a senior Head of Evaluation to conduct strategic evaluations and work with managers to embed evaluation in the organisation's management practices. The Evaluation Division, which currently has 12 staff, will also have to cover all of CIDA's activities, rather than a selected few. The reforms will have resource implications, though it is not clear whether the Treasury Board Secretariat has made sufficient

37 For example, an application for a small workshop organised by an NGO in Canada has to set out development results as if it were equivalent to a major bilateral programme in a partner country, with requirements to provide an impact evaluation. While providing discipline for NGO proposals may appear reasonable in theory, the practice can appear unnecessarily burdensome to the applicant.

38 The RRMAF is not the cause of risk aversion, which may be exacerbated by the current public sector reforms, as government agencies fear failure to deliver and public criticism.

39 In the past operating branches sometimes omitted to commission evaluations. The Evaluation Department would give support and advice to these evaluations.

40 Often the evaluation process has usefully provided a history of a programme, which has helped branches with a shallow institutional memory because of rapid staff turnover. Unfortunately not all branches comply with the requirement to deposit their evaluations.

allowance for this. Covering more activities with the same level of resources could affect quality. As evaluations (and audits) have to be made public, more time will be needed to assure quality. Since everything on the government website has to be bilingual this will add to the cost, only part of which could be recovered by a new electronic filing system. While CIDA's evaluators believe that the current system guarantees sufficient quality and independence, and that a completely independent evaluation could become irrelevant to the agency, the new government evaluation policy requires more visible independence of the evaluation function from operations.

CIDA's new terms and conditions came into effect in April 2007 for a five year period. As a condition of their renewal, the Evaluation Division reviewed its grants and contributions (CIDA, 2006b).⁴¹ The review looked at 28% of the evaluations by the Evaluation Division (25 studies) and the operating branches (55 studies) and found that the quality and performance of 80% of the investments being evaluated were at least satisfactory. However, few of CIDA's evaluations are strategic and/or are undertaken jointly with other donors or with partner countries. The new evaluation policy may not provide sufficient incentives for this. CIDA's evaluators accept that the aid effectiveness agenda requires more strategic and more joint evaluations. An important question is whether the central evaluation policy will address these requirements.

Increased emphasis on providing information to central agencies

The reform of service delivery is expected to improve the way information technology connects departments and should benefit the organisations involved in international assistance. However, a major aim of the government-wide reform is to channel information more effectively to the Treasury Board Secretariat rather than horizontally around the government system; and major information technology projects in the public sector often take time to implement successfully. Currently knowledge about development assistance concerns primarily CIDA⁴² where the Policy Branch, various policy units in other branches, and the Performance and Knowledge Management Branch deploy most of the staff involved in knowledge management. Staff deployment between CIDA and other government departments will help to promote the exchange of knowledge. The review team encourages CIDA to further integrate the knowledge generated by IDRC.

Efforts to lower operating costs

CIDA has reduced its administrative costs (*i.e.* operating budget expenditure and associated employee benefit plan contributions) from 9% of gross disbursements in 2001 to 7% in 2005 (Annex 2 Table B.2) and is researching how to contribute to more reliable financial information and to allow comparison across donors. The peer review team recognises that administrative costs are currently not comparable between donors and encourages CIDA to share the study with other DAC members. More importantly, CIDA should continue focusing on improving its corporate management and practices to eliminate cumbersome procedures linked to its projects portfolio and rationalise its organisational structure.

Broad engagement with civil society organisations

Canada has a vibrant civil society and the government engages with a wide range of partners on development co-operation (see also Section 3.3.3). CIDA's Partnership Branch (151 staff) is the major institutional mechanism to engage with CSOs. Some larger organisations receive core funding (*e.g.* the

41 This review was preceded in 2004 by a meta evaluation of branch-led evaluation studies.

42 IDRC is involved in knowledge management but not in government-wide reforms.

North-South Institute) and some receive institutional support for three to five years if they are likely to yield development results relevant to CIDA's mandate. Most development NGOs receive project funds from CIDA, *e.g.* solicited projects under the HIV/AIDS small grants fund or unsolicited proposals. The cost-sharing basis varies from 50:50 to 75:25. Proposals from eligible proponents are assessed against criteria such as support of CIDA's mandate and priorities, results and value for money, the likelihood of success and the capacity of the proponent.

Through on-line discussions organised by its Strategic Policy Branch, DFAIT has asked academic institutions and NGOs across the country to provide their views on a range of foreign policy issues, including the promotion of democratic governance. Given the wide range of civil society partners, a significant challenge for Canada is to include them in the debate on aid effectiveness. At present, the Partnership Branch consults with other branches and field offices on NGO project proposals. It also organises regular meetings with the Canadian Council for International Co-operation. The government sees the wide range of CSOs engaged in development co-operation as a major strength, and therefore does not wish to restrict its support to a limited number of larger NGOs that might have more impact in developing countries.

IDRC's strategic approach to research management

The International Development Research Centre was established as a Crown Corporation in 1970 to build research capacity in developing countries. The centre's 371 staff handles a current portfolio of 887 research activities (IDRC, 2006). Its governance and management structure supports a developing country perspective with clear autonomy from Canada's Government. IDRC has a 21-member international board of governors, seven of whom are from developing countries. The Senior Management Committee is also a mixture of Canadians and international staff. Six offices, situated in different regions of the world, facilitate the international nature of IDRC's research. Thus, IDRC has an international perspective, with a focus on developing countries' views, and the governance structure maintains independence between the board and the management team. IDRC's governance structure and consistency in purpose have allowed the centre to make a unique contribution to building research capacity in developing countries. Donor agencies, private sector, civil society and governments can learn from and engage IDRC in building an evidence-based approach to development.

IDRC has developed a unique approach to building research capacity in developing countries: the board sets the strategic framework for research and the centre's management builds research programmes in extensive consultation with developing country researchers. Regional offices can play an important role in developing and supporting research. The research programmes operate mainly through knowledge networks, which link international researchers. These programmes have a five-year life-span, though they may be renewed if there is a satisfactory evaluation. The networks can take on a life of their own, diversifying activities beyond specific IDRC support. IDRC provides support formally to developing country institutions, though the Memorandum of Understanding with the government usually names individual researchers.

IDRC's Evaluation Department balances its time between its roles of accountability and research. An evaluation study is useful for understanding the centre's work on capacity-building through networks (Decima Research, 2006). Through its evaluation research, IDRC has been influential globally in promoting innovative techniques (*e.g.* outcome mapping). IDRC's Board reviews this work, along with the work of IDRC's communications and internal audit. More is said on IDRC's capacity development activities in Chapter 6.

Although as a Crown Corporation IDRC is separate from government, it takes account of the direction of the Canadian government's management reforms. Recognising the usefulness of receiving

free management advice from the Auditor-General, IDRC asked for special examination in 2001, as had been done in 1982, 1994, and 2006 (ongoing) (Box 5). The government's 2005 budget also sought to clarify the relationship between the government and Crown Corporations; because Crown Corporations receive government funds, parliament hears reports on their activities from different ministers. IDRC reports to parliament through the Minister of Foreign Affairs.

Box 15. Assessment of IDRC's key areas examined by the Auditor-General in 2003

Key issues	2003 Opinion	Progress achieved
Strategic planning	The Corporate Strategy provides clear direction for activities	The Board approved strategic plan 2005-10 sets three corporate objectives
	The number and size of projects impact on the ability to deliver the work program	Between 2002 and 2006, IDRC reduced the number of programs (from 31 to 17) while increasing the volume of allocations (from \$56 to \$98.7 million)
	IDRC needs to clarify its strategic approach to its regional presence	Regional offices provide a regional perspective to the Centre's program and nurturing partnerships where IDRC works, as well as promote the dissemination of research results
Performance measurement and reporting	Evaluating the effectiveness of research is complex and challenging	IDRC commissions independent evaluations of all Centre programs, conducted by teams of experts not associated with the Centre. IDRC also conducts strategic and project evaluations.
	Much effort is devoted to measuring performance at the corporate and program levels	Program documents describe objectives, outcomes, defining features (methodological, institutional, and topical) and key issues.
	There is a major backlog in the preparation of project completion reports	IDRC eliminated this backlog and developed a new interview-based system that allows staff to make better use of the data collected
	A performance monitoring system is being developed at the corporate level	IDRC has developed and refined a performance monitoring system based to the Centre's corporate objectives and operating principles
	The annual report does not tell stakeholders how well IDRC is meeting its commitments	New annual reports more clearly tie the year's activities to the IDRC's corporate objectives
Project management	Improvements are needed in project selection practices	IDRC overhauled its project appraisal and approval system to better capture the views of staff and peer reviewers on how the project fits into IDRC objectives, the risks and ethical considerations involved, as well as methodological issues, institutional capacity, and external factors which could affect the research.
	A risk-based approach to project monitoring is needed	IDRC has developed a more integrated approach to risk management, including a corporate risk profile adapted to its size and line of business
Dissemination of results	IDRC has an adequate process for capturing and disseminating research results	A Digital Library provides public access to the reports and outputs from IDRC-funded research in a format that is interoperable with search engines such as Google Scholar, see http://idl-bnc.idrc.ca . Each year, IDRC co-publishes more than 20 books as well as numerous scientific and technical reports
Financial management	Cash forecasting and accountability practices need to be improved	Forecasting of expenditure levels has become more accurate by establishing and monitoring of cash flow targets for each program throughout the year
Human resources management	There are many initiatives ongoing to address identified HRM issues.	HR issues are prioritized under a three-year strategic human resource plan tailored to IDRC's size and line of business.
Corporate governance	The Board of Governors has solid governance practices in place.	IDRC meets or exceeds the standards set by Treasury Board for transparency and accountability in corporate governance
	Appointments of Board members need to be better staggered.	The IDRC Board has a Nominating Committee and IDRC works closely with DFAIT to ensure timely submission of information required for Board appointments
	The Board needs information better tailored to its needs.	The format and content of Board documents has been modified. Documents are more concise and more clearly linked with Board responsibilities

Research can provide a credible evidence base for policy-making and IDRC collaborates with other key components of Canadian assistance, though the extent of collaboration is limited. The centre consults DFAIT and CIDA on overall strategy and budget, and some co-operation may take place at field level depending on the interests of government staff and the country's researchers. However, IDRC does not try to align individual research programmes with CIDA's priorities for several reasons: (i) research has a longer-term perspective than CIDA priorities and country programmes; (ii) IDRC focuses on themes rather than countries; and (iii) the centre's mandate is to prioritise developing countries' long-term research capacity. IDRC's arms-length relationship with the Canadian government may have led to some lack of clarity within CIDA about when to approach the centre about collaborative partnerships. For example, the centre was involved in the Afghanistan review but has not been involved in the work on fragile states.

Future considerations

- CIDA should review its top-heavy organisational structure and consider adapting structures that enable increased management and financial authority to field directors/heads of aid. It is encouraged to apply to the Treasury Board for higher ministerial level of delegated authority.
- Canada should streamline and simplify its monitoring and reporting system for results-based management as part of its performance management reforms.
- CIDA could draw further on IDRC's research to enhance its policy formulation and evidence-based programming.

CHAPTER 5

AID EFFECTIVENESS

Canada's political commitment to aid effectiveness

Canada's interest in aid effectiveness, based on its 2002 *Policy Statement on Strengthening Aid Effectiveness*, precedes the Paris Declaration. As illustrated in other chapters, the Canadian government tends to adopt a narrower perspective than the declaration, focusing on aid accountability and the need to show results for the Canadian public and parliament. For example, the 2006 Speech from the Throne affirmed Canada's support for "a more effective use of Canadian dollars"; and the 2006 government's budget committed to "ensuring greater accountability in the distribution and results of Canada's international assistance". More recently, the 2007 federal budget sketched out a three-pronged programme on aid effectiveness, noting that Canada's bilateral assistance will (i) focus on fewer countries, consistent with Canada's foreign policy objectives, and be among the largest five donors in core countries; (ii) establish a benchmark for reducing administrative costs and increase field presence; and (iii) improve accountability by providing parliamentarians and Canadians with objective assessments of results. This programme will provide the basis for a comprehensive strategy "benchmarked against other G7 countries".

CIDA released an *Action Plan to Promote Harmonization* in 2004 and endorsed the targets of the Paris Declaration in September 2005, noting that "Canada will contribute to the collective accomplishment of the global targets, bearing in mind that we would not expect to meet each of the individual targets on our own".⁴³ The agency produced an *Agenda on Aid Effectiveness* in 2006, as well as guidelines to ensure that its country strategy papers reflect partner country national plans. It could update the action plan developed as part of the follow-up of the Rome High Level Forum.

The review team welcomes the government's decisions and the processes which they have set in motion. However, more must be done to demonstrate a commitment to the Paris Declaration that engages concerned federal departments and agencies. Along with the MDGs, the declaration should be a key element of Canada's development co-operation. Canada's engagement should therefore ideally give primacy to partner countries' own development efforts and economic opportunities, supporting such efforts in the field together with other donors. In addition to focusing more on partner countries' leadership and ownership of the development process, Canada should address the constraints to implementing the declaration, including the over-centralisation of policy and programming at headquarters.

Implementing the aid effectiveness agenda throughout the Canadian system

CIDA's aid effectiveness agenda lays out the main objectives for Canadian development assistance (Box 6). As part of its review of partnerships with civil society and private sector organisations, the agency has developed a draft action plan for effective partnerships with Canadian CSOs and private sector organisations. Meanwhile, its Voluntary Sector Fund and Voluntary Sector

43 See DCD/DAC/EFF(2006)7.

Program have begun linking funding criteria to aid effectiveness principles. Canadian thinking on civil society and aid effectiveness will feed into the deliberations leading to the 2008 *High Level Forum of Aid Effectiveness* to be held in Accra, Ghana. In preparation for this forum, Canada has volunteered to chair the international Advisory Group on Civil Society and Aid Effectiveness. The review team commends both CIDA's leadership and efforts to strengthen multi-stakeholder dialogue on aid effectiveness. Among others, the CCIC is committed to ensuring that a discussion of civil society's contributions to end global poverty takes place in Accra.

Box 16. CIDA's 2006 aid effectiveness agenda

Strategic focus: (i) greater country concentration; (ii) allocations linked to performance on democratic governance; (iii) fewer sectoral priorities, aligned with the MDGs (maximum of three sectors per country, with democratic governance mandatory in all major programmes).

Programme delivery: (i) produce revised guidelines for corporate country strategies (integrating the Paris Declaration principles); (ii) optimise channels, maximise alignment, focus on clear, measurable results; increase use of programme-based approaches and "prudent engagement" in budget support; (iii) use assessments and allocations framework such as Multilateral Effectiveness and Relevance Assessment and the Multilateral Organization's Performance Network for multilateral programming, as well as the Good Humanitarian Principles and rapid-response capacity for humanitarian assistance; and (iv) strengthen focus on civil society.

Use of agency resources: (i) lower overhead costs; (ii) untie aid; (iii) strengthen field presence; and iv) align skills with changing needs.

Accountability for results:

- **Enhanced performance measurement frameworks aligning resources with results:** (i) develop strategic planning model supported by a performance measurement framework; (ii) use country program performance measurement frameworks; and (iii) implement an Integrated Risk Management Framework.
- **Expand Canada's suite of development reports:** (i) report to parliament and Canadians on international development results; (ii) develop ODA statistical report; (iii) strengthen Departmental Performance Reports incorporating country report cards on Canada's aid effectiveness.

Source: Government of Canada, 2007

Demonstrating results to the Canadian public

Like other donors, Canada's focus on accountability is driven by the need to show results to the public and to generate more support for development co-operation. A specific unit dealing with corporate aid effectiveness has been created within the Policy Branch. Responding to demands from the Government of Canada, CIDA has produced policies and tools making aid more accountable⁴⁴ and for managing the risks related to programme-based approaches. These instruments will be continuously revised to accommodate changing aid modalities. The agency is also preparing annual

44 These include: a policy on fiduciary risk assessment; a management, resources and results structure and an associated programme activity architecture (PAA) to reflect how the agency is structured and how accountability is managed; a corporate performance measurement framework to outline a strategic approach that will bring CIDA, other donors and developing country official together to assess, manage and achieve better development results; and an investment monitoring and reporting tool (IMRT) to better respond to reporting requirements at the project/investment level.

reports on development results; strengthening its existing *Reports on Plans and Priorities* and *Departmental Performance Reports* to incorporate better development co-operation results; and developing an assessment framework and allocation process to improve the efficiency of multilateral programming (Chapter 3). More guidance on aid effectiveness complements the agency's agenda.⁴⁵ The policies and tools are aimed at improving the agency's ability to deliver effective programming.

The peer review team appreciates CIDA's efforts to strengthen internal accountability and encourages the agency to work more with other donors on these issues at field level and to share its experiences of its new tools. The review team also recommends that the agency address rules and procedures that impede it from meeting its commitments under the Paris Declaration. To implement the principles of ownership, alignment and accountability, CIDA should delegate more authority to office managers in priority countries and draw up specific action plans and time frames focusing on the indicators of the declaration. Where possible, progress achieved in implementing the declaration should be reported in public documents (e.g. annual reports) and to parliamentary bodies to increase accountability to the wider community.

Creating corporate incentives for harmonisation and alignment

CIDA and key federal departments could put in place significant corporate incentives to implement the Paris Declaration. There are several possible options:

- CIDA's and DFAIT's management could provide opportunities for staff to learn new skills and explore new areas linked to the implementation of the declaration.
- Staff with harmonisation and alignment experience could be rotated between the two organisations and secondments could be facilitated.
- Recruitment criteria could include field experience, facilitation and sector-specific skills.
- Orientation seminars for new staff could focus on the objectives, principles and implications of the Paris Declaration.
- Measures could reward country managers for progress made in harmonisation and alignment.
- DFAIT's and CIDA's Human Resource Departments could maintain a joint record of staff with harmonisation and alignment experience, making it available to hiring managers.

The above measures would contribute to cross-fertilisation across the two organisations. Additionally, CIDA's management could develop some guidance and training to mainstream harmonisation and alignment good practice and provide information and directives to country offices on when and how to align and harmonise, drawing on experience from across the agency and internationally. Finally, to promote intensive exchanges on key policy and process issues of relevance to the Paris Declaration, headquarters and field-based structured learning networks could be established. Developing country stakeholders and experts, other aid agencies and experts from relevant departments could be part of those networks.

45 See for example CIDA's 2002 *Canada Making a Difference in the World: Strengthening aid effectiveness*, the 2004 *Action Plan to Promote Harmonization*, the 2006 *Action Plan for Effective Partnership with Canadian Civil Society and Private Sector Organizations*, and the 2007-09 *Sustainable Development Strategy*.

