

A Call to End Global Poverty: Renewing Canadian Aid Policy and Practice

A Policy Background Paper
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Acknowledgements

This policy paper is the product of several years of reflection and wide consultation on the future for development assistance and directions for CIDA. Early ideas have been culled from several informal round tables as well as an NGO workshop on sustainable human development (supported financially by the IDRC), called by CCIC to determine the implications of a series of cuts to the aid budget since 1995. On-going discussion of policy issues with officials in CIDA have clarified our thinking about many aid policies issues and provided invaluable access to information about current programs, including statistical information from CIDA's Development Information Centre.

The paper has also been stimulated by the experience and analysis of a global network of NGO researchers and activists who come together each year to publish *Reality of Aid*. This book is an annual review of trends in development cooperation, to which CCIC makes a contribution on issues and directions for Canadian aid.

The policy proposals elaborated in the paper have been inspired by the **in common** campaign, launched by CCIC and its members in the Spring of 1998, with the goal to put global poverty eradication more firmly on the Canadian public policy agenda. This paper accompanies *A Call to End Global Poverty*, an open letter to the Prime Minister and Cabinet, proposing how Canadian ODA might more directly contribute to this campaign goal (see Appendix 6). The rationale for the proposals in the letter is set out in the pages of this paper.

We hope this paper will stimulate discussion not only about the challenges for CIDA and the government but also for NGOs and all development actors on what it means to put poverty reduction strategies and commitments into practice.

While the author alone is responsible for any errors and the choices of issues to address (and the omissions that result), the paper is very much the product of a collaborative effort. I would like to thank colleagues in the Secretariat of the CCIC who read and commented on various drafts of the paper. External readers of a much earlier draft in the Spring of 1998 generously offered their comments and advice. These commentators included Brian Murphy, Ian Smillie, Art Wright, Beth Woroniuk, Lloyd Strachan, and, Professor Cranford Pratt.

Finally, I want to offer thanks and appreciation for the spirit of cooperation between CCIC and The North-South Institute. In part, the motivation to produce a paper on future directions for Canadian aid is the result of joint advocacy by CCIC, our members and the Institute on Canadian ODA. I want to express my gratitude for the time, and the thoughtful and detailed commentary provided by colleagues at the Institute. Kerry Max, in particular, has worked closely with me in helping elaborate ideas, sharing resources, and commenting on various

drafts. While I hope that I have reflected many of these ideas, CCIC alone is responsible for the analysis and recommendations that follow.

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The Purpose of Canadian Aid

1. The sole **purpose of Canadian ODA should be the elimination of poverty**, in a way that promotes sustainable livelihoods for people living in poverty, and advances human development and ecological sustainability in Canadian foreign policy and practice.

In directing Canadian aid to the elimination of poverty,

- at least 60% of CIDA's budget should be for programs that directly improve the conditions and rights of people living in poverty, including their ability to participate in their own development.
- the remaining 40% should be directed to activities that enable poverty eradication.

Targeting Canadian Aid

2. Better target the poorest countries, channeling at least 70% of resources to low income countries, with a minimum of 45% of CIDA Bilateral programming resources to Sub-Saharan Africa (up from 38.3% in 1997/98).
3. Develop allocation priorities and strategies to meet the UN target of 0.15% of Canadian GNP for the 47 least developed countries (in harmony with increasing Canadian ODA towards the target of 0.7% of GNP).
4. Give priority in the allocation of sectoral and program aid in Canadian bilateral cooperation programs to countries where discussions with host government, civil society, and the private sector can lead to strategies and social commitments to end poverty and protect the rights of workers.

Investing in the Poor: Targeting Social Sectors

5. Devote at least 30% of Canadian ODA programming resources to meet the basic human needs of the poor *on a sustainable basis* (i.e. excluding emergency food aid and humanitarian assistance), with priority to measures that also support sustainable livelihoods for those living in poverty.
6. Support the development of National Action Plans in partner countries, and in particular effective participation of organizations representing the poor in developing these Plans, in support of goals to achieve universal access to basic social services by 2015.
7. Improve the quality and consistency of CIDA's coding system, particularly for BHNs, gender impact, and poverty reduction, by developing a poverty marker code and establishing a division within CIDA to exercise quality control for project coding data.

Environmental Sustainability and Poverty

8. Carry out a publicly accessible Performance Review of CIDA's environmental programs with respect to its impact on the poor.
9. Include poverty reduction indicators as part of reporting on environmental programming results.
10. Reorient CIDA's environmental policies and program implementation practices towards community-based processes that address the link between poverty reduction and issues of environment degradation.

Improving CIDA's Commitment to Food Security and Reducing Poverty in the Agricultural Sector

11. Guided by commitments made by Canada at the 1996 Rome Food Summit to promote the right to food and reduce the number of hungry people in the world by half by 2015, increase CIDA support for agriculture and rural development targeted to benefit the rural poor, by
 - o supporting increased programming and research into sustainable agricultural practices that protect genetic diversity, sustain local and regional ecosystems, and provide livelihood for small and medium producers; and
 - o developing strategies for food security within each geographic branch, in consultation with development partners, to focus food-related activities in regions and countries where the need is greatest.

Integrate Gender Equality Issues

12. Significantly increase the allocation of resources directed to strengthening gender equality by meeting women's strategic and practical needs and assuring women's participation in all phases of development programming.
13. Explicitly direct and monitor CIDA Program Frameworks to apply gender analysis to all programming areas, results and indicators, and to include a wide range of women stakeholders in their development.
14. Carry out serious gender analysis for all major CIDA programs and projects, seeking the participation of organizations and individuals with gender equality expertise in project design, implementation and evaluation, and require the departmental gender specialist to sign off on the programs and projects.

15. Build and disseminate knowledge and best practice in meeting gender specific needs and interests of people in emergency situations, including assessment of institutional capacity in organizations selected for delivering humanitarian and peace building activities.
16. Better support partners to improve their institutional capacity to encourage gender equality, including equitable representation of women in decision-making levels.

Private Sector in Canadian Aid Allocations

17. Transfer CIDA's Industrial Cooperation Program (CIDA INC) to programs in the Department of Foreign Affairs and International Trade and the Export Development Corporation that encourage Canadian foreign private investment.
18. Review and monitor CIDA programs and projects in terms of their impact on core labour rights, with particular attention to private sector development, infrastructure and environment sectors.
19. To assure private sector expertise in the delivery of poverty sensitive development programming, select Canadian implementing partners on the basis of appropriate experience and expected contribution to the goal of reducing poverty.
20. Reform CIDA's contracting procedures so that they are consistent with the need for long-term programming relationships, partnerships based on reciprocal obligations and development goals, complex accountability (particularly to beneficiary populations), and the goal of strengthening local capacity for management of development processes and appropriate skills in developing countries.
21. Select overseas partners on the basis of their experience and ability to contribute to ending poverty.

Promote Local Ownership

22. Ensure that CIDA programs are driven by our partners overseas, by
 - Making Regional and Country Policy Frameworks core instruments for consultation and policy dialogue, mandated to address sustainable poverty reduction in the respective region or country (See Appendix Two for suggested implications for a Framework);
 - Working with like-minded donors in pilot activities to shift emphasis from policy conditionality to policy dialogue where choice of options lies with the developing country; and
 - Working to strengthen organizations and institutions within a country promoting policy and political reform (especially where current governments are undemocratic, pursuing policies that increase socio-economic inequities, and are not open to policy dialogue);
23. Untie at least 80% of Canadian bilateral aid allocations by
 - Pursuing in the DAC complete untying of bilateral aid for Least Developed Countries, Low Income Countries and all countries in Sub-Saharan Africa (including technical assistance, but not food aid);
 - Promoting procurement policies that build local skills while respecting the implications for longer term partnerships in poverty-focused projects; and
 - Prioritizing untying-appropriate food aid procurements in developing countries, but not for procurement in other OECD countries until such time as there is agreement within the WTO on agricultural trade.
24. Prioritize projects that respect and build on local technical skills (consciously limiting foreign technical assistance), and that choose technologies and infrastructure that are

appropriate to local needs and that can be realistically sustained by local resources and financing.

Strengthen Participation and the Rights of the Poor in Civil Society

25. Implement a joint CIDA / Voluntary Sector "Civil Society Initiative" by developing a holistic and strategic framework for enhanced civil society programming across the Agency, thereby improving development knowledge, enhancing the impact of direct civil society strengthening activities, and developing cross sector (state, private and voluntary) strategies and programs for poverty reduction. (See Appendix B for elements of this Initiative)
26. Encourage North-South partnerships that promote national philanthropy in the South through national fundraising, endowment funds and other sustainable financing initiatives (Jackson & Seydegart, 1997; Draimin 1999).
27. Allocate more CIDA resources to increase the capacity of the labour sector in support of human rights, democratization and poverty reduction.
28. Develop a process in CIDA for assessing and improving the impact of its development assistance on core labour rights, especially where these rights are most threatened (including our engagement with multilateral development institutions).
29. Explore options for government to encourage and finance fair trade partnerships between Canadian and Southern counterparts, including support for strategies to increase market access for fairly traded goods.

Encourage Donor Coordination

30. While concentration of bilateral programming on a few countries may not be politically feasible, given Canada's foreign policy interests, scale and impact can be enhanced by strong and deliberate coordination of Canadian aid initiatives with other like-minded donors, in dialogue with recipient country governments and other development actors in civil society and the private sector.
31. Explore pilot initiatives in coordination with like-minded donors and multilateral agencies, taking advantage of current multilateral initiatives in furthering donor coordination [See Appendix C for a set of practical areas where donors could make progress in linking developing country ownership to increased donor coordination.]

Involve Canadians in Development Issues

32. CIDA should heighten Canadians' awareness of development issues through a strategy to engage Canadians as global citizens. One definition of a global citizen is someone who is aware of the wider world; respects and values diversity, participates in and contributes to the community at a range of levels from the local to the global and is willing to act to make the world a more equitable and sustainable place. (OXFAM UK & Ireland, 1997)

The strategy should

- support a Canada-wide program that encourages vibrant community-based initiatives;
- provide for both the capacity-building and joint learning needs of those working to engage the public (perhaps through virtual centres set-up regionally);
- provide for ongoing learning through evaluation and assessment of best practices;
- provide funding, preferably with multi-year funding being available; and

- include as partners, perhaps jointly with established partners, "non-traditional" groups such as domestically-focussed organizations.
33. Whenever possible public engagement initiatives should link local and domestic concerns to the global, through the school system, youth programming, media and cultural initiatives.
 34. CIDA and the government should explore regular opportunities for Canadians from all walks of life to participate in community "public deliberation" work on policy choices on global issues, and be accountable to the processes that are initiated.
 35. CIDA should encourage exchange and learning between Canadians and citizens of developing countries on issues of common concern.
 36. Increase the proportion of CIDA programming resources devoted to encouraging public engagement in Canada to 2.5% by 2005/06.

Rebuild Canadian Aid Resources and Cancel Debt Owed by the Poorest Countries

37. Set out a timetable, consistent with our commitment to provide 0.7% of our GNP in aid, to increase ODA resources to 0.35% by 2005/06, by investing a minimum of C\$200-250 million each year in the International Assistance Envelope (see endnote #19).
 38. Join with other creditor countries and cancel all outstanding debt owed to the Canadian Wheat Board and the Export Development Corporation by the 50 most highly-indebted poor countries. In the absence of an international commitment to total cancellation of these debt, the Finance Department should propose a timetable for bilateral action on the part of the government to cancel these debts owed to Canada.
 39. Take every opportunity to advocate the rapid and total cancellation of the international debts of the poorest countries.
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A Call to End Poverty: Renewing Canadian Aid Policy and Practice

1. INTRODUCTION: CANADIAN AID POLICY AND ENDING POVERTY

Ending poverty has never been the sole focus of Canada's aid program. In its 40-plus year history, despite a strong international reputation, Canadian aid policy has been justified, and then implemented, in relation to a basket of foreign and domestic policy concerns. In addition to developmental concerns, successive Canadian governments have seen the aid program as a means to support a wide variety of Canadian private sector or civil society initiated stand-alone projects, or to buttress Canada's foreign policy goals in the Commonwealth or the Francophonie, or to secure influence at the United Nations and among G7 partners.

The result has been an ambiguous "culture of compromise" within the Canadian International Development Agency (CIDA), the agency with the mandate to implement Canada's contribution to international development (Max, 1999). Targeting poverty competes, often unfavourably, with Canadian investment and commercial interests. As well there is a tendency for CIDA to manage programs according to Canadian institutional or "stakeholder" interests (be they the private sector, Canadian NGOs or other Canadian institutions). While the importance of development partnerships is often advocated, aid relationships have more often than not been reduced to the micro-management of Canadian stakeholder contracts. Pressure on CIDA to be responsive to the policy interests of other federal departments (such as DFAIT or Defence) has led to repeated inter-departmental tensions and clashes in the 1990s (Pratt, 1998).

This "confusion of purpose", in the words of one Parliamentary Committee, helps explain why the past twenty years have seen repeated calls for a clear and unambiguous *raison d'être* to be set out for Canadian aid. Joining the Parliamentarians have been academics, the Auditor General, Canadian Council for International Cooperation and the North South Institute, among others (For Whose Benefit, May 1987; Auditor-General, 1993; CCIC, 1994; Canada 21 Council, 1994; Morrison, 1998).

The 1995 foreign policy statement, *Canada in the World*, states that Canadian development cooperation is an integral part of Canadian foreign policy, but still left open-ended the role aid is to play. Aid programs are to contribute to achieving three stated objectives for Canadian foreign policy – enhancing Canadian prosperity, contributing to a more secure world, and reflecting Canadian values on the world stage. Within this broader foreign policy framework, the purpose for ODA is refined in *Canada in the World*, "to support sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable and prosperous world".

Achieving clarity on CIDA's purpose is a complex challenge. Since aid policy (and CIDA programs) form a part of the broader fabric of Canada's international policies, how should aid be integrated? To what extent should other policy concerns influence aid? Or, to what extent should aid's focus on *sustainable human development* be a standard to judge the rest of Canadian international policies? Right now Canada experiences the worst of all possible worlds: disparate interests diffuse Canadian aid and undermine its effectiveness while other policies (such as trade and finance) sometimes undermine the goals it sets out to achieve.

Adding to the conundrum, in the 1990s, many donor country aid programs have assumed an ever-expanding set of objectives. Canada has been no exception. CIDA's policies and program objectives range from achieving poverty reduction, constructing peace in countries emerging from civil conflict, assuring environmental sustainability, empowering women, improving systems of governance, building infrastructure, promoting the private sector, and contributing to the reform of international financial institutions involved in development.

While these are very important dimensions for building a "more secure, equitable and prosperous world", they cannot be achieved through Canada's aid program alone. Moreover, Canadian aid has dropped by more than 30% between 1992 and 1999, further reducing its potential. Policy leaders must ask themselves how aid resources can work strategically with other government initiatives in trade and financial relations, in environmental policy, domestically and internationally. The role of aid in a new world order will be measured as much by the standards and values it brings to the totality of policies designed to address the urgency of building a more just world and global reform, as by the efficacy of its programs on the ground.

Effective development cooperation starts from a respect for the rights of poor citizens – the right to land, education and health care, to a sustainable livelihood, the right to a proportionate share of the earth's natural resources, and the right to participate in political decision-making. These rights underlie the achievement of human security for all. Ultimately, an effective role for aid lies in its ability to translate these rights as a determinant factor in the practice of Canadian foreign policy, *as a whole*.

2. CREATING POLITICAL WILL AND FOREIGN POLICY COHERENCE

Eradicating poverty is an ethical, social, political and economic imperative of mankind... There is no shortage of strategies and plans, analyses and statistics, approaches and measures. What we need is a renewed determination and willingness to bring all actors together in one unstinting effort.

Kofi A. Annan, Secretary-General, United Nations

As this paper argues throughout, Canada is drifting further and further from the poverty agenda. In March 1998, Canadian NGOs under the auspices of the Canadian Council for International Cooperation, took up the challenge of shaping a policy agenda to end global poverty. The ***in common*** campaign was launched with an integrated *10-point Canadian Agenda for the Eradication of Poverty* (CCIC, 1998a).

