

**A CCIC Briefing Note:
CIDA 2002/03 Estimates
Part III – Report on Plans and Priorities**

Highlights:

- CCIC estimates the ODA to GNP ratio for 2002/03 at 0.28%, compared to our estimate of 0.27% for 2001/02.
- Recognizing the Prime Minister's recent commitment at the UN Financing for Development Conference in Monterrey, CCIC calculates that an 8% increase with a compounding base for the International Assistance Envelope* each year will produce a ratio of 0.33% by 2006/07.
- Among the Branches, only the bilateral Geographic Programs received a significant increase in 2002/03. Canadian Partnership Branch, at \$253.9 million, declines by \$9.5 million or 3.6% over the 2001/02 Estimates and \$18.2 million (6.7%) over expected disbursements for last year.
- While we understand that the Minister for International Cooperation will be presenting to Cabinet in the summer or early fall a final version of strategies for aid effectiveness, discussed thoroughly in consultations in 2001, the Estimates for 2002/03 make clear that CIDA is proceeding to implement the main directions in *Strengthening Aid Effectiveness (SAE)*.
- The 2002/03 Plans and Priorities for CIDA found in the Part III Estimates are organized against a new results based framework that focuses on four core strategic outcomes or Development Results for all CIDA programs – economic well-being, social development, environmental sustainability and governance.

* The International Assistance Envelope (IAE) contains the budgetary allocations by the federal government to international assistance and is published each year in CIDA's Part III Estimates. The IAE includes allocations to CIDA, DFAIT, and the Department of Finance. A small portion of the IAE is not included in ODA because it is allocated to countries in Eastern Europe and the former Soviet Union that are not considered eligible for ODA. Official Development Assistance (ODA) includes all of the IAE eligible for ODA as well as other amounts allocated by Canadian governments that the Development Assistance Committee of the OECD allow to be included in ODA – first year refugee costs, provincial governments' spending on aid, bilateral debt forgiveness, imputed costs for students studying in Canada etc. These later amounts must be estimated by CCIC to predict ODA for a given year until CIDA publishes its official ODA statistics for that year. The last year that these official statistics are available is 1998/99.

Introduction

The Part III Estimates is CIDA's report to parliament on the distribution of the International Assistance Envelope for 2002/03 as presented in the December Budget, along with an analysis of the main objectives and planned results for CIDA as a whole and for each Branch. The Part III Estimates are available on Treasury Board's web site at www.

This Briefing Note highlights some of the allocations for 2002/03 and points to some key changes in the way that CIDA will hold itself accountable for development results. The overall rationale for CIDA programming remains very close to the goals elaborated in *Strengthening Aid Effectiveness*. In setting out plans and priorities, the Estimates recognize that CIDA has been long recognized as a leader for excellence "on gender and development, on involving NGOs, and for being an early advocate for inclusion of environmental dimensions into development programming."

A. Financial Allocations:

The Estimates detail the allocations of the International Assistance Envelope for 2002/03 for CIDA and other aspects of Canada's official development assistance (ODA). Unfortunately, unlike Part III Estimates of earlier years, recent Part III Estimates have provided very limited projections for actual expenditures for the year just ending, i.e. 2001/02. This lack of preliminary financial data makes analysis of future plans against trends in recent years impossible. CIDA's official financial report can take up to 18 to 20 months to prepare following the end of a fiscal year.

Highlights from the 2002/03 Estimates:

- Based on the December 2001 Federal Budget, the total International Assistance Envelope for 2002/03 is \$2,312.7 million, up \$52 million from the previous year. The IAE does not include any portion of the \$500 million promised for the G7 Africa Plan of Action (which we now know will be administered by CIDA). In order to calculate the ODA/GNP ratio, CCIC has arbitrarily disbursed \$300 million from the Africa Fund in 2002/03. With this assumption, CCIC estimate of the ODA to GNP ratio in 2002/03 is 0.28%, compared to our estimate of 0.27% for 2001/02. (See Annex One for details.)
- At the UN Summit at Monterrey the Prime Minister committed to raising ODA by at least 8% in each of the next years. Again assuming a disbursement of \$300 million from the Africa Fund in 2002/03, CCIC calculates that the expected disbursements from the IAE in this year will be 3.4% higher than 2001/02 (after adjusting for supplementary estimates and December 2001 budget allocations to 2001/02). The key to improving ODA performance is a commitment by the government to add the increase to the actual IAE for 2002/03 in the 2003 Budget (and to do so for subsequent years). CCIC calculates that an 8% increase with a

compounding base for IAE each year will produce a ratio of 0.33% by 2006/07 (see Annex One).