Communicating the aid effectiveness agenda

The Canadian government should send consistent and repeated messages to Canadians and parliament that the international aid effectiveness agenda is a key priority of Canada's international assistance. It also needs to specify the actions needed to fulfil it. Such communication will be important to influence corporate behaviour and can include organising sessions with geographic branches at both headquarters and in missions as well as "knowledge fairs". These efforts should form part of a broader communication strategy linking development co-operation, effective aid and the MDGs. The agency could capitalise on its role within the Advisory Group of the DAC Working Party on Aid Effectiveness to generate some insight into framing and disseminating such messages. The High Level Forum in Accra in September 2008 will be a good opportunity for Canada to develop its strategy, in collaboration with CSOs.

Implementing the international aid effectiveness agenda at country level

Increasing in-country delegation of authority

One of the greatest impediments to Canada's full implementation of the aid effectiveness agenda is CIDA's centralised decision-making structure, discussed in Chapter 4. The vast majority of CIDA's directors (61) are based in Ottawa with only six stationed in Africa since 2004. In each of these six countries, the Programme Director is also Head of Aid. He/she is responsible for the development-related aspects of the Canadian programme, with continuous support from a programme support unit composed of local and Canadian technical experts and advisors. A director's authority to select projects is limited to CAD 100 000 for local contracts signed on a competitive basis. He/she can approve projects up to CAD 500 000, beyond which approval comes from the Vice-President of the Africa Branch. The minister can approve projects or programmes up to CAD 20million, beyond which the approval of Treasury Board is required. The selection authority of heads of aid (with the exception of the programme directors cum heads of aid in the African countries noted) is similar to programme directors but they have no project/programme approval authority. Observers of Canada's development co-operation find the system cumbersome, in particular when Canada is required to respond quickly to specific funding needs. Field managers also need sufficient authority to be able to engage with other donors, *e.g.* for pooled funding and budget support.

The government should increase CIDA's field presence and abolish the distinction between directors of programme and heads of aid. The review team also encourages CIDA, within its delegated authority (and the Treasury Board beyond that, as appropriate), to delegate more financial authority to its field office managers. Shifting the authority to the field will allow the agency to react both flexibly and quickly to local needs and to develop and nurture relationships with a broad range of stakeholders in the spirit of the Paris Declaration.

Deepening harmonisation and alignment

Harmonisation and alignment are becoming regular dimensions of Canada's work in the field. Evidence from both Mozambique and Haiti shows that Canada can play a leadership role in co-ordinating aid among bilateral donors in a number of sectors. The agency aligns its country strategy with the national plan and sectoral strategies, and increasingly relies on the national public financial management system (where it meets sufficiently high standards), including for the procurement of goods and services through international bidding. Canadian aid is increasingly untied in least developed countries and is moving away from a strong emphasis on traditional projects towards more programme-based approaches with pooled funding and no earmarking, and towards modest general budget support. Such practices should be expanded to all priority countries in which Canada has a

sizeable aid programme. The situation in Haiti is somewhat different given the constraining local circumstances (Annex D).

Canada could commit firmly to working with other donors, *e.g.* conducting joint country and sector analysis and joint programming and evaluations, and drawing up joint mission schedules. It could delegate more aid management responsibility to other donors and jointly fund country level staff whenever possible. Corporate financial regulations need to be flexible enough to allow the field office to delegate disbursement to other donors and to receive other donors' funds to spend on their behalf. The agency could make better use of sector-wide and programme-based approaches⁴⁶ as well as local harmonisation plans when these exist. CIDA could also begin integrating parallel implementation units (there are currently 68 PIUs in 22 countries) into the line ministries of partner countries. This will reduce transaction costs in the long run and help increase partner countries' ownership of their own development.

Projects require specific procedures for approval, for procurement, for accounting and for evaluation. At field level, project management involves many different actors including CIDA's Programme Support Units and parallel structures, CSOs and private sector firms. The system is cumbersome and has been criticised for its strong focus on internal accountability rather than accountability to the partner country. CIDA could be more selective in identifying the areas it wants to support, in agreement with its partners. It should also phase out small projects, and focus instead on concentrating aid on activities that can have wider impact.

Strengthening partner countries' accountability systems

CIDA is committed to using partner countries' reporting and performance assessment frameworks and to harmonising its own monitoring and reporting requirements with other donors until it can rely more extensively on partner countries' own statistical, monitoring and evaluation systems. In effect the agency has developed sophisticated performance assessment and accountability mechanisms, which are discussed on several occasions in this report. Together with other donors, it should identify measures to help strengthen the capacity of partner countries to develop their own systems. The new DAC self-assessment tool on country capacity to manage for results could be useful. Given its expertise in gender and results-based management, CIDA might want to take the lead in ensuring that gender analysis and sex-disaggregated data are developed and used as tools for accountability, strengthening capacity when and where necessary.

Pursuing mutual accountability

Donors and partners are not only responsible to their respective constituencies for the use of resources to achieve results: they are also accountable to each other for the better management of aid. In Mozambique for example (Box 7), a performance assessment framework governs the relationship between 18 donors, including Canada, and the national government. CIDA is piloting the assessment framework in six African countries and an evaluation is underway to determine whether it streamlines and simplifies reporting and focusing on outcomes; and whether the countries' own reporting and performance frameworks are sufficiently reliable to be used. The authorities should take this opportunity to identify practical ways of collectively addressing capacity gaps. Meanwhile Canada should continue making every effort to share timely and accurate information on aid commitments and

46 CIDA's programme-based approaches (PBA) increased from 5% of bilateral aid in 2001/02 to 24% in 2005/06, with 22% of CIDA's PBA funding provided through project funding, 37% through pooled funding, and 41% through budget support. This indicates that projects are still a common approach.

disbursements with the budget authorities of its partner countries so their government can present comprehensive budget reports to their legislature and citizens.

Box 17. Mutual accountability in Mozambique

The concept of mutual accountability is only just emerging as Canada engages in joint activities with other donors at the country level. In Mozambique, Canada participates in a monitoring mechanism involving a group of 18 donors (G18) and the Government of Mozambique in order to reach a common view on performance as a basis for aid commitments. The exercise is a central component of improving the effectiveness and efficiency of aid.

Working closely with CIDA's Performance and Knowledge Management Branch, CIDA/Mozambique has piloted a performance measurement framework. It was closely linked to the results matrix of the country's national poverty reduction strategy, known as PARPA, and to CIDA's accountability framework — known as the key agency results. The agency produced a *Program Performance Report* summarising the results achieved in its target sectors and reflecting results identified in the performance measurement framework. Those results are themselves drawn mainly from the G18 Joint Review process on mutual accountability. CIDA reports that significant effort has gone into aligning the performance measurement framework with Mozambique's indicators and targets defined through the PARPA, the G18's own performance assessment framework and the national sectoral programmes. However, a major challenge has been to demonstrate linkages to Canada's 2005 *International Policy Statement*, as well as to the key agency results and CIDA's Programme Activity Architecture, and to show how the agency's programme is achieving the targets of the Paris Declaration on Aid Effectiveness.

Untying Canadian aid further

Canada has increased the untied level of its bilateral aid towards least developed countries (LDCs) from 32% in 2001 to 66% in 2005.⁴⁷ The DAC average untying ratio was 76% that year, indicating that Canada could go further. Canada also changed its food aid policy in 2005 so that up to 50% (previously 10%) of food could be purchased in selected developing countries. The Canadian government is developing guidelines to promote greater aid untying within the agency as well as in other government departments. These steps are significant and well appreciated by the review team and the broader development community. Canada could be even more ambitious by completely untying its food aid and extending the coverage of the DAC 2001 Recommendation on Untying ODA to LDCs. This would offer Canadian exporters access to aid funded through the European Union (EU) budget on the basis of EU policy on reciprocal access. Canada should continue to strengthen partner countries' own procurement systems together with other donors working in the same countries.

Ex post reporting on contract awards is required under the provisions for transparency and monitoring of the DAC untying recommendation. Canada began notifying the DAC *ex ante* on untying to LDCs in 2003. However, it did not report in 2004 and it has made a small number of notifications since then (two in 2005 and one in 2006). Canada should clarify whether such few reports are a result of the small size of projects to LDCs (less than USD 1 million each), or for other reasons.

Future considerations

- The Canadian government should ensure a whole-of-government approach to achieving aid effectiveness.
- CIDA's corporate management should provide appropriate incentives to strengthen implementation of the international principles for aid effectiveness. These could include

47. DCD/DAC(2007)11/REV2, p. 6.

reviewing recruitment procedures and facilitating staff rotation and secondment; organising staff training specifically on the Paris agenda and rewarding staff for achieving results in implementing the Paris Declaration.

- The Canadian government should actively pursue joint approaches and delegated authority with other donors and accelerate the shift from projects to sector-wide approaches and budget support.
- Canada should continue to untie its aid to poor developing countries and consider untying food aid entirely. Together with other donors it should promote more local and regional procurement by developing country firms.

CHAPTER 6

SELECTED THEMES

For the 2007-08 biennium, the DAC has decided that all Peer Reviews should cover two major themes, one of which is capacity development, examined in the first part of this Chapter. The second topic chosen for this review is Canada's approach to fragile states, with Haiti as a case study for applying the DAC *Principles of Engagement in Fragile States and Situations*.

Capacity development

Making CIDA's approach to capacity development more strategic

Like other donors, CIDA does not have an explicit and comprehensive approach to capacity development. Canada's 1995 foreign policy review, *Canada and the World*, provided some directions, stating that "a sound development programme must be people-centred, with a focus on human development — on building capacity, which means helping women, men and children in developing countries, their communities and institutions, to acquire the skills and resources needed to sustain their own social and economic progress". CIDA has since defined capacity development as "a process by which individuals, groups, organisations and societies enhance their abilities to identify and meet development challenges in a sustainable manner" (Government of Canada, 2007). This definition is deliberately simple and close to the OECD/DAC's definition in *The Challenges of Capacity Development - Working Towards Good Practice*.

Both CIDA and the IDRC are actively engaged in strengthening capacities in partner countries. Between two-thirds and three-quarters of CIDA's disbursements through its geographic branches are related to capacity development; and four out of the five "immediate outcomes" highlighted in the strategic model approved by the Treasury Board in 2006 also concern capacity development. The expected results of CIDA's *2007-08 Report on Plans and Priorities* focus on enhancing or restoring capacities in fragile states and countries in crisis, selected countries and regions, as well as strengthening multilateral, international and Canadian institutions in the pursuit of development goals. These directions are generally in line with DAC guidance.

At the same time, a stocktake of CIDA's bilateral programming reveals that the agency does not usually engage in capacity development in a comprehensive and strategic way. Only about 15% of 53 projects that were evaluated drew on an integrated, holistic understanding of capacities relevant to the project's objectives; the remainder engaged in capacity development in an *ad hoc* fashion (CIDA, 2004). This is particularly important in fragile states where poor technical capacity in large parts of the public service can unleash a proliferation of uncoordinated donor interventions. While the Paris Declaration commitment of countries leading and donors supporting is more easily said than done, activities that fragment efforts and divert critical resources, *e.g.* parallel project implementation units, should be phased out. CIDA should also make a special effort to evaluate the sustainability of key capacity development interventions, focusing in particular on strengthening democratic governance — now a major objective of Canada's bilateral aid (Chapter 1). CIDA should thus adopt a more explicit strategy for capacity development, with clear guidelines on working with other donors to strengthen partner countries' ability to formulate their own capacity development frameworks and co-ordinate technical co-operation.

Sharing good practice and tackling remaining challenges

CIDA's stocktaking exercise indicates that most of the agency's capacity development activities tend to focus on task-specific training and skill-building; however, many projects also include institutional and organisational development, the promotion of an enabling environment, community animation and mobilisation, and mainstreaming capacity development. CIDA's flexible, learning-by-doing approach relies on ongoing monitoring and dialogue rather than on *ex ante* capacity assessments and planning. The success of capacity development projects has rested on actively involving local partners early on in the project cycle; adopting long-term perspectives, patience and perseverance in the face of uncertainty; innovative approaches to local contexts and problems; and integrating capacity development within larger partner country-led programmes. Mozambique's health training centre (Box 8) is a good illustration of that approach. Given CIDA's experience in capacity development and the need for a more co-ordinated approach among donors at field level, CIDA could take a facilitating and coaching role for capacity development in Mozambique, and other priority countries, whenever possible.

Box 18. Training Centre for Health Renewal in the Inhambane Province of Mozambique

CIDA supports Massinga's Training Centre for Health Renewal in partnership with the University of Saskatchewan, which acts as executing agency. The project aims to strengthen the capacities of Mozambique's health training institutions, using the Massinga Centre as a model. The centre is Mozambique's first and only continuing education institute for health care, as well as a leading research and training centre for preventive public health care practices. Mozambique's Health Minister is planning to turn the institute into a national reference centre. Some of the most innovative aspects of the project include:

Ownership: the centre's National Director from Mozambique's Ministry of Health (MOH) is fully in charge, supported by two part-time technical experts from the University of Saskatchewan. The provincial health authorities are involved in the centre's management. CIDA's financial contribution has decreased as a result of MOH's direct, though modest, financial contribution to core operations since 2004. The ministry also contributes supplies and equipment through Mozambique's health sector programme.

Alignment: health, continuing education and new planning and management methods for delivering health services and training are key elements of Mozambique's poverty reduction strategy. Since 2002, the centre has been included in the provincial budget. To ensure sustainability, CIDA supports the centre's integration into the ministry's budget and the national health strategy. MOH's Human Resources Department is integrating the centre's approach and methodology into the country's health training curricula.

Capacity development: a step by step approach to capacity development began with training the centre's Director in Canada and local staff in-country. Concurrently the centre was rehabilitated and a methodology for the training of trainers, community participation and participatory action research was developed as well. With CIDA funding from the bilateral programme, the second phase focuses on enhancing management capacity using technical assistance to help develop a methodology for planning, programming and evaluation.

Development result orientation: the project uses annual monitoring indicators. Project assessments and evaluations focus on integration, government responsibility and management abilities.

Accountability: the project has introduced a new approach to education, including lectures, teaching/learning-by-doing and innovation, as well as health practices involving civil society to promote health, focused on the nearby community of Tevele. The Government of Mozambique and NGOs are engaged in new working relationships.

HIV/AIDS and gender equality: these issues are included in the centre's curriculum. Gender equality principles were taken into consideration from the design stage of the project onward.

Partnerships: Mozambique's authorities provided the infrastructure from a former Swiss project. The Canadian Autoworkers Union financed the physical enlargement of the centre. Staff from Saskatchewan University strengthen capacities, including through the training of local staff. Interesting exchanges between the trainers, the trainees, and visiting Canadian medical students are also taking place.

CIDA still faces a number of serious challenges in ensuring effective capacity development. These include burdensome administrative requirements, disbursement pressure, high turnover among staff and the over-mechanisation of results-based management reporting. Results-based management can be positive for capacity development, provided it is used to promote dialogue and improve management rather than as merely a set of reporting tools. Improving its role in capacity development would require rebalancing the results-based management and accountability frameworks and harnessing monitoring and evaluation as an opportunity to involve local stakeholders. Another challenge is to build training capacities locally and making better use of expertise available at both regional and national levels. More generally, CIDA's capacity development efforts should be more structured and better co-ordinated with efforts conducted by other donors working in the same sectors, *e.g.* donors intervening with separate training programmes should pool funds and ask the authorities to proceed with tendering. This would save transaction costs but would require a genuine commitment from all concerned to "lower the flag", *i.e.* not promote individual results and visibility over shared results.

In Mozambique, Canada's approach is to align development activities with national systems and to use local capacity for delivering the country programme. While this approach is consistent with the Paris Agenda and with the good practice developed by the DAC, it does not significantly address the capacity constraints which often limit or thwart poor countries' development, particularly in Africa. In all its priority countries, CIDA could help build a consensus on capacity development with national governments and other donors, making it a central topic of the policy dialogue. It could also address the systemic factors discouraging country-led capacity development. Needs assessment (*e.g.* institutional analysis, power analysis or drivers-of-change analysis) should serve as the basis for joint programming and for making decisions on the recruitment, use and evaluation of technical experts and advisors. The impact of CIDA's capacity development interventions on partner countries' overall institutional and human resources, using programme support units and foreign technical co-operation, should be evaluated. A strategic and co-ordinated approach to building local capacity is even more needed in fragile states, like Haiti, where particularly weak administrative and management capacities have led donors to substitute for the public administration. CIDA could also take a special interest in ensuring that capacity is generated at the national level so that gender equality, human rights and environmental sustainability can be integrated into programme planning, budgeting and reporting.

Learning from IDRC's approach to capacity-building

Capacity-building lies at the heart of IDRC's approach to international development. Building local research capacity to help developing countries become healthier, more equitable and prosperous societies is one of the centre's primary objectives. IDRC understands capacity-building as: "the ability of an individual, group, network, organization or society to identify and analyse situations, and to perform critical tasks that enables it to solve development challenges over time and in a suitable manner" (Neilson and Lusthaus, 2007). IDRC supports individual researchers or research teams, networks of researchers and research users in partner countries. These networks are important for sharing results and application, stimulating debate on important scientific questions and linking researchers with policy-makers and other research users. In many cases the research generates new knowledge that can lead to new relationships between various actors and their organisations, networks and institutions. It can also lead to new ideas, approaches and tools that can influence policies and technologies, which in turn can lead to solutions to the research problem or development challenge (Neilson and Lusthaus, 2007).

IDRC has commissioned a paper on tools or typologies to help staff and managers conceptualise, plan, monitor and evaluate capacity-building in their work. The proposed framework maps out whose capacity and what capacities are being built, how these capacities are being built in terms of IDRC's

fundamental principles⁴⁸ and why. Critical to the development of the framework is the idea that the centre's programme staff and managers take a multi-pronged approach using the research problem as the starting point in order to decide the entry point for programme support, be it at the individual, organisational and/or network level. This framework could be useful to CIDA and other agencies engaged in capacity development in developing countries.