The premise of ***in common*** is that ending poverty is the most pressing imperative confronting the world today. Poverty cannot be ignored. Poverty is not inevitable. What is lacking is the vision and political will on the part of government, civil society, individual citizens and the private sector, to challenge vested interests, and to act together for policies and practices to end poverty. Revitalizing Canadian development cooperation efforts, with a focus on poverty, is central to but not sufficient for this strategy. Building renewed determination for ending global poverty is the international challenge in Canada. Political leadership is crucial. The task is multi-faceted:

1. Promote Coherence: promote beneficial coherence among the different strands of Canada's international policies using poverty eradication as both a goal and a standard;
2. Focus Aid Policy: provide unequivocal direction for a poverty eradication ODA policy;

3. Build Partnerships: encourage effective domestic partnerships in the aid programme with the private sector and civil society organizations on poverty eradication strategies; and
4. Increase Resources: ensure aid resources grow to meet Canada's 0.7 % GNP target.

2.1 Promoting Coherence in Canadian Foreign Policy

Aid's impact on poverty is conditioned by the coherence and cumulative impact of the full range of Canadian policies -- financial, trade, political, defence, environmental -- towards developing countries. Presently there are few levers to promote the active coordination and coherence among the basket of international policy activities. The implicit framework for Canada's relations with developing countries remains that of competitively-oriented trade and economic interests.

How do we move past a policy framework with developing countries that revolves around short-term commercial and economic advantages? Recent UN conferences and growing concern for human security and development suggests that leadership for a different paradigm is possible. The paradigm needed is one that places the interests of excluded people and their communities, along with the natural eco-systems that sustain life, firmly at the center of policy prescriptions for global reform. Canadian Ministers Axworthy, Marleau and Martin have put on the international agenda some useful initiatives to these ends.

Human Security and Canadian Foreign Policy

Foreign Minister Lloyd Axworthy's commitment to highlight the human dimension of global affairs in Canadian Foreign Policy, is very positive. "One of the most fundamental challenges we face is the realization of a humane world. This must be more than a vision. It is a moral imperative." Achieving it, says Axworthy, "will require a new and broad-based consensus to address squarely basic human needs and rights affecting the daily lives of millions." Axworthy has defined this concern as the promotion of "human security" which he sees as "a new measure of global security".

Axworthy's agenda for "human security" has particular relevance for Canadian foreign policy as we seek to influence global issues through our seat on the U.N. Security Council. However as such this agenda focuses narrowly on burgeoning or existing intra-state conflict, and is less immediately relevant to poverty and poverty reduction. International Co-operation Minister Diane Marleau correctly points out "that all development assistance is an investment in human security." In another speech, Marleau added that "the primary development challenge of the next century remains the reduction of global poverty...and the consequences for not addressing it are so negative, that a concerted and well-coordinated effort by all those concerned is essential." The key point to note is simply that an effective *people-centred foreign policy* needs to be constructed with a human development framework overlapping with and integrating human rights, human security, environmental sustainability and equitable economics (See Axworthy, 1999 & Marleau, 1999).

How can such coherence be achieved? First, policy must make the link from symptoms to underlying causes. From this perspective, for example, policies to enhance human security should not result only in special short-term initiatives for individual security and protection in zones of conflict. They must also influence and change the grossly unequal trade and financial

relationships in the global economy and inequalities in the national distribution of the benefits of growth. Only then can they adequately address the fact that the lives of the *growing* majority of the world's population are constrained by poverty.

Changing course towards a people-centred strategy globally, requires a commitment by the world community to clear multilateral priorities and, even more important, coordinated action. The content of this agenda is not in doubt. At the series of United Nations Summits in the early part of the decade, all countries including Canada committed themselves to a very comprehensive program that linked human rights, ecological sustainability, overcoming social exclusion and poverty, achieving gender equality, and international economic reform. Unsatisfied with their own performance and impact, 21 Northern donor countries, working through the Development Assistance Committee of the OECD, narrowed these commitments in 1995 to a series of targets (Box 1) and set a strategic framework for achieving these goals in partnership with developing countries (DAC, 1996). Canada adopted the rhetoric of *Shaping the 21st Century*, but with little reflection on changes required in Canadian policy.

Box 1: DAC 21st Century Targets

- Reducing the proportion of people living in extreme poverty by one-half by 2015;
- Eliminating gender disparity in primary and secondary education by 2005;
- Reducing by two-thirds the mortality rate for infants and children under age 5 by 2015;
- Reducing by three-fourths the maternal mortality rate by 2015; and
- Providing access through primary health care to reproductive health services for all individuals of appropriate ages as soon as possible and no later than 2015.

Source: DAC, 1996.

Unrelated to the DAC initiative, since 1997, the Canadian government has placed specific Canadian initiatives on the international agenda. These have included the successful achievement of a treaty for the elimination of landmines, work to address small arms, and children and armed conflict on the part of Minister Axworthy, and specific proposals for the reform of the international financial infrastructure on the part of the Finance Minister. In relation to recent financial crises in South East Asia, the Minister of Finance, Paul Martin, has stressed on several occasions that "we cannot ignore the real consequences for people in any crisis assistance or response package".

These specific high profile Canadian contributions are driven by pressing immediate challenges and laudable short-term objectives, but are often too limited to be related to the longer term global agenda arising from the Summits. Nevertheless they have drawn on both inter-departmental effort in government and have relied on innovative partnerships with Canadian non-governmental actors. (Hampson & Oliver, 1998). The Canadian aid program has been drawn into these efforts, often as an available source of funds or as an implementor of programs with a rationale and framework largely imposed on CIDA by other departments (for example, RCMP trainers for Haiti or the Peacebuilding Fund).

Notwithstanding their achievements, recent individual human security initiatives may represent missed opportunities for sustained impact. **The premise of this paper is that achieving this longer-term impact of improved conditions for human development and**

security through Canadian foreign policy requires a clearer definition of the strategic contribution of Canadian aid.

Underlying this premise, is the quality of Canada's aid program: its strategic and unambiguous focus on poverty eradication *as a means to* contribute to greater equality, human security and ecological sustainability. We believe that policies and practices in Canada's development cooperation affecting the poorest countries and peoples is a litmus test of Canada's commitment to pursue this paradigm.

Canadian ODA should exercise a catalytic role in Canadian foreign policy. CIDA, as the lead agency in Government for international development efforts, has a special policy role and responsibility. It should work collaboratively with other government departments to seek coherence in Canada's international relations to affect greater equity that favours the poor in global economic relations and national development. When the UK Government established its new Department for International Development (DFID) in 1997, it gave it a mandate with precisely those terms: "DFID has the aim...of contributing to the elimination of poverty in poorer countries, not just through its bilateral and multilateral development programmes, but through working collaboratively with other government departments to promote consistency and coherence in policies affecting their development" (DFID, 1997).

2.2 Focusing Aid Policy on Poverty Eradication

Since 1995 CIDA has developed well-articulated policies on poverty eradication and on their six programming priorities, reflecting the latest development thinking. These policy directions, in the main, have been endorsed by NGOs and others interested in Canadian development cooperation. For the most part these policies stand-alone. Taken together, they offer no overall *strategic framework* for CIDA's interventions, and individually they set out only the broadest plans for implementation. Some elements of CIDA programming (relating to the private sector and infrastructural services) are difficult to reconcile with a focus on poverty eradication. The challenge is to translate CIDA policy intentions into a strategic framework for focused choices. These choices should then inform both program objectives and operational structures, leading to poverty-focused regional and country programs and clear results in favour of those living in poverty.

As explored further in section four, some of the critical ingredients for aid policies relevant to a changing global order are: 1) long term investments and partnerships through development assistance in poverty reduction, 2) strengthening civil societies to participate in setting new courses in development and effectively complement the roles of the state and the private sector, and 3) re-igniting public participation in a shared responsibility for our global commons and the welfare of all people.

Recommendation:

1. The sole **purpose of Canadian ODA should be the elimination of poverty**, in a way that promotes sustainable livelihoods for people living in poverty, and advances human development and ecological sustainability in Canadian foreign policy and practice.

In directing Canadian aid to the elimination of poverty,

- at least 60% of CIDA's budget should be for programs that directly improve the conditions and rights of people living in poverty, including their ability to participate in their own development.
- the remaining 40% should be directed to activities that enable poverty eradication.

2.3 Building Partnerships

The recent success of the Landmines Treaty demonstrates the effectiveness of cross-sectoral partnerships. For years CIDA has been managing partnerships with the voluntary and private sectors. For a series of complex reasons relating to interpretations of accountability, institutional risk avoidance, bureaucratic norms, however, these partnerships have fallen far short of their potential in galvanizing energies outside government within a clear strategic mandate. This doesn't mean important work isn't being accomplished. It is. But the current approach bypasses compelling opportunities for more dynamic collaboration, whether in direct program delivery, policy development, or public engagement. A clearer CIDA mandate, coupled with a simplification of partnership norms, and a re-deployment of CIDA staff resources in areas of learning and policy would create an entirely different environment for harnessing cross-sectoral alliances (public sector, private sector, civil society).

2.4 Increasing Resources

Political will is weakest regarding aid resources, which have dropped by more than 30% in six years. Even the latest (1999-2000) additions to the budget are so modest that the ODA to GNP ratio will continue to fall to its lowest level since 1966. The aid budget is the most visible test of the government's commitment to the poverty agenda.

Taking up the challenge of leadership, what are the implications for CIDA and its programs in a growing and more focused and catalytic Canadian ODA? To answer this question, we first need to look in the next section at who are considered to be the poor.

3. THE GLOBAL REACH OF POVERTY

If Canadian ODA is to sharpen its focus on ending poverty and increasingly target those living in poverty, a clear understanding of who are "the poor" is essential. CIDA's 1996 *Policy on Poverty Reduction* gives the broad strokes for a comprehensive understanding of poverty. It sets

out appropriate programming strategies that point to the need to address "the root causes and structural factors of poverty" for sustained poverty reduction. The Policy suggests that "poverty results from the lack of human, physical and financial capital needed to sustain livelihoods, and from the inequities in access to, control of, and benefits from political, social or economic resources" (CIDA, 1996a). This multi-dimensional reality of poverty has strong resonance with the conclusions reached by recent UN and academic research studies summarizing lessons from donor practices. (UNDP, 1997; Cox & Healey, 1997).

3.1 Measuring the Numbers of People Living in Poverty

Poverty has traditionally been measured based on income. The World Bank provides the leading statistics for an "income-based" poverty line – arguing that anyone living on less than \$1 a day is among the "absolute poor". By this count about 1.3 billion people or one third of the people in the developing world live in absolute poverty. This proportion has not declined in the 1990s, while the number of people living in absolute poverty has increased. The World Bank itself suggests that the scope of poverty is much wider. James Wolfensohn, President of the World Bank, reported at the 1997 annual meeting of the World Bank that 3 billion people live on less than \$2 a day, or more than 60% of the developing world's population in 1996 (Elliott, 1997). However as World Bank studies suggest, an income-based measure of poverty does not capture important dimensions of poverty.

Box 2: Cutting Absolute Poverty by Half

Donors in the OECD DAC are committed to reducing the current proportion of people living in absolute poverty (32%) by half by 2015. Using UN population growth projections, 16% of the developing world population in 2015 would still leave 950 million people living in conditions of absolute poverty, a reduction in absolute numbers of 350 million people in a 19 year period.

The 1997 *Human Development Report* of the UNDP has pioneered a more holistic approach in their Human Poverty Index based on a "capabilities approach", including considerations of peoples' longevity, literacy and standard of living (UNDP, 1997: 16). By the Human Poverty Index measure one-quarter of people in the developing world or a little more than one billion people live in poverty, including about 40% of the people living in Sub-Saharan Africa and South Asia. The UNDP analysis has shown that countries with similar levels of income poverty can have quite different levels of human poverty. It suggests that individual country strategies affecting access to basic services such as health and education can improve the capacities of those living in absolute poverty to improve their livelihoods.

The UNDP approach is consistent with recent academic studies. Howard White and colleagues at the Institute of Social Studies in the Hague, in a study of 25 World Bank poverty assessments in Sub-Saharan Africa, also raised serious questions about the arbitrary use of poverty lines. They prefer a functional approach that includes three categories of people who are poor – the marginalized and potentially destitute (orphans, widows, the handicapped, the displaced); those who are vulnerable, essentially because they lack assets (whether that be land in rural areas or secure employment in urban centres); and those on the margin who have just enough to sustain their families but no surplus to secure their future advancement (many of whom are rural smallholders or in the urban working poor in the informal sector) (Hammer, Pyatt, White, 1997).

3.2 Who are the Poor?

While these measures of poverty are important for targeting donor strategies to address conditions of poverty, they in no way capture the complexity of the issue. Not only is absolute poverty and human poverty geographically concentrated, but poverty also affects segments of the population very differently.

Women and girls make up more than 70% of the 1.3 billion people living on less than \$1 a day (UNDP, 1995). And according to UNICEF the number of rural women living in absolute poverty has risen by 50 percent in the past 20 years. Women also continue to face profound discrimination and denial of their rights. Violence against girls and women is deeply embedded in cultures around the world. As a result there are roughly 60 million women who should be but are not alive today (UNICEF, 1998a). In addition to being more vulnerable, women and girls experience poverty differently from men. For example, women and girls suffer from a lack of time (a form of poverty recognized by very few donors) to a much larger extent than men do.

An estimated 250 million indigenous people in more than 70 countries worldwide are more affected by extreme poverty than non-indigenous populations. Both in Canada and in developing countries, the process of impoverishment of indigenous peoples has a long history in the displacement of traditional economies, dispossession from their lands and knowledge, and denial of their culture and languages. For many indigenous people, land is much more than the basis for their physical survival as farmers or hunters; it is central to their spiritual and cultural identity. "Modernization" has brought encroachment from both the state and transnational corporations seeking to profit from forests and mineral wealth.

Poverty is very still very much a rural phenomenon, with three-quarters of the world's poor living in rural areas dependent on agriculture for their livelihoods, with little access to basic social services. But this profile is also rapidly changing: "In the next century a poor person is less likely to be a smallholder in rural Asia, more likely to be an unskilled, low-wage worker in urban Africa and Latin America" (UNDP, 1997: 25). Other studies suggest that the current measures of poverty greatly under-estimate the urban poor. Perhaps as many as a third to a half of urban dwellers do not have enough income to meet their basic needs and "a similar proportion live in an environment which puts their lives and health constantly at risk, due to over-crowding, poor housing and lack of sanitation" (Hall, 1996: 3).

Poverty manifests itself in different material conditions. Hunger and malnutrition affect more than 780 million people in the developing world. Most fall into the following categories: children (especially girls) under five years of age, women of childbearing age (especially those who are pregnant or breast-feeding), and low-income households, a large percentage of which are headed by women.

While measures of the material conditions of poverty are important indicators, in the words of Robert Chambers they do not capture the "multiple realities that poor people know" which are "local, complex, diverse, dynamic and unpredictable [by outsiders]." As Chambers documents, the well-being of those living in poverty depends on their ingenuity, on diverse capacities and (disparate seasonal) activities of individual family members, on multiple small scale (often subsistence) "enterprises", and on complex social relations and networks of mutuality and support. People measure their own poverty in terms of conditions of sickness, disability, dependency, being unable to fulfill social obligations. Much of this diversity and complexity, they conclude, is unseen and undervalued by development professionals and necessitates "enabling local people to undertake and share their own analysis"(Chambers, 1997: 162 – 179). This approach to development stresses the influence of power on the exercise of rights on the part of the poor. Sound development practice transfers rights – the right to land, to health and

education, to access to the labour market, to a proportionate share of environmental space, and to security and protection by the state – to those living in poverty.

3.3 Implications for Aid Strategies

The complex and diverse conditions of those living in poverty has profound implications for effective aid strategies, for those who seek development on behalf of poor people. The first guiding principle must be that people living in poverty direct their own lives with dignity and must have the opportunity to lead poverty eradication strategies. As Roger Riddell points out, ill-conceived measures by development professionals to bring the poor into a modern globally-linked economy may not only fail to provide sustainable livelihoods, but may "even destroy, the cultural, religious, social, geographic and structural supports that enable individuals and communities to cope with their original deprivation". The risk of ill-conceived development strategies is "that those who fail to benefit will be left in a far worse state than they were "living in poverty" (Riddell, 1997: 36).