- Among the Branches, only the bilateral Geographic Programs received a significant increase in 2002/03, \$47.9 million over Estimates and \$71.8 million ((9.7%) over expected disbursements for 2001/02.
- Canadian Partnership Branch, at \$253.9 million, declines by \$9.5 million or 3.6% over the 2001/02 Estimates and \$18.2 million (6.7%) over expected disbursements for last year. Within CPB, Voluntary Sector Support programs declines by \$6.7 million to \$183.0 million. The Part III Estimates gives no breakdown for expected disbursements for the Voluntary Sector programs for 2001/02.
- The Development Information program in Communications Branch declines slightly from \$4.9 million in 2001/02 to \$4.3 million in 2002/03.
- CIDA administration will increase dramatically from \$147.4 million in the Estimates for 2001/02 to \$194.8 million in 2002/03 (an increase of 32.1%). However, staffing remains constant at 1,403 full time equivalent positions between the two years. No explanation is provided for this increase.

B. Plans and Priorities:

The overall rationale for CIDA programming remains very close to the goals elaborated in *Strengthening Aid Effectiveness*. In setting out plans and priorities, the Estimates recognize that CIDA has been long recognized as a leader for excellence “on gender and development, on involving NGOs, and for being an early advocate for inclusion of environmental dimensions into development programming.”

A New Results Framework Focusing on Four Core Development Results CIDA will work within a new results framework, aiming to achieve through Agency programs four strategic outcomes or Development Results:

- economic well-being (equitable economic growth and improved standard of living for the poor);
- social development (improved quality of life for the poor through enhanced social services, management of the social impact of reform, and progress towards gender equality);
- environmental sustainability and regeneration (improved environmental sustainability, through the protection, conservation and management of the diversity and the integrity of the environment); and
- governance (improved governance structures and institutional capacities in partner countries, strengthened civil society, and enhanced for rights and democratic principles).

The Estimates provide a breakdown of budgets for each Branch against these four strategic outcomes.

Economic Well-Being Nearly 30% of CIDA's resources will be devoted to achieving results relating to economic well-being. The focus is on creating an enabling environment for economic growth, the reform of public and private institutions and developing country capacity for strong trade partnerships to "become full and equal partners in the global trade system". While stressing "equitable" growth, the Plans and Priorities suggest no benchmarks or strategies to orient CIDA to this goal as opposed to strengthening growth itself. Activities include support for micro-credit and micro-enterprise development, but also "reducing risk for Canadian investment" through the CIDA INC program.

Social Development The Estimates state that 40% of CIDA resources will be devoted to development outcomes for social development. Despite specific yearly financial targets for the four social development priorities (SDPs) for CIDA – basic education, health and nutrition, child protection and HIV/AIDS – the Estimates only state that "CIDA has exceeded the SDP spending targets in this fiscal year [presumably 2001/02] in all but one area", but provides no figures for last year or projections for 2002/03. Unlike the earlier policy commitments to the SDPs, IHA and emergency assistance are included as allocations aimed to achieve social development outcomes for CIDA. A few programming examples are provided for several of the SDPs. Considering that the Agency has developed over the past 18 months detailed action plans for each of the SDPs, a short commentary on the relative weight of programming priorities in the action plans for 2002/03 would have been more appropriate.

Environmental Sustainability Achieving Development Results for environmental sustainability will command a little more than 11% of CIDA resources in 2002/03. A strong emphasis is placed on the climate change fund and on building capacities for environmental management. CIDA will contribute to regional and global initiatives affecting biodiversity, ecological conservation and sustainable use of natural resources. There is a strong profile of CIDA's work on combating desertification. Work will be undertaken in 2002/03 to update the Environmental Sustainability Policy.