Canada's engagement in fragile states and countries in crisis

The influence of global security considerations

The global security agenda has become a key element of Canada's foreign policy since the DAC 2002 peer review, with implications for development and the geographical allocation of aid. CIDA's mandate was updated in 2002 to include the phrase "to support international efforts to reduce threats to Canadian security" and fragile states and countries in crisis have become a category in themselves (Simpson and Tomlinson, 2006).⁴⁹ According to Canadian researchers, the government perceives that states and countries experiencing humanitarian catastrophes can threaten regional and global security, providing breeding grounds for terrorism and organised crime. Canada's strong engagement in such countries is guided by the DAC *Principles for Engagement in Fragile States and Situations* (Canada is piloting those principles in Haiti, [Box 9]) and the DAC *Handbook on Security System Reform*. CIDA is preparing a policy document to formalise a number of established aspects of Canada's approach underpinned by the principles. The document should unequivocally adhere to the vision of the MDGs as a way of preventing conflict and promoting development and stability. It should also recognise the importance of long-term involvement and predictable support for fragile states. Such a perspective could galvanise government action and public understanding of and support for Canada's engagement in fragile states.

A flexible whole-of-government approach

In the language of the Department of Foreign Affairs and International Trade (DFAIT) the term "whole-of-government approach" has emerged to respond to significant, complex conflicts with important implications for stability and national security. The term is now commonly used by CIDA and other Canadian federal departments, including the Department of Justice, Elections Canada, the Royal Canadian Mounted Police, Finance Canada and Public Safety Canada (formerly the Department of Public Safety and Emergency Preparedness Canada). The approach integrates the three dimensions of foreign policy, namely diplomacy, defence and development, to help restore peace and security and to create the conditions for sustainable development. It is being tailored to the specific needs of Afghanistan, Haiti and Sudan, all of which experience (or have experienced) human security problems, humanitarian need, some form of foreign intervention and, in Afghanistan in particular, growing insurrection. These countries require their political and security sectors/structures to be stabilised.

The whole-of-government approach is promising for Canada's foreign policy and has significant potential for internal policy coherence and co-ordinated programming across Canada's federal departments and agencies. Creating synergies and generating meaningful collaboration across these is not an easy task, however. As illustrated in Haiti (Annex D), specific incentives may be needed, e.g. joint training, staff secondment and temporary transfers, and topic-specific workshops to encourage cross-cultural fertilisation and collaboration. The large Canadian programmes in

48 IDRC's principles are persistence, partnerships, following a locally-driven agenda and harnessing existing capacities.

49 The term "failed and fragile states" was coined in Canada's 2005 *International Policy Statement*. Canada uses the terms "countries in conflict", "countries in crisis" and "countries in transition" depending on the context.

Afghanistan, Sudan and Haiti may require country-specific frameworks and strategies with well delineated roles and responsibilities for the departments involved in order to foster a good understanding of the country and promote an appropriate inter-governmental response. Ideally joint planning involving humanitarian, security, diplomatic and development actors should occur in consultation with partner countries' authorities. Care should be taken to rely on existing capacity and to work with non-state actors in ways that reinforce the development of public sector capacity in the longer term. This is particularly difficult in states where the relationship between government and CSOs is distrustful and strained. In Haiti for example, Canada was encouraged to play a facilitating role to help improve that relationship.

Box 19. The DAC Principles for Good International Engagement in Fragile States and Situations applied to Canada's assistance to Haiti

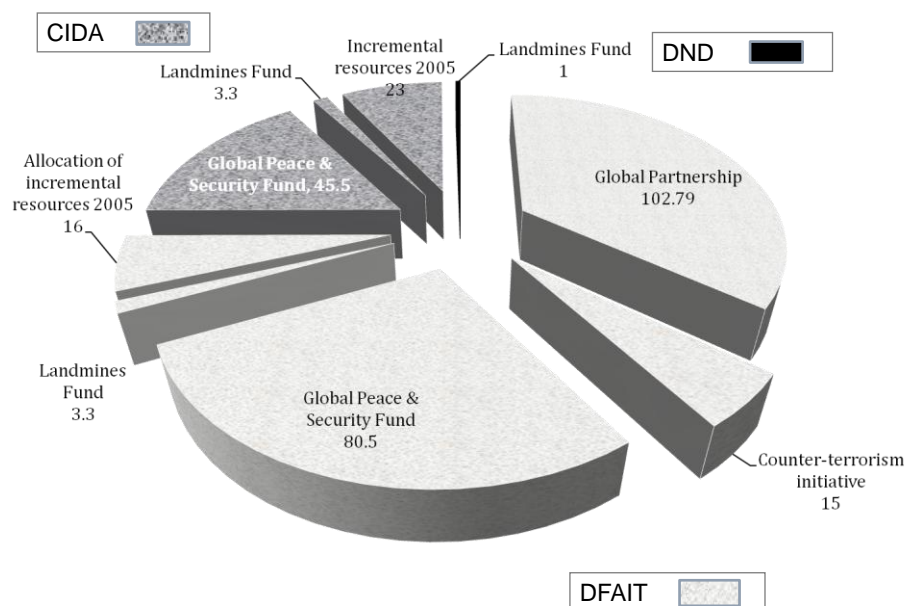
1. **Take context as a starting point**
Haiti has recently emerged from conflict, is very poor and aid dependent. Canada responded quickly to insecurity problems following the 2006 presidential elections. Its assistance is flexible as the country moves from crisis to stabilisation. At the same time, Canada is engaged for the long-term, fostering donor co-ordination and national ownership of the government's Interim Cooperation Framework (2004-2007) which it helped develop. Canada's human, political and financial engagement in Haiti is important and it has brought international attention to that country.
2. **Do no harm**
Canada's selective immigration policies raise policy coherence issues as they tend to aggravate the brain drain of educated Haitians. A dialogue is required between Canada's federal departments, including migration, and the Haitian Government based on an analysis of the impact of those policies on capacity gaps in Haiti. Like other donors, Canada should avoid relying on parallel project implementation units and similar mechanisms that are damaging in the long run. Instead it should align with the government's forthcoming poverty reduction strategy and other national plans as they emerge. In the meantime, Canada should harmonise its interventions with those of other donors so as to provide a common response to capacity needs.
3. **Focus on state building as the central objective**
Canada is increasingly investing in state capacity-building, including with foreign technical co-operation, while supporting civil society. It is strengthening government capacity to develop policies and processes. It could foster state-society dialogue on national priorities, adopt a more proactive approach towards the justice and prison reform and scale-up its employment generation initiatives, in consultation with other donors. These measures are essential for the effective stabilisation of Haiti.
4. **Prioritise prevention**
There is a real risk of a relapse into violence and instability in Haiti; this requires not only monitoring but also preventive action. Canada played a key role in police reform and in ensuring MINUSTAH's mandate. It is the only donor engaged in rehabilitating prisons, though modestly. CIDA has corporate instruments and processes to measure results at project level. It could invest in governance and conflict analysis, measuring the impact of its engagement on the political economy of Haiti, and focus on the role of potential reformers and the diaspora.
5. **Recognise the links among political, security and development objectives**
Canada's whole-of-government approach would be more efficient with an overall strategy bringing together the key federal departments involved. Inter-departmental co-operation frameworks should determine the roles and responsibilities of each department as well as of key staff at country level. Ultimately a joint instrument to measure the impact of Canada's engagement on the three fronts should be developed.
6. **Promote non-discrimination as a basis for inclusive and stable societies**
Canada is the champion of gender equality and civil society empowerment. It could help kick-start state-society dialogue and increase support to justice reform and human rights. Canada's strategy should also clarify the criteria for selecting regions for engagement.
7. **Align with local priorities according to context**
Canada supports the government's focus on democratic governance, state capacity-building, re-draft of the economy and access to basic services. More could be done with other donors to generate employment and strengthen the economy. Canada should support the priorities of the forthcoming poverty reduction strategy, dividing labour among other donors based on comparative advantage. Canada consults with a large range of Haitian non-government stakeholders. It could engage the government to reach out more to the local population.
8. **Agree on practical co-ordination mechanism among international actors**
Canada was instrumental in developing the Interim Coordination Framework. It could take the lead in engaging other donors to implement the Paris Declaration agenda, promoting joint assessment missions, shared upstream analysis, multi-donor trust funds, joint donor offices, common reporting and financial requirements. Canada is uniquely placed to help promote mutual accountability in development co-operation.
9. **Act fast...**
...but stay engaged long enough to give success a chance. Canada has been engaged in Haiti since 1968 (except for 1991-1994), and has committed CAD 520m between 2005 and 2011. It can be commended for adjusting aid levels according to context.
10. **Avoid pockets of exclusion**
The new poverty reduction strategy is an opportunity for Canada to clarify its pro-poor development policy and to prioritise and sequence its interventions.

Co-ordinating support to fragile states

The system for allocating aid to fragile states and countries in conflict is rather complex and could be simplified (Figure 6). DFAIT and CIDA share responsibility for policy and programming for fragile states and countries in crisis. In 2007/08, Canada committed CAD 383 million to the Peace and Security Pool, CAD 20 million of which was for CIDA. The Crisis Pool (CAD 333 million), co-managed by DFAIT and CIDA in consultation with the Privy Council Office, the Finance Department and the Treasury Board Secretariat, is an earmarked and short-term reserve (up to 24 months) which requires cabinet approval before it can be allocated to any specific federal department; these funds cannot be used for military deployment. The Development Pool (CAD 2.90 billion) is used for longer-term development through CIDA's geographic, multilateral and partnerships branches.

Figure 6. Allocation of Peace and Security Pool funds (2006/07)

in CAD millions



Source: CIDA, *Report on Plans and Priorities 2007-08*.

Table 1 lists DFAIT's and CIDA's roles and responsibilities in Canada's assistance to fragile states and countries in conflict. The two agencies have signed a memorandum of understanding to clarify their respective mandates, outline operating principles, encourage co-operation and eliminate overlap (Government of Canada, 2007). This good practice should be extended to other federal departments and agencies involved in the same fragile states. The ideal situation would be to have one strategic and financial planning framework for all and the most senior official being accountable for fostering the whole-of-government approach.

Table 1. DFAIT and CIDA's roles and responsibilities in fragile states and countries in crisis

	DFAIT (START/GPSF)	CIDA
Timing/duration	Immediate crisis response	Longer-term development
Humanitarian assistance	Humanitarian policy development, crisis co-ordination	Operational humanitarian assistance in emergencies
Conflict prevention	Conflict mediation and negotiation, policy and diplomatic support	Conflict-sensitive development programming
Stabilisation/reconstruction	Judicial rapid response, police and corrections deployments, border control, co-ordination with Department of National Defence, CIDA and other government departments and agencies' peace operations, peace negotiations	Support to public institutions
Justice and security system reform	Technical assistance, training for military corrections, justice, and police support to courts and war crimes tribunals	Longer-term legal and judicial reform
Democratic transition	Peace negotiations, constitutional processes	Electoral institutions, civil society, media

Source: Government of Canada

The risk of dispersing resources

Under the whole-of-government approach, Canada's three major programming entry points cover the broad spectrum of Canada's assistance in fragile states and countries in crisis: (i) good governance (*i.e.* democratisation support, accountable public institutions, legal and judicial reform, human rights protection, gender participation in decision-making); (ii) security and stability (*i.e.* mediation, security sector reform, humanitarian assistance and the reduction of violence); and (iii) livelihoods (*i.e.* micro-enterprise development, enabling business environment, agricultural extension services, property rights and the protection of natural resources). While in principle the approach is tailored to each country, Canada is in danger of supporting too many activities and actors, potentially leading to the dispersion of aid resources, the substitution of local or regional human resources and duplication among donors. As the review team recommended in Haiti, the Paris Declaration offers a useful framework for donors to harmonise their interventions and to strengthen partner countries' government systems until they can deliver their own plans and frameworks.

When implementing the whole-of-government approach Canada uses the following different mechanisms and instruments:

- DFAIT's Stabilization and Reconstruction Taskforce (START, see Box 10) is a rapid reaction instrument to respond to crises in a co-ordinated way. START's 82 staff work in close collaboration with a network of federal departments and agencies, G8 partners, the UN, the European Union, the African Union and the North Atlantic Treaty Organization. The task force manages the Global Peace and Security Fund (GPSF) — a CAD 500 million fund to be used over five years to develop and deliver peace and security initiatives. It also manages the Glyn Berry Programme, which builds on Canada's long history of promoting democracy abroad. DFAIT's humanitarian team uses this advocacy programme for capacity building, *e.g.* in the area of protecting civilians. Current Global Peace and Security funding priorities are

Sudan (CAD 135 million since April 2005), Afghanistan (CAD 30 million per year) and Haiti (CAD 20 million per year). In line with Canadian government priorities, GPSF is also supporting security, stabilisation and peace-building initiatives in the West Bank/Gaza, Lebanon, Colombia and Uganda. Additional resources for START activities are available from the Crisis Pool. START's Advisory Board includes representatives of DFAIT, CIDA, the Department of National Defence, Public Safety (formerly Public Safety and Emergency Preparedness), the Royal Canadian Mounted Police, the Privy Council's Office, Justice Canada and related organisations.

Box 20. START's achievements

START can claim some success in delivering 176 projects, including initial international policing expertise; early assessment of correctional needs and policy advisory support in Afghanistan; logistical support to African Union peacekeepers in Darfur; support to the demobilisation of 30,000 paramilitaries in Colombia through the Organization of American States; the provision of 25 police advisors to assist with local security for Haiti polling stations; funding of the Sudan Small Arms Survey; constructing a regional peace support operations school in Mali and providing border management expertise through the Middle-East process.

Source: Government of Canada, 2007

- CIDA's agenda in fragile states and countries in crisis is to prioritise short-term crisis response, medium-term stabilisation and long-term development. The agency uses evidence-based policy and programme development, customised monitoring, evaluation and reporting systems and capacity-building. Its analytical capacity includes early warning of conflicts and conflict-sensitive country programming based on evaluation, tools and guidelines. The agency's Peace and Security Group within the Multilateral Branch focuses on conflict prevention, post-conflict peace-building and protection against human rights abuses by financing capacity development activities of multilateral organisations and international NGOs. The Peace and Security Group complements ongoing humanitarian programming, acting as a bridge between emergency needs and more sustainable, longer-term development programming.
- The International Police Peacekeeping Program of the Royal Canadian Mounted Police⁵⁰ may also be involved in fragile states at different stages. The Department of National Defence may be called upon to participate in Canada's response to fragile states in many ways. For example, it funds and operates the Military Training Assistance Program and has recently established a Provincial Reconstruction Team (Kandahar, see below), staffed the Strategic Advisory Team (Kabul) and, on several occasions, deployed the Disaster Assistance Response Team.
- In the area of humanitarian action (Annex E), CIDA provides food and medicine, as well as protecting civilians during armed conflict. These activities take place at three levels: (i) in the field, by supporting the humanitarian programmes of the UN, Red Cross and NGOs; (ii) at the political level by engaging with national governments and armed groups to ensure security of civilians affected by conflict and the safe access of humanitarian workers; and (iii) in inter-governmental fora such as the UN Security Council. DFAIT leads on policy co-ordination and integrates different government departments from CIDA to Defence and Immigration.

⁵⁰ This operates under the Canadian Police Arrangement between DFAIT, CIDA, Public Safety Canada and the RCMP and Justice Canada. It is managed by START and funded by the GPSF.

DFAIT's experience of working through international political channels maximises Canada's influence in important thematic and country-specific issues. CIDA focuses on implementing the policy through providing assistance on the basis of need, without influence from other governmental objectives. The role of Canada's military is carefully managed to ensure its appropriate use as a last resort, and with close civilian guidance. For large-scale disasters, Canada's Standard Operating Procedures for Response to Natural Disasters provide a robust framework for a rapid and co-ordinated whole-of-government response with well delineated roles and responsibilities, pre-identified and pre-trained points of contact, and standard templates for meetings, reports and lesson learning. Through access to the Crisis Pool, additional funds can be disbursed rapidly without affecting ongoing crises.

In the Afghan Province of Kandahar, the whole-of-government approach is piloted through a Provincial Reconstruction Team in which the Canadian Forces, CIDA development officers and DFAIT's diplomats work together with local authorities to advance the central government's presence in that region and support reconstruction. In Haiti, the co-ordinated approach was used during the 2006 presidential and legislative elections, in which over 100 Canadians took part as observers within the International Mission for Monitoring Haitian Elections (CIDA, 2006b) led by Elections Canada. CIDA provided funding for the electoral process, including the establishment of 9 000 voting centres and the registration of 3.5 million voters, contributing to the highest voter participation ratio in the history of the country. START provided funding for the deployment of Canadian police and local electoral guards and for the purchase of communications equipment to assist with security at the voting centres. START also supports police and prison reform and the strengthening of border management capacity. CIDA now focuses on state capacity-building while also supporting civil society to deliver basic services and promote democratic governance. Canada's all-of-Sudan programme supports the implementation of the North-South Comprehensive Peace Agreement as well as peace agreements in East Sudan and Darfur as the security situation permits.

IDRC's Peace, Conflict and Development Programme supports research for specific peace-building processes as well as research on key peace-building challenges. The programme focuses on what does or does not work in the transition from conflict to peace and development, and responds to requests from research institutes, universities, policy-makers, networks and CSOs. The programme encourages multidisciplinary approaches encompassing economics, political science, anthropology, law, sociology, gender analysis and participatory/action research. Where relevant, IDRC's research results should be systematically integrated into policy and programming in fragile states and countries in conflict.

Future considerations

- CIDA needs a more explicit strategy for capacity development, with clear guidelines for working with other donors to strengthen partner countries' own capacity development frameworks and their ability to co-ordinate technical co-operation. The agency could build on IDRC's unique approach to capacity development and, where appropriate, play a facilitating and coaching role in partner countries.
- Canada's policy on fragile states and countries in crisis should commit unequivocally to the vision of the MDGs as a way of preventing conflict, promoting development and stability and recognising the importance of long-term engagement. Using this lens could galvanise government action and public understanding of and support for Canada's engagement in these countries.

- Canada's aid programme in fragile states and countries in crisis requires specific frameworks and strategies with well delineated roles and responsibilities for the departments and agencies involved. Incentives may be needed to encourage cross-cultural fertilisation and collaboration, with joint planning the ultimate objective among the various bodies involved.

