



Canadian International  
Development Agency

Agence canadienne de  
développement international

# **Executive Report On the Evaluation of the CIDA Industrial Cooperation (CIDA-INC) Program**

**Evaluation Division  
Performance and Knowledge Management Branch**

**December 2007**

Canadian International Development Agency  
200 Promenade du Portage  
Gatineau, Quebec  
K1A 0G4  
Tel: (819) 997-5006  
Toll free: 1-800-230-6349  
Fax: (819) 953-6088  
(For the hearing and speech impaired only (TDD/TTY): (819) 953-5023  
Toll free for the hearing and speech impaired only: 1-800-331-5018)  
E-mail: [info@acdi-cida.gc.ca](mailto:info@acdi-cida.gc.ca)

**Canada** 



## Table of Contents

<b>LIST OF TABLES &amp; FIGURES .....</b>	<b>ii</b>
<b>LIST OF ACRONYMS .....</b>	<b>iii</b>
<b>1. INTRODUCTION .....</b>	<b>1</b>
<b>2. PROGRAM OVERVIEW.....</b>	<b>1</b>
2.1 GOAL AND OBJECTIVES OF THE PROGRAM.....	2
2.2 PROGRAM CONTEXT .....	3
2.3 CIDA-INC MECHANISMS .....	3
2.4 CIDA-INC PROJECT APPROVAL PROCEDURE.....	4
2.5 PROJECT SELECTION MECHANISMS.....	4
2.6 ELIGIBILITY CRITERIA.....	6
2.7 COSTS SHARING AND REVENUE SHARING POLICIES .....	6
<b>3. EVALUATION SCOPE, METHODOLOGY AND LIMITATIONS.....</b>	<b>7</b>
3.1 PROJECTS SELECTED FOR ANALYSIS AND PROJECT SITES VISITED.....	7
<b>4. FINDINGS – PROGRAM PERFORMANCE AND MANAGEMENT EFFECTIVENESS .....</b>	<b>8</b>
4.1 GENERAL STATISTICS OF THE CIDA-INC PROGRAM .....	8
4.2 CIDA-INC CONTRIBUTIONS BY RECIPIENT FIRMS AND COUNTRIES (FROM 1995-1996 TO 2004-2005).....	9
4.3 ANALYSIS OF THE EFFICIENCY OF THE SELECTION PROCESS .....	11
4.4 PROFESSIONAL SERVICES ISSUES AND RISKS ASSUMED .....	14
4.5 CROSS-CUTTING PRIORITIES .....	14
4.6 JOB CREATION AND TRAINING .....	14
4.7 COMPARISON WITH OTHER DONORS .....	15
4.8 DATABASE ANALYSIS .....	16
4.9 FINDINGS .....	16
4.10 COST EFFECTIVENESS OF THE CIDA-INC PROGRAM .....	17
<b>5. CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>19</b>
5.1 CONCLUSIONS.....	19
5.2 RECOMMENDATIONS.....	19
<b>APPENDIX I: PRIVATE SECTOR DIRECTORATE’S MANAGEMENT RESPONSE TO THE ASSESSMENT OF CIDA’S INDUSTRIAL COOPERATION PROGRAM.....</b>	<b>21</b>

## List of Tables & Figures

Table 1	Breakdown by Sector of CIDA-INC Projects from 1995-1996 to 2004-2005 for all Countries.....	5
Table 2	Countries Selected for Site Visits.....	8
Table 3	Disbursements, Received and Approved Proposals per Fiscal Year.....	9
Table 4	Top 12 Recipient Countries of CIDA-INC Contributions (1995-1996 to 2004-2005).....	10
Table 5	Reasons for Non-Implementation of Projects (1997-2002).....	12
Table 6	Types of Non-Implemented Funded Projects by Mechanism (1997-2002).....	13
Table 7	CIDA-INC Staffing per Fiscal Year.....	17
Figure 1	CIDA-INC Disbursements by Region (1995-1996 to 2005-2006).....	2
Figure 2	Current CIDA-INC Support Mechanisms.....	4

## **List of Acronyms**

AFD	Agence française de développement
BDB	Business Development Bank
CIDA	Canadian International Development Agency
CIDA-INC	Canadian International Development Agency – Industrial Cooperation Program
CME	Canadian Manufactures and Exporters
CDPF	Country Development Programming Framework
CDR	Corporate Development Responsibility
CPDS	Capital Project Detailed Study
CPPS	Capital Project Preliminary Study
CPS	Capital Project Support
DFAIT	Department of Foreign Affairs and International Trade
DFID	United Kingdom Department for International Development
EIDD	Enterprise and Institutional Development Division
FSB	Fostering Sustainable Business
FY	Financial Year
GDA	Global Development Alliances
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
PBO	Probing Business Opportunities
PIP	Private Infrastructure Project
PKMB	Performance and Knowledge Management Branch
PPP	Public Private Partnerships
PSD	Private Sector Directorate
PSI	Project Support Investment
RBM	Results Based Management
RMAF	Results Management and Accountability Framework
SME	Small and Medium Enterprises
SOFI	Swiss Organization for Facilitating Investment
TFOC	Trade and Facilitation Office
TORs	Terms of Reference
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development

USTDA	United States Trade and Development Agency
VS	Viability Study
WB	World Bank
WTO	World Trade Organization

## **1. INTRODUCTION**

In order to accomplish their developmental policy objectives, many donor countries, including Canada, have devised programs to encourage and support private firms to propose commercial developmental projects.

The underlying assumption of these programs is that the disciplines of the market will foster creative solutions to the urgent need to accelerate wealth creation in the partner countries.

The Canadian Partnership Branch of the Canadian International Development Agency (CIDA) requested that the Performance and Knowledge Management Branch (PKMB) conduct an independent evaluation of the “Canadian International Development Agency - Industrial Cooperation” (CIDA-INC) program at this time to assess achievement of results, to identify best practices and lessons learned, and to inform CIDA-INC programming in the future. The evaluation focussed on the period 1995 to 2005.

The CIDA-INC program has tried to evolve together with the Agency, as a whole, as well as with changing market conditions in Canada and the partner countries.

From its inception in 1978 until 2005, the program has registered approximately 14,000 proposals from 5,712 Canadian firms. Of these registered proposals, 8,138 were approved for 3,963 potential projects<sup>1</sup>. 972 projects were subsequently implemented.