The development ledger has both identifiable successes and profound gaps (see Box 3). In the past 30 years there have significant improvements in child mortality, education, access to safe water, life expectancy, access to basic social services, and other dimensions of poverty reduction. These advancements in human welfare demonstrate that poverty is not something static and immutable. Many people can and have escaped from poverty through their own efforts.

But the risks and vulnerabilities have escalated in recent years as more countries face unsustainable, unpayable external debts, coupled with financial chaos, that together threaten to undermine or indeed reverse the painstaking gains in human development. The UNDP reports that each year an additional 25 million people are falling below the poverty line, while according to the ILO at least a billion people face unemployment or lack the means for a basic livelihood. Many still can suddenly find themselves in poverty because of their own vulnerabilities to changes in their natural world, the strictures of IMF and donor-imposed "structural adjustments" in the public sector and the economy, or endemic violence and conflicts.

Box 3: A Balance Sheet for Development

- In 1995, 80% of primary school age children in developing countries were enrolled in school, up from 48% in 1960. **But**, 60% of the 130 million children not attending primary school are girls. The number of years that girls spend at school is about half that of boys. Nearly a quarter of the world's population is still illiterate.
- Under-five mortality rates in developing countries have been reduced by more than half since 1960. **But** nearly 12 million under-fives die each year, almost 32,000 per day – mainly from easily preventable diseases.
- Since 1980 2 billion people gained access to better water supplies, and another 400 million got better sanitation. **But** 1 billion still do not have adequate water supply and 2 billion do not have adequate sanitation.

Source: UNICEF, 1998a. UNRISD, 1995. Economist 1998.

The required complex multi-dimensional understanding of poverty, rooted in distinct local realities of power and culture, as well as growing global inequalities, has implications for practitioners of development. It suggests foremost that humility, long term engagement, and a learning culture are critical ingredients to effective development cooperation. To contribute to poverty reduction, ODA should be targeted and sensitive to local realities, while promoting and building on domestic policies that favour increased opportunities for the poor and marginalized to express their own views, claims and above all rights (Berg & Ojik, 1996: 123-4; OXFAM, 1995).

4. CIDA'S COMMITMENT TO END POVERTY: AN ACTION PLAN FOR CHANGE

Putting poverty at the center of CIDA's mandate will be challenging for CIDA, buffeted as it is by diffuse and sometimes conflicting pressures from stakeholders as well as short-term political and commercial foreign policy interests. The Development Assistance Committee of the OECD has challenged all donors to "develop a more responsive aid culture and to find effective means of promoting social change" (DAC, 1998a: 19). CIDA plays a progressive role within policy discussions at the DAC. And over the past several years, CIDA has come some way in a process of renewal, with greater attention to the elaboration of policy, transparency, and systematic performance reviews of key policy areas. The Agency is placing greater attention on achieving development results.

These changes are welcome. They lay a foundation for more effective Canadian ODA contributions to poverty eradication. But if ending poverty is to be an imperative for Canadian foreign policy, this paper argues that the process of reform must go much further and deeper. CIDA must equip itself with the operational policies, the human resources, the organizational means for learning, accountability to support new relationships, and new programming methods that address the complexities of poverty reduction.

In making proposals, we recognize the point made by the DAC that "many of the new approaches are still at an experimental stage even in the most progressive donor agencies" (DAC, 1998a: 26). Nevertheless extensive research on donor practices in recent years indicates important dimensions for donor reform (Cox & Healey, 1997; World Bank, 1998; van den Berg & van Ojik, 1998; UNDP, 1997; Anderson, 1996; Van Rooy, 1998; DIFD, 1997; and Government of Australia, 1997). No doubt implementing programs for poverty reduction requires innovation and risk. Donors such as CIDA are uniquely positioned to assume some of these risks, where developing country governments can ill afford the political and financial costs of experimentation. Aid can play a catalytic role for change, creating options and opportunities that might otherwise be foreclosed.

What then are the areas for change for CIDA that might lead to more effective results in poverty eradication? Broadly speaking, changes are required in four key areas:

1. Focusing on the poor: directing aid to the geographic regions and sectors where the poor are concentrated;
2. Moving from "donorship" to "local ownership" in aid relations;
3. Involving Canadians in development issues; and
4. Rebuilding Canadian aid resources and cancel debt owed by the poorest countries.

The following sections will elaborate the rationale and recommendations for each of these four critical areas for reform. Each area is complex and greater depth of analysis would refine and perhaps in some cases modify our recommendations. The intent of section 4 is to stimulate discussion that will increase our understanding of poverty-sensitive aid. This is a working document that will evolve.

4.1 FOCUSING ON THE POOR: Directing Aid to Where the Poor are Concentrated

This section makes recommendations to focus on poor people and their needs by:

- 1) improved targeting of aid;**
- 2) more specific geographic targeting of Canadian aid;**
- 3) improved targeting and programming for basic human needs;**
- 4) improving CIDA's performance in support of food security;**
- 5) improving CIDA's performance in integrating gender equality in all phases of development; and**
- 6) removing Canadian commercial interests in the allocation of Canadian aid.**

4.1.1 The Case for Targeting Aid

As donors turn their attention to strategies for poverty eradication, a number of studies are beginning to demonstrate the ingredients for a positive impact of aid on poverty. A landmark 1998 World Bank study, *Assessing Aid: What Works, What Doesn't, and Why*, argues strongly for targeting aid based on substantial empirical evidence about where aid has (and has not) proved effective in reducing poverty. The authors present convincing data to demonstrate that "in a good policy environment financial assistance is a catalyst for faster growth, more rapid gains in [basic poverty-related] social indicators, and higher private investment" (World Bank, 1998: 4).

The Macro Policy Environment

Interestingly the components of a "good policy environment" for the World Bank study are not the economic policies and indicators of the "Washington Consensus" implemented by the Bank and the IMF in innumerable structural adjustment programs over the past 15 years. The study recognizes that these have largely failed both in terms of economic reform and in reducing poverty (World Bank, 1998: 51-53). Rather they distinguish a country's policy performance in terms of both a degree of macro-economic stability (inflation below 30% per annum, a relatively open trade environment, but no measure of capital account liberalization) **and** a strong institutional capacity (measured by the rule of law and the degree of corruption).

The study demonstrates that aid supported by this "positive" policy environment", can have a powerful effect on poverty. Therefore targeting aid is a key dimension for reforming aid practice. Empirical data suggests that in countries with sound management an extra 1% of GDP in aid results in a 1% decline in poverty, and a 0.9% decline in infant mortality (World Bank, 1998: 38-39). Despite these significant differences, the authors point out that aid currently goes to poor countries irrespective of economic and institutional management and much aid continues to go to middle income countries that do not need it. Targeting makes a difference: an across the board \$10 billion increase in aid would lift 7 million people out of poverty, while a targeted increase could lift 25 million out of poverty (World Bank, 1998: 46).

Targeting Inequality vs Growth

But the macro policy and institutional environment is not the only dimension to consider in targeting aid. While many developing countries have experienced periods of strong economic growth, social conditions are a significant factor in determining results for poverty reduction. In analyzing the attainability of the poverty and social targets in the DAC's *Shaping the 21st Century* (see page 4 below), the World Bank in another study concludes that degrees of socio-economic inequality play a critical role in the efficacy of economic growth's impact on reducing the poverty rate (World Bank, 1997: 9). In a similar vein, a study of 35 developing countries and countries in transition reviewed by *Social Watch 1998* demonstrates that "an increase in GNP may not result in an increase in poor people's income". Growth may be allocated to other purposes, or it "may be concentrated in sectors where poverty is relatively low (e.g. in the urban sector of Bangladesh)". The positive impact of growth on employment and incomes may be insufficient to compensate for increased numbers of poor because growth has also resulted in increased inequality (the case of India in recent years) (Moreira, 1998: 31; & also Bruno *et al*, 1997).

Clearly the qualities of economic growth determine the degree of sustainable poverty reduction achieved. Aid targeted simply at "economic reform", largely in support of the private sector, or developing a country's resource base to improve economic growth per se, on the assumption that improvements in livelihoods will trickle down to the poor, is a poor bet. Positive results from such an approach are not borne out by macro-economic analysis of poverty reduction. Indicators and explicit policies for reducing socio-economic inequality are hence an essential backdrop for situating geographic targeting and the sectoral focus for aid.

Reaching DAC Poverty Reduction Targets

Further evidence for the case for concentrating aid resources in order to meet current development targets comes from the OECD Development Assistance Committee (DAC). The DAC analyzed 165 developing countries, divided into quintiles of 33 countries each, based on each country's distance from the DAC goals for poverty reduction, basic education and reduced infant mortality. This analysis revealed the degree to which the need is highly concentrated

among the poorest countries in the first two quintiles (66 countries) and serves as "a strong reminder of how much development strategies designed to achieve these goals will have to concentrate on the very poor" (DAC, 1998a: 2-5).

Faced with declining aid resources from all donors and donor commitments to target poverty reduction, the international aid community must look to directing increasing the proportion of these aid resources allocated to low income countries. And as the evidence suggests, aid should be targeted where there is "good" country policy and institutional environments, national economic strategies that favour more equitable distribution of the benefits of growth, and priority to regions and sectors that affect the poor. How does Canadian aid measure against these various indicators?

4.1.2 Targeting Canadian Aid for Poverty Reduction: Geographic Indicators

For the past five years, all aspects of the Canadian aid program have received deep cuts as Canadian ODA fell by more than 30% in real terms from 1992/93 to 1998/99. An analysis of the relative impact of these cuts on various categories of countries reveals some statistical conclusions that are not consistent with a political commitment to reduce poverty.

A list of the top 20 recipients of Canadian bilateral aid in 1997/98 reveals that on the list there are:

8 countries in the Asia/Pacific Region

10 countries in the Africa / Middle East Region

2 countries in the Americas / Caribbean Region

Of these 20 countries, 14 are ranked as "low income" countries (LICs) by the World Bank and 6 are ranked as "medium income" countries. The list includes 7 of the very poorest 48 least developed countries (LLDCs). Ranked according to the UNDP's Human Development Index, 12 of the top Canadian aid recipient countries rank in the "low" range (below 0.500), 7 in the "medium" range (0.700-0.499), and 1 in the "high" range (1.00-0.699). (See Appendix One for details)

A crude indicator of poverty-related aid allocations is trends in Canadian aid performance with respect to low income countries, the least developed countries, and the changes in the distribution of bilateral aid among the three geographic regions.

Aid to Low Income Countries

In the 1990s, despite declining amounts of overall aid, CIDA marginally increased the concentration of aid allocations to 63 low income countries (now 55%), with the balance (45%) allocated to middle income countries. However, this proportion ranks in the middle of the 21 donors of the DAC. Countries such as the United Kingdom (74.3%), Sweden (71.1%), the Netherlands (63.4%) Norway (75%) and Denmark (78.4%) among others, give significantly higher proportions of their aid to the poorest low income countries (Randel & German, 1998).

Aid to the Least Developed Countries

The Least Developed Countries (LLDCs) are those low income countries with per capita Gross Domestic Product below US\$100 per annum. In 1990, Canada, along with other donors, agreed

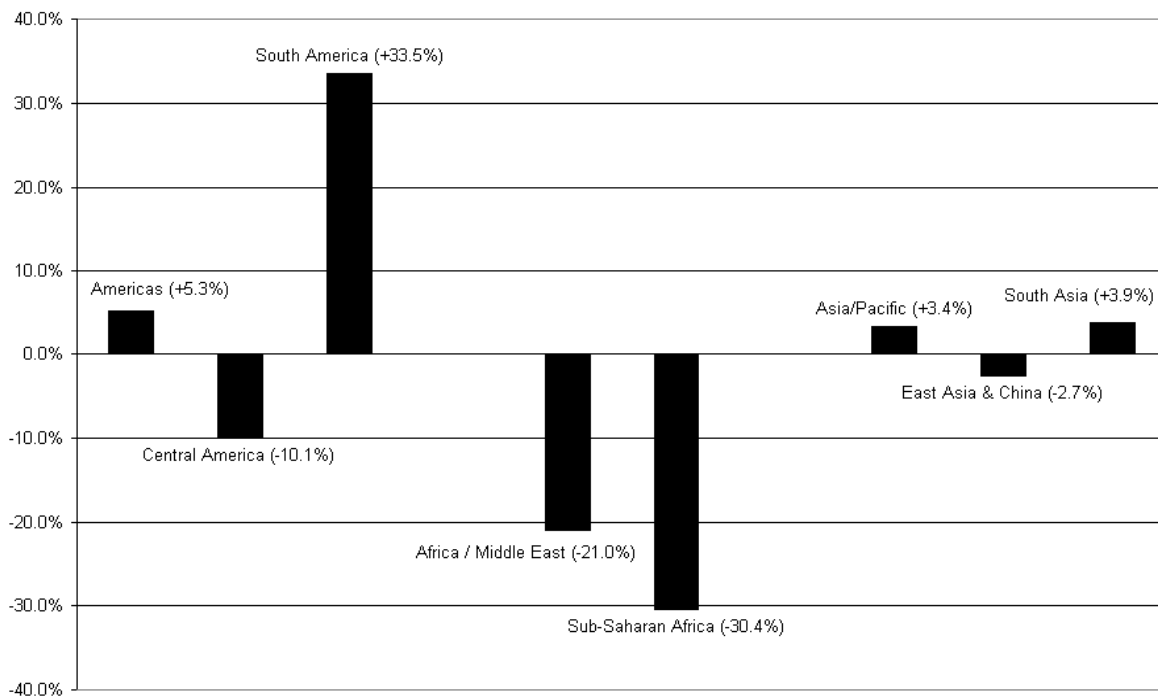
to increase aid to the 48 LLDCs (31 of which are in Africa) to reach a target of 0.15% of donor GNP. But Canadian aid for this group of countries fell sharply by 33.1% between 1992/93 and 1996/97, compared to 21.2% for ODA as a whole. The proportion of aid to LLDCs as a percentage of GNP fell from 0.14% to 0.08% in these same years.

Changes in the Proportion of Aid to the Bilateral Branches

Overall bilateral aid by the three Branches (Asia/Pacific, Americas and Africa/Middle East) declined proportionately to the overall decline in aid from 1992/93 to 1996/97. However, significant movement of funds within and between Branches signals that aid to the poorest countries received little overall protection in implementing the cuts. Chart 1 points to some of these disparities.

The most significant change is the extremely disproportionate cut of 30.4% for aid for Sub-Saharan Africa, a region where the number of people living in absolute poverty has increased in the 1990s. This contrasts with a nominal decline in Canadian aid as whole of 21.2% and bilateral aid of 16.8%. More worrying, preliminary estimates of bilateral commitments to Sub

Chart 1: Relative Changes in CIDA Bilateral Branch Allocations, 1992/93 to 1996/97



Saharan Africa by CIDA for the next five years show aid declining for this region by a further 5% when compared to the five years prior to 1996/97.

Growth in the South American program relative to the Americas as a whole is also significant to targeting aid for poverty eradication. Poorer countries of the Americas have been somewhat sidelined for the more lucrative emerging markets of South America. Within South America there are also significant pockets of extreme poverty (in Peru, Bolivia and Brazil for example). But programming in this sub-region disproportionately reflects Canadian commercial interests in exploiting oil and gas. A CCIC review of aid to the Americas (including the Caribbean, South and Central America) in 1996/97 revealed that while aid in support of the private sector for the

Americas as a whole was 16% of total aid to the region, fully 40% of aid to South America was directed to these purposes. Moreover, more than 65% of this aid to the private sector in the region was devoted to the mining, oil and gas energy sectors. Private sector aid has been financed through lines of credit that result in some counterpart funds that in turn are directed to social sectors. But there is little evidence that this latter concern for social investment is driving the program, rather the funds seem to be structured to make the best of an otherwise commercial imperative (CCIC, 1999).