ANNEX A

PROGRESS SINCE THE 2002 DAC PEER REVIEW

Key issues	2002 recommendations	Progress achieved
Strategic orientations	<p>In updating <i>Canada in the World</i>, Canada should integrate the central role of poverty reduction and its linkages with programme priorities and with non-aid foreign policy objectives.</p> <p>The revival of an annual report by CIDA to the public and launching of a report on Canada's overall ODA effort could enhance transparency and accountability as well as help build public confidence in the results achieved through development co-operation</p>	<p>Canada needs to clarify its vision for development assistance giving proper weight and profile to poverty reduction. A strategic outcome of CIDA's <i>Report on Plans and Priorities 2007-2008</i> is to contribute to global poverty reduction through sustainable development.</p> <p>Canada has embarked on a wide reform of public financial management, accountability and audit to increase transparency and accountability to the Canadian Parliament and taxpayers. The recommendation to publish an annual report on development co-operation still applies.</p>
Policy coherence for development	<p>In order to maximise its impact on poverty reduction, Canada's commitment to policy coherence for development needs to be supported by a system for mobilising efforts across the government, including more structured collaboration between CIDA and DFAIT as well as other federal departments and agencies.</p> <p>Canada should take a more proactive approach in analysing the impact on developing countries of non-aid policies such as trade, agriculture and migration</p>	<p>Canada's whole-of-government approach has improved policy co-ordination but establishing a sustainable framework for policy coherence is still a challenge. Work in fragile states (Afghanistan and Haiti) has led to some policy coherence and collaboration, e.g. between defence and development planning and operations. CIDA has initiated framework arrangements with Statistics Canada and the Office of the Auditor General.</p> <p>The Canadian system overall has significant analytical capacity. Specific knowledge gaps (e.g. on brain drain/gain) remain. An interdepartmental working group on international migration meets on a regular basis; CIDA and Citizenship and Immigration Canada jointly funded a scoping study on the nexus between migration and development.</p>

<p>ODA volume, channels and allocations</p> <p><i>Aid volume</i></p> <p><i>Geographic dispersion</i></p>	<p>Canada's commitments to increase aid annually by 8%, to liberalise trade and further untie aid are welcome, and Canada is encouraged to maintain the wide public support needed to carry these initiatives through to effective implementation.</p> <p>CIDA is encouraged to implement the recently announced intention to focus the additional aid resources on a limited number of recipient countries with the aim of achieving greater impact.</p>	<p>Canada's 8% per annum increase since 2002 is keeping up with the objective of doubling aid by 2010/11. Significant steps have been taken to provide duty-free and quota-free access to most imports from LDCs; to untie bilateral aid for those countries and to change Canada's food aid policy. Canada does not have an appropriate strategy to communicate the purpose and broad outcomes of development co-operation but it does build public awareness through its corporate communications and outreach programmes.</p> <p>In 2003 CIDA agreed to concentrate on fewer countries in Africa. The proportion of aid to the top 20 of the agency's 77 bilateral partners has increased to 75% (excluding Partnership Programmes with NGOs) since 2005/06. The government aims to be among the largest five donors in its (still unnamed) core countries of interest.</p>
<p>Organisation and management</p>	<p>The parallel shift towards making results-based management more strategic and selective in identifying the significant results to be measured is encouraged as a requirement for generating key management information and tracking CIDA's contribution to collective donor efforts to help achieve the MDGs.</p> <p>CIDA should clarify the respective roles of staff in headquarters, embassies and project support units and envisage more delegated authority to the field in the context of the new business models it is developing, especially for programme-type approaches.</p>	<p>CIDA has a sophisticated system focusing on corporate performance and reporting requirements at the project/investment level. It integrates RBM, evaluation, internal audit and knowledge management into its Performance and Knowledge Management Branch. However, the system is cumbersome, risk-averse and small programmes have just as many obligations and requirements as large programmes.</p> <p>CIDA's 1 852 employees are concentrated in headquarters, with only 125 Canadian staff in field missions, supported by 166 locally engaged personnel. The agency has named country directors in six African countries as a pilot. A Memorandum of Understanding has been signed with DFAIT to improve support to field operations.</p>
<p>Aid effectiveness</p> <p><i>Aid modalities</i></p>	<p>Canada is encouraged in its efforts to shift towards programme-based approaches with greater local ownership where the policy and management environment are conducive, and to focus on fewer sectors in a selected number of recipient countries.</p>	<p>Canada's programme-based approaches have increased from 5% of bilateral aid in 2001/02 to 23% in 2005/06, with 22% of CIDA's PBA funding provided through project funding, 37% through pooled funding and 41% through budget support. The recommendation to focus on fewer sectors and a selected number of countries still applies.</p>

<p><i>Canadian Partnerships</i></p>	<p>CIDA is encouraged to consider ways of increasing local ownership by reviewing the role of Canadian civil society entities and Canadian executing agencies against its intention to shift towards programme-based approaches. The contribution of various Canadian actors and their role in supporting country-led poverty reduction strategies should be more systematically assessed.</p>	<p>CIDA is engaged with CSOs in Canada and with Southern and Northern CSOs through the DAC Advisory Group on Civil Society and Aid Effectiveness (which it is chairing), in the lead-up to the 2008 High Level Forum in Ghana. A workshop on aid effectiveness and civil society was held in May 2006. The dialogue on programme-based approaches and the role of CSOs is ongoing as CIDA is moving to adopt those approaches. New application forms ask Canadian CSOs to clearly indicate how their proposed project or programme will support country-led poverty reduction strategies.</p>
--------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

ANNEX B

OECD/DAC STANDARD SUITE OF TABLES

Table B.1. Total financial flows

USD million at current prices and exchange rates

Canada	<i>Net disbursements</i>						
	1989-90	1994-95	2001	2002	2003	2004	2005
Total official flows	2 839	2 681	1 435	1 580	1 672	1 805	3 222
Official development assistance	2 395	2 158	1 533	2 004	2 031	2 599	3 756
Bilateral	1 636	1 404	1 200	1 501	1 348	1 991	2 833
Multilateral	759	754	333	503	683	608	923
Other official flows	444	523	- 98	- 424	- 358	- 794	- 534
Bilateral	444	523	- 98	- 424	- 358	- 794	- 534
Multilateral	-	-	-	-	-	-	-
Grants by NGOs	246	280	116	276	566	639	973
Private flows at market terms	17	2 720	- 12	188	2 711	3 542	9 178
Bilateral: <i>of which</i>	26	2 720	- 12	188	2 711	3 542	9 178
Direct investment	83	2 968	633	829	2 626	3 613	6 647
Export credits	58	- 149	- 44	- 37	3	0	787
Multilateral	- 10	-	-	-	-	-	-
Total flows	3 102	5 680	1 538	2 044	4 949	5 986	13 373
<i>for reference:</i>							
ODA (at constant 2004 USD million)	2 838	2 711	1 962	2 574	2 252	2 599	3 410
ODA (as a % of GNI)	0.44	0.40	0.22	0.28	0.24	0.27	0.34
Total flows (as a % of GNI) (a)	0.57	1.06	0.22	0.28	0.58	0.62	1.20

a. To countries eligible for ODA.

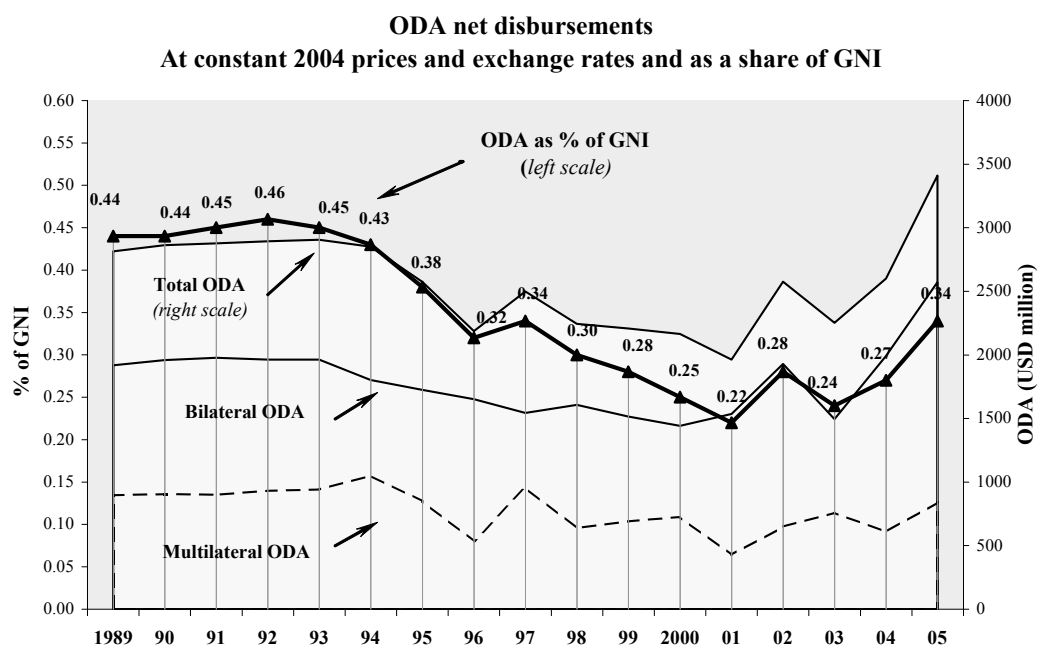



Table B.2. ODA by main categories

Disbursements																	
Canada	Constant 2004 USD million					Per cent share of gross disbursements					Total DAC 2005%						
	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005							
Gross Bilateral ODA	1 565	1 965	1 868	2 022	2 590	79	75	71	77	76	79						
Grants	1 564	1 962	1 864	2 022	2 590	79	75	71	77	76	71						
Project and programme aid	295	338	726	959	1 154	15	13	28	36	34	15						
Technical co-operation	442	421	382	414	304	22	16	15	16	9	18						
Developmental food aid	110	87	129	28	3	6	3	5	1	0	1						
Humanitarian aid	93	83	112	119	151	5	3	4	5	4	6						
Action relating to debt	14	339	106	74	413	1	13	4	3	12	22						
Administrative costs	175	204	224	209	227	9	8	9	8	7	3						
Other grants	435	490	185	219	338	22	19	7	8	10	6						
Non-grant bilateral ODA	0	4	4	1	0	0	0	0	0	0	8						
New development lending	0	4	4	1	0	0	0	0	0	0	7						
Debt rescheduling	-	-	-	-	-	-	-	-	-	-	1						
Acquisition of equity and other	-	-	-	-	-	-	-	-	-	-	0						
Gross Multilateral ODA	427	647	758	608	839	21	25	29	23	24	21						
UN agencies	178	224	206	169	271	9	9	8	6	8	5						
EC	-	-	-	-	-	-	-	-	-	-	8						
World Bank group	-	166	182	209	174	-	6	7	8	5	4						
Regional development banks (a)	101	124	113	102	193	5	5	4	4	6	2						
Other multilateral	147	134	256	128	201	7	5	10	5	6	2						
Total gross ODA	1 991	2 612	2 626	2 631	3 429	100	100	100	100	100	100						
Repayments and debt cancellation	- 29	- 38	- 374	- 31	- 19	Contributions to UN Agencies (2004-05 Average)											
Total net ODA	1 962	2 574	2 252	2 599	3 410												
For reference:																	
Associated financing (b)	-	-	-	1	0												
ODA to and channelled through NGOs																	
- In USD million	256	259	206	205	425												
- In percentage of total net ODA	13	10	9	8	12												
- Median DAC percentage of total net ODA	8	8	8	8	9												

a Excluding EBRD.

b. ODA grants and loans in associated financing packages.

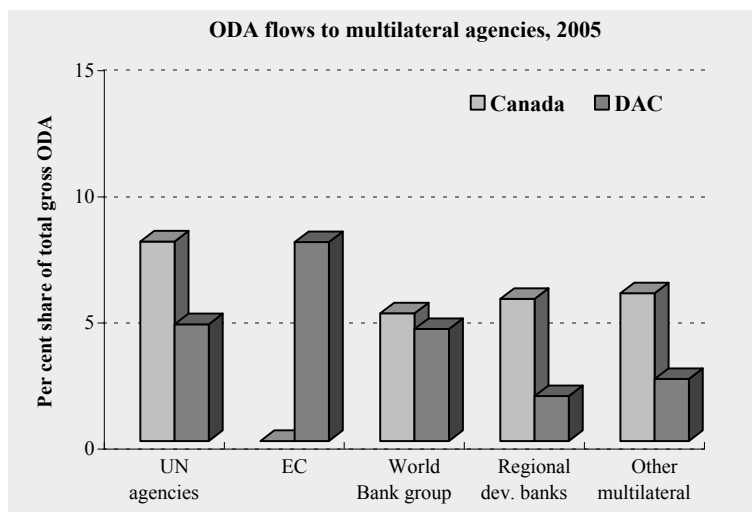
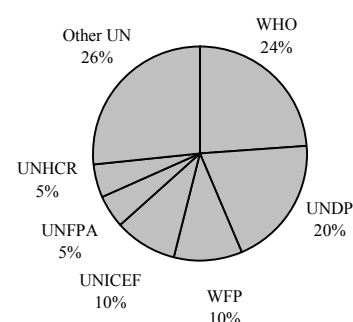
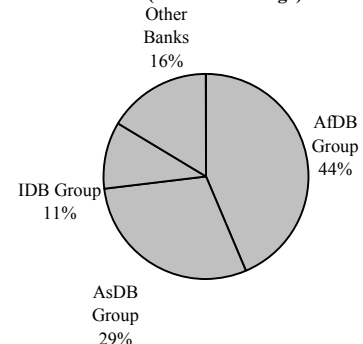
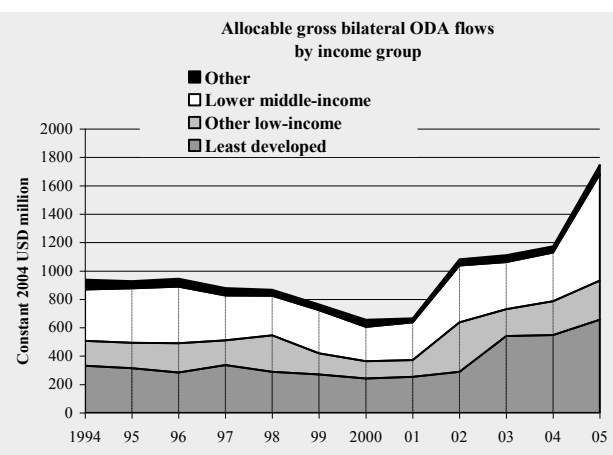
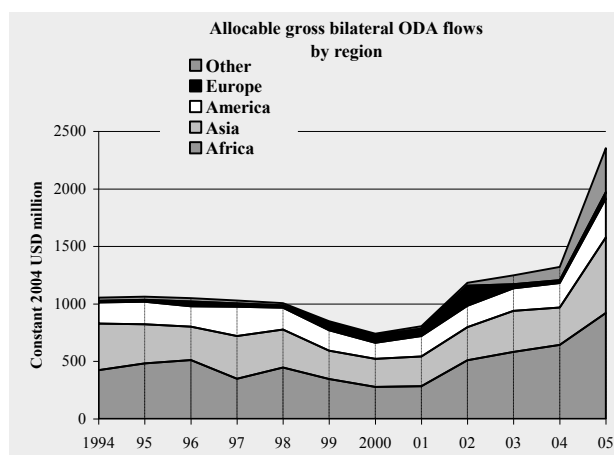
**Contributions to UN Agencies
(2004-05 Average)****Contributions to Regional Development
Banks (2004-05 Average)**

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

Gross disbursements											
Canada	Constant 2004 USD million					Per cent share					Total DAC 2005%
	2001	2002	2003	2004	2005	2001	2002	2003	2004	2005	
Africa	284	509	581	643	921	35	43	47	49	39	35
Sub-Saharan Africa	233	458	514	567	604	29	39	41	43	26	31
North Africa	26	28	31	28	33	3	2	2	2	1	3
Asia	259	288	358	325	657	32	24	29	25	28	24
South and Central Asia	135	159	210	204	281	17	13	17	15	12	10
Far East	112	121	136	117	188	14	10	11	9	8	12
America	178	185	196	213	338	22	16	16	16	14	8
North and Central America	107	104	119	130	169	13	9	10	10	7	4
South America	63	78	75	79	72	8	7	6	6	3	3
Middle East	18	20	72	109	379	2	2	6	8	16	29
Oceania	4	5	5	6	3	0	0	0	0	0	1
Europe	63	177	35	25	56	8	15	3	2	2	4
Total bilateral allocable by region	805	1 184	1 248	1 320	2 355	100	100	100	100	100	100
Least developed	254	289	541	549	656	38	27	49	47	38	23
Other low-income	118	349	189	238	276	18	32	17	20	16	20
Lower middle-income	265	401	332	342	748	40	37	30	29	43	53
Upper middle-income	28	43	48	43	65	4	4	4	4	4	3
More advanced developing countries	1	0	-	-	-	0	0	-	-	-	-
Total bilateral allocable by income	667	1 082	1 110	1 173	1 746	100	100	100	100	100	100
For reference:											
Total bilateral	1 564	1 965	1 868	2 022	2 590	100	100	100	100	100	100
of which: Unallocated by region	759	782	620	702	235	49	40	33	35	9	13
of which: Unallocated by income	897	884	758	850	844	57	45	41	42	33	18



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, two-year averages														
Canada	1994-95			Memo: DAC countries' median		1999-2000			Memo: DAC countries' median		2004-05			Memo: DAC countries' median
	Current USD million	Constant 2004 USD mn.	Per cent share			Current USD million	Constant 2004 USD mn.	Per cent share			Current USD million	Constant 2004 USD mn.	Per cent share	
China	61	77	8		Bangladesh	34	43	6		Iraq	229	211	15	
Bangladesh	53	67	7		China	30	38	5		Afghanistan	73	69	5	
Egypt	47	59	6		Indonesia	26	34	5		Ethiopia	62	59	4	
India	42	52	6		Haiti	23	29	4		Haiti	60	56	4	
Peru	27	34	4		India	19	24	3		Indonesia	56	52	4	
Top 5 recipients	230	288	31	38	Top 5 recipients	132	168	24	34	Top 5 recipients	480	447	31	43
Indonesia	24	31	3		Sts Ex-Yugoslavia unsp.	18	23	3		Ghana	50	48	3	
Philippines	22	28	3		Mali	16	20	3		Bangladesh	50	47	3	
Ghana	20	25	3		Honduras	15	20	3		Mozambique	42	39	3	
Mali	18	23	2		Serbia & Montenegro	15	20	3		Mali	40	38	3	
Tanzania	18	23	2		Ghana	14	18	3		Cameroon	39	37	3	
Top 10 recipients	332	417	45	57	Top 10 recipients	211	268	38	53	Top 10 recipients	700	657	45	62
Rwanda	17	22	2		Senegal	14	18	3		Zambia	37	35	2	
Haiti	17	21	2		Viet Nam	13	16	2		China	36	35	2	
Senegal	16	20	2		Egypt	13	16	2		India	34	32	2	
Pakistan	15	19	2		Ethiopia	13	16	2		Pakistan	33	31	2	
Thailand	15	19	2		Pakistan	13	16	2		Tanzania	33	31	2	
Top 15 recipients	412	517	55	67	Top 15 recipients	277	351	49	65	Top 15 recipients	874	821	56	72
Zambia	14	18	2		Tanzania	12	16	2		Sri Lanka	27	25	2	
Côte d'Ivoire	14	18	2		Cameroon	12	16	2		Viet Nam	27	26	2	
Zimbabwe	13	16	2		South Africa	11	14	2		Senegal	24	23	2	
Cameroon	13	16	2		Côte d'Ivoire	11	14	2		Sudan	24	23	2	
Mozambique	12	15	2		Philippines	11	13	2		Congo, Dem. Rep.	23	21	1	
Top 20 recipients	478	600	64	75	Top 20 recipients	334	425	60	75	Top 20 recipients	999	939	65	78
Total (136 recipients)	743	932	100		Total (136 recipients)	560	711	100		Total (142 recipients)	1 548	1 459	100	
Unallocated	718	902			Unallocated	631	798			Unallocated	890	847		
Total bilateral gross	1 461	1 835			Total bilateral gross	1 191	1 509			Total bilateral gross	2 438	2 306		