## **2. PROGRAM OVERVIEW**

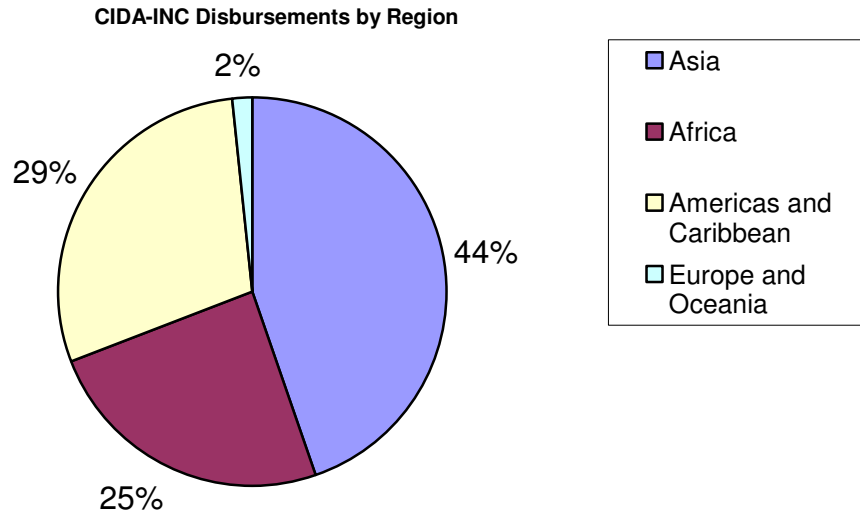
As part of an overall strategy to alleviate poverty in the developing world, most donor countries have created programs to encourage their private sector companies to propose developmental projects.

The CIDA version of this approach, called CIDA-INC, was established in 1978 with the dual purpose of reinforcing the image of the Agency in the business sector and of fostering new ventures in the developing world. Canadian business has thus been significantly encouraged to apply its expertise and to take reasonable risks in a remarkably large number of countries and sectors. While some have succeeded in establishing self-sustaining enterprises overseas, others have learned how difficult it really is to create wealth and employment in the developing and emerging economies.

---

<sup>1</sup> In some cases two proposals (for study phase and implementation phase) have been submitted for one proposed project.

**Figure 1 : CIDA-INC Disbursements by Region (1995-1996 to 2005-2006)**



source: CIDA-INC's financial records

As the program was designed to be responsive, it has always been a challenge to maintain its congruence with the other policy instruments of the Agency.

At the confluence of the micro-economic market induced disciplines and the broader macro-economic concerns of the Agency, CIDA-INC can only be fairly evaluated if one keeps in mind its specific dual sensitivity to the market and the public sector.

## **2.1 Goal and Objectives of the Program<sup>2</sup>**

As stated in the RMAF, the goal of the Industrial Cooperation Program is: "to encourage the Canadian Private Sector to establish long-term business relations with developing countries in order to promote and support sustainable socio-economic development and poverty reduction."

Its objectives are to:

- "Promote investment and Canadian technology transfer to developing countries through joint ventures, wholly owned subsidiaries or internationally financed projects;
- Establish private sector sustainable commercial linkages in developing countries;
- Create new public-private infrastructure projects in developing countries."

---

<sup>2</sup> Excerpt from « Results Management and Accountability Framework », approved by Treasury Board January 15, 2002.



## 2.2 Program Context

CIDA-INC was not set up to provide solutions to immediate problems, but was intended to be a potentially effective delivery mechanism of CIDA development objectives, creating wealth, thus contributing to self-sustainable poverty alleviation.

To this end:

- It sought to reinforce a business constituency for the Agency;
- It proposed to assist Canadian professional firms in acquiring greater visibility in the international arena;
- It invited the Canadian business sector to propose innovative international development actions.

When CIDA-INC was launched, the concept was well received in the business-for-profit sector for the following reasons:

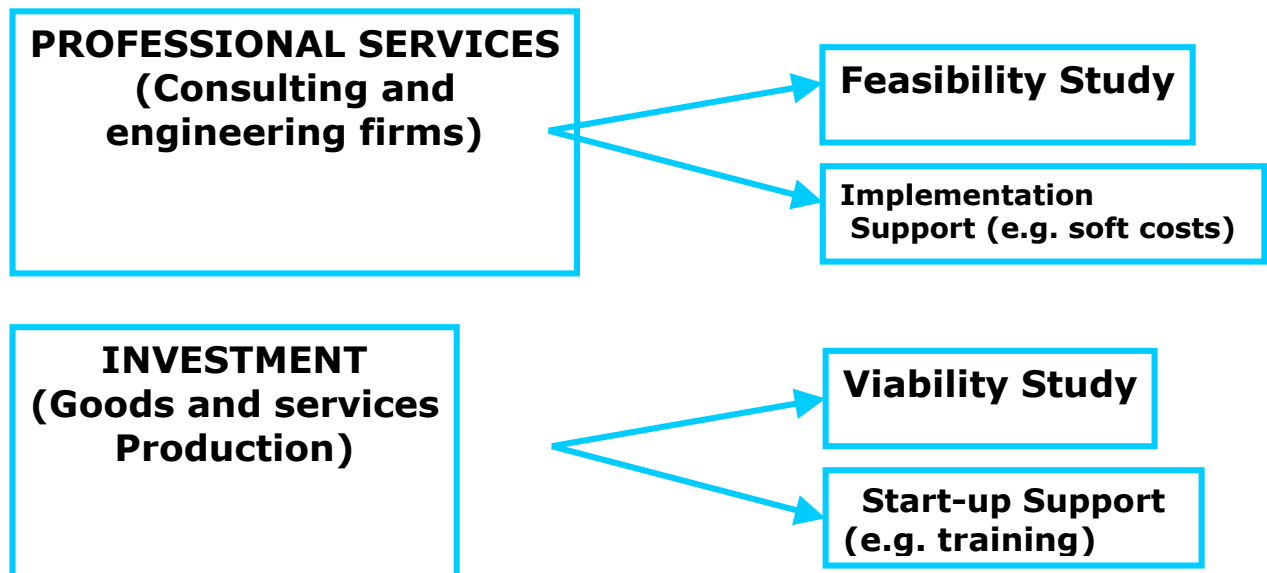
- Requirements, policies and funding mechanisms (including an acceptable repayment method for successful ventures) provided a strong incentive to the private sector to participate in a profitable manner;
- CIDA-INC helped many Canadian entrepreneurs join the globalisation process with the “blessing” of the Canadian government;
- CIDA-INC personnel were pro-active and communicated with the private sector and championed “their” projects to improve the quality of proposals and to obtain timely approval.