Recommendations:

2. Better target the poorest countries, channeling at least 70% of resources to low income countries, with a minimum of 45% of CIDA Bilateral programming resources to Sub-Saharan Africa (up from 38.3% in 1997/98).
3. Develop allocation priorities and strategies to meet the UN target of 0.15% of Canadian GNP for the 47 least developed countries (in harmony with increasing Canadian ODA towards the target of 0.7% of GNP).
4. Give priority in the allocation of sectoral and program aid in Canadian bilateral cooperation programs to countries where discussions with host government, civil society, and the private sector can lead to strategies and social commitments to end poverty and protect the rights of workers.

4.1.3 Investing in Poor People: Targeting Social Sectors

Taken together, the DAC (bilateral donors) and multilateral donors (UNDP, UNICEF, and World Bank) have been making a very strong case for investing in poor people. Strategically this implies coordinated targeting of resources geographically where poor people live, at both a country level and, more critically, within countries.

The UNDP suggests that targeting those living in poverty for aid implies expanding support for "human capital" through access to education and health services, as well as developing sectors where poverty is concentrated (agriculture and informal urban sectors), tackling inequality through the redistribution of production assets (credit and land), and concentrating on labour intensive growth with support to small scale rural and urban enterprise. Promoting what the UNDP calls a strategy for economic growth that emphasizes people and their productive potential is central to achieving significant poverty reduction (DAC, 1996; UNDP, 1996: 7-10; UNDP, 1997: 7 & 106 - 116).

ODA is the key resource to achieve these ends

Rapidly expanding private sector growth and large flows of foreign investment, resulting from increased privatization and liberalization, is unlikely to have a direct bearing on increasing opportunities for people living in poverty. These vastly increasing flows of private financing in the 1990s, have been attracted to the most economically profitable sectors and regions and not to the poorest. One hundred and forty developing countries received less than 5% of these flows, while 12 countries received 80%, and within these 12, investment is often highly concentrated regionally to favour non-poor countries or regions within countries (DAC, 1997a: 7). The DAC also concluded that "private resources generally do not flow directly to some key sectors of priority need, such as health and education" (DAC, 1997a: 25). Aid on the other

hand is one of the few global resources that is capable of targeting those sectors that affect poverty reduction.

Targeting Basic Social Services

UN agencies among others have repeatedly demonstrated that coordinated and dramatically increased flows of ODA financing can affect the livelihoods and opportunities for the poor when combined with government policies and priorities targeting key sectors. The 20/20 proposal adopted by some donors following the UN Social Summit in Copenhagen in 1995 (whereby donors are to contribute 20% of their ODA and recipient countries direct 20% of government budgets to basic social services) suggests that universal basic social services for all is financially within our reach.

UNICEF's 20/20 formula assumes that three quarters of the financing will come from developing countries, with donors accounting for one quarter. Canada agreed in Copenhagen to voluntarily implement the 20/20 agreement. The donor community has only recently (1998) begun to put in place the inter-governmental processes and the indicators to implement and measure progress for this commitment (UNICEF, 1998c). Given Canada's relative weight as a donor, Canadian ODA would have to commit roughly an additional C\$680 million in total ODA each year to targeted programs for basic social services and poverty eradication. According to statistics provided by Canada to the DAC, in 1995 Canadian commitments to basic social services alone were \$207 million (Randel & German, 1998: 12). Although the DAC figure is a considerable under-estimation of Canadian ODA to basic social services, there is clearly considerable scope for targeting Canadian aid in these directions.

Box 4: A Global Investment to End Poverty

UNICEF and the UNDP have calculated that an annual global investment of US\$110 billion to US\$120 billion for 10 years would provide basic social services to all (at US\$70 billion to US\$80 billion) and would eradicate absolute income poverty (\$40 billion). The cost would represent a little more than 1% of global income, and no more than 2-3% of national income in all but the poorest countries (UNICEF, 1998d: 20-21; UNDP, 1997: 112).

Donors are being pressed to improve their ODA allocations to basic social services with particular focus on the provision of water and food, basic education and basic health, and reproductive health (DIFD, 1997; Government of Australia, 1997; CIDA, 1997e). Yet, despite rhetorical recognition of the importance of these investments, actual allocations still pale in comparison to total aid flows and to assistance directed to tertiary level services (be they secondary and university education or urban medical facilities). UNICEF calculates that donors currently allocate only 10% or US\$6 billion of total ODA to basic social services.

Basic Education: A Case in Point

While all donors provided 11.2% of their aid to education in 1995, only 1.2% was directed to basic education (DAC, 1998a: A45). UNICEF points out that only 3% of public education expenditures at the tertiary level benefited the poorest fifth of the population, compared to 19% of expenditures at the primary level (UNICEF, 1998d: 63). The gaps in primary education particularly affect girls, who represent two out of three children in the developing world who do not receive primary education. Girls are also a disproportionate part of the 150 million children

who start but do not finish grade five (UNICEF, 1998d: 7-8; See also Randel & German, 1998: 27 – 33).

Studies in Sub-Saharan African countries demonstrate direct impacts of extending primary education for the poor. They indicate a "dramatic increases in per capita expenditures in households where there is at least some years of primary education" (Brown & Kerr, 1997: 22-24). The World Bank suggests that "educating girls has a powerful catalytic effect on every dimension of development – from lowering fertility rates to raising productivity and employing environmental management" (quoted in Randel & German, 1998: 28).

Despite the demonstrated importance of primary education for Sub-Saharan Africa, by 1991 public expenditures per primary school student had declined sharply from a decade earlier (in Mali and Zambia for example), partly as a result of World Bank imposed structural adjustment programs. In Ghana, for example, spending in the tertiary sector has been sustained despite the fact that a university placement cost 15 times what it cost to provide a primary school place. (Brown & Kerr, 1997: 22-24).

Basic education, a principal interest of the current Minister for International Cooperation, is highlighted in CIDA's policies and strategies for poverty reduction and for meeting basic human needs. Despite this priority, CIDA allocated at best \$41.7 million to basic education in 1996/97 (a mere 2.5% of total CIDA programming for that year)

Meeting CIDA's Goal for Basic Human Needs (BHNs)

Some of the overall trends for CIDA allocations to *sustainable* Basic Human Needs (i.e. excluding humanitarian assistance and emergency food aid) show modest improvement, growing to 17% of total Canadian ODA in 1996/97 from 13% of ODA in the early 1990s (North-South Institute figures). Canadian NGOs are seeking a minimal target of 30% for these expenditures

A CIDA performance review of BHNs programming was completed in the fall of 1998. The first phase of this review drew attention to some important lessons. One of the most important is that improving social services does not automatically benefit the poor. Improving BHNs for the poor requires targeting mechanisms to ensure that benefits are concentrated on areas where the poor live and/or specific groups with high levels of poverty. Equally important, improved access and use of basic social services are linked to higher earnings for those living in poverty, so that they can pay to get access to improved education or health facilities (Jackson & Associates, 1996). Quality of the services is also an important determinant for increased use by the poor. For example, recent structural adjustment programs may offer some protection of social sector spending by developing country governments. Nevertheless, field studies note that per capita spending and the quality of services have declined sharply. With marginal access, the poor remain particularly sensitive to this declining quality of services (Cox & Healey, 1997: 13).

The recent CIDA performance review reached a number of important conclusions for improving CIDA programming for BHNs:

- Meeting BHNs is a complex endeavour and interventions have a greater chance of success "if they address or are linked to other investments at the governmental, institutional and community levels, in order to achieve sustainable reductions in

poverty", with particular attention to income generating components at the community level.

- A long term perspective and involvement is essential when engaging in BHNs activities. Results may take 10 to 25 years to be realized. Experience and innovation at the micro and meso levels should inform good policy dialogue on basic human needs priorities and strategies.
- While policy dialogue with national governments, and the creation of institutional capacity, is crucial for sustainability, the ultimate measure of a BHNs program impact is in the communities and in households of poor. Grassroots participation, consultation and ownership are critical for achieving impacts that are sustainable.
- The gender dimension is central to the success of BHN programming as the actual work of meeting basic human needs in households and communities is done overwhelmingly by women. Programming must address the institutional and policy context to ensure that the strategic interests of women (power and status of women relative to men in society) are addressed. CIDA programming for BHNs has been less successful in affecting these dimensions (CIDA, 1998f: Executive Report).

Recommendations:

5. Devote at least 30% of Canadian ODA programming resources to meet the basic human needs of the poor *on a sustainable basis* (i.e. excluding emergency food aid and humanitarian assistance), with priority to measures that also support sustainable livelihoods for those living in poverty.

6. Support the development of National Action Plans in partner countries, and in particular effective participation of organizations representing the poor in developing these Plans, in support of goals to achieve universal access to basic social services by 2015.

7. Improve the quality and consistency of CIDA's coding system, particularly for BHNs, gender impact, and poverty reduction, by developing a poverty marker code and establishing a division within CIDA to exercise quality control for project coding data.

4. 1.4 Environmental Sustainability and Poverty

People living in poverty have the most to lose from environmental degradation linked to unsustainable patterns of growth. Many of those affected by Hurricane Mitch in Central America who lost their lives, homes and livelihoods were vulnerable because they were poor. They had been forced to clear and farm and live on marginal land on hillsides more vulnerable to be swept away in the ensuing floods, because the valleys below were exploited by the elite for export agriculture. Patterns of inequality that result from mal-distributed growth impinge on environmental issues and choices facing a society. The Institute for Sustainable Development in Winnipeg has highlighted the importance of current and inter-generational issues of equality for environmental sustainability:

When basic needs are not met, the poor have no choice but to live off whatever environmental resources are available....Just as past use of resources limits the choices of present generations, current patterns of use, such as significant use of non-renewable resources, or

use of renewable resources beyond their capacity to regenerate, may limit the choices of future generations, creating issues of intergenerational equality. (IISD, 1994)

For those living in poverty, sustainable development depends on the model chosen for economic growth. A CCIC Mission to South East Asia in the fall of 1998 heard about the impact of growth on rural ecosystems as the "hidden tragedies of the East Asian 'miracle' economies". The Mission learned how rapid export-led growth in Thailand and Indonesia based on unsustainable exploitation of natural resources (such as forestry and palm oil production) increased the vulnerability of millions of rural poor to the financial crisis. The financial crisis in that region could provide opportunities for support to more sustainable models that address environmental pressures and meet the needs of the poor. NGOs in the region, for example, explained the importance of "valuing and respecting local knowledge and community experience in resource management", such as community-based systems of forest management (CCIC, 1998d: 21-22 & 30).

The CCIC Mission concluded that given current multilateral approaches in the region, "there is little reason to think past patterns of inequality and environmental degradation will not repeat themselves." Environmental NGOs in the region have raised concerns about Canada's continued support through the aid program in the development of the regional electrical power grid. For example, Hydro-Québec is involved in Mekong watershed development plans, with planned large dams in Cambodia and Lao PDR. The Atomic Energy of Canada Ltd. has also been trying to sell CANDU reactors to Thailand for a number of years. CIDA has been involved in this effort through its funding of a Nuclear Human Resource Development Linkage Project that among other activities is promoting the merits of nuclear power among Thai secondary school students. These plans all center on Thailand's demand for electricity within its vision of rapid economic growth. Yet, the Mission was told that local communities and environmental groups have long advocated against these plans, questioning the real power needs of the Thai economy, the environmental costs, and the impact on the livelihoods of millions of poor in the region who would be affected by direct flooding or damage to the watershed. (CCIC, 1998d: 23-24)

CIDA's Policy on Environmental Sustainability

CIDA commitment to environmental sustainable development has a strong reputation among donors, especially given Canada's profile at UNCED in Rio in 1992. CIDA programs are covered by the Canadian Environmental Assessment Act (1995) and mechanisms within the agency have been established to assure compliance with the Act. CIDA's *Policy on Environmental Sustainability* was published in 1992 (CIDA 1992) and "the environment" is one of the six programming priorities for CIDA set out in *Canada in the World*. The *Policy* applies to all CIDA programming and aims to help developing country governments, organizations and communities to develop policies, programs and activities that are environmentally sustainable.

Yet issues of poverty seem peripheral to the main themes of the *Policy*. In its final section the statement sets out three briefly described "concepts" that are to frame programming approaches for environmentally sustainable development – the ecological basis for development, the economic value of the environment, and "the relationship among poverty, population dynamics, natural resource consumption and environmental degradation". The conclusion is that "there is a need to better understand and act upon the relationships between disadvantaged groups, particularly women and indigenous peoples, and the environments that support them". (CIDA, 1992: 10-11)

However, since its publication in 1992, there have been no publicly accessible and detailed performance assessments or set of learnings that draw these implications for poverty reduction from CIDA's programming for environmentally sustainable development. Unpublished evidence from the early 1990s suggests that actual implementation of the policy showed mixed results. It has not been integrated into all aspect of program decision-making, but rather has become the focus for separate environmental programs (JACSES, 1996).

CIDA's Programming

What are some of the discernable facets in environmental programming for CIDA? We examined project data for 1997/98 for each Bilateral Branch of CIDA. (See Appendix One) First, more than 40% of CIDA's bilateral disbursements coded to environmental programming in 1997/98 were concentrated in the Asia region, with 28% in Sub-Saharan Africa and 23% in the Americas. It is not surprising then that individual country programs in Asia have a high concentration of environmental programming, with China at 22%, India at 25%, Vietnam at 20% and Indonesia at 11%. These countries are also among the top 20 aid recipients for Canadian bilateral funds. Only Egypt (at 12%) has more than 10% of its program concentrated in the environmental sector. While individual Sub-Saharan countries have relatively low amounts devoted to this sector, much of the programming in the environmental sector in this region takes place through regional institutions (such as Solidarité Canada Sahel).

While these numbers give some indication of the scope of environmental activities, they do not enable us to determine how much of these activities are directed towards the poor. This of concern, given that another discernable characteristic is the concentration of environmental projects in countries where there is a strong presence of Canadian private sector firms as implementing agencies for CIDA projects. CIDA suggests that one of its goals with respect to the Environment "has been to seek ways to involve Canadian environmental industries more fully in development cooperation programs". In China fully 69% of the environmental programming is implemented by Canadian private sector firms. The primary sectors for environmental programming in China are transportation management, energy policy, water resource management and industrial planning. In India, a country with strong indigenous NGOs in the environmental sector, more than 80% of the program is implemented by Canadian private sector firms. The primary sectors in India are land and water use management, industrial policy and planning, energy policy and planning. One small Indian project supporting alternative energy was implemented by an NGO but accounted for less than 1% of the disbursements for the environment in India. In Indonesia, disbursements for the environment program were exclusively in the energy policy and planning sector, implemented by a Canadian private sector firm. A stronger role for local NGOs and institutions in the management and implementation of CIDA's environmental programs would have been indicative of a lack of emphasis on community control and knowledge for effective linkages between poverty reduction and sustainable resource management.

Recommendations:

8. Carry out a publicly accessible Performance Review of CIDA's environmental programs with respect to its impact on the poor.
9. Include poverty reduction indicators as part of reporting on environmental programming results.
10. Reorient CIDA's environmental policies and program implementation practices towards community-based processes that address the link between poverty reduction and issues of environment degradation.

4.1.5 Improving CIDA's Commitment to Food Security and Reducing Poverty in the Agricultural Sector

The UNDP highlights that about three-quarters of the world's poorest people live in rural areas, dependent on agricultural activities for their livelihoods (UNDP, 1997: 7). Moreover an estimated 800 million people, one person in five, are chronically undernourished and 200 million children suffer from chronic protein and energy deficiency. Improvements in rural livelihoods dramatically affect conditions for women and children as many rural women are heavily involved in the production and marketing of food and bear a highly disproportionate burden in food insecurity and malnutrition.

Canada is a signatory to the November 1996 Rome Declaration on World Food Security where the commitment was made to reduce by half the number of under-nourished people no later than 2015. CIDA will play a leading role in realizing Canada's contribution to meeting this goal. Achieving food security for all is closely tied to tackling conditions of poverty and is therefore a strong indicator of CIDA's commitments to poverty reduction.

CIDA Policy Branch has commissioned several important assessments of trends in CIDA's commitments to agriculture, food and nutrition programming (CIDA, 1996e; and Strachan, 1998). These studies are quite revealing. Between 1991/92 and 1996/97, overall spending in support of "combined food security" projects (broadly defined to include poverty-focused projects) decreased by 58%. Funding for food security theme projects alone decreased by 87% in this period. In relation to total bilateral disbursements, combined food security disbursements were 40-45% of total disbursements in 1992/93 and only 27% in 1996/97 (Strachan, 1998: 5-6). Despite limitations of data, this study notes also that a similar trend, although less precipitous, can be discerned for disbursements by NGOs and Institutions in Partnership Branch.