Table B.5. Bilateral ODA by major purposes

at current prices and exchange rates

Commitments - Two-year averages

Canada	1994-95		1999-2000		2004-05		2004-05 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	
Social infrastructure & services	311	21	380	30	1 064	42	34
Education	136	9	118	9	237	9	8
of which: basic education	1	0	13	1	136	5	2
Health	60	4	24	2	202	8	4
of which: basic health	26	2	17	1	165	6	2
Population & reproductive health	19	1	30	2	98	4	3
Water supply & sanitation	15	1	31	2	60	2	5
Government & civil society	43	3	151	12	394	16	11
Other social infrastructure & services	38	3	28	2	72	3	4
Economic infrastructure & services	207	14	62	5	99	4	14
Transport & storage	75	5	12	1	14	1	5
Communications	54	4	6	0	22	1	1
Energy	22	2	30	2	6	0	5
Banking & financial services	25	2	9	1	41	2	1
Business & other services	30	2	5	0	16	1	1
Production sectors	90	6	72	6	209	8	6
Agriculture, forestry & fishing	38	3	47	4	166	7	3
Industry, mining & construction	48	3	20	2	33	1	2
Trade & tourism	1	0	5	0	-	-	0
Other	4	0	-	-	10	0	0
Multisector	103	7	111	9	127	5	7
Commodity and programme aid	154	11	83	7	86	3	3
Action relating to debt	66	5	35	3	278	11	21
Humanitarian aid	64	4	111	9	159	6	8
Administrative costs of donors	121	8	133	11	230	9	5
Core support to NGOs	201	14	190	15	118	5	2
Refugees in donor countries	132	9	72	6	176	7	3
Total bilateral allocable	1 449	100	1 248	100	2 543	100	100
<i>For reference:</i>							
Total bilateral	1 488	68	1 292	66	2 610	77	77
of which: Unallocated	39	2	43	2	67	2	2
Total multilateral	687	32	661	34	766	23	23
Total ODA	2 175	100	1 952	100	3 376	100	100

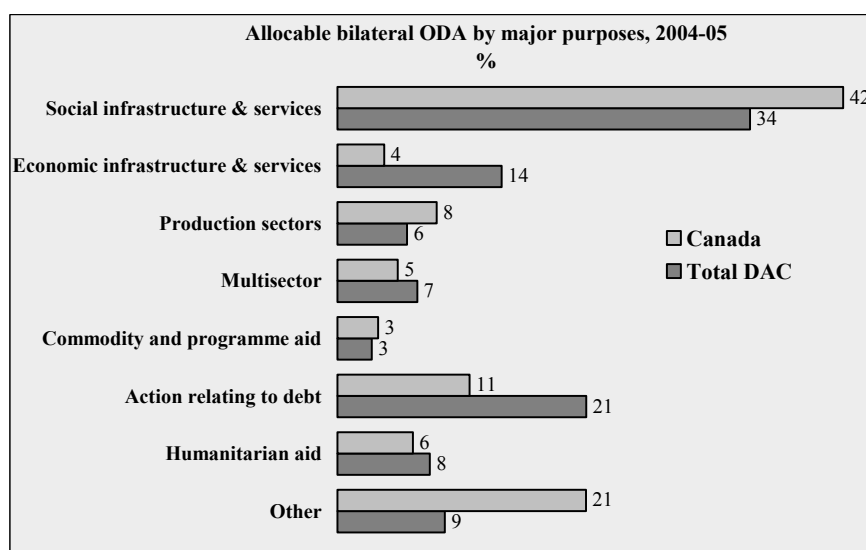


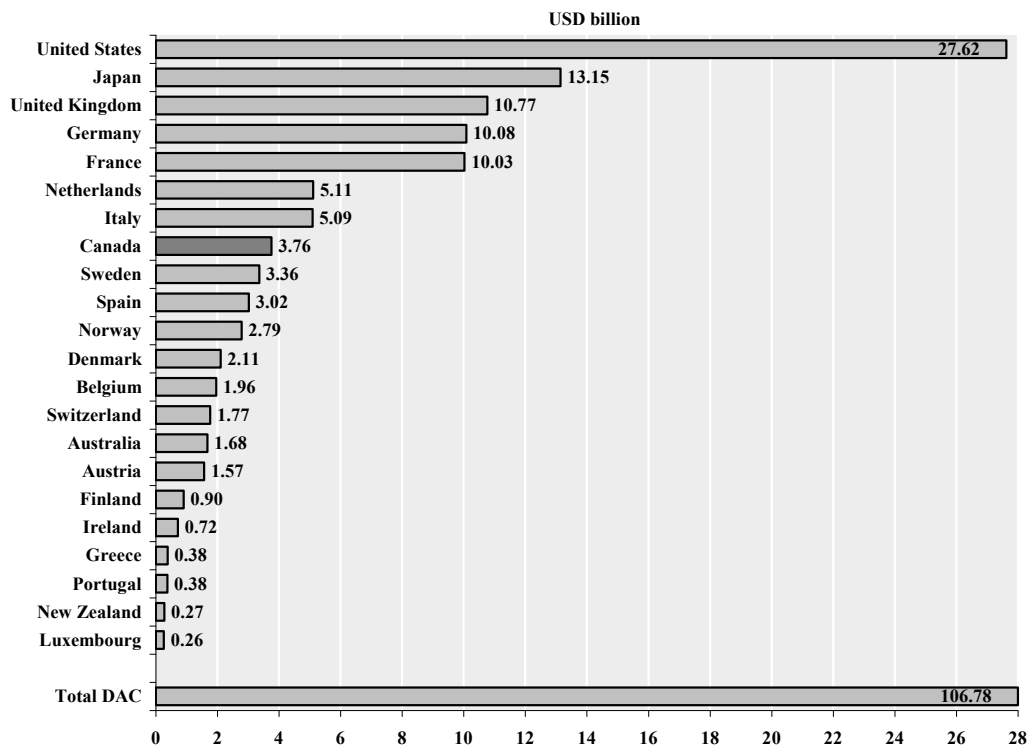
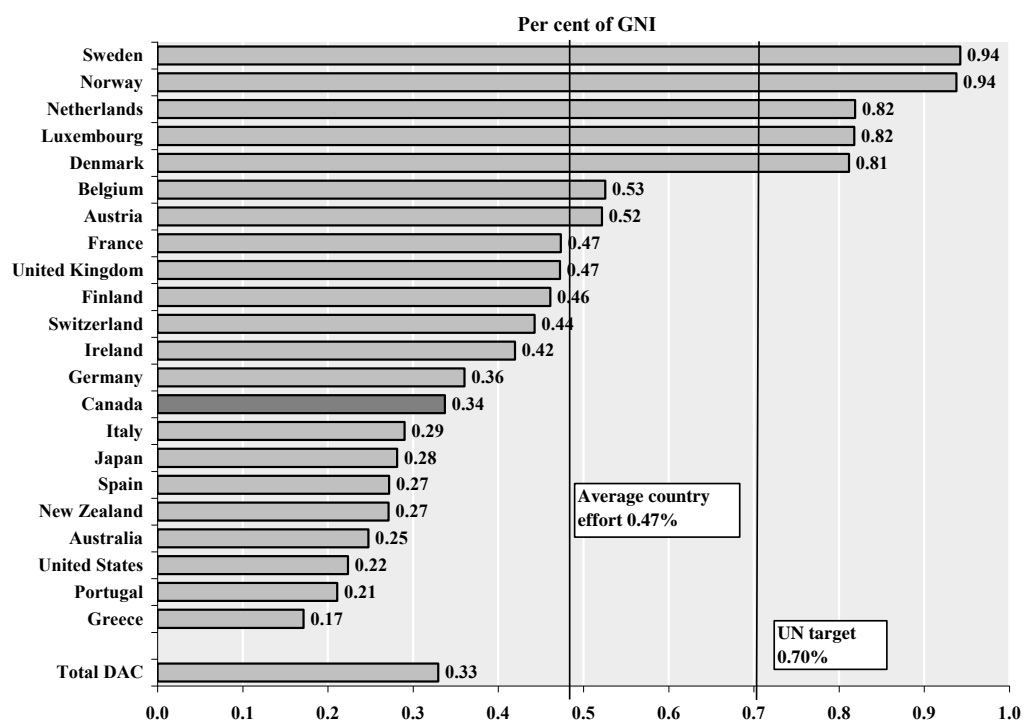
Table 2. Table B.6. Comparative aid performance

Net disbursements											
Official development assistance				Grant element of ODA (commitments) 2005	Share of multilateral aid				ODA to LDCs Bilateral and through multilateral agencies 2005		
2005		99-2000 to 04-05 Ave. annual % change in real terms	2005		2005						
USD million	% of GNI		% (a)		% of ODA (b)	% of GNI (c)	% of ODA (b)	% of GNI (c)	% of ODA	% of GNI	
Australia	1 680	0.25	1.9	100.0	13.8		0.03		24.9	0.06	
Austria	1 573	0.52	12.1	100.0	21.7	7.7	0.11	0.04	15.5	0.08	
Belgium	1 963	0.53	9.4	99.7	33.4	14.6	0.18	0.08	31.0	0.16	
Canada	3 756	0.34	6.6	100.0	24.6		0.08		27.9	0.09	
Denmark	2 109	0.81	-2.6	100.0	35.6	26.4	0.29	0.21	38.6	0.31	
Finland	902	0.46	8.4	100.0	33.8	18.3	0.16	0.08	27.2	0.13	
France	10 026	0.47	7.0	95.0	27.8	9.7	0.13	0.05	23.9	0.11	
Germany	10 082	0.36	5.0	95.2	26.1	4.3	0.09	0.02	18.7	0.07	
Greece	384	0.17	2.7	100.0	46.3	5.2	0.08	0.01	20.7	0.04	
Ireland	719	0.42	12.9	100.0	32.9	17.4	0.14	0.07	50.7	0.21	
Italy	5 091	0.29	10.6	95.5	55.4	30.6	0.16	0.09	27.6	0.08	
Japan	13 147	0.28	-1.9	87.5	20.8		0.06		17.7	0.05	
Luxembourg	256	0.82	7.7	100.0	27.1	17.4	0.22	0.14	41.2	0.34	
Netherlands	5 115	0.82	0.4	100.0	28.0	19.6	0.23	0.16	32.4	0.27	
New Zealand	274	0.27	4.4	100.0	18.2		0.05		25.5	0.07	
Norway	2 786	0.94	4.7	100.0	27.0		0.25		36.9	0.35	
Portugal	377	0.21	12.0	96.7	42.1	8.3	0.09	0.02	55.6	0.12	
Spain	3 018	0.27	6.9	97.9	38.3	12.3	0.10	0.03	27.1	0.07	
Sweden	3 362	0.94	6.8	100.0	32.9	27.0	0.31	0.25	32.7	0.31	
Switzerland	1 767	0.44	5.7	100.0	20.8		0.09		22.9	0.10	
United Kingdom	10 767	0.47	12.3	100.0	24.2	12.8	0.11	0.06	25.1	0.12	
United States	27 622	0.22	17.2	100.0	8.5		0.02		20.6	0.05	
Total DAC	106 777	0.33	7.2	97.1	23.1	14.4	0.08	0.05	24.0	0.08	
Memo: Average country effort		0.47									

Notes:

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

Graph B.1. Net ODA from DAC countries in 2005



ANNEX C

FIELD VISIT TO MOZAMBIQUE

As part of the review of the Canadian aid programme, a DAC review team consisting of representatives from Belgium and Switzerland and the OECD Secretariat visited Mozambique from 12 to 16 March 2007. The team met with the Canadian High Commissioner, CIDA, CIDA's Programme Support Unit and the representative of the IDRC based in Johannesburg. In addition, the review team consulted Canada's civil society partners, representatives of the Government of Mozambique and officials from bilateral agencies and the United Nations system. This report briefly highlights encouraging aspects of Canada's development co-operation and also points to some of the constraints and challenges that remain to be addressed.

Country profile

Located in Southern Africa, Mozambique became independent from Portugal in 1975 following almost five centuries of Portuguese administration. It became a multi-party democracy under the 1990 constitution. A UN-backed peace agreement ended 16 years of civil war in 1992, and the first multi-party elections took place in 1994. Since then Mozambique has been stable politically. Its economy has grown at an average of 7-8% annually since 2000, driven by good performances in transport, communication and construction.

Despite high growth rates, Mozambique is a highly-indebted poor country (HIPC) with an estimated population of 20 million and a gross national income of USD 290 per capita. It ranked 168 out of the 175 countries on the 2006 Human Development Index and 133 out of 140 countries on the Gender-Related Development Index and has pronounced gender, income and regional disparities. It is also afflicted by high HIV/AIDS prevalence (above 16%) and infant mortality (over 100 per 1 000). Mozambique is also particularly vulnerable to floods and droughts, which regularly threaten livelihoods.

Mozambique's ability to maintain peace after many years of conflict, to sustain rapid economic growth and to consistently meet international poverty reduction targets has earned it the reputation of a strong country in the area of governance compared to other African countries. The Government of Mozambique is an important regional player in diplomacy and peace initiatives and has demonstrated strong commitment to development: a full poverty reduction strategy is in place and good progress has been made towards achieving key MDGs (*i.e.* in infant mortality, maternal mortality, immunisation and primary enrolment). The urban water supply, quality of roads and the network of landline telephones have all improved. Mozambique also benefits from vast and untapped natural resources that can support development in agriculture, forestry, fishing, energy and tourism. Nevertheless, the still fragile nature of governance and democracy, weak institutional and human capacities, centralised control of resources and regional divisions could threaten Mozambique's development if left unattended.

Context for international development co-operation

Mozambique's Ministry of Foreign Affairs and International Co-ordination is formally in charge of co-ordinating development assistance. The Ministry of Planning and Development is responsible for day-to-day development activities through its role in the formulation, implementation and co-ordination of Mozambique's *Action Plan for the Reduction of Absolute Poverty* (PARPA) and other planning instruments. The ODA database adopted by most external partners in 2006 is now the government's official database on aid flows. In 2005, net ODA accounted for 20.7% of Mozambique's gross national income.

Seventy-two bilateral and multilateral donors operate in Mozambique, resulting in a very complex, disorganised network of development co-operation. The Government of Mozambique has established a formal structure, the Programme Aid Partnership (PAP, also known as G-18), for regular dialogue with a group of 18 development agencies. PAP members provide 30% of their assistance through the state budget and rely on country systems. Sectoral or thematic working groups have been set up on various topics and a website facilitates exchanges of information among development partners. The PAP is not recognised by all external partners as the forum for discussing all development issues: the Development Partners Group also meet monthly to share information. Canada joined the PAP in 2005 after a year as an observer and also participates in meetings of the Development Partners Group.

The Government of Mozambique and the PAP have established an effective development partnership based on mutual commitment and open dialogue on the content and progress of the PARPA, the MDGs, the Government's Medium Term Expenditure Framework and Economic and Social Plan, and the budget. A mutual accountability system, going beyond the Paris Declaration, prioritises general budget support and programme-based approaches: annual joint reviews focus on reaching a common view on performance as a basis for aid commitments; and mid-year reviews are undertaken before the Medium Term Expenditure Framework and Economic and Social Plan and the budget are submitted to the Republic's Assembly. Annual PAP performance assessment scoring, conducted by independent consultants, rates PAP partners against a matrix of targets and indicators drawn from the Paris Declaration. This mutual accountability exercise is a central component of the process to improve the effectiveness and efficiency of aid in Mozambique.

Canada's presence in Mozambique

A history of long-term engagement focusing on poverty reduction

Canada has provided development assistance to Mozambique since the country's independence in 1975. Originally assistance was in the form of food aid, balance of payments support and support for local initiatives. Following Mozambique's peace settlement and the first multi-party elections in 1994, Canadian aid expanded to include support for elections, health and education programmes, refugee resettlement, railway rehabilitation and civil society development. From 1997, Canada's programming has focused on education, water and sanitation, microfinance, land mines and HIV/AIDS. Humanitarian food aid is also an important part of the Canadian response to emergency situations, including the devastating floods of 2000 and 2001, followed by the 2002 drought.

Canada's development assistance to Mozambique increased substantially in 2003 following its designation as a core recipient of Canadian aid in November 2002. Two new priority topics, in addition to education and HIV/AIDS, were added to CIDA's 2004-2009 country programme: (i) agriculture and rural development and (ii) governance, with gender equality, capacity development, environment and HIV/AIDS as cross-cutting themes. Canada's overall objective in Mozambique

continues to be reducing poverty levels “through the adoption of measures to improve the capacities of, and opportunities available to Mozambicans, especially the poor”. A growing aid budget is channelled through a wide range of Canadian funds and partners. However, the Government of Mozambique is Canada’s most significant partner.

Since Mozambique became a priority country, CIDA’s bilateral budget has grown from CAD 11.5 million in 2001/02 to CAD 46.17 million in 2005/06. This represents 3.9% of CIDA’s gross bilateral ODA, compared to 1.28% in 2001/02. CIDA’s assistance to Mozambique has historically been channelled through the Africa Bilateral Program, the Multilateral Programs Branch and the Partnership Branch. The Multilateral Programs Branch has traditionally provided Canadian funding to the international financial institutions; the Global Fund to Fight Aids, Tuberculosis and Malaria; the Micro-nutrient Initiative; the Land-mines Initiative; the Peace-building Fund; the Program against Hunger, Malnutrition and Disease; and the International Humanitarian Assistance Division. The Partnership Branch provides significant financial support to the co-operation programmes of more than 20 Canadian organisations active in Mozambique, including NGOs, universities, private firms, trade unions, faith-based and professional associations. These important actors of Canadian aid represent broad domestic interests and are active in the areas of health (including HIV/AIDS), gender equality, civil society and education.