Governance Finally, more than 18% of CIDA resources are aimed at improved governance. Earlier, the Estimates recognized that engaging civil society is an important part of process for democratization and improved governance in developing countries – making participation possible and giving voice to those who are not represented to demand better governance. Despite this emphasis on civil society, activities in Canadian Partnership Branch only warrants half a sentence in this section! During 2002/03, CIDA will elaborate a new strategy for governance programming in Africa and the Middle East in which one important element will be to increase levels of accountability between national governments and civil society and another will be to strengthen public financial management. In Asia the emphasis is on strengthening government decentralization and work with local government. In the Americas the emphasis is on support for human rights organizations, participation of civil society in regional processes, and public sector reform funds.

Enabling Results Achieving these Development Results will be facilitated by Enabling Results to guide decision-making in crucial program and management areas:

- piloting new programming approaches;
- facilitating local ownership;
- promoting policy-based programming and increased policy coherence between CIDA and partners;
- achieving appropriate balance between direct and responsive programming; and
- linking CIDA investments with national development processes.

While we understand that the Minister for International Cooperation will be presenting to Cabinet in the summer or early fall a final version of strategies for aid effectiveness, discussed thoroughly in consultations in 2001, the Estimates for 2002/03 make clear that CIDA is proceeding to implement the main directions highlighted in *Strengthening Aid Effectiveness (SAE)*.

New Approaches New approaches will be piloted with an emphasis on policy dialogue, strategic aid investments, donor coordination and leadership from developing countries -- Comprehensive Development Frameworks, Poverty Reduction Strategy Papers and Sector Wide Approaches. The Estimates repeat the changing notion of projects set out in *SAE*: “Projects of the future should increasingly be those firmly integrated into a larger strategy for a country and rooted in a sound understanding of the country context. They should seek greater reach, leverage and impact, and have a focus on effective policy development and implementation.”

The Estimates confirm that by 2004/05 “a substantial portion of CIDA’s programming in Africa will be delivered through new programming approaches...focusing on partner country-led donor coordination and reform; moving from project-based relationships to ones focusing on program and policy; and engaging in dialogue on the NEPAD, and its objective for Africa’s development.” Minister Whelan in her preface describes NEPAD as a “remarkable plan developed by some of Africa’s most progressive leaders”.

A special box in the Estimates recognize “the inherent tensions in the PRSP process that challenge the pursuit of locally-owned strategies”, but also states that CIDA “will work with partner countries to increase their capacity to manage the development and implementation of these national poverty-reduction plans”. A new programming framework for Senegal adopts the same objectives as the PRSP, “ensuring that programming activities can adapt to changes in local priorities”. In Honduras, for example, CIDA is supporting the implementation of the PRSP through building the capacity of Honduran roundtables (mensas) of multi-stakeholders in partnership with IDRC and UNDP.

The Estimates suggest that the Agency will “focus more on work at the program level, on country programs and major institutional partners” to enable closer cooperation with developing countries and with other donors. At the same time, “the considerable development knowledge of Canadians, and their involvement in development issues, will

be sought out during the update or creation of country/institutional development program frameworks”.

Balance Between Direct and Responsive Programming

While the President of CIDA made it clear at the April 2002 CCIC-CIDA consultation that responsive mechanisms will remain largely unchanged, the Estimates suggest ongoing exploration of the balance between responsiveness (relating to country ownership) and direct involvement of CIDA: “These two programming approaches offer many benefits to CIDA’s developing country partners; making appropriate choices on responsive versus directive programming will be based on dialogue with partner countries or institutions and with other donors. It will also take into account the capacities of countries to manage the development processes so that they are genuinely owned by these countries.”

Country Concentration

The Estimates repeat the concerns of the *SAE* regarding country concentration and the assumption that CIDA is highly dispersed (“CIDA is the least concentrated of all DAC donors”). The Agency is examining ways that it might concentrate its resources in a limited number of countries. CCIC’s own study of the top 30 programming countries for 1999/2000 disputes this claim, as it documents that these countries commanded 74% of non-region, non-emergency bilateral disbursements in that year. Country and sector focus will be examined “over the next few years”.