The Strachan study concludes that these trends raise "concern about the targeting of CIDA's support for the poor and suggest that the Agency will have difficulty in meeting Canada's World Food Summit commitments in the near future". Moreover, "the observed reduction in support for bilateral Poverty Focused projects after 1992/93, at a rate twice as fast as the decline in CIDA overall bilateral disbursements had not been anticipated...given the Agency's public commitment to poverty reduction" (Strachan, 1998: 9).

Regional trends are even more stark. An earlier study found that CIDA disbursements for Africa for agriculture, food and nutrition fell by 80% between 1990/91 and 1995/96, and for the poorest food deficit countries, by 87% (CIDA, 1996e). The country targeting of food security

support in Africa also raises questions about its rationale. Egypt is the second largest recipient of CIDA "combined food security" funding over a ten year period to 1996/97. But Egypt has little or no food inadequacy, with only Libya and Tunisia among all African countries with a better food picture than Egypt as measured by the FAO (Strachan, 1998: 12).

Looking at bilateral project disbursement data for the top 20 Canadian aid recipients for 1997/98 (Appendix One), an average of 3.5% was disbursed in support of the agriculture sector, and only two countries (China and Egypt) spent slightly more than 10% on activities in this sector. Among the 20 countries where more than 60% of the population is rural, a mere 3.1% was disbursed for the agriculture sector, an amount slightly less than the average of the 20 countries taken together (CCIC calculations).

Declining support for poverty targeted assistance in the rural sector is one of the strongest indicators that CIDA has placed little deliberate priority on poverty reduction, particularly during the past five years. Achieving progress on making poverty reduction a priority will depend on reversing these trends through support for strong economic and ecologically appropriate strategies to achieve food security in the countries and regions where CIDA is active.

Barring major natural or human disasters, it appears that the global food supply will expand at a rate sufficient to feed the planet's population for the next 20 years. But average food availability is little solace for the millions, not infrequently located in large, food-exporting countries such as India and Brazil, who are malnourished due to poverty and lack of food. Despite the high productivity of Canadian agriculture, our commercial food exports do not end up on the plates of the hunger in Africa, Asia or Latin America. This makes it essential that CIDA re-focus efforts on helping increase the incomes of the poor and hungry in developing countries, so that they can purchase food and other essential services. In rural areas, where the large majority of the poor and hungry are located, this means helping increase farm and off-farm rural employment, improving access to land, increasing the availability of appropriate inputs, developing more equitable markets and promoting basic education. Poor rural women and girls are especially vulnerable and must remain as special (but not exclusive) target group. Support for the rural sector generates income and employment in both rural and urban areas, and can slow the spiraling social problems on the peripheries of the world's large cities.

Recommendations:

11. Guided by commitments made by Canada at the 1996 Rome Food Summit to promote the right to food and reduce the number of hungry people in the world by half by 2015, increase CIDA support for agriculture and rural development targeted to benefit the rural poor, by

- supporting increased programming and research into sustainable agricultural practices that protect genetic diversity, sustain local and regional ecosystems, and provide livelihood for small and medium producers; and
- developing strategies for food security within each geographic branch, in consultation with development partners, to focus food-related activities in regions and countries where the need is greatest.

4.1.6 Integrate Gender Equality Issues and Attention to Women's Needs and Participation in All Phases of Development Programming

The 1995 Beijing World Conference on Women, with its focus on women's rights as human rights, placed the feminization of poverty and women's human rights firmly on the global agenda. In the words of the final declaration, "The eradication of poverty cannot be accomplished through anti-poverty programmes alone but will require democratic participation and changes in economic structures in order to ensure access for all women to resources, opportunities and public services."

The feminization of poverty is well known. Of the 900 million illiterate adults in the world, two-thirds are women. As the UNDP points out, "these disparities result from gender-based inequalities within households, and are reinforced by gender biases outside the household, such as in labour markets, credit institutions and the legal system" and "they also result from various social norms that lead to women's social exclusion or economic subordination" (UNDP, 1998b: 72-3). The interaction between the various dimensions of gender inequality and poverty are complex and deeply rooted and are therefore integral to poverty strategies in development cooperation.

CIDA has been a leader among the donors in addressing gender dimensions of development cooperation, setting out its first "women and development" policy in 1976. In recent years, the agency has played a strong role in policy debates within the DAC, moving the agenda towards strategies for addressing gender equality and women's empowerment in development cooperation. The resulting DAC Guidelines "shifts attention from women as beneficiaries in development assistance to gender equality as a development agenda" (DAC 1998b). In 1999, CIDA is reviewing its *Policy on Women in Development and Gender Equity* (1995) and its institutional practice in support of this policy in light of the DAC Guidelines and a recent Performance Review of progress in implementing this policy (CIDA 1998b).

CIDA's 1995 Policy insists that "all development initiatives...require a gender analysis", leading to "the full and effective integration of gender considerations into development initiatives" and "the involvement of women as equal and active partners in development work" (CIDA, 1995: 5-6). While noting that CIDA has strengthened its institutional capacities and understanding of the development implications of gender inequality, the Performance Review concludes that the Policy "does not inform the development action and decisions of CIDA as broadly as it should" and "it is neither embedded nor incorporated into current corporate planning and reporting" (CIDA, 1998b: 12). After more than 20 years of policies relating to gender issues in development, there is still significant misunderstanding of the implications of the policy and resistance to applying it to "all development initiatives".

The Performance Review points to a number of difficulties. Vague policy objectives do not easily lend themselves to be translated into detailed strategies with targets, deadlines and dedicated resources (CIDA, 1998b: C5). Accountability is a key concern. Implementation "depends on individual initiative (rather than professional accountability)" and "there are few rewards for innovative work in WID & GE programming" (CIDA 1998b: 12). (Given the centrality of gender dimensions of poverty, it seems likely that similar conclusions could be applied more broadly to CIDA's approach to its cross-cutting poverty reduction policy).

While progress in "mainstreaming" the gender equality policy within CIDA is slow, there are strong policy resources and significant program activity from which to draw lessons. Implementing the gender policy is supported by gender specialist advisors in each of the program branches, along with a four-person team in the Policy Branch. Overseas there are 19 Gender Funds in Asia and Latin America that support local initiatives to address strategic gender needs in partnership with women's organizations and ministries of government.

Projects where women are the primary beneficiaries have increased from less than 1% in 1986/87 to 3.5% of all bilateral funding in 1994/95. However, activities coded to the CIDA priority "Women in Development and Gender Equity" in 1997/98 were only 5% of total program expenditures. (Because of limitations in the coding scheme, this priority is somewhat under reported, because projects working with women beneficiaries are coded to several purposes adding up to 100%) (CIDA, 1999). These numbers, even if under-stated by half, indicate that Women in Development and Gender Equity is not a significant programming priority and suggest that attention to the feminization of poverty and women's rights is still marginal in CIDA's core programming.

This observation is confirmed in a detailed 1997 review of the Central America Gender Equity Policy Fund. It concluded that the Fund has been a forward-looking resource for addressing and incorporating gender equity in women-specific projects (often in co-ordination with other donors), but this success has not been the case in development projects that were attempting to integrate women's interests and needs. Addressing issues in gender equity was also largely absent from the planning and implementation of other major bilateral projects in the region (CIDA, 1997c).

The DAC 1998 Guidelines and CIDA's own policies for poverty reduction and for basic human needs confirm that promoting gender equality and integrating gender analysis is crucial to the success of CIDA's strategies to reduce poverty (DAC, 1998b: 24). Strategically this will require substantial change in organizational culture and practice. Creating institutional accountability for the recommendations suggested by the recent Performance Review point would be first step towards improving CIDA's capacities and accountability in implementing gender equality policies and linking these strategies to the overarching purpose of poverty reduction.

Recommendations:

12. Significantly increase the allocation of resources directed to strengthening gender equality by meeting women's strategic and practical needs and assuring women's participation in all phases of development programming.

13. Explicitly direct and monitor CIDA Program Frameworks to apply gender analysis to all programming areas, results and indicators, and to include a wide range of women stakeholders in their development.

14. Carry out serious gender analysis for all major CIDA programs and projects, seeking the participation of organizations and individuals with gender equality expertise in project design, implementation and evaluation, and require the departmental gender specialist to sign off on the projects and programs.

15. Build and disseminate knowledge and best practice in meeting gender specific needs and interests of people in emergency situations, including assessment of institutional capacity in organizations selected for delivering humanitarian and peace building activities.

16. Better support partners to improve their institutional capacity to encourage gender equality, including equitable representation of women in decision-making levels.

4.1.7 The Private Sector in Canadian Aid Allocations

In many developing countries strengthening small-scale and informal private sector production has generated employment and income for millions of people. Access to micro-finance has been promoted widely as a means for furthering entrepreneurship, economic opportunities and social empowerment for the poor women and men in their communities (CCIC, 1996b; CCIC 1996c; Coady International Institute, 1998). Policies to promote patterns of economic growth that are sensitive to the needs of the poor are essential aspects of achieving the goal ending poverty. As we suggest above, patterns of growth that perpetuate current levels of poverty must be transformed. The private sector, in Canada and in developing countries, has an important role in generating employment-creating growth that will reduce poverty (see UNDP, 1996 for an elaboration of this growth strategy). The private sector can contribute to ending poverty through adopting investment practices that maximize employment and training, respect workers rights, assure positive impacts on communities, and that introduce appropriate technologies. Within the framework of a poverty-focused aid strategy, choosing partnerships with the private sector should be based on appropriate experience and expected contributions related to the goal of reducing poverty.

The increasing targeting of the private sector in Canada's aid program in the 1990s has already been noted. Fully 40% of aid to South America is aimed at support for the private sector, with emphasis on mining, oil and gas energy sectors. Similarly for the major countries in the Asia Bilateral Program, close to 20% of resources were directed to supporting the private sector in Asia. More than 40% of Asia programming resources were targeted to these purposes when economic reforms and transforming the public sector are included (areas that create a strong enabling environment for the private sector). By contrast, less than 10% is devoted to basic human needs purposes and only 3.7% target the agricultural sector. Yet it is in Asia where the majority of the world's poor live and where the vast majority of the population live in rural areas.

Canada in the World reaffirmed a strong role for the Canadian private sector in Canada's development program, rejecting suggestions from NGOs and others that Canadian commercial interests in developing countries be more clearly separated from the core resources for development cooperation and poverty reduction. On a responsive basis CIDA INC, a long-standing program within Partnership Branch, sees itself as "a bridge between commercial and development interests" responding to initiatives from the Canadian private sector. CIDA INC provides advice, contacts in developing countries, and funding for these initiatives.

CIDA INC publishes measures of its program impact in terms of investment "spin-offs": "on average, every dollar contributed to Canadian firms by INC. generated \$10.88 in developing countries and \$5.50 in Canada" (CIDA 1997e: 54). While the program claims that it favours projects that create jobs and transfer technology and "that, in addition, pay attention to social dimensions such as human resource development, occupational health and safety, employment equity and support for designated social groups", the impact on these development objectives cannot be assessed (CIDA, nd: 2). Information to assess the development impact, as well as other more detailed information on projects, is not publicly accessible, and is said to be protected by "commercial confidentiality". Similar information, however, is widely available for other comparable donor programs (in the United States, for example, which is presumably a major Canadian competitor).

Impact on poverty reduction can only be imputed from the very basic sectoral and country CIDA INC data. A two-year average of 65.2% of project resources (1996/97 and 1997/98) were directed to the communications, energy, industry, mining and transportation sectors (CIDA,

nd: 14). In terms of countries, 14 mostly middle income or fast growing developing countries accounted for more than 60% of all allocations in 1995/96. Only one of these countries, India, ranked low on the UNDP's Human Development Index (HDI), while 4 have a high HDI. Five CIDA INC priority countries were in the upper middle income category for GNP per capita, while only 4 were low income countries, the remaining 5 have lower middle income status (North South Institute, 1998: 153-155). China, a low income country, has been a major priority for Canadian business, but much of these CIDA INC activities target the high growth coastal regions and not the regions where the majority of China's poor live.

A recent survey found that "[i]n the minds of most [firms receiving CIDA INC grants], developmental activities are clearly peripheral, not integral to the advancement of business interests even in developing countries" (quoted in The North-South Institute, 1998: 153-155). The Steelworkers Humanity Fund has been pressing for projects in CIDA INC to be subject to a review of labour rights impact. Their research determined that 49% of CIDA INC assistance targeted countries with serious restrictions on freedom of association (Steelworkers Humanity Fund, 1998).

Taken together, there is little evidence that a program, which may be well suited for the promotion of Canadian investment programs in developing countries, is structured to contribute to poverty reduction. It may be better placed within other branches of government established for the explicit purpose of promoting Canadian commercial interests. In doing so, Canada would be following the lead of the UK government that closed the Aid and Trade Provision because "it lacks poverty elimination as its central focus" (DFID, 1997). Since the release of its White Paper the UK Minister for International Development has been promoting alternative trade strategies through the aid program. DFID is also exploring innovative ways to relate to the ethical investment movement, conduct training in social and environmental auditing of investment, and guidelines for business codes of conduct (DFID, 1997; Arnson, M., et al, 1998)

An increasing profile for the private sector in the aid program in the 1990s has also been the consequence of 'privatization' in the implementation of bilateral aid, much of it to Canadian private firms and some to large contracting NGOs and institutions (universities, research institutions). More than 51% of disbursements in the Asia bilateral program were made by the Canadian private sector implementing projects in 1997/98, while across all three branches, 33% was disbursed by private firms. By contrast, Canadian NGOs implementing bilateral projects disbursed 17.6% of bilateral funds and Canadian Institutions, 20.2% in that year.

In 1996 CIDA adopted regulations to expand, and to make more transparent and accessible, opportunities for bidding on agency projects. While NGOs and institutions are allowed to bid on all projects, both the private sector and the not-for-profit sector can also submit their own projects to CIDA bilateral on a responsive basis. However transparent and fair, aid privatization tends to transform complex long-term development processes that require long-term commitment and local knowledge into 'biddable commodities' or contracts. To accommodate donor contracting arrangements, program goals to improve human welfare and to empower those socially and economically excluded, often are reduced to measurable short-term "results". The inclination of some contractors will be to manage 'development' (i.e. these explicit short-term results) in the interest of future contracts. Many of the changes suggested in the next section of this paper (increased ownership, long-term engagement, participation and dialogue) will be difficult to accommodate within the current framework for project contracting, monitoring and evaluation.

Recommendations:

17. Transfer CIDA's Industrial Cooperation Program (CIDA INC) to programs in the Department of Foreign Affairs and International Trade and the Export Development Corporation that encourage Canadian foreign private investment.

18. Review and monitor CIDA programs and projects in terms of their impact on core labour rights, with particular attention to private sector development, infrastructure and environment sectors.

19. To assure private sector expertise in the delivery of poverty sensitive development programming, select Canadian implementing partners on the basis of appropriate experience and expected contribution to the goal of reducing poverty.

20. Reform CIDA's contracting procedures so that they are consistent with the need for long-term programming relationships, partnerships based on reciprocal obligations and development goals, complex accountability (particularly to beneficiary populations), and the goal of strengthening local capacity for management of development processes and appropriate skills in developing countries.

21. Select overseas partners on the basis of their experience and ability to contribute to ending poverty.

4.2 Move from "Donorship" to "Local Ownership" in Aid Relations

This section makes recommendation to promote local ownership by:

- 1) addressing aid conditionality,
- 2) reducing technical assistance, and
- 3) reducing tied aid.

It calls for new programming methodologies to make beneficiaries full participants in the development process. It seeks to promote the rights of the poor within civil society, including an assessment of development initiatives on core labour rights. It urges CIDA to participate in pilot initiatives for systematic donor coordination in dialogue with development partners in government, civil society and the private sector.