Mozambique is a recipient of the Canada Fund for Africa (see Box 3, Chapter 2) in sectors such as governance, trade/private sector development and information and communication technologies (ICTs). For trade, Mozambique receives support through the Joint Integrated Technical Assistance Program, the Program for Building African Capacity and the African Trade Policy Centre. The review team did not have evidence of the impact of the fund on Mozambique’s business opportunities. Since Mozambique is high on Canada’s development agenda and since Canada is committed to promoting trade opportunities for least-developed countries, the review team encouraged the authorities to meet their commitments and to build Mozambican capacities in this area. Mozambique also benefits from an ICT programme funded by the Canada Fund for Africa and implemented by Canada’s IDRC. The ICT projects have strong local ownership: they are aligned with the PARPA and are managed by nationals. However, they are not well integrated into the strategic orientation of CIDA’s 2004-2009 country programme.

Moving towards aid effectiveness: the Canadian aid programme in Mozambique

Canada’s efforts to implement the aid effectiveness agenda in Mozambique are encouraging: CIDA’s 2004-2009 programme is based on strong local ownership; it is aligned with the national *Action Plan for the Reduction of Absolute Poverty* and national sector strategies, which are themselves developed in close consultation with the government and targeted groups or institutions. Canada increasingly relies on national systems, including for the procurement of goods and services. Its aid is basically untied in Mozambique and its delivery modalities are moving significantly from strong emphasis on traditional projects towards more programme-based approaches with pooled funding, without earmarking, and some general budget support. Finally, Canada is widely appreciated by all partners for its flexible and constructive approach to the policy dialogue, its leadership in selected sectors, the quality of its technical contributions and its focus on results.

Canada’s development co-operation in Mozambique nevertheless faces a number of challenges linked to the general organisation and management of the Canadian system, the composition of CIDA’s portfolio and the absence of a strategy for capacity development and performance monitoring. These topics are briefly discussed in the following sections.

Adequate field presence but slow disbursements procedures

Up until 2004, relations with Mozambique were monitored from the Office of the High Commission located in Maputo and linked to the Canadian High Commission in Zimbabwe. In 2004 Mozambique was identified as a “core” recipient country of Canadian aid and diplomatic relations were upgraded. A resident High Commissioner and a Director for CIDA’s programme-cum-Head of Co-operation were appointed, both of whom are housed in the same building. Canada’s strategy for Mozambique, prepared by the Canadian Department of Foreign Affairs and International Trade, incorporates CIDA’s 2004-2009 country strategy. CIDA’s field presence in Mozambique is presented in more detail in Box C1 below.

Box C.1. CIDA’s field presence in Mozambique

Canada’s High Commissioner in Mozambique is responsible for leading the overall bilateral relationship between Canada and Mozambique. The development-related aspects of the Canadian programme are the responsibility of CIDA’s Programme Director supported by five staff (i) three full-time Canadian nationals — an economist, a health specialist, an HIV/AIDS-cum-gender equality specialist; a locally-recruited development officer and an assistant. A Programme Support Unit composed of eight technical experts provides continuous support to CIDA based on the requirements of the country programme. The staff includes a director and economist, a rural development and water officer, a local funds manager, a gender specialist, two education specialists, an agriculture specialist, a health and HIV/AIDS specialist and a finance/administrative officer.

All but one of the unit’s employees were locally recruited on a competitive basis and all have local contracts with CIDA. Most have Mozambican nationality and/or are long-term residents. Programme support unit advisors are appreciated for the local knowledge, experience and technical expertise they bring to the agency and its partners, including the Government of Mozambique, as well as peers in the donor community. Although they cannot officially represent Canada, they actively participate in working groups and consultations related to CIDA’s aid programme. The programme support unit is viewed as an alternative solution to recruiting local professionals through the Department of Foreign Affairs and International Trade, which would be more cumbersome and costly.

The review team agreed that CIDA’s field presence in Mozambique was adequate to develop a strategic partnership with the government, to engage with other bilateral and multilateral agencies and to ensure guidance and monitoring of the Canadian aid programme. The appointment of a full-time director (who is also Head of Aid) to oversee the development and implementation of CIDA’s programme is a good step towards decentralising Canada’s development assistance for better alignment and harmonisation in the field. The director can choose projects worth up to CAD 100 000 for local contracts signed on a competitive basis. He/she can also approve projects up to CAD 500 000, beyond which approval must come from the Vice-President of the Africa Branch. Many observers found this approval and disbursement system cumbersome, especially for commitments made by the G-18 and when a quick response is needed, such as following a natural disaster.

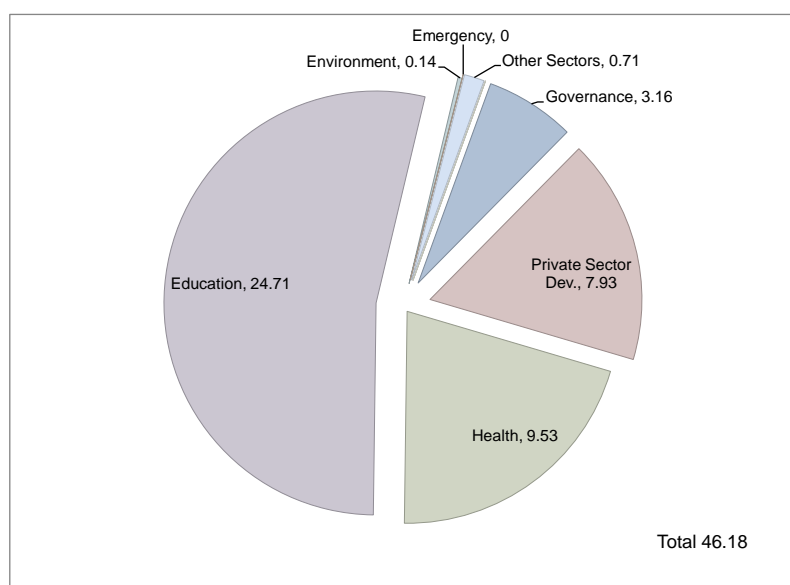
A locally-owned country programme mostly focused on the social sectors

CIDA’s 2004-2009 country programme was prepared following significant analysis of Mozambique and a review of literature including the reports and strategies of other donors. It also involved extensive consultations with the Government of Mozambique, Canada’s Department of Foreign Affairs and International Trade as well as other Canadian and Mozambican civil society partners. The programme is well aligned with CIDA’s overall policy objective of reducing poverty and the priorities outlined in Mozambique’s *Action Plan for the Reduction of Absolute Poverty*, which echo the MDGs. It also integrates CIDA’s policy priorities included in *Strengthening Aid Effectiveness* as well as key policies and action plans in education, agriculture, gender and HIV/AIDS. The focus on poverty is reflected in CIDA’s prioritisation of two of the poorest regions of Mozambique for co-

operation. The agency supports innovative approaches in key sectoral priorities for attaining the MDGs and has taken a leadership role in education, agriculture, HIV/AIDS and gender equality. HIV/AIDS and gender equality are well integrated throughout the two projects that the review team visited, and special efforts have been made to create synergies between them and with education. Canada's 2006 aid by sector is illustrated in Figure C1 below.

Figure C.1. Canadian ODA by sector in Mozambique for fiscal year 2005/06

in CAD millions



Source: Programme Aid Partnership 2006

Canadian aid is still spread across a relatively large number of interventions (Box C2). CIDA would have more impact if it allocated larger amounts of aid to fewer activities. It should also ensure an appropriate balance between social and income-generating activities in line with donors' harmonisation efforts. This is critical for ensuring women's economic security and empowerment in Mozambique. Canada could also give greater emphasis to governance and environmental mainstreaming in line with CIDA's corporate and programme priorities, taking into account the government's needs in this area as well as other donors' interventions. The recruitment of a local consultant to bring additional technical environmental expertise is a positive development for the Canadian aid programme, particularly for agriculture and rural development.

CIDA's portfolio combines different aid modalities

CIDA's country programme combines direct ODA to the government (general budget support, sector-wide approach and project aid) as well as indirect support for activities conducted mostly through foreign and Mozambican NGOs (Figure C2). The agency contributes to four large common funds: for education (FASE), health (PROSAUDE), agriculture (PROAGRI), and more recently, governance (direct budget support). In line with CIDA's increased emphasis on programme-based

approaches, more activities should be financed through pooled and sector funds, without earmarking. This is particularly relevant for Caixa Escolar, CIDA's largest project, and which produces and distributes textbooks to children in Mozambique. All funding for this project is untied, except for 8% for procurement advisory services, monitoring and evaluation. While Canada has taken steps to include general budget support among its aid modalities, it should increase its share to meet the G-18 high target (40% to general budget support and 70% to programme aid [SWAPs, pooled funds, etc.]). In doing so, the Programme Director should be given greater flexibility to allow Canada to react quickly and seize alignment opportunities. Canada should also experiment with delegated partnership and discuss the possibility of working jointly with Ireland in rural water and sanitation.

Box C.2. Summary of CIDA's major activities in Mozambique

Education. Education is Canada's largest intervention sector. CIDA channels funds to a large project called Caixa Escolar, which produces and distributes education materials (an estimated 10 million textbooks and workbooks are distributed to approximately 3.5 million primary school children every year). In addition, Canada also contributes to the Education Sector Support Fund (FASE), and supports a collaborative initiative between the Canadian NGO CODE and the Mozambican NGO Progresso to improve the learning capacity of children in Northern Mozambique. This work, which received UNESCO's International Literacy Prize in 2005, could be better aligned and harmonised with the FASE, however. CIDA's disbursements in education amounted to CAD 81.21 million between 2001/02 and 2005/06.

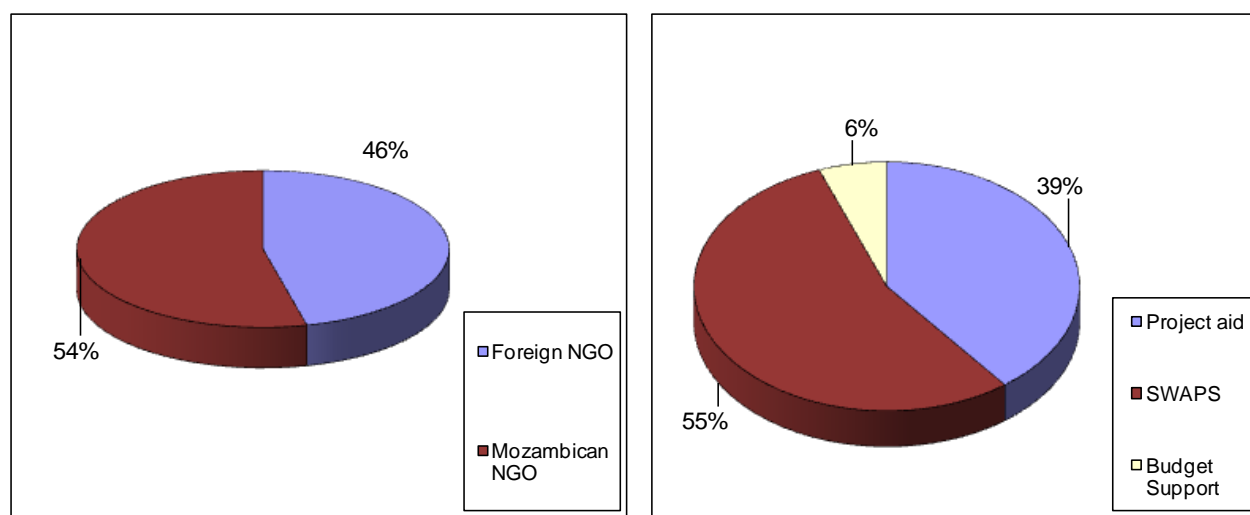
Agriculture and rural development. During the same period, CIDA disbursed CAD 15.99 million for agriculture and rural development, using different aid modalities including (i) a pooled fund (PROAGRI) to support families to develop agriculture and enhance their livelihoods, stimulate main export crops, promote agro industries and guarantee sustainable natural resources management; (ii) a rural water development project implemented by a private firm in collaboration with Mozambique's Department of Public Works to provide 200 000 people with sustainable water and sanitation in Inhambane Province; (iii) a multi-purpose, multi-donor fund for a coastal rural support programme implemented by the Aga Khan Foundation, targeting approximately 14 000 households; (iv) a project, now winding down, to strengthen the national landmine clearance capacity of Mozambique; (V) an initiative implemented through Oxfam Canada in partnership with local organisations to enhance the livelihoods of smallholder farmers using a rights-based approach; (vi) a microfinance facility project (now ended) implemented by Canada's Mennonite Economic Development Associates to provide credit to the poor; and (vii) a Sustainable and Effective Economic Development Project (SEED) focusing on building farmers' capacities in the chronically drought affected Inhambane Province.

Health. CIDA invested CAD 27.1 million to support Mozambique's health sector between 2001/02 and 2005/06. This includes contributions to: (i) PROSAUDE, Mozambique's multi-donor pooled fund for the government's health sector expenditure programme; (ii) the common fund for the National AIDS Council focusing on prevention, care and treatment for HIV/AIDS-affected people; (iii) an HIV/AIDS mainstreaming responsive fund; (iv) the national workplace campaign on gender and HIV/AIDS; (v) a health and education project in Inhambane to increase access to basic education for girls, improve health and nutrition practices, and reduce the incidence of HIV/AIDS; and (vi) training implemented by the University of Saskatchewan, a bilateral programme integrated into the Ministry of Health to scale-up the health system using a centre of excellence for continuing education of health workers in the formal and informal sectors (see Box 8 in the main body of this report).

Governance. CIDA's support to government and civil society was CAD 13.05 million between 2001/02 and 2005/06. Support to governance is mostly channelled through direct budget support for public financial management and public sector reform activities. The agency supports NGOs' rights, democracy and governance activities, initiatives to better assess Mozambique's needs and priorities in these areas as well as activities to increase the dialogue on development issues among all development partners.

Finally, through the **Canada Fund for Local Initiatives**, CIDA supports small projects to provide technical, economic, educational and social development assistance to local populations.

Figure C.2. Canada's 2006 indirect bilateral ODA to NGOs (left-hand chart) and direct bilateral ODA to the government (right-hand chart)



Source: CIDA

Need for coherent and co-ordinated efforts to strengthen local capacities

One of the greatest challenges in implementing the aid effectiveness agenda in Mozambique is capacity development. While most development partners agree that Mozambique's capacities in public institutions, civil society, private sector and decentralised levels of government need to be strengthened, currently no government-owned strategy addresses capacity gaps systematically at the macro, meso and micro levels. The absence of an agreed framework has resulted in duplication, the excessive use of foreign technical assistance and the proliferation of project implementation units (39 in total). CIDA has one such unit in Mozambique but does not rely on long-term foreign technical assistance for its activities. Short-term TA is used to support capacity development in both the education and health sectors.

CIDA's approach is to use local capacity for delivering the country programme and to align development activities with national systems as a way of strengthening (or at least not weakening) national capacity. Technical staff from the Programme Support Unit are required to build not only the agency's capacity (both at headquarters and in the field) in their area of competence, but also to use activities like training to strengthen the capacity of other staff in the unit, as well as other Canadian and Mozambican partners. These requirements are explicit in the terms of reference of the HIV/AIDS and gender equality specialists which the review team consulted.

While the technical support provided through the Programme Support Unit and through CIDA's partners may be valuable, its impact remains uncertain in the absence of a formal evaluation of the agency's capacity development efforts. CIDA should consider how to approach capacity development in a more systematic way and raise that topic at the upcoming G-18 discussion on guidelines on technical co-operation. Together with members of that group it should begin tailoring capacity development to country needs in key sectors, *e.g.* agriculture, health, governance and education; and strengthen coherence and co-ordination for public sector capacity support. Sector and programme evaluations should be conducted jointly with the relevant donors and local partners, and should provide a better sense of the extent to which capacity gaps have been identified and human and institutional capacities strengthened on a sustainable basis. Finally, CIDA should follow the

recommendations of the evaluation of its rural water and sanitation project in Inhambane, *i.e.* support the use of existing capacities and reinforce the management capacity of the local government to make the programme more sustainable.

A proliferation of performance measurement frameworks

Mozambique was selected as a pilot country to work closely with CIDA's Performance Review Branch. The aim was to develop a "robust and realistic" performance measurement framework closely linked to the PARPA results matrix and CIDA's accountability framework (known as the Key Agency Results). In May 2006, CIDA produced a programme performance report summarising the results achieved in the sectors in which it is involved and the results identified in the performance measurement framework. Those results are themselves drawn mainly from the joint review process on mutual accountability discussed above.

CIDA reports that significant effort has gone into aligning its performance measurement framework with Mozambique's indicators and targets defined through the PARPA, the G-18's own performance assessment framework and the national sectoral programmes it is supporting. One of the challenges of developing the framework has been to demonstrate linkages to Canada's foreign policy objectives as well as the Key Agency Results and the programme activity architecture; and to show how CIDA's programme contributes towards targets of the Paris Declaration on Aid Effectiveness. While CIDA/Mozambique reports that it was able to handle that process well, an assessment of the agency's pilot performance assessment frameworks would help to determine whether they are useful tools for making strategic decisions and whether the system should be streamlined to improve its efficiency and effectiveness.

The 2006 performance review of individual PAP members discussed above provides insight into CIDA's overall performance. CIDA was rated as a good all-round performer, a statement which the review team fully endorses following consultations with peers, Mozambican and Canadian partners. Canada's percentage of programme aid as a share of total ODA exceeded that of other donors and the agency's reliance on government procurement systems and funds which are inscribed in the national budget was appreciated, as was its participation in joint missions with other donors. The agency's performance rating was somewhat penalised by the composition of its portfolio, mostly as a result of its commitment to Caixa Escolar, which is one-third of annual disbursements. Canada's performance assessment also revealed delays at CIDA's headquarters in approving the renewal of budget support for 2007-2009. This problem is clearly linked to the agency's centralised system for managing aid, which results in late disbursements.

