

CIDA ESTIMATES 2005-2006
PART III: REPORT ON PLANS AND PRIORITIES
A CCIC REVIEW OF HIGHLIGHTS

1.0 CANADIAN 2005-06 ODA PERFORMANCE

1.1 ODA / GNI Ratio for 2005-06

The publication of the *Part III Estimates* for 2005-06 does not change CCIC's overall projection for Canadian aid of this year – 0.34% of Canadian Gross National Income. Higher than usual bilateral debt cancellation expected during this year (estimated to be \$300 to \$350 million for Iraq and \$350 million for Cameroon) is a significant factor in this performance. Without the extraordinary debt cancellation for Iraq and Cameroon, Canada's aid performance for this year would have been 0.29%.

1.2 Growth in the IAE

The Gross International Assistance Envelope¹ has grown by 12.4%, from \$3,237 million in 2004-05 to \$3,637 in 2005-06. This is a positive development and reflects the commitment by the government to protect the commitment to increase the 2001-02 envelope by 8%. The 2001-02 Envelope did not contain the new additions to the 2005-06 Envelope for decommission of nuclear warheads in the former Soviet Union (Global Partnership / Threat Reduction Initiative) nor Canada Corps.

1.3 Total Canadian ODA

Total Canadian ODA for 2005-06 will be an estimated \$4.4 billion, up from \$4.2 billion in 2004-05 (including supplementary additions made in the 2005 Budget). We estimate that CIDA will be directly administering a slightly smaller share of this ODA – \$2.6 billion compared to \$2.7 billion. This is due mainly to a new division of the International Assistance Envelope in which Foreign Affairs Canada assumed a coordinating role for Peace and Security component. FAC will work closely with CIDA in determining the actual allocations from this component and particular activities may end up administered by CIDA, increasing their share of the Envelope beyond \$2.6 billion.

¹ The International Assistance Envelope (IAE) contains the budgetary allocations by the federal government to programs for international cooperation and is published each year in CIDA's Part III Estimates. The IAE includes allocations to CIDA, DFAIT, and the Department of Finance and other departments. As of the 2005 Federal Budget the Envelope has been divided into five components (see CCIC's analysis of the 2005 Budget for details at http://www.ccic.ca/e/docs/002_aid_2005_fed_budget_analysis.pdf). Some of the new components of the IAE are not considered eligible for ODA (as determined by the Development Assistance Committee of the OECD). Official Development Assistance (ODA) includes all of the IAE eligible for ODA as well as other amounts allocated by Canadian governments that the DAC 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 2002-03.

1.4 Changes within CIDA

Within the CIDA program, the following highlights should be noted:

- The geographic bilateral Branches received an 8% increase (not counting expected disbursements from the Canada Fund for Africa). Overall Africa / Middle East accounts for more than 52% of the bilateral program's expected disbursements. This compares to 44.5% in 2002-03 (the last year for which figures are available). Both the Americas and Asia are receiving approximately 3% less each in 2005-06 than they were in 2002-03.
- Multilateral Technical Cooperation increased by 25%. This increase is primarily due to expected disbursements to the WHO "3 by 5" Initiative, the Global Alliance on Vaccines and Immunization (GAVI) and the UN Fund for Population Activities. These are in addition to the increments to the 2004-05 budget announced in the February 2005 Federal Budget (see below).
- At \$199.2 million, CIDA's budget for the Voluntary Sector Program in Canadian Partnership Branch is down by \$2.2 million from the 2004-05 *Estimates*. Industrial Cooperation remains unchanged at \$58.9 million.
- CIDA receives a \$10 million budget for Canada Corps for 2005-06.

1.5 Commitments to the IFIs

Total commitments to the International Financial Institutions (World Bank and Regional Development Banks) on an issuance basis increased by 18% in 2005-06, mainly due to a substantial increase in Canada's commitment to IDA14 replenishment for the next three years.

1.6 IDRC

IDRC received an 8% increase in its allocation for 2005-06. At \$122.5 million, this allocation has grown by more than 25% since 2002-03.

1.7 Foreign Affairs Canada Programs

Foreign Affairs Canada has two new programs in the *Estimates* – Global Partnership (\$143 million for Canada's share of the G8 commitment to decommission nuclear warheads in the former USSR) and the Peace and Security Program (\$119 million). The following allocations are included in the Peace and Security Program:

- CIDA Peacebuilding Fund - \$10 million
- Landmines – \$11 million, including an allocation of \$6 million for CIDA
- Counter-Terrorism Capacity Building – \$15 million
- Canadian Police Arrangement – \$7 million
- FAC Human Security Program – \$10 million
- Support for global peace operations, including contribution to the Africa Union peace operations for Darfur of \$20 million – total \$26 million.
- Responsive conflict prevention (to be allocated) – \$40 million.