4.2.1 Promote Local Ownership

Donors agree that "ownership" is crucial to successful aid interventions. In the words of the OECD's Development Assistance Committee "[efforts] by donors to make the decisions and carry out programmes which lacked local ownership and participation would be self-defeating". Donors should "resist ineffective, donor-driven approaches and, instead, support locally-owned and people-centred development strategies through compacts setting out common objectives and defining the responsibilities of true partners" (DAC, 1998a: 2). Ownership in aid relationships is therefore about the meaning of partnership and participation.

Despite these pronouncements, the evidence is overwhelming that in the 1990s the degree of agenda setting and conditionality by northern donors has grown more onerous and complex. (Randel & German, 1998: 15-17). Donors continue to set many formal and informal requirements for their aid (not least because they take into account other interests besides the effective use of aid).

While donor priorities often prevail, it is also increasingly clear that policies adopted by recipient governments are equally important for the quality of the aid relationship. Aid can make a difference when supported by macro-economic policies that assure financial stability and a more equitable distribution of the results of growth, when governance addresses issues of participation and human rights are respected and promoted, and when local management of aid projects assure effective implementation and the capture of lessons for longer term sustainable impacts, particularly for those marginalized within society (World Bank, 1998: 1 – 27). A lot hinges on addressing the quality of the donor-recipient relationship if aid is not to be marginalized in future North-South relations.

In this spirit, donors at a High Level Meeting of the DAC in January 1998 agreed to a working 'checklist' for strengthening partnerships for development. Among the points highlighted for donors:

- encourage recipient partners to formulate their own development strategies;
- strengthen recipient-led co-ordination of development cooperation;
- build mutual trust through dialogue and transparency;
- address tied aid that impairs local ownership and capacity building;
- simplify aid administrative procedures, in order to not overwhelm the capacities of partners to manage their own development;
- practice joint monitoring and evaluation;
- improve donor policy coherence in relation to recipient development goals for ending poverty; and
- lessen the debt burden of recipient partners (DAC, 1999: 28 - 34).

Sustained policy dialogue and engagement is key to improved partnerships. The DAC is following-up its recent study of donor coordination of aid to Mali, and donor and recipient countries are testing new approaches, with increased coordination within the UN system, in the Special Program of Assistance to Africa, and through the European Commission (DAC, 1999: 32-33).

Transforming Aid Conditionality

Linking success in donor interventions for sustainable poverty reduction to appropriate locally-generated development strategies raises the thorny issues of aid conditionality. NOVIB, a major Dutch NGO, in its analysis of the future of aid suggests that "a certain measure of dependence is inevitable in the international aid relationship". It results from unequal power, capacities and the provision of financial resources. What is important, therefore, is donor transparency and consistency in their requirements and avoiding double standards that do not apply equally to the donor as well as the recipient. But aid must also seek to minimize dependency: "It must put people materially in a position where they can provide for themselves, and it must make them capable of standing up for their own interests" (van den Berg & van Ojik, 1998: 98 – 101). What then are the policy implications for donors?

Recent research has challenged the notion that aid in itself is a sufficient lever to effect "good" policy change, nor has there been any consistent attempt to do so on the part of donors (World Bank, 1998: 48 - 58). Over the past 30 years, aid allocations by the major donors have been

made more often on political/strategic grounds or (in the case of the IFIs) as defensive measures to prevent default on outstanding loans. Aid conditionality linked to developing country structural adjustment and economic policy reform has had very limited success. A study by Washington-based Overseas Development Council suggests that

Where reforms have been implemented and sustained, recipient country 'ownership' of the reform process – meaning involvement in the design and sustained commitment to reforms – not donor conditionality, has been key....[C]ore features of the aid relationship have, it has been argued of late, undermined rather than enhanced that ownership. Gwin & Nelson, 1997: 11 -12)

The World Bank study, *Assessing Aid*, cites recent literature analyzing the results of structural adjustment lending and concludes that conditionality is very unlikely to promote reform in countries where there is no strong local movement in that direction. Key factors in successful reform were democratically and recently elected governments that design their own reform needs, set their own timetable, and approach the international community on that basis for assistance (World Bank, 1998: 52). Strong donor pressures, based on aid conditionality, can be counterproductive, relieving a government of the need to take charge of needed economic reforms and develop political consensus within their own country. Donor-imposed conditionality situates discussions of important policy choices in often secret negotiations between donors and government, rather than between government and their citizens, including civil society organizations (Gwin & Nelson, 1997: 12).

Michael Edwards argues for a "light but firm" approach by donors, "in which "minimal standards" are set through dialogue and then implemented rigorously, instead of what we see at present – a 'heavy but loose' system in which an array of conditions and criteria are invented by the strong and then implemented selectively" (Edwards, 1997: 5).

Reducing Technical Assistance

The donors' need to disburse funds quickly and to repatriate aid funds to private donor-based consultancies, results in a bypassing of local institutions and promotes a reliance on foreign experts. In 1997, donors directed an increasing proportion of their aid to technical assistance, amounting to \$12.9 billion or more than 26% of total ODA (compared to 22% in 1994) and 40% of bilateral assistance (compared to 31% in 1994). Reforming supply-led technical assistance should be an urgent priority in an agenda to encourage local capacity and ownership (DAC, 1999: A37; Randel & German, 1998: 15-16).

While better than the DAC average, CIDA reliance on Canadian technical expertise has been increasing rather than decreasing in recent years. In 1996/97 Canadian ODA relied on about 7,000 experts in the delivery of its aid program, of which only 800 (or 12%) were from developing countries. In 1994/95 13% of CIDA supported experts were from developing countries (CIDA, 1998c & CIDA, 1996c).

Reducing Tied Aid

Excluding technical assistance above, fully 20% of global bilateral aid is given on the condition that it be used to purchase goods and services in the donor country. If technical assistance is included, this percentage rises to 56% of bilateral aid coming back to the donor country. It has been calculated that aid tying increases costs by up to 30%, reducing the value of ODA by about \$4 billion each year. Aid tying reduces critical economic spin-offs from aid in the recipient country, favours non-poverty oriented projects where external goods and services are

less in demand, and often leads to inappropriate technology transfers (Randel & German, 1998: 14 & J Chinnock, 1998).

The Canadian record on untying aid is among the worst of the DAC donors. According to the DAC, 68.5% of Canadian aid was tied in 1996, ranking 15th among 17 reporting donors in the amount of untied aid. Only the United States and Spain had higher levels of aid tying (although Japan, New Zealand and Portugal did not report their level of aid tying.) (DAC, 1999: A50). Canadian aid tying policy has remained unchanged since the mid-1980s: Canadian bilateral aid to Sub-Saharan Africa and the Least Developed Countries is 50% untied and only 33% untied for all other developing countries. Food aid is 90% tied to Canadian sources. CIDA officials suggest that current procurement policy emphasizes utilizing local services and goods and preferential procurement in domestic markets of developing countries. (Purchases are made in a developing country, other than the recipient country, are not recognized by the DAC as untied aid.) (CCIC, 1998c)

Recent negotiations at the DAC to reach an agreement to completely untie aid to the Least Developed Countries are painstakingly slow, show little progress on substantive issues, and raise a number of concerns about the actual impact of aid untying for building local capacity and ownership in the aid relationship. These recent negotiations seem to be motivated by a desire to liberalize the procurement process among DAC donors, in which there are merely more competitors for aid contracts from other donor countries. No agreement on the inclusion of technical assistance is likely and food aid is also likely to be excluded. The complexities of donor country subsidies and legislation on food exports in donor countries make untying food aid a highly politicized issue.

NGOs have been seeking an agreement that stress "pro-poor procurement", giving preferential treatment to developing country producers, manufacturers and consultants. Donors will have to not only liberalize aid tying but also give priority to strengthening developing country capacities to provision their aid programs in a cost effective manner. The latter must also encompass consideration of how to develop ethical standards for procurement that protect workers rights and environmental conditions (Chinnock, 1998: 20-21).

Recommendations:

22. Ensure that CIDA programs are driven by our partners overseas, by

- Making Regional and Country Policy Frameworks core instruments for consultation and policy dialogue, mandated to address sustainable poverty reduction in the respective region or country (See Appendix Two for suggested implications for a Framework);
- Working with like-minded donors in pilot activities to shift emphasis from policy conditionality to policy dialogue where choice of options lies with the developing country; and
- Working to strengthen organizations and institutions within a country promoting policy and political reform (especially where current governments are undemocratic, pursuing policies that increase socio-economic inequities, and are not open to policy dialogue);

23. Untie at least 80% of Canadian bilateral aid allocations by

- Pursuing in the DAC complete untying of bilateral aid for Least Developed Countries, Low Income Countries and all countries in Sub-Saharan Africa (including technical assistance, but not food aid);
- Promoting procurement policies that build local skills while respecting the implications for longer term partnerships in poverty-focused projects; and
- Prioritizing untying-appropriate food aid procurements in developing countries, but not for procurement in other OECD countries until such time as there is agreement within the WTO on agricultural trade.

24. Prioritize projects that respect and build on local technical skills (consciously limiting foreign technical assistance), and that choose technologies and infrastructure that are appropriate to local needs and that can be realistically sustained by local resources and financing.

4.2.2 Strengthen the participation, 'voice' and rights of the poor in civil society

Up until the early 1990s human rights did not enter the development discourse of official donors. In the Cold War era, promotion of human rights was, for CIDA, an unacceptable politicization of development cooperation. It was only in November 1995 that CIDA for the first time set out comprehensive program policy objectives for human rights, democratization and good governance, although program experience in the area, particularly with Canadian NGO partners, had been accumulating for several years prior to the policy statement (CIDA, 1996d). At the end of the 1990s, accountability and governance as well as support for greater community "voice" and involvement are at the center of donor aid strategies (at least rhetorically).

Promote Participation

The World Bank's *Assessing Aid* summarizes definitive research that demonstrates the critical importance of beneficiary participation in project success. One study found that 68% of rural water supply projects with a high level of participation were successful, in contrast to only 12%

with limited participation. Similarly, donors who actively sought to involve intended beneficiaries, 62% of their projects were successful, while only 10% of those projects where donors were not pro-active in seeking involvement were successful (World Bank, 1998: 86-87). Interestingly, another World Bank study cited in *Assessing Aid* found that investment projects have been far more successful in countries where citizens enjoy civil liberties. The measure here was not only political democracy, but also people's freedom (freedom of association and assembly, freedom to petition governments). The probability of a project failing is 50% higher in countries with fewer civil liberties (World Bank, 1998: 87).

But despite policy rhetoric, and evidence from experience, studies reveal that donors continue to pay little attention to participation in the identification and design of projects, and often in their implementation. Lessons pulled from evaluations show that extending basic social services to the poor, and in particular those involving women, is not sustainable if those affected have no role in determining the form of these services and lack the capacity to assert their right to them. Yet these lessons were given little attention in planning subsequent programs (Cox & Healey, 1997: 18 - 19). People living in poverty, the beneficiaries, are most often little more than "a target group at the end of an aid chain – [not] part of the solution, the potential driving force behind all change", with economic, social, cultural and political rights to make these changes (van den Berg & van Ojik, 1996: 121-124).

Recognizing the Rights of the Poor

Nobel prize economist, Amartya Sen demonstrated in the 1980s in his work on food security, that recognition of the rights of the vulnerable is even more important than economic growth and the distribution of income for a reduction of their poverty (cited in van den Berg & van Ojik, 1996: 37). Pro-poor development is ultimately about politics: affecting the power relations and cultural and social interests that sustain the inequitable distribution of a society's economic and social resources. Consequently, finding avenues to address unequal power, capacity and access to resources for those without rights – the poor and the marginalized – is a fundamental challenge for donor interventions wanting to link poverty reduction with democratic governance and participation.

Promoting Civil Society and the Rights of the Poor

Official donors and NGOs alike have turned to the notion of "civil society" and its organizations as agents of change to meet this challenge of promoting the rights of the poor. But as Alison Van Rooy of The North-South Institute ably demonstrates donor promotion of civil society is fraught with multiple meanings imposed by purposes donors set for themselves (extending "northern" forms of democratization or furthering private market relations). At the same time donor approaches to civil society are limited by complex national and local realities of socio-economic, political and state relations. In her words, "the language about civil society is...about, and ...shapes, power relationships" (Van Rooy, 1998: 32 & 200 – 201).

Canadian analyst, Jamie Swift, reminds us that civil society itself is "contested terrain" and quotes Jenny Pearce in describing it as "a space which reflects social divisions of society as a whole" (Swift, 1999: Conclusion). In each society the dynamics of opposing forces must be understood and explained, and not assumed under the rubric of "civil society". Indeed, donor support to civil society organizations, actively promoting justice and the "public good", is important but not sufficient to sustain change. It matters which organizations in civil society are promoted. Organizations of poor women, or landless peasants, or workers in the informal sector must be able to engage a strong and pro-active state and hold it accountable to changing

moral, political, and cultural values that will invariably be challenged by vested privilege and power. Basic rights – freedom of association, to form unions, to a livelihood, to speak freely without fear of arbitrary arrest – themselves the product of difficult campaigns by people, are essential to protect political space for the excluded within this "contested terrain".

Donor Allocations to Human Rights, Governance and Civil Society

Examining the allocation of funds by donors to human rights, governance and civil society programs gives a crude sense of current priorities for aid in strengthening human rights, democracy and good governance. Limited evidence from the DAC points to approximately 8% of total OECD aid (or US\$4 billion) directed to these purposes in 1995. While projects whose aim was to "strengthen civil society" increased dramatically from 1991 to 1995, they still represented less than 1% of total aid and only 10% of total governance spending. The categories of "economic and development planning", "government administration" and "general government services" represented fully 85% of spending for governance. "Human rights monitoring and education" was less than 1% of governance aid (Van Rooy, 1998: 58-59).

A picture of CIDA support for human rights, democratization and good governance (HRD&GG) can be gleaned from an annual report by CIDA analyzing the allocation of Program Funds to the six program priorities. The latest report suggests that 15.2% or C\$242 million was spent in 1997/98 on HRD&GG, up from 13.6% the previous year and 10.5% in 1995/96. In addition, at least C\$80 million or 5% of program funds were spent on the women in development and gender equity (WID&GE) priority, up from 4% the previous year. Taken together, without a doubt the promotion of programming broadly for human rights and good governance has become a significant priority for CIDA.

It is difficult, however, to extrapolate from this overview of spending priorities the extent to which CIDA is also making the strengthening of rights and organizations representing those *living in poverty* and excluded from the political process a priority. A recent analysis by CIDA of a subset of projects (valued at C\$62 million in 1996/97) supporting human rights and democratization gives some clues that CIDA's pattern is not much different than the one observed for OECD donors as a whole. Projects within this subset whose theme was strengthening civil society make up about 6.7% of total HRD&GG for that year. A mere 4% of total HRD&GG was directed to the promotion of human rights. The theme of good governance (largely strengthening government services) represents fully 72.2% of programming in this area for CIDA (imputed as the residual of funds directed to human rights and democratization) (CIDA, 1998e: xii).

Both CIDA's analysis and the Van Rooy study demonstrate a reliance on NGOs, sometimes taken to be civil society itself, in implementing donor programs to strengthen human rights and democratic participation. Fully 62% of CIDA projects in human rights and democratization in 1996/97 were implemented by "civil society organizations", with NGOs (as distinct from universities, media, unions and professional associations) implementing 50% (CIDA, 1998e: xiv).

NGOs, Civil Society and Meeting Peoples' Needs

Donors have turned to NGOs because they perceive that these organizations are more flexible in promoting rights and policy change and are closer to organizations and communities of people living in poverty. NGOs also remove for the donor from one "layer" of accountability from the "thorny" issues of human rights promotion where the donor has other, usually commercial, interests at stake. There is little doubt that during the past three decades NGOs in the North, and more recently in the South, have played an increasingly important role in meeting basic

human needs, in strengthening people's organizations, and in empowering their participation in social, economic and political decisions that affect their lives. Development is understood by many NGOs to be about community-building, enabling the poor to have control of their destiny, being responsive to local needs, building the links between economic growth and human development, and creating linkages between civil societies North and South.