## 2.3 CIDA-INC Mechanisms

CIDA-INC assists Canadian firms by sharing costs in order to: 1) support investment in business ventures in developing countries or countries in transition; and 2) execute training and transfer technology that ensures social advancement, the participation of women and a healthy environment.

CIDA-INC provides financial support through its: 1) **Investment** or 2) **Professional Services** mechanisms. Both mechanisms include a **study phase** to help companies design the viability or feasibility of their initiatives, and an **implementation phase** to help them with the training of local employees, technology transfer and with the carrying out of the equality, social and environmental management plans.

**Figure 2: Current CIDA-INC Support Mechanisms**



#### **2.4 CIDA-INC Project Approval Procedure**

Unlike some other funding programs, the CIDA-INC project approval procedure is not a competitive process. CIDA-INC proposals are approved or rejected for funding on the basis of their adherence to CIDA-INC eligibility criteria, compliance with the cost-sharing policy and their potential to generate positive development impact in the host countries.

#### **2.5 Project Selection Mechanisms**

Because the project selection mechanism is responsive to demand from private sector firms which seek business development opportunities, it remains a challenge for the program priorities to be congruent with CIDA priorities. Even though most Canadian businesses accept CIDA development goals, it remains that the achievement of these goals is contingent on market acceptance of products or services at prices that cover all costs plus a margin.

The selection process does not put emphasis on CIDA partner countries nor is it asked to do so. The selection is based on the choice of the Canadian company based on the CIDA-INC country eligibility list. The Canadian companies tend to choose partners in/and countries that are not ordinarily included as partner countries. These markets offer a better possibility of success for these business ventures. Partner countries tend to be poorer and private sector development has proven to be more difficult in these countries because of marketability of services/products or because of the difficult private sector development environment.

The evaluation team found no policy framework for CIDA-INC programming suggesting that this program should relate to partner countries or focus specifically on CIDA targeted priority sectors.

The statistics presented in Table 1 demonstrate that only 8.8% of the total budget spent by CIDA-INC during the 1995-1996 to 2004-2005 period was disbursed in the 9 partner countries<sup>3</sup>. The table also provides a breakdown by priority sector. Although all projects are meant to stimulate private sector development in the host countries, certain projects, by virtue of their nature, also simultaneously support one or more of the other four CIDA priority sectors and have been coded accordingly.

**Table 1: Breakdown by Sector of CIDA-INC Projects from 1995-1996 to 2004-2005 for all Countries**

<b>Partner Countries (9)* 5 Priority Sectors (8.8% of total disbursements)</b>	<b>Amount Disbursed (in thousands)</b>	<b>Percentage of total amount disbursed: 9 partner countries</b>	<b>Number of projects</b>
• Governance	\$1,909	0.4%	11
• PSD	\$25,587	5.3%	112
• Health	\$2,168	0.5%	13
• Education	\$1,167	0.3%	7
• Environment	\$5,498	1.1%	17
<b>Sub-total</b>	<b>\$36,329</b>	<b>7.6%</b>	<b>160</b>
<b>Other Sectors</b>	<b>\$5,819</b>	<b>1.2%</b>	<b>23</b>
<b>TOTAL</b>	<b>\$42,148</b>	<b>8.8%</b>	<b>183</b>
<b>Non-Partner Countries 5 Priority Sectors (91.2% of total disbursements)</b>	<b>Amount Disbursed (in thousands)</b>	<b>Percentage of total amount disbursed: non-partner countries</b>	<b>Number of projects</b>
• Governance	\$13,980	2.9%	66
• PSD	\$240,180	49.7%	1263
• Health	\$42,047	8.7%	176
• Education	\$13,238	2.7%	64
• Environment	\$50,632	10.5%	202
<b>Sub-total</b>	<b>\$360,077</b>	<b>74.5%</b>	<b>1771</b>
<b>Other Sectors</b>	<b>\$80,609</b>	<b>16.7%</b>	<b>296</b>
<b>TOTAL</b>	<b>\$440,686</b>	<b>91.2%</b>	<b>2067</b>
<b>GRAND TOTAL</b>	<b>\$482,834</b>	<b>100%</b>	<b>2250</b>

\*Ghana, Senegal, Mali, Mozambique, Ethiopia, Burkina Faso, Honduras, Bolivia, Bangladesh  
source: CIDA-INC's financial records

<sup>3</sup> It should be noted that partner countries and priority sectors designated by CIDA vary slightly from time to time. For the purposes of this evaluation and for reasons of consistency, the evaluation team utilized the partner countries and priority sectors as designated for the period 2002 to 2004.

## 2.6 Eligibility Criteria

Previous experience acquired through CIDA-INC demonstrates that projects undertaken in developing countries and countries in transition often present numerous challenges and obstacles that are often not considered when establishing Canadian-based business endeavours. Therefore, to be considered, Canadian firms interested in obtaining financial support from CIDA-INC must have already attained a certain level of operational activity. Currently, to be eligible for CIDA-INC funding, the Canadian firms must:

- Be subject to corporate income tax;
- Have been in business in Canada for at least three years;
- Have had annual sales of over \$700,000 for at least two consecutive years;
- Have a proven track record in the services they offer or in the products they manufacture;
- Be financially sound – the firm must have sufficient working capital and a net worth that demonstrates that it is able to share costs of the proposed activity and to take on its share of funding required to implement the project;
- Be willing to commit to the long-term development of the project;
- Demonstrate the relevance of its proposed international project in the context of the firm's business plan;
- Have already established some contacts with a partner in the host country;
- Have already identified a potential source of financial support;
- Be prepared to invest in the development aspect of the project (training, social/equality advancement, healthy environment).

## 2.7 Costs Sharing and Revenue Sharing Policies

CIDA-INC assumes a portion of the costs and risks associated with establishing business partnerships between Canadian firms and their partners in developing countries or countries in transition. For approved projects, CIDA-INC and its Canadian partner firm currently assume up to 75% and 25% of the total costs respectively. To receive payment, Canadian firms are currently required to submit “deliverables”, documents prepared by the firm in consultation with the CIDA-INC Program Advisor describing a specific commercial development activity according to a pre-arranged payment schedule.

**CIDA-INC also previously organized a series of information sessions and workshops in Canadian regions to promote the program to potential clients and to describe the operational procedures as well as the legal requirements concerning Canadian development projects. In recent years, CIDA-INC has considerably reduced its promotional activities towards the private sector.**

When CIDA-INC contributes to a feasibility or viability study that generates profits, sales or contracts for the firm or its associates, the participating firm is obliged to repay CIDA when a project meets both of the following conditions:

- 1) The contribution or series of contributions paid for the same project reaches \$100,000 or more; and
- 2) The recipient or related companies obtain contracts or generate export sales of at least \$5 million as a direct result of the project for which the contribution was

received before the end of the third fiscal year following the fiscal year in which the final contribution payment was made.