1.8 ODA as a Proportion of the IAE

CCIC estimates that approximately \$190 million of the two FAC programs cannot currently be included as ODA, under existing rules of the OECD Development Assistance Committee.² If this is true, then the non-ODA component of the International Assistance Envelope has grown from about 2% in 2004-05 to 5.2% in 2005-06. However, the ODA component of the Envelope still grew by 8%, due the 12% overall increase in the IAE noted in 1.2 above. The government is committed to protecting the large ODA component of the 2001-02 IAE in calculating the 8% increase.

2.0 CIDA PLANS AND PRIORITIES

2.1 CIDA's Mandate

The *Part III Estimates* re-states CIDA's Mandate. The first goal is "to support sustainable development in developing countries in order to reduce poverty and contribute to a more secure, equitable and prosperous world". CIDA has a mandate to "to support democratic development and economic liberalization in the countries of Central and Eastern Europe and Central Asia". It should also be noted that since 2002, "to support international efforts to reduce threats to international and Canadian security", has been added to the mandate for CIDA. (4) While CIDA's mandate is not the same as a statement of purpose for ODA (as not all CIDA activities are ODA eligible), CCIC efforts to promote a legislated mandate for Canadian ODA, with poverty reduction as ODA's exclusive and unambiguous purpose, needs to be aware of this current mandate for the Agency with primary responsibility for Canadian ODA.

2.2 Commitment to Doubling ODA by 2010

The *Part III Estimates* states, with reference to Goal 8 of the Millennium Development Goals, that "at the [2002] International Conference on Financing for Development [Monterrey], Canada committed to doubling its aid budget from its 2001-02 level by 2010". (15) So far, including the 2005 Budget, the Government has met this Monterrey commitment.

2.3 Setting Out CIDA's Four Sectoral Priorities

The *Part III Estimates* establishes four priorities for CIDA's programs – health, basic education, governance (including the Canada Corps) and private sector development. Environmental sustainability and gender equality are stated to be "crosscutting issues". These choices are made on the basis of three criteria (page 19): "Canada's long term developing country partners have identified them as being their highest priorities for assistance"; "they are consistent with Canada's objective of reducing poverty, and are critical to the achievement of the MDGs"; and third, "they [are] areas in which Canada has the experience and expertise to make a difference". CIDA's 2005-06 plans and priorities for each programming Branch are detailed for each of these stated priorities. Recent speeches by the Minister for International Cooperation have elaborated on the four priorities as the focus for CIDA's future programming (with the additional focus on 20 to 25 yet to be named countries).

² Based on \$143 million (Global Partnership), \$20 million helicopters for Darfur, \$15 million counter-terrorism, and an additional \$10 million yet to be allocated.

2.4 Financing the Four Priorities

The *Estimates* provides the following comparative summary for the financing of the four sectoral priorities in 2005-06:

<u>(Millions of Cdn \$)</u>	<u>2004-05</u>	<u>2005-06</u>
Health, especially the fight against HIV / AIDS	\$452.0	\$619.3 (+37%)
Basic education	\$232.3	\$343.1 (+48%)
Governance, including Canada Corpss	\$543.6	\$565.0 (+4%)
Private sector development	\$195.7	\$336.7 (+72%)
Tsunami relief and reconstruction		Up to \$40.0

The large increase in private sector development is the result of both a higher priority to this sector as well as a more inclusive definition of private sector development than in prior years.

2.5 Where is CIDA's 2003 Policy on Agriculture and Rural Development?

Notably absent from more than 40 pages of discussion of CIDA priorities is any mention of the critical role of agriculture and rural development to the MDGs. It seems that CIDA has abandoned its 2003 policy statement *Promoting Sustainable Rural Development through Agriculture*, and in particular, its commitment to increase CIDA's investment in agriculture fivefold (from \$95 million to \$500 million) between 2002-03 and 2007-08. The only mention given to agriculture as an Agency priority is for bilateral programs in Africa, where “the emphasis for private sector development assistance is on rural economic development”, with a number of examples from Mozambique and Ghana. (pages 35 & 38) A box on “Africa at the heart of CIDA's Program” notes that from 2001 to 2006 investments in agriculture, food security and rural development will have risen from \$10 million to \$100 million in Africa. (29) However, this emphasis is given no attention in the overview of CIDA's approach to private sector development, one of the four priorities.

The primary reference for CIDA's support of private sector development in the *Part III Estimates* is the recommendations of the Martin-Zedillo UNDP *Report on Unleashing Entrepreneurship: Making Business Work for the Poor*. In responding to the Martin-Zedillo Report, CCIC suggested that a pro-poor approach to private sector development required the following emphases:

- Focus on the sectors and regions where the livelihoods of the poor are located in rural and urban settings (particularly the absolute poor in the agriculture and non-farm rural sectors);
- Integrate a thorough gender equality perspective;
- Demonstrate that improvements in productivity in the informal sector and / or SMEs result in increased income for the poor disproportionate to the non-poor; and
- Adopt a rights-based approach that strengthens the legal framework for organizations representing the interests of those living in poverty as well as core labour rights.