While very significant, NGOs may not be alone in fulfilling these roles. Policy makers in the 1990s, including CIDA's own Framework for *Canadian Voluntary Organizations and CIDA*, increasingly stress the importance of striking a dynamic balance between civil society, the private sector and government in the development process (CIDA, 1996b: 4). Cross sectoral alliances are vital for progress, but are by no means obvious or harmonious. NGOs, as partners, are only one part of civil society, and their roles in relation to other organizations in civil society that address more directly the rights of the poor – peasant organizations organizing to defend their land rights or workers organizing for better pay and conditions – are sometimes controversial (Malhotra, 1996).

Equally, while some donors, including CIDA, have put new emphasis on social partnerships, along with an increasing and direct role for the private sector in development cooperation, they have given less priority to the central importance of trade unions, and increasing the capacity of workers organizations, in development for poverty reduction.

Canadian trade unions have recently called on CIDA to strengthen the capacity of workers organizations to play an effective role in development. Trade unions in many societies are vital avenues for citizen engagement with both the private sector and government to press for equitable distribution of the benefits of development. The Steelworkers Humanity Fund analyzed CIDA country program priorities against four core labour rights – freedom of association, prohibition of forced labour, elimination of child labour exploitation and non-discrimination. Approximately 28% of Canadian bilateral aid in 1995/96 went to countries considered by the OECD to have serious restrictions on freedom of association. CIDA provided only \$3 million in 1995/96 to labour organizations, while private sector development received \$171 million and infrastructure support a further \$224 million, all of which have potential for major impacts on labour rights (Steelworkers Humanity Fund, 1998).

Recommendations:

25. Implement a joint CIDA / Voluntary Sector "Civil Society Initiative" by developing a holistic and strategic framework for enhanced civil society programming across the Agency, thereby improving development knowledge, enhancing the impact of direct civil society strengthening activities, and developing cross sector (state, private and voluntary) strategies and programs for poverty reduction. (See Appendix Three for elements of this Initiative).

26. Encourage North-South partnerships that promote national philanthropy in the South through national fundraising, endowment funds and other sustainable financing initiatives (Jackson & Seydegart, 1997; Draimin 1999).

27. Allocate more CIDA resources to increase the capacity of the labour sector in support of human rights, democratization and poverty reduction.

28. Develop a process in CIDA for assessing and improving the impact of its development assistance on core labour rights, especially where these rights are most threatened (including our engagement with multilateral development institutions).

29. Explore options for government to encourage and finance fair trade partnerships between Canadian and Southern counterparts, including support for strategies to increase market access for fairly traded goods.

4.2.3 Encourage and participate in transparent processes for donor coordination

The Development Assistance Committee of the OECD has been a long-standing forum for donor policy coordination where Canada has made strong contributions to building donor consensus on strategies for poverty reduction. Research confirms that translating these policy commitments to coordinated practice on the ground has been a collective weakness of donor aid programs (Cox & Healey, 1997). While deploring recent cuts in aid resources in almost all donor countries, reduced financial capacity has provided an added imperative for coordination to maximize impact, efficiency and cost effectiveness of development initiatives.

The most recent DAC annual report summarizes a number of pilot exercises in donor collaboration with recipient governments through the World Bank Special Program on Africa, the United Nations Development Assistance Framework, the European Commission and the DAC itself (DAC, 1999: 30-34). For the *Reality of Aid* analysts, "lack of political commitment to coordination is a major obstacle to the effective use of aid resources". They point out that "the scale of burden placed on poor country governments by uncoordinated relationships with as many as 30 donors, limits already stretched government capacity" (Randel & German, 1998:17-19).

But country or regional donor coordination is not an end in itself. Such coordination may in fact add further pressure on recipient governments and reduce already limited "ownership" over their development priorities. A willingness to engage in coordination must include in the first instance (a lengthy) process of regional and country dialogue. On the part of donors, there must be consistent transparent donor policies that target poverty reduction and a willingness to compromise donor country benefits in favour of recipient country strategies.

Aidan Cox and his colleagues at the UK Overseas Development Institute argue for the importance of donor coordination, but suggest that it will only take place where there is systematic decentralization of donor staff resources to the country level, along with significant devolution of decision-making authority. In their view, in-country coordination, linked to strong partner dialogue, improves understanding of the specific dynamics of poverty in local contexts, creates potential to draw on donor and in-country sectoral expertise for a common approach to sectoral reform, and sustains a learning culture for donors and recipients for new approaches. They highlight the positive example of India's National District Primary Education Program, where Indian-imposed coordination directs donors to a successful decentralized model for promoting primary education. Coordination spreads the "risks" inherent in new approaches to program delivery. But this example also points to the importance for broad coordination to avoid the potential to overwhelm, where donors are drawn to "successful" program "magnets" (Cox & Healey, 1997: 21-23 & 25).

Recommendations:

30. While concentration of bilateral programming on a few countries may not be politically feasible, given Canada's foreign policy interests, scale and impact can be enhanced by strong and deliberate coordination of Canadian aid initiatives with other like-minded donors, in dialogue with recipient country governments and other development actors in civil society and the private sector.

31. Explore pilot initiatives in coordination with like-minded donors and multilateral agencies, taking advantage of current multilateral initiatives in furthering donor coordination [See Appendix Four for a set of practical areas where donors could make progress in linking developing country ownership to increased donor coordination.]

4.3. Involve Canadians in Development Issues

This section recommends that CIDA strengthen partnerships with NGOs, educational institutions and the private sector by developing a comprehensive strategy to engage Canadians as global citizens.

Poverty dehumanizes *everyone* — those who experience it, as well as those capable of ending it. Increasingly Canadians experience "live" messages through the media that bring the realities of poverty, violence and conflict in Africa, Asia or the Americas almost daily into their living rooms, televisions and newspapers. Their investments, RRSPs and other savings are moving about volatile and seemingly out-of-control global markets. We are aware of our shared fragility in the deterioration of the planet's environment.

Canadians live in a country of relative prosperity where, as northern citizens, we consume an unequal share of the planet's resources and sometimes benefit from the poverty-induced exploited labour of others. There are no *Canadian-only* solutions to isolate us from the turbulence of changes around the world. The decisions that shape our future are inextricably bound by what happens to people living far beyond our borders. With a commitment to an ethic of humanitarianism and justice, Canadians have responded for more than 30 years to make their contribution, whether it be through money they donate or giving of time for local charities or overseas service, to create a better world. But to end poverty, this humanitarian

response to poverty, on the part of citizens and governments alike, must be transformed into the political will to act.

Creating the political will in Canada to end poverty requires an informed and engaged public. In August 1996 a CCIC report, *Global Citizenship: A New Way Forward*, challenged NGOs and others to involve Canadians as a community of people who share a single planet (CCIC, 1996a). The goal of the report was to spur NGOs, government, the private sector, and citizens to act (together) for the good of the planet, based on values of justice, fairness, equity and respect for the individual and collective rights of every human being. Building global citizenship on this basis requires long-term and systematic engagement with Canadians through the education system and in their communities. Educating Canadians is not something that happens only in Canada. Global citizenship is made practical when there are opportunities for Canadians – farmers, fisherfolk, students – to learn and exchange with their counterparts in developing countries about innovative means to achieve local and global development. The CCIC report calls for exploring new methodologies that respects peoples' interest in participating in debate and dialogue on issues, in understanding ambivalence and options for change, and in coming to informed "public judgement" about important issues through learning and discussion.

While there is much that Canadian federal and provincial governments can do, NGOs, relative to other actors in development, have the highest identification with the public for humanitarian efforts to end poverty. British academics Kunibert Raffer and Hans Singer have observed that, "northern NGOs...form the strongest domestic constituency of the South in the North – and one might well add the only one" (Helmich 1997). Yet in the spring of 1995, the Canadian government cut all CIDA funding for community-based development education programming across the country (who did not at the same time carry out overseas programs). By 1996/97, CIDA was spending approximately C\$9.2 million on public education (C\$3.0 million from the Development Information Program and C\$6.2 million on public relations and CIDA information). The total of these two programs is barely 0.5% of CIDA total contributions to ODA.

NGOs and other analysts have been highly critical of these Canadian cuts as well as the "scandalously low" level of spending on public information and education programming by almost all official aid donors (Smillie, 1999). By default, development education in Canada has been left primarily to the large international NGOs and a few specialized institutions. But, located primarily in the major cities of central Canada, these large international NGOs have limited capacity (and are also allocating reduced funding) to sustain and extend programs that touch people in their communities outside these major cities.

In addition, critics suggest that some NGOs fundraising messages "may be part of the problem...as paternalistic messages in the latter, may contribute to the "dumbing" of public understanding about development issues" (Smillie, 1999). With both CIDA cuts and limits of NGO programming, it is no accident that opinion polls reveal a consistently high level of support for international action to end poverty, but display increasing distrust for government funded development cooperation as a means to this end (with little reaction to repeated cuts to these programs). Canadians have continued nevertheless to act on strong moral and humanitarian convictions and have channeled increasing levels of funding through Canadian international charities of their choice.

The challenge is transforming some of these charitable impulses into public campaigns that begin to push for poverty-sensitive policy change and to hold governments and NGO accountable. There is an important role for governments (and particularly CIDA) in stimulating public understanding and debate on global issues, and the imperative to end poverty. New initiatives by CIDA require partnership with Canadian NGOs, educational institutions and where appropriate the private sector. CIDA is currently developing a long-awaited multi-faceted

strategy that will provide new and sustained resources for major initiatives in the (formal) education system, for increased youth exposure to development, and for encouraging strong community-based opportunities across the country for Canadians to learn and act as global citizens.

This strategy must be two-pronged. It must address the development of a global perspective among citizens and stimulate citizens to take action as global citizens. In other words, the engagement strategy must provide opportunities for both awareness building and for action. However a greater emphasis should be put on increasing the opportunities for Canadians to act as global citizens, whether this be through consumer choice, involvement in policy making, or campaigns. With a focus on global citizenship, a public engagement strategy should be broader than merely building public support for aid budgets. It should recognize that work on global issues such as human rights or structural adjustment is also key for poverty reduction and to improve conditions so that aid can be more effective.

Recommendations:

32. CIDA should heighten Canadians' awareness of development issues through a strategy to engage Canadians as global citizens. One definition of a global citizen is someone who is aware of the wider world; respects and values diversity, participates in and contributes to the community at a range of levels from the local to the global and is willing to act to make the world a more equitable and sustainable place. (OXFAM UK & Ireland, 1997)

The strategy should

- support a Canada-wide program that encourages vibrant community-based initiatives;
- provide for both the capacity-building and joint learning needs of those working to engage the public (perhaps through virtual centres set-up regionally);
- provide for ongoing learning through evaluation and assessment of best practices;
- provide funding, preferably with multi-year funding being available; and
- include as partners, perhaps jointly with established partners, "non-traditional" groups such as domestically-focussed organizations.

33. Whenever possible public engagement initiatives should link local and domestic concerns to the global, through the school system, youth programming, media and cultural initiatives.

34. CIDA and the government should explore regular opportunities for Canadians from all walks of life to participate in community "public deliberation" work on policy choices on global issues, and be accountable to the processes that are initiated.

35. CIDA should encourage exchange and learning between Canadians and citizens of developing countries on issues of common concern.

36. Increase the proportion of CIDA programming resources devoted to encouraging public engagement in Canada to 2.5% by 2005/06.

4.4 Rebuild Canadian Aid Resources and Cancel Debt Owed by the Poorest Countries

This section recommends that Canada reaffirm the target of 0.7% for aid by setting out a timetable to rebuild Canadian ODA to 0.35% by 2005/06, as a minimum target. At least C\$200 million must be added to the International Assistance Envelope each year to achieve this target. Canada should also join with other creditor nations to cancel the debt of the highly indebted poorest countries, in order to assure debtor country governments have national budgets to invest in sustained poverty reduction strategies.

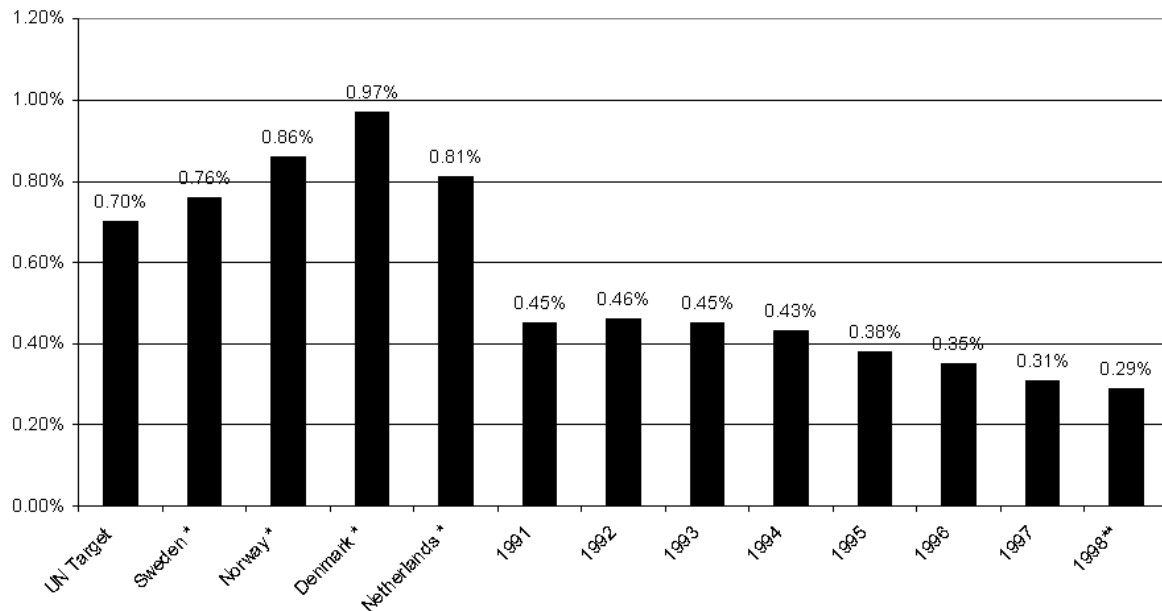
In the absence of new resources, much of the agenda outlined above for poverty focused ODA will not be achieved. We noted above, for example, the UNICEF/UNDP calculation of the *additional* US\$110 to US\$120 billion needed each year for the next ten years to provide basic social services to all and eradicate absolute poverty. Canada's share would be an annual increment of C\$680 million. If all donors were to take up this challenge, Canada's share would result in Canada reaching by 2005/07 its long-stated commitment to the UN ODA target of 0.7% of GNP. But with total ODA declining rapidly to its lowest level in decades (0.22% of donor GNP in 1997 from 0.33 in 1992), a global initiative of this order is not very likely.

Canadian aid resources have also been declining rapidly in the 1990s. Measured as a percentage of our GNP, Canadian ODA in this decade has fallen from a high of 0.46% in 1992 to an projected low of 0.26% in 1999/2000. (See Chart 2) Canada dropped from 7th position among 21 donors in 1996 to 9th in 1997.

Since the Liberals assumed government in the fall of 1993, a cumulative C\$2.2 billion has been removed from Canadian ODA. Cuts to ODA have been highly disproportionate to cuts in other federal program areas, including National Defence. Since its peak at C\$3,182 million in 1991/92, Canadian ODA has fallen by more than 31% in real terms (removing the impact of inflation) by 1998/99, compared to 9.1% for overall federal program spending, and 25.6% for National Defence. Despite repeated Canadian government commitments to the United Nations target of 0.7% of GNP for aid, Canada's aid levels in the late 1990s are the worst in almost 30 years.

A recent peer review of Canadian ODA by the OECD suggests that Canada's reputation as an innovative and progressive donor is under threat, as it spreads itself too thin with declining dollars. The 1998 DAC peer review points out that

Chart 2: Canadian ODA Performance, ODA as a Percentage of GNP, 1991 to 1999



The prominent international role that Canada has set for itself has not, however, been accompanied by increases in resources allocated for development cooperation....[Canada] continues to be involved in a very wide range of issues and with as wide a range of partners and multilateral organizations as possible, while the aid budget has been cut by 29% over six year [in nominal dollars, not eliminating inflation]. This paradox raises concerns about Canadas role in the world, both at home and internationally (DAC, 1998c: 9).