### 3. EVALUATION SCOPE, METHODOLOGY AND LIMITATIONS

The evaluation focussed on the period 1995-1996 to 2004-2005; in some cases, different periods were covered to make better use of the information available. The evaluation team reviewed the documents provided by CIDA-INC, CIDA policy documents, and other donor literature. It analysed in greater detail nearly 800 projects, visited a number of projects overseas and interviewed many participating companies in Canada.

While CIDA-INC keeps extensive databases on its activities, the information available is of very uneven quality and does not lend itself well to data aggregation and analysis.

The evaluation focussed on the following program issues:

- The characteristics of CIDA-INC activities in developing countries;
- The CIDA-INC contribution to the programming priorities of both CIDA and the Canadian Partnership Branch;
- The appropriateness of project design including equality between women and men as well as environmental issues;
- The relevance and pertinence of using private sector technology transfer or short-term technical assistance as part of results-oriented programming;
- Responsive approach vs. the need to focus on countries, regions and sectors.

The evaluation focussed on the following management issues:

- Program management and administration;
- Specific administrative systems linked with:
  - Communication management systems and reporting;
  - Project selection;
  - Results-identification, collection of information, recording and reporting;
  - Administration and management costs;
  - Program implementation and costing policies.

The partner companies were visited in two phases:

The first phase consisted in acquiring information on the degree of satisfaction provided by the CIDA-INC program with regards to procedures, funding and reporting policies. A canvas of questions was developed to interview some 20 companies targeted for this phase.

The second phase consisted in acquiring specific information on CIDA-INC activities, including enabling factors and constraints encountered through specific questions regarding projects evaluated and visited.

#### 3.1 Projects Selected for Analysis and Project Sites Visited

Twenty-two (22) countries were initially selected to determine a sample of projects to be analyzed, evaluated and possibly visited. The countries selected showed a significant number of projects and contributions over the 10 years covered by the evaluation.

From these 22 countries, individual ventures/projects were selected for site visits in nine countries (shown by an asterisk in Table 2) on the basis of multiple factors such as the level of programming, rate of success, scope, relevance to the CIDA-INC evaluation, concentration in a region or city, and logistics related to travel and communication.

**Table 2: Countries Selected for Site Visits**

COUNTRY	# OF PROJECTS	\$ CONTRIBUTED
<b>LATIN AMERICA</b>		
• Brazil	62	10,924,726
• Guatemala	26	4,696,792
• Honduras	48	11,377,134
• Nicaragua	18	4,499,432
• Peru	37	9,498,347
• Venezuela	38	8,437,672
• Mexico*	105	16,742,422
<b>ASIA</b>		
• China*	306	63,823,765
• India*	157	32,080,455
• Indonesia*	90	20,620,852
• Philippines*	91	19,997,663
• Malaysia	39	10,717,517
• Thailand	58	16,736,601
• Vietnam	48	11,311,960
<b>AFRICA</b>		
• Algeria	31	7,238,294
• Burkina Faso*	29	6,521,059
• Egypt*	74	20,827,419
• Ghana	14	2,241,486
• Guinea	23	5,925,129
• Morocco*	40	7,268,812
• Senegal*	39	7,565,243
• Tunisia	44	5,424,089

source: CIDA-INC's financial records

#### 4. FINDINGS – PROGRAM PERFORMANCE AND MANAGEMENT EFFECTIVENESS

##### 4.1 General Statistics of the CIDA-INC Program

From its inception in 1978 until 2005, the program has registered approximately 14,000 proposals from 5,712 Canadian firms. Of these registered proposals, 8,138 were approved for 3,963 potential projects<sup>4</sup> and 972 projects were subsequently implemented.

Form 1978 to 2005, CIDA-INC has disbursed over \$1.1 billion in support of Canadian private sector initiatives in developing countries. CIDA-INC publicly reported that these

<sup>4</sup> In some cases two proposals (for study phase and implementation phase) have been submitted for one proposed project.

disbursements have helped to generate: \$1.5 billion investment in joint ventures host countries by private investors, Canadian companies and their host country partners; \$10.6 billion investment in host country infrastructure projects by CIDA, various international funding agencies, foreign governments and Canadian companies; as well as \$6 billion in sales of Canadian goods and services. Updated figures have not been provided and the evaluation team was not in a position to confirm these numbers.

Table 3 shows the evolution of the disbursements allocated to CIDA-INC projects and the number of proposals received and approved. The table demonstrates that there has been a significant drop in demand since 2002-2003 resulting in both approved proposals and yearly disbursements being reduced by half.

**Table 3: Disbursements, Received and Approved Proposals per Fiscal Year**

Fiscal Year	Disbursements (in thousands)	Received proposals	Approved proposals
1995-1996	\$60,801	642	333
1996-1997	\$51,217	480	271
1997-1998	\$46,307	430	259
1998-1999	\$42,755	422	235
1999-2000	\$46,498	424	224
2000-2001	\$49,146	392	229
2001-2002	\$64,017	393	248
2002-2003	\$55,893	439	244
2003-2004	\$32,002	354	156
2004-2005	\$34,198	269	166
2005-2006	\$30,770	189	116
2006-2007	\$22,097	179	74
Total	\$535,701	4613	2555

source: CIDA-INC's financial records

#### **4.2 CIDA-INC contributions by recipient firms and countries (from 1995-1996 to 2004-2005)**

CIDA-INC contributions are not concentrated as far as recipient firms and countries are concerned. The top five recipient Canadian companies (out of a total of 1,281 firms) received 11% of all funding, the other top 15 received 10% and the remaining companies, 79%. The larger companies have greater capacity to cover their share of proposal costs and they have the human resources to work on the proposals. These top 20 companies received funding for an average of 12 projects whereas the other 1,261 companies received funding on an average of less than two projects.

The top 20 companies received a combined total of \$102,630,000 in a total of 248 projects. The companies ranked 21<sup>st</sup> and lower received a combined total of \$380,203,000 for a total of 2,002 projects. The statistics also indicate that 21.3% and 78.7% of the total amount were disbursed in the top 20 companies and the remaining partner companies, respectively. This would suggest that CIDA-INC managed to distribute its financial support as widely as possible throughout the Canadian private sector.