A major challenge for Canada, and other donors, is to move from assessing results to assessing long-term outcomes and impact without adding to the administrative burden already imposed by existing performance systems. Focusing on outcomes in the context of budget support, sector and programme approaches inevitably raises the question of attribution to specific donors. In this connection CIDA could refer to a 1998 statement from Canada's Auditor General: "what is important is that lasting development results be achieved, not that they be attributed directly to the intervention of any particular donor. This type of reporting would reinforce CIDA's move to focus more on development results, and would improve accountability of the effective use of Official Development Assistance funds".⁵¹ To seize that opportunity, CIDA is encouraged to bring the topic of impact assessment to the attention of the G-18.

51 Briefing note for the DAC Mission to Mozambique on Performance Monitoring Framework.

ANNEX D

FIELD VISIT TO HAITI

As part of the Canada peer review, a DAC team consisting of representatives of Belgium and Switzerland and two members of the OECD Secretariat visited Haiti from 23 to 27 April 2007. The review team consulted Canadian Embassy and CIDA staff in Port-au-Prince, as well as the representative of Canada's Stabilization and Reconstruction Task Force (START). Discussions were also held with Canada's main partners and with representatives of the Government of Haiti and of bilateral and multilateral agencies. This report summarises the DAC review team's main conclusions.

Background

Haiti (population 8.3 million) is located in the Caribbean Sea and gained independence from France in 1804. Its first debt to its former coloniser (FRF 90 million) dates back to 1826. In the 1990s, international intervention led to hopes that the country was on the path to democracy. Ten years later, however, Haiti was in chaos. Despite successive UN missions and millions of dollars in aid, a new round of measures proved necessary — chiefly under the auspices of the UN Stabilization Mission in Haiti (MINUSTAH) — to resolve the security problems that threatened the political stability of the country up to January 2007. Since the 2006 election of President Préval, the international community in Haiti has actively supported the government, helping the country to emerge from the spiral of violence and extreme poverty.

According to the latest estimates, 78% of the Haitian population were living below the poverty threshold between 2000 and 2005 (Eurodad, 2006). Poverty is more acute in rural areas, where 60% of Haitians live. Annual per capita income was only USD 450 in 2005. Barely 52% of adults can read and write and life expectancy is 52 years. At least one-third of children receive no schooling. The situation as regards the safety of human life and human rights is equally bleak, although progress has been made in disarming violent gangs, chiefly thanks to MINUSTAH, which is supported by Canada. Bringing the guilty to account and reforming the legal and criminal justice system will be a major challenge for Haiti for a long time to come. Lastly, the country's debt totalled USD 1.4 billion in 2006, so the government has to allocate USD 60 million to debt repayment every year. Haiti's debt to Canada totals USD 2 million, or 0.2% of the country's total debt (World Bank and IMF, 2006).⁵²

International co-operation in Haiti

Haiti's Ministry for Planning and Co-operation is responsible for co-ordinating development assistance. Over the period 1994-2004, development assistance totalled USD 2.5 billion (compared with the USD 4 billion in remittances from the 2 million or so Haitians living abroad). Donors set up an Interim Co-operation Framework (ICF) in 2004 following the UN-sanctioned military intervention to which Canada contributed 550 soldiers. The newly elected Government of Haiti extended the ICF to the end of September 2007. The government's outlook for its five-year term (July 2006 to

52 World Bank and International Monetary Fund estimates, 2006.

September 2011) focuses on activities that will contribute to social peace and serves as a framework for international assistance.

The ICF describes Haiti's economic situation as alarming and has taken a critical look at the outcomes of international co-operation over the past 10 years: "The donors recognize a lack of co-ordination, of consistency and of strategic vision in their interventions. These donors have often set up parallel project implementation structures that weakened the State, without, however, giving it the means to co-ordinate external aid and to improve national absorptive and implementation capacities... Recourse to the private sector or to civil society has become routine, contributing to a further weakening of the civil service." (Sorensen, 2006).

Haiti's case cuts across political, diplomatic, security and international policy development issues and requires integrated, consistent and well co-ordinated donor action. Since 2004, some donors, including Canada, have undertaken to (i) strengthen political governance and promote national dialogue; (ii) strengthen economic governance and contribute to institutional development; (iii) promote economic recovery; and, (iv) improve access to basic services and humanitarian aid. A report published in 2005 by the Joint Committee for the Implementation and Monitoring of the ICF identifies some measurable achievements.

Canadian co-operation in Haiti

Long-term commitment

Haiti and Canada share the same language and hemisphere. Some 100 000 Haitian families have settled in Quebec. Canada began granting official development assistance (ODA) to Haiti in the 1960s. Today, this small country has become the largest recipient of Canadian ODA in the Americas and the second largest in the world after Afghanistan. Canada is also the second largest bilateral donor in Haiti after the United States: assistance from Canada increased from USD 15.84 million in 2003 to USD 81.7 million in 2005, and Canada recently committed CAD 520 million until 2011. Haiti is one of a group of countries for which Canada's stated intention is to apply a whole-of-government approach which brings together development, diplomatic, defence and trade strategies. Trade in Haiti is still suffering from the feeling of insecurity that permeates the country.

Implementing the DAC principles on engagement in fragile states

Canada led the implementation of the *DAC Principles for Good International Engagement in Fragile States* in Haiti in 2005/06 and formally subscribed to the principles in April 2007. This initiative is summarised in Chapter 6 (Box 9). These DAC principles should be useful in the coming transition phase, given that a national strategy for growth and poverty reduction is to replace the ICF in September 2007.

Canada participates in state capacity-building efforts and donor co-ordination. The Haiti Desk of CIDA's Americas Branch and CIDA's Head of AID in Port-au-Prince led the implementation of the principles, together with Haiti's Ministry for Planning and External Co-operation, leading to the following conclusions: (i) the principles and the Paris Declaration are complementary; (ii) the principles should be integrated into existing planning and donor co-ordination processes; (iii) actors other than DAC Members should be involved, including MINUSTAH; (iv) the results-based Interim Co-operation Framework is a useful instrument; and (v) state capacity-building initiatives need to be identified in practical terms. The exercise also demonstrated the usefulness of the principles as a tool for gauging the effectiveness of donor engagement, showing, amongst other things, the very limited use of national financial management, procurement and budget support mechanisms.

Activities financed by Canadian co-operation

At the International Donor Conference for Haiti's Social and Economic Development (July 2006), Canada announced that it would provide CAD 520 million over 2006-2011. This commitment includes CIDA's CAD 485 million contribution to support political governance, state building, economic recovery and access to basic services. The Canadian commitment in Haiti also covers future co-operation frameworks, such as the Poverty Reduction Strategy Paper (PRSP). The Department of Foreign Affairs and International Trade (DFAIT) is providing support through an annual commitment of CAD 15 million from the Global Peace and Security Fund (GPSF) stabilisation and reconstruction initiative to advance justice and security system reform, including disarmament, demobilisation, reintegration and criminal law reforms. Canada provides close to CAD 20 million for the deployment of up to 101 Canadian police officers to MINUSTAH under the Canadian Police Arrangement between DFAIT, CIDA, Public Safety Canada and the Royal Canadian Mounted Police.

Comments and recommendations made by the DAC review team

The DAC review team focused its main comments and recommendations on three areas: the relevance of Canada's strategic orientations in Haiti, the effectiveness of Canadian aid and the implementation of its integrated (or "whole-of-government") approach.

Relevance of strategic orientations

Canada's strategic orientations in Haiti are in line with the priority concerns of the new government and with Canada's foreign policy objectives in an environment that is considered both insecure and fragile from a political, economic and social point of view. Now that political stability is perceptible and security conditions are improving — in part thanks to Canada's contribution to MINUSTAH — Canada can improve the consistency and effectiveness of its aid in Haiti. The three-tier strategy that CIDA has adopted to meet short, medium and long-term needs carries certain risks, mostly due to the complexity of the environment and of the Canadian aid system. The implementation of the *DAC Principles for Good International Engagement in Fragile States* should go hand-in-hand with the implementation of the *DAC Principles for Effective Aid*.

Canada is investing in state capacity-building and supports the co-ordination of the international actors in this area. As well as contributing to MINUSTAH's mandate, it has played a decisive role in reforming Haiti's national police and a more modest role in reforming the prison system. Canada could redirect a substantial share of its assistance towards economic development (without giving up aid to governance and the social sector) in order to help create conditions that will foster private sector development and productive activities that should create jobs and generate income. Lastly, Canada could adopt a more integrated approach in the area of security sector reform together with MINUSTAH and other donors, promote further reforms of the justice system and strengthen parliament.

Effectiveness of Canadian aid

Canada has substantially increased its financial support to Haiti and has made a long-term commitment. However, Canadian aid is spread over a large number of projects (50 large projects plus 125 small projects), many of which are unrelated. These projects were put in place to allow Canada to quickly increase funding from CAD 20 million to CAD 100 million a year between 2004 and 2006. This was a period of great political uncertainty following President Aristide's departure in 2004 and the arrival of a transition government. The projects were negotiated in close consultation with the local

authorities and partners who co-finance and/or act as Canada's partners and have allowed Canada to disburse funds quickly.

Haiti's institutional environment remains very weak. Canada is actively working to strengthen state capacity⁵³ in order to increase its delivery and absorptive capacity. The focus has been on quick demonstrable impact with innovative ideas coming from Haitian organisations and clear lines of authority. The review team found that aid was managed in large part from Ottawa through a complex system involving management units that are outside the state system, as well as via foreign and local technical assistance, private firms, multilateral agencies and Canadian and Haitian NGOs. This system is rooted in the historical context for international assistance in Haiti and largely reflects the weaknesses of the state and of society as a whole. However, it is somewhat heavy from an administrative point of view, and has transaction costs.

Canada must rethink its development assistance in terms of support to institution-building, aid effectiveness and impact on Haiti's long-term development. In this regard, the DAC team encourages Canada to:

- i. Continue to take the lead in co-ordinating donors (at least bilateral donors) if possible, and at any rate champion effective aid in Haiti.
- ii. Use Haiti's upcoming national strategy for growth and poverty reduction as the starting point for determining its own co-operation strategy, consistent with its comparative advantage and the division of labour among donors.
- iii. Harmonise interventions with those of other bilateral and multilateral donors, *e.g.* share country analyses, joint funding, project monitoring and evaluation, delegation of authority and focus on the national strategy for poverty reduction and a few key areas (governance, health, education, private sector). Give priority to sectoral strategies and the programme-based approach and prompt the Haitian Government to put such approaches in place.
- iv. Continue to untie aid to Haiti, including technical co-operation.
- v. Continue to discuss among peers the role of the state, capacity-building for modernising the state and sectoral strategies, including human resources. This effort should lead to a better understanding of needs, including technical assistance needs, greater co-ordination between aid agencies and greater appreciation of the added value of NGOs.
- vi. Begin a dialogue with national authorities on mutual accountability in development co-operation and involve the Government of Haiti in setting up an information and communication policy targeting the Haitian population.

Implementing the whole-of-government approach

Setting-up a Canadian whole-of-government approach in Haiti is legitimate and innovative, but difficult to achieve in the absence of an overall strategy for addressing security, development, trade and migration needs. Consequently:

53 For example: the electoral system and voter registration with the Organization of American States, the Prime Minister's office, the Ministry of Planning and External Cooperation, the Ministry of Health.

- i. Canada's overall strategy, which is currently being developed, should bring all Canadian actors (federal departments and civil society) together around shared objectives. These should follow the objectives of the national strategy for growth and poverty reduction and the principles of the Paris Declaration on Aid Effectiveness.
- ii. Frameworks for co-operation and operational procedures should be developed in order, first, to determine the roles and responsibilities of the various Canadian public actors involved; and second, to identify clearly where the responsibility lies for Canada's co-operation in Haiti. These instruments should be flexible enough to adapt to Haiti's specific circumstances.
- iii. The person in charge of Canada's international assistance overall should be based in Haiti and should have enough authority to respond rapidly and flexibly to both immediate and longer-term needs. They should be accountable for all Canadian initiatives in Haiti.
- iv. A common database could be set up to facilitate horizontal co-operation and better integrate the organisational cultures of the Canadian federal departments and agencies involved. Consideration should be given to staff exchanges between CIDA and DFAIT in particular, and joint training courses should be organised.

Canada has some responsibility towards Haiti given that it provides asylum for the diaspora: many of the 80% of Haiti's white-collar workers who have emigrated have settled in Canada, particularly in Quebec. Encouraging their return, whether temporarily or permanently, is worth considering to address capacity weaknesses within the state and society as a whole. The Canadian government should organise a dialogue between its immigration authorities, DFAIT and CIDA in order to achieve greater policy coherence in development, as well as for dealing with the brain drain, the return of the emigrants and private financial flows (transfers and other flows).

ANNEX E

ASSESSMENT OF CANADA'S HUMANITARIAN ACTION

This annex assesses Canada's humanitarian action in accordance with the *Assessment Framework for Coverage of Humanitarian Action in DAC Peer Reviews*. Based on the principles of good humanitarian donorship (GHD), it covers the following areas: 1) humanitarian policies; 2) principles on funding humanitarian action; 3) promoting standards and enhancing implementation; 4) learning and accountability; and 5) future considerations.

Humanitarian policies

The role and location of humanitarian action in the ODA system

Canada regards humanitarian action as an important part of its ODA and foreign policy. It is consistently in the top ten of humanitarian aid donors by volume and its influence matches this level of funding. Canada is closely associated with pursuing and promoting GHD and the wider strengthening of the international humanitarian system through its active participation in the GHD initiative and agency governing bodies.

The Department of Foreign Affairs and International Trade (DFAIT) leads on policy on humanitarian action, while CIDA is responsible for programming, operational policy and institutional relationships with key humanitarian organisations and has strong relationships with the other relevant parts of government. Humanitarian action is funded from the International Assistance Envelope (IAE) within CIDA's budget (Chapter 1). Funding flows through an annual allocation to CIDA's Multilateral Programs Branch, which manages both food aid and non-food aid within the Directorate-General for Humanitarian Assistance, Peace and Security.

Strategic approach

Humanitarian action in Canada is characterised by a well-co-ordinated whole-of-government approach, a systematic process for needs-based resource allocation and an emphasis on multilateral and unearmarked funding channels. A policy document is currently being prepared which formalises a number of established aspects of Canada's approach and is underpinned by GHD and international humanitarian/human rights law. The policy is likely to focus on three core areas:

1. Better global humanitarian action
2. Better protection of civilians
3. Better preparedness and disaster risk/vulnerability reduction

Finalising this policy document will be important to formalise a number of innovative and effective practices established through good working relationships and to communicate priorities to partners and the Canadian public. Canada should ensure the policy document reflects the whole of

government consensus that gives Canada's humanitarian action a firm foundation, while maintaining its independence from other government objectives. It should also publish and implement the policy as soon as possible after appropriate consultation with stakeholders, including NGOs.

1.3 Commitment to good humanitarian donorship

Good humanitarian donorship is the approach Canada takes in its programme of humanitarian action. GHD will underpin its forthcoming policy document and Canada recognises the priority of putting its GHD commitments into practice. The government has published a strategy for implementing GHD and this was revised in April 2006. Canada chaired the GHD initiative in its first two years from 2003-2005, giving important leadership during this early formative phase.

Linking relief, recovery and development

Many DAC donors, including Canada, find that removing the barriers between the development and humanitarian parts of their organisations is a continual challenge, but there are areas of progress within CIDA's approach. These barriers exist in a variety of different dimensions so there is no single solution. Overcoming these barriers will be particularly important, for example, in moving from meeting immediate humanitarian needs to recovery and reconstruction after an emergency such as an earthquake; in dealing with protracted humanitarian needs in conflict-affected countries where development activities are also occurring; and in preparing for disasters before they strike through disaster risk reduction — an activity that should be more central to development planning in many disaster-prone countries.

Response, recovery and reconstruction after natural disasters

For natural disasters, especially very serious ones, humanitarian and development programming seems fairly well integrated within CIDA. CIDA humanitarian funds can be used for early recovery activities as well as for immediate response, and the IAE Crisis Pool allows funding lasting up to 24 months for recovery activities. For significant disasters, such as the Indian Ocean tsunami, an interdepartmental task force co-ordinated by DFAIT is set up. Detailed planning tools, including a results framework, have also been introduced.

Protracted crises, post-conflict reconstruction and fragile states

There are a number of mechanisms for co-ordinating responses to protracted crises, including the Inter-departmental Working Group on Protracted Refugee Crises. This working group co-ordinates the different dimensions of the Canadian response and ensures consistency between, for example, international assistance and immigration policy. CIDA allows for considerable bilateral funding for both humanitarian and reconstruction activities in fragile states, which complements the global contributions made by the Humanitarian Assistance, Peace & Security Directorate General (HAPS) within CIDA's Multilateral Programs Branch. The Peace and Security Group within HAPS also provides around USD 20 million annually for initiatives in fragile states. The Global Peace and Security Fund (GPSF) architecture helps to ensure a more coherent approach; DFAIT's Stability and Reconstruction Task Force's focus on Afghanistan, Sudan and Haiti brings a considerable level of resources for these major components of Canada's programme;⁵⁴ and the cross-departmental funding for mine action is also of importance in fragile states (see below). The challenge is to involve the geographical desks more closely in considering humanitarian issues. For example, in Africa protracted humanitarian issues need to be kept high on the agenda along with more traditional bilateral activities.

54 START and the GPSF are described in more detail in Chapter 6.

Disaster risk reduction (DRR)

Being better prepared for disasters, and reducing risk and vulnerability to disasters, will be a key area of focus in Canada's forthcoming policy on humanitarian action, according to discussions with DFAIT and CIDA. Canada was among the first contributors to the new Caribbean Catastrophe Risk Insurance Facility (CCRIF), which will provide participating governments from the Caribbean region with immediate access to liquidity if hit by a hurricane or earthquake. However, the various geographical desks differ widely in the priority they give to disaster risk reduction, even for disaster-prone countries. Canada should document existing examples of good practice, for example from the Americas and the Indian Ocean tsunami, to develop guidance with high level support to ensure that DRR approaches are factored into all relevant country programmes. Canada should continue to use disasters as an opportunity to urge relevant authorities to plan better for future crises.

Principles of funding humanitarian action*Aid volumes and channels*

Funding for humanitarian action has remained relatively steady over the past ten years and is projected to remain at current levels. Canadian humanitarian assistance is notable for the high proportion of funding going to multilateral agencies; around 80% of CIDA humanitarian funding goes to UN agencies. This reflects Canada's emphasis on supporting the UN as the co-ordinator of humanitarian assistance and delegating decision-making about funding allocations to operational agencies.

Canadian bilateral humanitarian aid in 2005 was USD 151 million, or 4% of all Canadian ODA; since much of Canada's humanitarian action consists of unearmarked multilateral contributions, this underestimates its total contribution. UN figures from 2006 show Canada to be the 8th largest donor of humanitarian assistance with total contributions of USD 246 million. This puts Canada in the leading league of mid-sized donors, behind the USA and European Commission.