Policy Coherence

Responding to the recognized need to improve policy coherence, the Estimates see a role for CIDA in bringing developing country experience into internal Canadian government policy formation. Specific mention is made of efforts to promote better analysis and dialogue on humanitarian issues with Canadian NGOs through the Policy Action Group on Emergency Response. The Estimates highlight that “Policy Branch will take on a new role to provide grants and contributions to Canadian and international organizations in support of policy issues for developing countries”.

Public Engagement

Recognizing the need for greater attention to public engagement, the Estimates announce that CIDA’s public engagement strategy will be reviewed “to ensure that the Agency responds appropriately to changes in the international context and the public’s perception”. CIDA is looking forward to the results of two new initiatives – Global Classrooms and Outreach to Journalists. CIDA will develop outreach program for information on Africa as it receives attention during G8 process.

Management Results

A third level of results is Management Results – focusing on human resources, information management and technology, strategic planning and resources allocation, and the rationalization of internal processes. In line with requirements arising from new approaches and the need for country level knowledge, CIDA will be assessing its field presence and the level of authority delegated to those in the field, including locally engaged staff. At the same time, the Estimates also highlight that CIDA is developing a three-tier risk assessment strategy and that each project must have a risk assessment with risk mitigation strategies.

Evaluation Strategies Evaluation strategies will increasingly be aligned with the four core Development Results, Enabling Results and Management Results. The intention is to move towards program evaluations on country programs and major institutional partners to be more effective in generating strategic knowledge and lesson and collaborating with recipient countries and other donors.

Brian Tomlinson
CCIC Policy Team
April 2002

ANNEX One
December Budget Projections for Canadian ODA & Prime Minister
Chretien's Monterrey Announcement of 8% Growth for ODA

1. December 2001 Budget Projections (Based on CIDA Part III Estimates – March 2002)

Millions of Canadian \$	<u>2001/02</u>	<u>2002/03</u>	<u>2004/05</u>
International Assistance Envelop			
Base International Assistance Envelope (IAE)	\$1,991	\$1,991	\$1,991
Announcements of Increases in Prior Budgets*	270	322	220
Humanitarian Assistance	100		
Pre-Pay UN Dues	115		
Supplementary Estimates	51		
Unallocated			285
Africa Trust Fund **	_____	_____ 300	_____ 200
IAE Sub-Total	\$2,527	\$2,613	\$2,696
Percentage Change		3.4%	3.2%
Minus Non-ODA IAE Items (Europe and Repayment of Loans)	113	123	188
<u>Plus Non – Budgetary Additions to IAE</u>	468	438	500
Total Estimated ODA	\$2,882	\$2,928	\$3,008
Estimated GNP (billions of Cdn \$)	\$1,048	1,062	1,127
Estimated ODA/GNP Ratio	0.27%	0.28%	0.27%

* These are amounts that were announced in previous budgets (February 2000) and/or unexplained additions to the IAE that appear in these years.

** The Africa Trust Fund will be administered by CIDA and applied to the G8 Action Plan for Africa. All projections of disbursements over the next few years are CCIC's best guess. A different disbursement pattern may affect the ODA/GNP ratio for a given year.

2. CCIC Projections an 8% Increase to the IAE (Prime Minister's Monterrey Announcement)

The following projections of an 8% increase in the International Assistance Envelope for the same time period as the US and European Aid Announcements is based on the following assumptions.

- The starting point for the CCIC projections is the actual IAE for this fiscal year, 2002/03, but not including the Africa Fund. If the government uses the lower base for IAE of \$1,991 million, established in the 2000 Federal Budget, then the performance ratios will be reduced.
- The increases are compounded each year, i.e. the previous year's increase is added to the base of the IAE for the subsequent year.
- The ODA/GNP ratio is calculated assuming 2% growth in the GNP and \$500 million for non-budgetary additions to the IAE.

	<u>Gross IAE*</u>	<u>GNP**</u>	<u>ODA/GNP Ratio</u>
2001/02	\$2,312	1,062	0.27%
2002/03	\$2,500	1,085	0.28%
2003/04	\$2,700	1,110	0.29%
2004/05	\$2,920	1,130	0.30%
2005/06	\$3,155	1,155	0.32%
2006/07	\$3,410	1,180	0.33%

* Millions of Cdn Dollars

** Billions of Cdn Dollars