However, the statistical analysis of the data concerning Canadian company investments shows that CIDA-INC supported 842 one-project companies, that is, companies that received only one financial contribution from CIDA-INC during 1995-2005<sup>5</sup>.

Table 4 presents an analysis of the top 12 recipient countries of CIDA-INC financial contribution during the period 1995-1996 to 2004-2005<sup>6</sup>. The table indicates that China benefited the most, receiving 13.2% of the total contribution over the 10-year period, followed by India and Egypt each receiving 6.6% and 4.3% of total disbursements, respectively. The 9 countries which were defined as CIDA's countries of focus during the years 2002 to 2004 received 8.73% of the total CIDA-INC funds (i.e. 2.36% for Honduras – one of the top 12 recipient countries - and 6.37% for the other 8 eight countries<sup>7</sup>).

The analysis also indicates that 51.38% of the total disbursements during the period 1995-1996 to 2004-2005 were allocated to 1,109 projects in the top 12 CIDA-INC recipient countries. The rest of the funds were distributed among 1,141 projects in the remaining 104 CIDA-INC recipient host countries. Moreover, half of the total CIDA-INC disbursements were destined to approximately 10% of the total number of CIDA-INC recipient countries.

**Table 4: Top 12 Recipient Countries of CIDA-INC Contributions (1995-1996 to 2004-2005)**

Country	Disbursed (in thousands)	Percentage of total CIDA-INC disbursements	Cumulative percentage
<b>China</b>	\$63,824	13.20%	13.20%
<b>India</b>	\$32,080	6.65%	19.85%
<b>Egypt</b>	\$20,827	4.31%	24.16%
<b>Indonesia</b>	\$20,621	4.27%	28.43%
<b>Philippines</b>	\$19,998	4.14%	32.57%
<b>Mexico</b>	\$16,742	3.48%	36.05%
<b>Thailand</b>	\$16,737	3.47%	39.52%
<b>South Africa</b>	\$12,862	2.67%	42.19%
<b>Honduras</b>	\$11,377	2.36%	44.55%
<b>Vietnam</b>	\$11,312	2.34%	46.88%
<b>Brazil</b>	\$10,925	2.26%	49.15%
<b>Malaysia</b>	\$10,718	2.22%	<b>51.38%</b>
<b>Partner countries (2002-2004) excluding Honduras</b>	\$30,771	<b>6.37%</b>	57.74%
<b>Other non partner countries</b>	\$204,040	42.26%	100%
<b>Total</b>	<b>\$482,834</b>	100.00%	100.00%

source: CIDA-INC's financial records

It should be noted that China and India, the two main recipient countries represent almost half of the world population.

<sup>5</sup> Data obtained from CIDA-INC Follow-up personnel.

<sup>6</sup> These statistics were calculated from data obtained from CIDA-INC Follow-up Team personnel.

<sup>7</sup> Countries of focus included Ghana, Senegal, Mali, Mozambique, Ethiopia, Burkina Faso, Bolivia and Bangladesh.



The evaluation team concludes that the purely responsive approach to CIDA-INC project selection is welcomed and appreciated by stakeholders. It lowers the risk of the business venture and the Canadian Government involvement facilitates acceptance by foreign authorities. It is the only CIDA mechanism to involve an important constituency of the private sector in the development and transition of eligible countries through business ventures.

### **4.3 Analysis of the Efficiency of the Selection Process**

The evaluation team conducted a study on a sampling of both implemented and non-implemented projects during the 1997-2002 time period for the 22 countries listed in Table 2. In this study, the evaluation team referred to the CIDA-INC project summary sheets to determine the status of the project after follow-up. The following types of projects were considered “non-implemented” by the evaluation team:

- 1) Projects for which the summary sheet indicated, “Proposed project not implemented”;
- 2) Projects for which the summary sheet indicated, “Proposed project implemented” by a Canadian company (i.e. joint venture was signed) but project either eventually dissolved or did not develop during the follow-up period;
- 3) Projects for which the summary sheet indicated, “Canadian company pursuing” but showed no indication of progress three years or more after final payment;
- 4) Projects for which the summary sheet indicated “Proposed project implemented” but not by a Canadian company.

Project summary sheets do not indicate the factors leading to an implemented or successful project. Some of the projects studied were implemented and in operation for a number of years, but later dissolved due to problems or issues unrelated to the implementation of the project.

Table 5 indicates that the main reasons for non-implementation of projects is lack of interest or capacity by the partner companies to go ahead with the partnership venture. Further analysis might indicate that other reasons, such as the marketability of products planned, the lack of a favorable business development environment or increased funding requirements, might have affected the willingness of partners to proceed. The number of non-viable projects can also be considered to be high.

**Table 5: Reasons for Non-Implementation of projects (1997-2002)**

Country	Lack of interest/capacity by Canada or host country	Contract not awarded by partner countries to Canadian firm	Non-viable	Funding not available	Social/political problems	No information provided	Total number of non-implemented projects
Algeria	4	4	2		1	2	13
Brazil	8	1	2		3		14
Burkina Faso	6	4	3	1		2	16
China	42	2	25	3	5	5	82
Egypt	9	2	1	1	2		15
Ghana	3						3
Guatemala	5	1				1	7
Guinea	2		1	4	2		9
Honduras	3		1	4	6	2	16
India	18	1	6	2	2	4	33
Indonesia	6		4		8	5	23
Malaysia	5		1		3	6	15
México	10	1	4	4	3		22
Morocco	11	1	1		3	2	18
Nicaragua	3	1	1		2	1	8
Peru	9	2	2	2	4		19
Philippines	20	1	10	3	2		36
Senegal	2	1	1	1	1		6
Thailand	6	3	3		8	4	24
Tunisia	7		5	1		2	15
Venezuela	4		2		7	1	14
Vietnam	7	2	1	1	1	1	13
Total	190	27	76	27	63	38	421
<b>Percentage of total of non-implemented projects</b>	45.1%	6.4%	18.1%	6.4%	15%	9.0%	<b>100%</b>

source: CIDA-INC's project summaries

The analysis suggests that the project design generally agreed by CIDA did not elicit enough information to form a valid opinion on the capacity or interest of the Canadian and local partner to proceed. In many instances, the lack of interest of the partners and the non-viability of the project were attributed to the absence of a market for the intended product. This is surprising, as one would expect the existence of a viable market to be the foremost consideration of any successful company.