According to CIDA, humanitarian action has a basic annual budget of CAD 175 million (USD 157.5 million). Additional funding for major crises can be accessed from the Crisis Pool (from 2007/08 this will be CAD 333 million [USD 300 million]). In fiscal year 2005/06, humanitarian assistance programmes spent a total of CAD 319 million (USD 287 million) (See Table C.1). DFAIT has a small budget through the Human Security Programme for policy advocacy and capacity-building (c. USD 720 000).

Table E.1. 2006 Humanitarian assistance programmes spending

Recipient	Funding/CAD million
Core funding to UN and Red Cross	40
Non-food aid	129
Food aid	149
Total	319

Source: CIDA

Allocation/programming frameworks

One of the leading principles of good humanitarian donorship is to allocate resources on the basis of, and in proportion to, need. CIDA is piloting an innovative programming framework which includes a “calibration tool” to help match resources to needs and to ensure a transparent process. This will be based on a clearer definition of response thresholds and firmer reliance on evidence of the severity of a crisis. In complex/protracted emergencies, an annual inter-departmental workshop (also including field feedback) analyses UN-led Inter-Agency Consolidated Appeals and discusses appropriate funding for each crisis. These structured approaches to decision-making, which include actors from across government, are innovations which Canada is encouraged to share with other DAC donors as far as possible.

Funding modalities

In addition to funding according to need, Canada uses a number of funding approaches which enhance the predictability, flexibility and speed of its responses, also in line with GHD.

Contingency funding

The Crisis Pool within the IAE allows additional resources to be released for major unforeseen crises without adversely affecting funding to other ongoing crises. Although the mechanism for receiving funding from this pool involves consulting with multiple stakeholders and a cabinet-level decision, this does not appear to hamper rapid response. The criteria for drawing on the fund are reasonably clear; and practice has helped inform a consensus across government about when it should be used. The level of the fund is also sufficient to provide meaningful responses, and the potential for rolling-over funds from year to year (up to CAD 400 million) reduces any incentives for fully disbursing the fund in the absence of major crises.

The design of the IAE also allows the Global Peace and Security Fund to support activities that might otherwise be funded from crisis budgets, thus protecting humanitarian funding from being used for other purposes.

Core funding

In 2006, 13% of CIDA’s total humanitarian expenditure of CAD 319 million (USD 287 million) was on core funding to the World Food Programme, the UN High Commissioner for Refugees, the International Committee of the Red Cross and the Office for the Co-ordination of Humanitarian Affairs. This provides predictability to agencies and allows them to direct resources to strengthen the way they operate in a more strategic manner. Canada’s early response to the Inter-Agency Consolidated Appeals also permits agencies to make early commitments to programme implementation.

Earmarking

CIDA funding is notable for low levels of country-level earmarking, giving agencies flexibility to use resources where need is greatest and re-programme funds rapidly and appropriately. For FY 2006/07, 51% of funds were earmarked, but only for regional or higher levels (not country level funds). This was an increase of 10% on the previous financial year. CIDA is committed to further reducing country-level earmarking.

Of Canada's HA reported to the DAC, 27% is completely unearmarked support to UN agencies (GHA, 2006). Most of the remainder is earmarked only to the regional level. CIDA was also the fifth largest contributor to the Central Emergency Response Fund in 2006, its year of inception, with a contribution of USD 21.9 million, and Canada sits on the fund's advisory board. Canada should participate in efforts to understand better how agencies make use of unearmarked funds; greater evidence of where the challenges and successes occur would give greater confidence to more donors to reduce earmarking.

Sectoral issues

Food aid

While Canada funds all humanitarian sectors, in 2006 47% of CIDA's humanitarian expenditure was on food aid. While food aid is often the major intervention in a humanitarian crisis, this is a relatively high proportion. Canada should consider whether this level of support to food aid always matches the level of need for a particular crisis or for a particular year, or whether more flexibility can be built into sectoral allocations, subject to Canada's current commitments under the Food Aid Convention and without reducing total contributions.

As mentioned in Chapter 5, Canada changed its food aid policy in 2005 so that up to 50% (up from 10%) of its food aid could be purchased locally in certain LDCs and lower income developing countries. This is a welcome move which should make Canadian food aid more cost-effective and responsive while supporting developing economies. While the 2001 DAC recommendations on aid untying to LDCs do not include food aid, most DAC members have untied food aid nevertheless (*e.g.* the EC has untied all food aid). In this spirit, Canada should untie its food aid entirely.

Mine action

As one of the driving forces behind the Ottawa Convention to ban anti-personnel landmines, Canada has a significant programme to support the clearance of anti-personnel landmines, advocate for their elimination and provide assistance to survivors. The Canadian Landmine Fund is jointly managed by CIDA's Mine Action Unit (within HAPS), DFAIT's Mine Action and Small Arms Team and the Department of National Defence. Its budget is CAD 72 million (USD 65m) between 2003 and 2008. In addition, CIDA and DFAIT are integrating mine action into ongoing programmes, in order to sustain Canada's contribution over the longer term.

Promoting standards and enhancing implementation

Fostering good practice

Canada's focus on working through the multilateral system is complemented by its active participation in agency governance structures to improve the international humanitarian system. An example is the consistent reminder communicated through UN Executive Boards to keep gender issues central in humanitarian work.

Canada also recognises the important part played by Canadian NGOs in responding to humanitarian crises. CIDA and DFAIT are members of the Policy Action Group for Emergency Response, an informal group of 17 Canadian NGOs and their government counterparts constituted in 1999 to discuss policy and operational issues relating to humanitarian action. The relationship between CIDA, DFAIT and Canadian NGOs appears productive and positive.

Canada supports good practice among NGOs primarily through issuing guidelines for project proposals and reporting requirements. These set out relevant formats, criteria and eligibility for funding. Proposals must include indicators for achieving CIDA's programme outcomes and to address cross-cutting issues including gender, participation of affected populations, capacity-building, co-ordination, the environment, recognised principles and standards, and sustainability in terms of links to recovery efforts.

Recently, CIDA has begun to approve the use of an abridged proposal format from some established NGO partners in order to speed up response even further.

One initiative which allows rapid response is CIDA's contribution to the Canadian Red Cross Emergency Disaster Assistance Fund. This allows the Fund to respond immediately to small and medium scale appeals without approval from CIDA.

Staffing, organisation and management

HAPS, within CIDA's Multilateral Programs Branch, manages the agency's humanitarian programme. It has 26 employees spread across the International Humanitarian Action Division, including the Natural Disasters and NGO relations unit; the Peace, Security and Mine Action Group; and the Strategic Planning and Policy Group. Staff have both geographical and institutional responsibilities. The DFAIT Humanitarian Affairs and Disaster Response Group comprises nine staff. It is jointly located within START and the Human Rights & Human Security Bureau, linking it to both operational and policy dimensions of DFAIT.

Co-ordination within government: shared responsibility works effectively

DFAIT is responsible for policy and inter-departmental co-ordination, while CIDA focuses on programming issues, making the vast majority of funding decisions in consultation with DFAIT. The shared responsibility between DFAIT and CIDA is an interesting model which many other DAC members have in varying forms, and with different degrees of success. While ring-fencing humanitarian action from other foreign policy objectives by placing it in a separate agency has advantages, the risk is that it becomes marooned without adequate linkages to diplomatic channels or inter-departmental mechanisms. In Canada, the relationship between CIDA and DFAIT is very strong and appears to strike an appropriate balance in protecting humanitarian objectives while ensuring humanitarian action involves more than just funding operational humanitarian agencies, for example through UN Security Council lobbying, and whole-of-government action. Formalising the relationships further through a policy document would help safeguard these strengths for the future.

One risk of an integrated approach can be that other objectives encroach into the humanitarian arena. The flexibility and speed of humanitarian funding makes it an appealing tool for pursuing other policy objectives. Canada should ensure that different and sometimes competing objectives are not pursued through the whole-of-government objective, particularly through START and in Afghanistan.

Who takes the institutional lead within government for engaging with humanitarian agencies varies according to which agency has the greatest value-added role or mandate, and this is often shared between DFAIT and CIDA. Co-ordination appears to work well, ensuring that Canada speaks with one voice. For example, DFAIT is the lead government co-ordinator on UNHCR, sharing responsibility with Citizenship and Immigration Canada and with CIDA. CIDA leads on programming, operational policy, management, and administration, and is responsible, in collaboration with other relevant government departments, for Canada's institutional relationships with several key humanitarian organisations. A framework document is in preparation which will help formalise established working

practices. Similar documents for all relationships with international humanitarian agencies would also be valuable, as well as an overarching document outlining these institutional relationships within the government policy system.

DFAIT's Standard Operating Procedures for its response to large-scale natural disasters are an excellent example of clearly set-out roles and responsibilities of respective parts of government. They provide contact information and templates for key documents, such as meeting agendas for the standing inter-departmental natural disaster taskforce (which consists of pre-identified and pre-trained members). The in-built process of learning and review has helped refine the Standard Operating Procedures into an effective tool to facilitate rapid and effective whole-of-government response.

Speed of response

In addition to different funding modalities, CIDA has made appropriate organisational arrangements to ensure that humanitarian assistance decisions can be made quickly when necessary. The Director-General has delegated signing authority of CAD 1 million and the Vice-President of Multilateral Programs CAD 3.6 million, which allow for rapid response. While bureaucratic requirements may be a hindrance elsewhere in CIDA, this was not identified as a challenge for humanitarian action.

CIDA can also respond through non-monetary channels, either through the deployment of pre-identified civilian experts or the use of Canada's emergency stockpile, comprising relief items to assist with shelter, water and sanitation and as a result of recent expansion in the stockpile, standard WHO emergency health kits.

Cross-cutting issues

Gender

CIDA promotes the incorporation of a variety of cross-cutting issues through its proposal requirements mentioned above. Specific recognition should be given to the work that CIDA has pursued on gender issues in humanitarian programmes, on which it published guidelines in 2003 (CIDA, 2003). CIDA should continue to promote such work and extend this approach of practical guidelines to other cross-cutting areas such as HIV/AIDS. CIDA should ensure that lessons from humanitarian programming are fed back into Policy Branch on cross-cutting issues to ensure overall CIDA policy factors in humanitarian issues.

Protection of civilians

The protection of civilians in humanitarian crises is a core principle of GHD, but often the emphasis of humanitarian programming is on the delivery of material assistance. Canada is notable for consistently engaging with the issue of protection in a variety of different ways, helping to ensure that it has become established as an important issue in recent years in both humanitarian and political arenas, such as the UN Security Council. Canada, through DFAIT, has helped build a consensus around approaches to humanitarian protection, through its work with the Security Council; advocates with Northern and Southern States on the importance of protection; and at field level works on building capacity for agencies to engage in protection issues. Canada should continue to ensure that sufficient resources are provided to continue this engagement, particularly in terms of implementation and monitoring of commitments to protect civilians.

Civil-military issues

Canada's approach to civil-military co-ordination is set out in guidelines agreed across government.⁵⁵ These formalise the approach taken towards the involvement of the Canadian military in humanitarian assistance and the way in which Canadian military actors co-ordinate with humanitarian organisations. Canada can deploy a military Disaster Assistance Response Team to arrive within seven days to help stabilise the humanitarian situation after major disasters by providing medical support, water purification, communications and logistics. Canada's guidelines reflect the mechanisms established in the 2003 *UN Guidelines for the Use of Military and Civil Defence Assets to Support UN Humanitarian Activities in Complex Emergencies* (the "MCDA guidelines"). Essentially these clarify that the military should provide assistance only as a last resort, and then with strictly demarcated responsibilities and under civilian guidance. The guidelines are the result of considerable time and energy developing a consensus based on practical experience in Peace Support Operations. Canada should ensure that the guidelines are implemented fully and shared widely with other DAC members.

Learning and accountability

Humanitarian action is included in the ongoing programme of CIDA's Evaluations Branch both in terms of thematic evaluations and those of specific projects. It is not clear whether the agency consistently applies the specific humanitarian criteria recommended by the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP) to complement those of the DAC.

On an inter-departmental level, the Standard Operating Procedures on the interdepartmental response to natural disasters abroad require a meeting to be held to identify inter-departmental lessons, leading to learning across government. Where appropriate, it would be useful for these to be shared with other donors.

In terms of support to the wider agenda of accountability and learning, Canada participated in the Tsunami Evaluation Coalition working group on needs assessment and financed the research and publication of the thematic evaluation on needs assessment. As mentioned in Chapter 5, it should look for further opportunities to participate in joint donor evaluation exercises. Canada also provides funding to various relevant initiatives including Global Humanitarian Assistance and ALNAP.

Future considerations

- Canada should formalise its humanitarian action framework after consulting across government and with wider stakeholders to ensure a consistent institutional response and assist in implementing its commitment to good humanitarian donorship. This will enhance understanding of how Canada approaches humanitarian action, including important principles such as a commitment to the protection of civilians and disaster risk reduction.
- Canada should untie its emergency food aid entirely, as part of a wider initiative to reduce unttying (see Future Considerations in Chapter 5 of main report).

55 *Government of Canada Guidelines on Humanitarian Action and Civil-Military Co-ordination*, undated

- Canada should analyse wider lessons from its experience in implementing its commitments to good humanitarian donorship and continue to share approaches on core and unearmarked funding with other DAC donors.
- Disaster risk reduction is intended to be a core area of focus for Canada. CIDA should ensure that good practice is applied across programming and that high level buy-in encourages the involvement of all appropriate geographical desks in considering issues of disaster risk reduction.

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.*⁵⁶

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 this volume.

DAC LIST OF ODA RECIPIENTS: The DAC uses a List of ODA Recipients which it revises every three years. From 1 January 2005, 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).

56. For a full description of these terms, see the *Development Co-operation Report 2006*, Volume 8, No. 1.

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 active 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): Developmentally relevant 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.

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.

BIBLIOGRAPHY

- Canadian Defence and Foreign Affairs Institute (CDFAI) (2007), Survey conducted by Innovative Research Group using their Canada 20/20 online panel, 14 and 19 February 2007, Ottawa.
- Cass, S. (2006), “Strengthening Civil Society Partnerships for Public Engagement and Global Citizenship”. *CCIC Briefing Paper* No. 4. Canadian Council for International Co-operation, Ottawa.
- CIDA (2002), *Canada Making a Difference in the World – A Policy Statement on Strengthening Aid Effectiveness*, CIDA, Gatineau.
- CIDA (2003), *Gender Equality and Humanitarian Assistance: A Guide to the Issues*, CIDA.
- CIDA (2004), *Capacity Development in CIDA’s Bilateral Programming: A Stocktaking *Research results**, January 9, 2004, CIDA.
- CIDA (2006a), *A Review of Evidence of the Effectiveness of CIDA’s Grants and Contributions*, Evaluation Division, Performance and Knowledge Management Branch, December 2006, CIDA.
- CIDA (2006b), *Review of Evidence of the Effectiveness of CIDA’s Grants and Contributions*, December 2006. Evaluation Division, Performance and Knowledge Management Branch.
- CIDA (2006c), *Evaluation of the CIDA Tanzania Program 1997-2003*, February 2006, CIDA.
- CIDA (2007), *Report on Plans and Priorities Estimates 2007-2008*, CIDA, Gatineau.
- Decima Research 2006. *Survey of Co-ordinators and Members of IDRC-supported Networks (1995-2005)*, Decima Research, Ottawa.
- Eurodad (2006), *The Time for Debt Cancellation is Now! Haiti: Fact Sheet on Illegitimate Debt*, December 2006, Eurodad, Brussels.
- Focus Canada (2004), *Canadian Attitudes toward Development Assistance, Canada*, Focus Canada, Ottawa.
- Focus Canada (2006), *The Pulse of Canadian Public Opinion, Canada*, Focus Canada, Ottawa.
- Government of Canada (2006a), *Canada’s Draft Memorandum to the OECD Development Assistance Committee – Peer Review 2007*, February 2006, p. 73.
- Government of Canada (2006b), *The Speech from the Throne*, http://www.sft.gc.ca/default_e.htm, Accessed on 7 May 2007.
- Government of Canada (2007), *Canada’s Memorandum to the OECD Development Assistance Committee – Peer Review 2007*, July 2007.
- Gwyn, 2007, “Poll Suggests Canada is Tiring of Being the World’s Do-gooder”, in *Toronto Star*, February 20, 2007.

International Development Research Centre (2006), *IDRC Annual Report 2005-2006*, IDRC, Canada.

Neilson, S. and C. Lusthaus, (2007), “IDRC-Supported Capacity Building: Developing a Framework for Capturing Capacity Changes”, *Universalis*, February 2007, p. 2.

OECD (2002), *The DAC Journal: Vol. 3 Issue 4, Part II Development Co-operation Review of Canada*, OECD, Paris.

OECD (2003), *Public Opinion and the Fight against Poverty*, OECD, Paris.

OECD (2007), *OECD Journal on Development: Development Co-operation - 2006 Report*. OECD, Paris.

Office of the Auditor-General, (2005), *Status Report. “Chapter 5 Canadian International Development Agency — Financial Compliance Audits and Managing Contracts and Contributions”*.

Reality of Aid Network (2006), *Reality of Aid 2006: Focus on Conflict, Security and Development*, IBON Books and Zed Books, Philippines, p. 252.

Simpson, E. and Tomlinson, B. (2006), “Canada: Is Anyone Listening”, in *Reality of Aid 2006: Focus on Conflict, Security and Development*, IBON Books and Zed Books, Philippines.

Sorenson, K. (2006), *La Politique Internationale du Canada mise à l’épreuve en Haïti*, Rapport du Comité Permanent des Affaires Etrangères et du Développement International, Chambre des Communes, Décembre 2006, Ottawa.

Wood, B. (2004), *Goodbye Columbus, Getting Serious About Development Cooperation in a post 9/11, post-Cancun World*, Ottawa, April, 2004, p. 12.

THE DEVELOPMENT ASSISTANCE COMMITTEE



PEER REVIEW SERIES

HOW TO CONTACT US

The Development Assistance Committee welcomes your comments and suggestions.

Please contact us

by email at dac.contact@oecd.org, www.oecdbookshop.org, by
telefax at 33 1 44 30 61 44
or by mail to:

Organisation for Economic Co-operation and Development
Development Co-operation Directorate
Communications and Management Support Unit
2, rue André-Pascal
75775 Paris Cedex 16
France

WORLD WIDE WEB SITE

<http://www.oecd.org/dac>