We would hope that these orientations will guide the renewed CIDA priority for private sector development.

2.6 Canada Corps is a Key Mechanism for Achieving CIDA's Priority for Governance

The *Part III Estimate* elaborates the government's vision for Canada Corps (pages 23-25 and 62). This vision is strongly rooted in the projection of "Canadian excellence in governance" in the areas of constitutional federalism, judicial systems, bilingualism, multiculturalism, tolerance and Aboriginal self-government: It is based on a presumption that "our system of governance among three levels of government, our strong public institutions, vibrant civil society, and peaceful resolution of conflict have also evolved into an approach to governance that appeals to others". (23) Canada Corps will develop collaborative partnerships across government, NGOs, the private sector, and Canadian citizens to work on governance issues in the full range of developing countries where CIDA is active. It will also "engage the Canadian public in a greater awareness of the governance issue and increasing visibility of Canada's efforts to address better governance abroad". (23)

2.7 Canadian Partnerships

The *Part III Estimates* notes that the Agency will continue to reinforce its relationship with non-governmental partners and "strengthen its ability to support a whole-of-agency approach to development assistance" (43). It will "reinvigorate the policy dialogue with non-governmental partners" and will "improve the transparency and effectiveness of CIDA's responsive funding mechanisms". (43) This section gives special profile to the Volunteer Cooperation Program and their progress in bringing about a more systematic and coordinated approach to voluntary action in partnership with CIDA. (45-46).

2.8 Engaging Canadians

For the first time the 2005-06 *Part III Estimates* highlights "Engaging Canadians" as one of five core programs for the Agency. It suggests that resources for this program increased from \$13.8 million in 2004-05 to \$24.3 million in 2005-06 (from 0.05% to 0.09% of CIDA's global budget). Recall that Canada Corps has been allocated \$10 million in 2005-06 and is likely included in the 2005-06 total. The *Estimates* puts forward a description of this program:

"CIDA fosters the support and participation of Canadians in the aid programs by soliciting public participation in policy dialogue and other consultations; inviting Canadian producers of goods and services to participate in aid programs; informing stakeholders and the general public about plans, policies, and programs; and collaborating with partners in awareness-raising efforts about development issues and Canada's contribution to international development." (7)

Does "inviting Canadian producers of goods and services to participate in aid programs" suggest that the Agency is considering CIDA's contractual arrangements as part of its efforts at public engagement?

2.9 Canadian Tied Aid

For the first time, CIDA has published its estimate of Canadian aid tied to Canadian sources (i.e. tied aid). (15) Approximately 50% of CIDA's programs in 2003 are tied to Canadian goods and services, according to the DAC guidelines on the tied status of aid disbursements. The latter do not include technical assistance, which CCIC calculates might raise Canadian tied aid levels to more than 65% in 2003.

2.10 Humanitarian Assistance and Tsunami Relief and Reconstruction

The *Estimates* provides considerable background on Canada's response to the December Tsunami. CIDA has "identified tsunami relief and reconstruction as a special program priority for 2005-06. While \$245 million for Tsunami relief was added to the 2004-05 aid budget, it is expected that remaining funds for reconstruction (\$180 million) "will come from reinvestments in the IAE over the next four years, as part of the government-wide program for expenditure review". (28) CIDA will ensure that "attention to the tsunami does not divert resources from equally devastating, but less visible crises, particularly in Africa". (28) In responding to post conflict countries, such as Afghanistan, DRC, Iraq and Haiti, CIDA is participating in a "whole-of-government" approach to ensure coordinating and integrated programming with FAC and DND.

The *Estimates* also provides a very useful overview of actual and projected spending for humanitarian assistance from 2000 to 2005. (50) Note that this table refers only to humanitarian assistance and emergency food aid delivered through Multilateral Programs. It does not include disbursements made for humanitarian purposes by Bilateral Branches or by Canadian Partnership Branches (which CCIC has calculated raises the total for 2001-02, from 8.6% to 10.4% of total CIDA expenditures). Also note that spending in 2005-06 will likely increase through supplementary estimates as unforeseen emergencies arise during the course of the year.

Humanitarian Assistance (Including Food Aid Under Humanitarian Assistance Criteria)

(Millions of Cdn Dollars and Percentage of Total CIDA Expenditures) (page 50)

<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>
\$158.7	\$174.3	\$195.3	\$228.2	\$317.7	\$91.0
8.9%	8.6%	9.2%	9.3%	11.6%	

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