The evaluation team was also informed that, in the professional sector, mainly consulting firms requested support for the riskier projects on which they planned to compete. Clearly, CIDA agreed to incur higher risks for Professional Services support rather than for investment.

In recent years more stringent requirements for funding were introduced, and have resulted in a 50% reduction in the number of proposal received. However, the ratio of implemented projects to proposals has not improved.

The analysis by the evaluation team of the database for 22 countries and 721 projects over the five-year period (1997 to 2002) shows, in Table 6, that implemented and non-implemented projects can be categorized as follows:

**\*Table 6: Types of Non-Implemented Funded Projects by Mechanism (1997-2002)<sup>8</sup>**

Country	Non-implemented projects					Subtotal	No. of projects showing no indication of progress after 3 yrs	Implemented projects	Total number of projects (1997-2002)	Rate of implementation	
	Investment Mechanism		Professional Services Mechanism								
	VS	PSI	CPPS	CPDS	CPS						
Algeria	6	2		2	3	13	2	2	17	11.8%	
Brazil	10			4		14	7	7	28	25.0%	
Burkina Faso	6	2	3	4	1	16	7	3	26	11.6%	
China	56	5	4	15	2	82	45	30	157	19.1%	
Egypt	7		4	3	1	15	15	5	35	14.3%	
Ghana	3					3		2	5	40.0%	
Guatemala	3	1	3			7	2	3	12	25.0%	
Guinea	5			4		9	2	6	17	35.3%	
Honduras	9		2	5		16	14	2	32	6.3%	
India	21	1	3	8		33	15	3	51	5.9%	
Indonesia	17	2	1	2	1	23	7	8	38	21.1%	
Malaysia	10	2		3		15	5	2	22	9.1%	
México	12	3	4	3		22	17	3	42	7.1%	
Morocco	9	2	1	4	2	18		3	21	14.3%	
Nicaragua	3		3		2	8	1	1	10	10.0%	
Peru	10	1	2	5	1	19	2	3	24	12.5%	
Philippines	27	1	3	5		36	14	5	55	9.1%	
Senegal	4		2			6	9	10	25	40.0%	
Thailand	12	2	1	8	1	24	10	6	40	15.0%	
Tunisia	13	1		1		15	2	3	20	15.0%	
Venezuela	7	2	3	2		14	5	3	22	13.6%	
Vietnam	5	1	4	2	1	13	7	2	22	9.1%	
Total number	255	28	43	80	15	421	188	112	721		
	<b>Percentage of total of non-implemented projects</b>					<b>Percentage of total number of projects (1997-2002)</b>					<b>Global implementation rate</b>
<b>Percentage</b>	60.6%	6.7%	10.2%	19.0%	3.6%	58.4%	26.1%	15.5%	100%	15.5%	

\*VS = Viability Study, PSI = Project Support Investment, CPPS: Capital Project Preliminary Study, CPDS: Capital Project Detailed Study, CPS = Capital Project Support

source: CIDA-INC's financial records

From the rate of contribution by country, as shown in Table 6, it is possible to compare countries with the highest rate of implementation to those with the lowest rate.

The overall average rate of implementation for the 22 countries, during the five-year period, is 15.5% and the average number of projects per country is 39. It should be mentioned that the countries with the higher rate of implementation have fewer projects selected than those countries with a lower rate. China, with the highest number of projects (157), has a higher than average rate of implementation, 19.1%. At CIDA-INC, there is no policy favouring contributions to firms interested in countries where the success rate of business is above average. Recently, countries with average or higher rates of success were taken off the eligibility list as a result of their improving economic indicators.

<sup>8</sup> For presentation purposes, public-private investments and Multinational projects were not counted due to the insignificant number of projects coded under these two categories.

#### **4.4 Professional Services Issues and Risks Assumed**

The support provided to large consulting firms to help them define their approaches to internationally funded infrastructure projects helps Canadian firms improve the infrastructure in host countries as well as make their expertise better known. Consulting firms readily state that this funding is best used to test markets which they consider too risky to explore on their own, and, indeed, there seem to be very few studies in this category that have led to subsequent Canadian business involvement.

A small number of professional service companies received a high proportion of feasibility study funding where CIDA incurs the largest financial and policy risks of not having the initiative go to implementation. By contrast, investment projects that receive start-up support, represent a smaller portion of funding yet entail less risk for CIDA as partner companies have a higher degree of control over the downstream investment per se.

It is surprising to find that the funding mechanism, which is the least likely to lead to actual private sector development in the host countries, has received a large share of CIDA contribution through the CIDA-INC mechanism. Well-established firms consider that they no longer need this mechanism, except in cases of very high risk. Furthermore, the nature of the support is such that it could be construed by the World Trade Organization (WTO) as a form of subsidy.

#### **4.5 Cross-Cutting Priorities**

Information from CIDA-INC files indicates that the program has paid particular attention to CIDA cross-cutting priorities (equality between women and men and environment) in their requirements for companies submitting proposals. To exemplify this, since CIDA-INC funding has been contingent upon deliverables, separate documents had to be produced on equality systematically and on the environment as required.

Several firms commented that some of the required deliverables helped them design better projects (market studies, environment, business plan, labour practices). However, CIDA equality and environment priorities entailed costs and delays especially when not directly relevant to the nature of the project. Such priorities distort project primary objectives and are not always internalized by Canadian companies.

The evaluation team considers that the requirements on these cross-cutting issues were often onerous and occasionally irrelevant. The team's analysis of a number of projects indicates that, while there is generally good follow-up on environmental considerations, information regarding gender tends to be reported simply in terms of percentage of men and women employed rather than in terms of the quality of such employment.

#### **4.6 Job Creation and Training**

Job creation, particularly if employment is sustainable, is the best way to improve the economy of a country and to reduce poverty – poverty reduction being an objective of most CDPFs.

One of the most significant and theoretically measurable results is job creation. Evidence to this effect is provided in a CIDA-directed job creation study and in the 60-project detailed study conducted by the evaluation team. However, only 14 of the 60 projects selected provided measurable data on jobs created. In addition, emerging labour markets

function in ways which can easily lead to misinterpretation of the data. As a result, the team is unable to reliably quantify the volume of jobs created.

It is almost certain that many jobs have been created overseas and some in Canada as a consequence of the contributions of CIDA-INC. The team surmises that much of the training provided by companies through the CIDA-INC contributions have had a very positive impact on the employability of those who have received the training whether or not they have remained with their initial Canadian employer.