Concrete indications are required from the government that Canada will invest its equitable share of resources to meet global commitments made repeatedly by all donors at various fora of the United Nations during the 1990s. Canada's "fiscal house" is in order. Since 1997 budgetary surpluses of at least C\$27 billion have been recorded for investment in new program up to 1999. Higher surpluses are expected in the first decade of the 21st century. New investments in aid since 1997 are not proportionate to the cuts implemented up to 1998/99. To date, the government has taken a mere 1.6% of this 3-year surplus for new investment in ODA, and much of this has been retrospective increases for the previous fiscal year and increased payments to the IFIs.

Increase Canadian ODA Resources

Progress in human security through ending poverty requires strategic planning with long term predictable allocation of funds. When more than 7 years of cuts in the 1990s is combined with exiting long-term commitments for current programs, there is little scope to fund new innovative programming without the infusion of new resources. Minimally, an increase in Canadian ODA to 0.35% of GNP, half of Canada's stated target of 0.7%, over the next five years, is an essential foundation for meeting Canada's global responsibilities to address the DAC poverty reduction and social commitments.

Increasing aid to 0.35% of GNP by 2005/06 is affordable. An annual increase averaging C\$200-250 million in new resources would have to be invested in Canadian ODA, starting with fiscal year 1999/2000. (See a model Timetable in Appendix Five) These amounts are feasible. In Finance Minister Martin's budget for 1999, he retroactively increased ODA for 1998/99 by C\$237 million. But in the same budget he allowed for a mere C\$50 million increase in 1999/2000 and C\$25 million for the two subsequent years. In the absence of new resources at the end of the fiscal year, ODA for 1999/2000 could actually fall by 8.7% over 1998/99.

Substantial growth in Canadian ODA in the next five to seven years will send a strong signal to the international community that Canada has renewed its leadership with both innovative

human security initiatives on the global stage and the resources to make the results of these initiatives a reality for people living in poverty.

Cancel Debts for the Poorest Countries

Debt levels of the poorest countries of the world have increased dramatically in recent years. These debts threaten to undermine economic and social development prospects. Many sub-Saharan African countries spend more to service debt than they spend on health care and education. For example, Tanzania has a per capita income of only \$636, with 50% of the population living below the poverty line. In the last fiscal year, debt servicing absorbed one third of the entire government budget, four times what was spent on primary education and nine times the spending on primary health care.

From 1981 to 1998, developing countries paid over US\$3 trillion to their creditors in interest and principle payments. As Southern governments increase exports of natural resources and commodities to pay the rising debt, environmental devastation increases. This situation is increasingly becoming financially unsustainable. Debtor countries are trapped on a debt treadmill, forced to take new loans to service old ones or risk default and potential economic collapse. All too often in the past, ODA directed to economic and balance of payments support has been used to pay debt service charges to creditors, particularly the international financial institutions.

Churches, NGOs and others from around the world have joined together for a special Jubilee Initiative to cancel the debt of the 50 poorest highly indebted countries, 37 of which are found in Sub-Saharan Africa. The campaign seeks to cancel debt that cannot be serviced without placing a severe burden on impoverished people, as well as debt for projects that were improperly designed by both the debtor and creditors, and odious debt contracted by despotic and repressive regimes. Only a global agreement, with the lead from the political leaders of the G8 countries, can catalyze the bold initiative to bring debt relief (in the order of approximately \$309 billion). Debt cancellation is no substitute for increased commitment to development assistance for poverty eradication, which requires sustained and growing resources; but, likewise, the impact of development cooperation will be greatly diminished if the governments of the poorest countries are unable to sustain the results of aid by providing their own government resources to fund health care, education and public works.

Canada is owed approximately C\$1.2 billion by the 50 countries on the Jubilee list, a relatively small share of the global debts of these countries. Most of these debts are owed to the Export Development Corporation and the Canadian Wheat Board. Canada has been a leader in canceling debt. In 1989 the government cancelled C\$672 million in debts owed to CIDA by Commonwealth and Francophone countries. Since 1992 Canada has converted more than C\$123.5 million in Latin American ODA debt into local currency funds for environmental initiatives. In addition, between 1992 and 1996, Canada cancelled C\$239 million in non-aid debt for Egypt, C\$24.8 million for Tanzania, and C\$64.2 million for Cote d'Ivoire.

However, more needs to be done. Outstanding debts are not large and could be spread over a number of years. Canceling debt is included as part of Canada's ODA effort, but it need not affect the budget for ODA each year. As part of a global plan, it is most likely that the Auditor-General will permit cancelled debt to be written off against non-budgetary provisions (as was the case with recent debt cancellation for Egypt and Poland). Alternatively, Parliament could pass a special Jubilee Provision to account for the C\$1.2 billion involved.

Canada can also play an important role in multilateral fora, in the Paris Club for bilateral and private debt and at IMF, World Bank and G8 meetings for multilateral debt, to cancel all the

debt owed by the poorest countries and delink this debt relief from traditional structural adjustment programs. There is scant evidence that these creditor-imposed conditions for debt relief have improved a country's economic conditions and substantial evidence that they have affected adversely conditions for the poor.

Recommendations:

37. Set out a timetable, consistent with our commitment to provide 0.7% of our GNP in aid, to increase ODA resources to 0.35% by 2005/06, by investing a minimum of C\$200-250 million each year in the International Assistance Envelope (see endnote #19).

38. Join with other creditor countries and cancel all outstanding debt owed to the Canadian Wheat Board and the Export Development Corporation by the 50 most highly-indebted poor countries. In the absence of an international commitment to total cancellation of these debts, the Finance Department should propose a timetable for bilateral action on the part of the Canadian government to cancel these debts owed to Canada.

39. Take every opportunity to advocate the rapid and total cancellation of the international debts of the poorest countries.

Appendix Two

CIDA Regional and Country Program Frameworks and Poverty Reduction

A CIDA Regional and Country Program Framework (RCPF) is core instrument for setting out the priorities for Canadian policy and aid interventions with respect to a given region or major developing country partner. The process in developing a RCPF is a focal moment in ongoing policy dialogue on strategies to reduce poverty with developing country counterparts, other CIDA partners and other donors. The Regional and Country Program Framework should be enhanced for this purpose with specific CIDA guidelines for each RCPF:

1. The primary purpose of each Regional or Country Program Framework is to determine how to maximize the contribution of Canada's aid program to sustainable poverty reduction in the respective region or country. It will set out Canadian aid strategies and programs in any of the six CIDA priority programming areas to achieve this purpose.
2. A schedule for developing or renewing a RCPF should be set out on a timely basis. A fully transparent process will provide both the time and the needed resources to enable wide and systematic input from a full range of development actors North and South, with a particular priority to give voice to organized communities or representatives of the poor.
3. Consistent with the values of local ownership behind CIDA's core purpose to reduce poverty, wherever feasible a Country Policy Framework will take direction from poverty eradication strategies developed and approved in a participatory manner by the respective government. CIDA will join with other donors to assure adequate resources to the government for this purpose.
4. RCFPs will recognise gender equality as a cross-cutting dimension for effective programs to reduce poverty. Gender disaggregated information and gender analysis of programming strategies will be included on a country, region or institutional basis. Key results and lessons will be included from past programs in support of gender equality and addressed in future strategies. Consultations, whether country-initiated or CIDA-initiated, will include a wide range of women stakeholders. Program partners, CIDA officers and managers will be accountable for progress in results achieved over time, derived from baselines established in the findings of the gender analysis for the RCPF. (See the appendix in CIDA, 1998e)
5. While respecting the primacy of recipient country policies and strategies for poverty reduction, RCFPs should take into account potential synergies in greater donor coordination for a shared agenda for poverty reduction.
6. All programming choices will have a rationale that addresses the primary goal of poverty reduction. In cases where there is a choice between project alternatives that have broadly similar economic impacts, preference should be given to those projects where the benefits are captured at least in part directly by poor communities, over those projects where those living in poverty are only indirectly beneficiaries.
7. The process to elaborate a RCPF will be an opportunity for CIDA to collaborate with other Canadian Government Ministries (DFAIT, Finance, the Environment etc) to address the coherence of Canadian policy and relations with the respective region or country to assure a

consistent impact for poverty reduction. An assessment of policy coherence will be laid out in a public document and interested parties will have an early opportunity to comment and suggest policies to assure a consistent impact on poverty reduction.

8. All RCPFs will establish clear measures for accountability for the primary goals of CIDA programs, and particularly with respect to poverty reduction and gender equality, as well as monitoring mechanisms (with significant partner participation) and indicators to measure the achievement of results.

Appendix Three

A CIDA / Voluntary Sector Civil Society Initiative

CIDA and the Canadian Voluntary Sector will collaborate to further CIDA's 1996 *Canadian Voluntary Organizations and CIDA: Framework for a Renewed Relationship* with a holistic and strategic initiative that brings together enhanced civil society programming across the Agency.

Components of this Initiative would include:

An institutional mechanism for learning and policy leadership on civil society, drawing from durable Agency-wide working partnerships for poverty reduction with Canadian and Southern civil society organizations;

Exploring innovative donor programming with civil society partners that stress the importance of human rights and gender equality, an enabling political and legal environment for civil society, along with strong representative organizations for and of the poor, for sustainable poverty-focused development;

Exploring new policy partnerships with Canadian NGOs to enhance joint learning on poverty eradication strategies, on mechanisms and practices for reaching those living in poverty; and on integration and scaling-up NGO initiatives for sustainable impact;

Addressing and monitoring adherence to and / or promoting core labour rights in the development of all major CIDA programs, particularly for countries considered to have serious violations and restrictions;

Building a shared action Framework for Public Education and Citizen Engagement between CIDA and other members of the Canadian development community (see Section 3), and

Giving priority to new financial resources for civil society strengthening (particularly for organizations of the poor and the promotion of human rights), for Canadian NGO responsive programming, and for Canadian NGOs as implementing partners for initiatives for poverty reduction.

Appendix Four

Coordination : What Donors Could Do

There are a number of steps which donors could take to make progress towards developing country ownership:

Communicate between the centre and the field to ensure that policy priorities are realistic and systems are set up to operationalise them.

Offer guidelines and training to build poverty oriented and culturally sensitive capacity in aid management staff.

Invest in longer term programs for learning and exchange.

Make appropriate use of technical assistance.

Where possible reinforce national and local government responsibility and capacity and resist the establishment of parallel structures.

Accept one standard reporting format for all donors on the same project / program. Donors should make whatever adaptations they need for their national reporting requirements themselves; it should not be a task for developing countries. Some progress has been made here with the common measures of progress agreed by developing countries and international institutions and donors.

Set timetables which tie in with developing country procedures not with donor country procedures. A positive example of this is the Tanzania Public Expenditure Review, which for the first time was designed to fit with the government's budget process, not the donors.

Accept that not every aid donor has to have a separate negotiation with government and increase openness to group relationships with government.

Report all official aid commitments and disbursements to government.

Hold Consultative Group Meetings and other aid policy meetings in the developing country.

Take steps to reduce the pressure to disburse at the cost of reduced ownership by enabling funds to be carried forward and prioritizing ownership.

Reduce conditionality but establish clear mutual accountability.

Source: *Reality of Aid 1998/99* (Randel and German, 1998: 19)

Appendix Five

A Model Timetable for Rebuilding ODA

The following table sets out one possible model for rebuilding Canadian ODA to achieve a minimum target of 0.35% of GNP by 2005/06. Canada has committed itself repeatedly to the United Nations target of 0.7% of GNP. This table is not definitive as it is based on many assumptions that are outlined below it. But it tries to demonstrate that even modest progress to half the UN target is very feasible.

YEAR (millions Cdn \$)	(1) IAE	(2) Net ODA Cash in the IAE	(3) Debt Cancell- ation	(4) First Year Refugee Costs	(5) Other Non- Cash ODA	(6) Total ODA	(7) Estimate of ODA/GNP Ratio
1998/99	2,148.0	2,088.0	45.0	150.0	204.0	2,487.0	0.29%
1999/00	2,136.0	2,076.0	240.0	150.0	200.0	2,666.0	0.30%
2000/01	2,311.0	2,251.0	240.0	150.0	200.0	2,841.0	0.31%
2001/02	2,486.0	2,426.0	240.0	150.0	200.0	3,016.0	0.33%
2002/03	2,661.0	2,601.0	240.0	150.0	200.0	3,191.0	0.33%
2003/04	2,836.0	2,776.0	240.0	150.0	200.0	3,366.0	0.34%
2004/05	3,161.0	3,101.0	45.0	150.0	200.0	3,496.0	0.34%
2005/06	3,411.0	3,351.0	45.0	150.0	200.0	3,746.0	0.35%

Notes on the Table:

(1) The International Assistance Envelope (IAE) is announced and detailed each year in the Government's Budget and Spending Estimates. The IAE for 1998/99 is based on revised data from the 1999 Budget. Other years are CCIC projections that include increased allocations to ODA in each year. For 1999/2000 the assumption is that increased amounts of aid will be added at the end of this fiscal year to increase the Envelope by \$175 million rather than the \$50 million in the 1999 Budget.

(2) Net ODA Cash in the IAE is that part of the IAE that can be counted as Official Development Assistance by the OECD Development Assistance Committee. This excludes an estimated \$60 million each year that is allocated to Eastern Europe and the Former Soviet Union that do not count as ODA.

(3) The amounts for Debt Cancellation relate to the outstanding estimated C\$1.2 billion that is owed to Canada by the 50 highly indebted poorest countries that are on the list of the

Canadian Jubilee Initiative. It is debt owed to the Export Development Corporation and the Canadian Wheat Board. Unlike ODA debt (most of which has been cancelled already), cancelling EDC or Wheat Board debt requires a provision of cash to these institutions on the part of the Government. If the \$1.2 billion is cancelled under a multilateral agreement to cancel debt of the poorest countries, then these amounts are non-budgetary. They can be written off against Government "provisions" for bad debts. The amount each year will appear in Canada's statement of ODA commitments, but not in the annual Budget. If there is no multilateral agreement or Canada agrees to writes off all or some of this debt bilaterally, then the Auditor General will insist that the Government make provision for this cancellation in the Budget. The reason is that much of the debt is currently being serviced and without a multilateral agreement, it is by definition not "bad debt" from a technical audit point of view.

The assumption in this table is that the \$1.2 billion is written off over 5 years beginning in 1999/2000. In the absence of a multilateral agreement, these amounts would have to be included in the IAE or the Department of Finance annual Budget and Spending Estimates. They would thus increase the percentage of the "fiscal dividend" required to raised ODA to 0.35% of GNP by 2005/06.

(4) An imputed value for Government expenditures for the first year to support refugees coming to Canada from countries that count for ODA is allowed by the OECD DAC. This amount has been included in Canadian ODA since 1993/94. The assumed amount in this table is based on actual amounts recorded in the last three years.

(5) These are also imputed values for Canadian expenditures for students from ODA countries studying at Canadian institutions, for provincial grants for ODA, and other minor adjustments that are allowed under OECD DAC rules for calculating ODA. The assumed amount in this table is based on actual amounts recorded in the last three years.

(6) Total ODA is the sum of (2), (3), (4), and (5). This is Canada's net ODA on a commitment basis that is presented as Canada's Official Development Assistance. It is the figure that is used to calculate the ODA to GNP ratio for each country.

(7) An estimate of the ODA to GNP ratio based on the following levels of GNP:

1998/9999 C\$ 875.7 billion 1999/2000 C\$ 880.0 billion

2000/2001 C\$ 902.0 billion 2001/2002 C\$ 924.5 billion

2002/2003 C\$ 956.9 billion 2003/2004 C\$ 990.4 billion

2004/2005 C\$1,025.0 billion 2005/2006 C\$1,060.9 billion

This estimate of GNP is based on Canada's Gross Domestic Product that is calculated by Statistics Canada and projected by the Department of Finance. The assumption is that GNP is 96.7% of GDP. Projections of GDP beyond those provided by the Department of Finance in the 1999 Budget put GDP inflation at 1% for 1999/2000 and 2000/2001, 1.5% for 2001/2002, and at 2.0% for years following 2001/2002. Nominal GDP grow is projected at 2.5% for the three years, 1999/2000 to 2001/2002 and at 3.5% for years following 2001/2002.

Lower than projected GNP growth would produce a higher ODA to GNP ratio with the same level of new investment in ODA.

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