#### 4.7 Comparison with Other Donors

The evaluation team consulted the study on international partnership approaches in development commissioned by the German Development Ministry and produced by the Global Public Policy Institute of Germany. The study reviewed business partnership programs put in place by selected other donors in order to develop a better understanding of these programs and extract best practices.

The key results of this benchmarking study were shared with donors during a two-day seminar in Berlin in May 2007. The draft report presented during the seminar does not compare overall implementation or “success” rates of the different programs reviewed – as these rates are not calculated or reported by donors – but focuses on similarities among programs and lessons learned in their implementation. Following are extracts from the draft report<sup>9</sup> presented during the seminar:

Donors have developed a variety of approaches, which can be grouped into three basic partnership models:

- **Probing Business Opportunities (PBO):** partnerships with the business community to explore, through investment studies and pilots, new business opportunities in developing countries;
- **Fostering Sustainable Business (FSB):** partnerships with the business community to spur private investments with a positive development impact;
- **Corporate Development Responsibility (CDR):** partnerships with the business community that embrace the relevant development work of business in developing countries and beyond a company’s core business activities.

While these programs differ in many important aspects, they do share one key feature: they are based on a partnership model, i.e. they are based on the idea that public and private partners share costs and benefits as well as risks and opportunities.

- Partnership programs that are focussed on engaging business in technical development cooperation are just one of many ways in which development agencies can leverage the resources and expertise of the business community to global development challenges. Other opportunities for engagement offer alternative and complementary arenas in which there is scope for public-private collaboration that should be explored.
- Partnership programs need to manage a fine balance. On one hand, donor programs need to be designed in sufficiently flexible ways in order to enable development agencies to respond flexibly to new partnership opportunities, which may arise. At the

---

<sup>9</sup> Global Public Policy Institute Research Paper Series no. 8 (draft, 2007), Engaging Business in Development – Key results of an international benchmarking study, Berlin, 2007.

same time, partnerships with companies should ideally be closely aligned with overall donor and development strategies, including a focus on a select range of partner countries and priority sectors.

- Partnership programs surveyed in this study operate primarily at the micro-level, i.e. at the level of the individual firm, unlike bilateral development cooperation, which generates structural impacts at either the meso- or macro-levels.
- Very little is known about the development impact of any partnership program.

#### **4.8 Database Analysis**

The information provided by the project database is not consistent from one project to the other. The quality of the database is very closely linked to the availability and willingness of the Canadian clients to provide this information and of the CIDA-INC Program Advisors to obtain and register it in a timely manner. The project summary sheets sometimes provide information on training activities provided to the foreign partners as well as on the specific technologies transferred. This was confirmed in the projects visited. There were, however, inconsistencies in reports pertaining to some of the projects visited as regards sales figures and number of employees.

##### **4.8.1 Suggestions to improve the project database**

Monitoring should be strengthened so as to provide defined measurable results.

- Success factors should be defined at the project-planning phase, so that the Canadian partner can report on them during the follow-up phase. Such data should be recorded in order to aggregate success factors at the project and country levels.
- With the introduction of funding on deliverables, the Canadian companies have had to produce a number of reports which define project outputs and outcomes in the areas of employment, gender, sales production, etc. The key results reported in these documents should be entered in the database in order to allow systematic comparison to actual results in the follow-up phase.
- Improved working conditions should be defined so they can be aggregated by project, country, etc. Examples could be: health services, improved safety at work, reduced/flexible work hours and other services.

#### **4.9 Findings**

Program management does not operate on an RBM approach. Certain examples validate this finding:

- Program implementation is separate from follow-up and reporting and there is no systematic transfer of information from follow-up and reporting to the implementation of the program<sup>10</sup>;
- Actual project results are not systematically reported in the databases or compared to stated expectations;
- The databases set up at CIDA-INC record neither success factors nor lessons learned which could improve results, thus there is no formal mechanism to benefit from past experience;

---

<sup>10</sup> After the last payment, the file is transferred from the implementation unit to the follow-up unit.

- There is little value given to company reports and no or little feedback is given to Canadian partners on these reports;
- There is no consistent internal reporting on the outcome of Professional Services support;
- Follow-up by the Posts regarding on-going projects is inconsistent and the apportionment of responsibilities between the Desks and the Posts is unclear;
- CIDA-INC no longer participates actively in public engagements involving the private sector to promote the program.

The evaluation team is of the opinion that:

- CIDA-INC is a responsive mechanism that should assist Canadian private sector ventures in developing countries without the requirement to “achieve appropriate geographic focus”.
- CIDA-INC is the only responsive window of the Agency to the concerns and initiatives of the Canadian private sector.

#### 4.10 Cost Effectiveness of the CIDA-INC Program

Following the analysis of 721 contribution agreements (see Table 6), the evaluation team considered that the rate of initiatives implemented which it considered successful, i.e. those that have led to actual investments or contracts, to be 15.5%. As noted previously, the team has no means to compare this rate of implementation or CIDA-INC project costs with other similar PSD programs.

Table 7 which follows indicates that even though there has been a general reduction in the number of proposals received and approved in the period under review, the number of equivalent full-time employees has not been significantly reduced. One explanation would be that the level of effort has increased as a result of the introduction of the deliverables-based approach to funding which became mandatory after 2000-2001. An effective reduction in weeks for the approval process matched with the need to manage the many changes brought about in the approval procedures, caps on funding certain expenses, cost-sharing policies, etc., may also have had an impact on the levels of effort required of CIDA-INC Program Advisors.

**Table 7: CIDA-INC Staffing per Fiscal Year**

Fiscal Year	Equivalent Full-Time Employees used	Disbursements	Received Proposals	Approval Proposals
1995-1996		60,801	642	333
1996-1997	32.97	51,217	480	271
1997-1998	31.03	46,307	430	259
1998-1999	29.46	42,755	422	235
1999-2000	29.18	46,498	424	224
2000-2001	30.25	49,146	392	229
2001-2002	30.64	64,017	393	248
2002-2003	34.19	55,893	439	244
2003-2004	29.87	32,002	354	156
2004-2005	25.15	34,198	269	166
2005-2006	21 (estimation)	30,770	189	116
2006-2007	21 (estimation)	22,097	179	74

source: CIDA-INC's financial records

The team concludes that all these changes in CIDA-INC funding mechanisms have contributed to a general decline in the demand for funding by Canadian companies. The business community needs to feel welcome and understood by CIDA and the reverse is also true. However, this will not happen unless a much better acceptance of each other's priorities exists. The CIDA-INC staff should probably be given more latitude to visit businesses both in Canada and overseas and be given a greater sense of responsibility for the acceptance and/or rejection of prospective ventures. The team considers that fewer, but more researched, studies and investments would serve both the government and business better.

From its interviews with several important recipient Canadian firms, the team concludes that a number of internal and external factors have contributed to this decline:

Internal Factors

- New solvency requirements, financial reporting rules and reduction in eligible costs make the application process cumbersome;
- Excessive delays in decision making (months rather than weeks);
- Reported paternalistic and unsupportive attitude by many Program Advisors perceived due to a lack of international exposure and business sensitivity;
- Program Advisors no longer champion "their" files to accelerate approval process;
- High staff turnover delays the approval process.

External Factors

- The state of the global economy, as well as the enhanced visibility of Canadian consulting firms, have lessened their interest for support available through Professional Services (feasibility studies), but has enhanced the opportunities for the Investment mechanism (start-up support);
- Much greater knowledge of global business conditions, as well as easier communication and travel facilities, have reduced the need for official support; even small Canadian firms are often able to investigate investment opportunities on their own;
- Removal of some eligible countries providing significant market access leads CIDA-INC to focus on partner countries with fewer profitable business investment opportunities; and
- CIDA-INC has moved from having a dynamic and supportive image responding rapidly to the needs of the private sector to a bureaucratic one within the business community.

Further, there has been no measurable increase in the ratio of implemented projects. The evaluation team, therefore, concludes that the changes in the CIDA-INC funding mechanism have not improved the cost-effectiveness of the program, and may have discouraged the more dynamic companies from continuing to submit proposals to CIDA-INC.



## 5. CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Conclusions

The purely responsive approach to project selection does not favour alignment with other CIDA priorities and policies such as geographic and sector focus.

CIDA-INC support has been leveraged by the partner companies to create a number of direct and indirect jobs both in Canada and in host countries.

The evolving developmental priorities of CIDA and the reduction in the number of eligible emerging countries have resulted in a loss of pertinence to the business.

In the years under review, CIDA-INC implemented a number of changes hoping to improve project results and cost-sharing with the Canadian companies. This has not produced any noticeable improvement in the rate of implementation. Moreover, it is the understanding of the evaluation team that file documents are now more costly to produce by the companies and to monitor and approve by CIDA-INC. Therefore, the team concludes that the Program has not become more cost-effective over the years. This new approach has increasingly discouraged many firms from participating in the Program.

CIDA-INC has moved from having a dynamic to a bureaucratic image within the Canadian business community.

### 5.2 Recommendations

1. The evaluation team recommends that CIDA continue to draw on private sector innovation and experience through either CIDA-INC or a new program in order to assist in the delivery of its mandate. It should, therefore, launch a consultative process with senior representatives of the business sector on the definition of “win-win” conditions to mesh private sector innovation and know-how with CIDA overall developmental priorities.

The consultative process could:

- Assess the appropriateness of keeping the Professional Services mechanism as is, given the apparent low return on feasibility studies;
- Review eligibility criteria (firms, sectors, countries) for the Investment mechanism and the implementation support of the Professional Services mechanism;
- Review the requirements for deliverables in order to increase the overall cost-effectiveness of the program through a streamlining exercise;
- Consider whether other Canadian government departments would be better suited to harbour the new scheme, keeping in mind that there is a risk that their support might be seen as an illegal form of subsidy and that their support might not have the same interest for training and socially desirable outcomes;
- Identify the offices in Canadian missions responsible for the renewed program.

CIDA-INC, or an alternative scheme, should remain responsive and ensure that participating businesses integrate and support CIDA policies and thus align priorities;

It should use criteria inspired from the investment banking methods and work only with either already successful companies or extraordinarily promising ones;

The consultation process should result in an updated RMAF.

**A revitalized CIDA-INC. or any new program resulting from the suggested consultation process, should consider the following recommendations to improve the Reporting and Monitoring Mechanisms**

2. The program should seek to improve its database on project summaries, particularly if it wishes to integrate an RBM approach into its operations. This would require that the data on implemented projects, on results and success factors be systematically collected and integrated in the database in a manner that can be aggregated by country and by priority sectors.
3. Monitoring results should be strengthened so as to provide, where possible, measurable results other than sales and employment which then should be systematically compiled for each project file because they are the main result areas.
4. Synergy should be developed between the unit in charge of project implementation and the unit responsible for follow-up, so that information acquired in the follow-up phase be systematically fed back to the Program Advisor in charge of the management file of the specific project.
5. Success factors should be defined at the project-planning phase, so that the Canadian partner can report on it in the follow-up phase. Such data should be recorded in order to aggregate success factors at the project and country levels.

## **APPENDIX I: Private Sector Directorate's Management Response to the Assessment of CIDA's Industrial Cooperation Program**

CIDA's Industrial Cooperation Program (CIDA-INC) is a responsive, cost-shared developmental program based on partnerships with the Canadian business community. It was created in 1978 to recognize the positive role that private sector investment can have on sustainable development and poverty reduction in developing countries.

CIDA-INC recently underwent an independent evaluation whose objectives were to review performance in order to assess results achieved, provide lessons learned, and inform future programming. The evaluation uncovered several opportunities for improvements in scope, structure and process, and recommended that CIDA continue to draw on Canadian private sector experience and innovation through a revitalized business partnership program.

The evaluation proposed two broad recommendations that meet with CIDA's full approval:

1. The launch of consultations to assess the appropriateness of CIDA-INC mechanisms, eligibility criteria and organizational structure;
2. The strengthening of its reporting and monitoring functions.

CIDA has therefore committed itself to launch a consultative process to assist in defining new private sector development programming parameters. While the implementation of the evaluation's reporting and monitoring recommendations may no longer be as relevant to a redesigned program, they will serve to enhance any new programming mechanisms, as validated through stakeholder consultations.

In recognizing private sector engagement in Canada's development cooperation as a vital ingredient of effective development, the evaluation highlights the need for a strategic approach to private sector partnership programming in light of its wider potential for sustaining economic growth. The facilitation of inclusive economic growth will therefore be pursued through an interdepartmental approach that levers business driven solutions, promotes corporate social responsibility, and improves business-enabling environments.

The transition from CIDA-INC to a redesigned approach to development partnerships with the private sector will start with a dialogue involving federal departments and agencies as well as business stakeholders and umbrella organizations. This dialogue will fundamentally guide programming choices and serve to define CIDA's vision as to the place and role of responsive private sector development within the Agency's aid effectiveness agenda.

The dialogue will start in February, with the new program's launch expected no later than Fall 2008.