

The Report to Parliament on the ODA Accountability Act: Third time lucky?

A Review of the Third Report to Parliament on the Government of Canada's Official Development Assistance, 2010-2011

October 2011

1. Introduction

At the beginning of October 2011, the Government tabled in the House of Commons the third Report to Parliament on the Government of Canada's Official Development Assistance (ODA) as required by the ODA Accountability Act. The Act defines the purpose of Canadian ODA and sets out requirements for consultation on programming and annual reporting on ODA disbursements.

Similar to the first two Reports, this 2010/11 Report meets the technical reporting requirements of the Act. The Act requires that the Report include "a summary of any activity or initiative taken under this Act". The Report does this, providing a useful whole-of-government overview of disbursement and selected activities with respect to Canada's ODA. But the Report continues to fail to fulfill the Act's spirit and intention.¹ The Act calls on all responsible Ministers for ODA to confirm that ODA disbursements under their authority 1) reduce poverty, 2) take account of the perspectives of the poor, and 3) are consistent with international human rights standards. Only two of the 13 Departments profiled in the Report even reference these criteria, and none mention how the respective Ministers came to the opinion that the activities profiled reflect the criteria of the Act.

This is a major missed opportunity for directly addressing how the Act, and its criteria, inform and shape a cohesive set of government priorities with respect to international development.² The Act is unique internationally in terms of providing a clear benchmark, based on human rights standards, for guiding Canada's ODA spending. Canada should be proud of the Act and this annual Report should be more robust and better profiled on the CIDA web site and in CIDA communications. Drawing from the lessons of other Government Departments³, the Canadian International Development Agency (CIDA), as the lead on the Report, could make substantial improvements to the Report's quality, and to profiling ways that the Act has improved the quality and effectiveness of its aid delivery.

This Briefing Note highlights some key aspects of this Third Report and outlines a few recommendations.⁴

¹ Since the third Report on the Act is very similar in structure and approach to the first two Reports, readers are referred to CCIC's Briefing Note on the first Report, October 2009, for a more detailed analysis. See also CCIC, *At Time to Act, Implementing the ODA Accountability Act: A Canadian CSO Agenda for Aid Reform, 2010*, accessible at http://www.ccic.ca/what_we_do/aid_oda_accountability_act_e.php.

² These priorities are CIDA's thematic priorities (children and youth, food security, and economic growth). However, they technically only apply to CIDA, not the to other government departments (even though Finance and Foreign Affairs may act and report on them). On the other hand, the Act's criteria apply to all government departments.

³ In particular, substantial improvements that have been made in the past five years to the Annual Reports to Parliament Under the Bretton Woods and Related Agreements Act and on the European Bank for Reconstruction and Development, produced by Finance Canada. Finance Canada also advertises the release through a press release.

⁴ The Government's Report can be found at [http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/ODAA/\\$file/ODAAA-2010-2011-EN.pdf](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/ODAA/$file/ODAAA-2010-2011-EN.pdf)

2. Key Messages - The Report falls short in meeting the spirit and intention of the Act

More detail from many Departments, but limited links between ODA activities and the Act

It is important to highlight that the 2010/11 Report provides an increased level of detail by CIDA in terms of funding allocations at the thematic, country and institutional (multilateral institutions and civil society) levels. There is a fuller list of the activities undertaken with ODA resources across its thematic priorities and program activities. For the most part, other government departments have retained the reporting format that they established in previous years, with some additional useful detail by Finance Canada on its engagement at the Bretton Woods Institutions, and by the Department of Foreign Affairs in terms of non-ODA allocations. As a whole-of-government exercise, the Report is generally a success.

That said, while many Departments report new information with respect to activities in the past fiscal year, for two or three Departments, the process has clearly already become perfunctory – cutting-and-pasting entire sections from previous years. Furthermore, the Report’s greatest omission remains the absence of analysis or systematic reference to how or why the responsible Minister for their respective Department is “of the opinion” that these activities meet the three criteria of the Act.⁵ Beyond the Reporting obligations, this was the biggest achievement of the Act – stimulating whole-of-government coherence around international development guided by the Act’s three criteria. Yet only two (of 13) Departments even mention the Act or the criteria – this, despite the fact that the Act explicitly states that only the ODA purposes set out in the Act are relevant for the decisions of Ministers with respect to ODA spending in their purview.

For its part, CIDA does speak in general terms to how its thematic priorities and activities help reduce poverty and responded to “the perspectives of the poor”, how it (along with Finance) consults with groups (but not necessarily how this shapes or informs subsequent outcomes), and how its activities are consistent with human rights standards. But these are simply assertions, not readily demonstrated by the activities profiled.⁶ Furthermore, an Access to Information requesting documentation that determines how all activities associated with the development and implementation of the Sustainable Economic Growth strategy are compliant with the Act – something the strategy itself affirms – in fact turned up no documentation.⁷ That said, there is a sense of how the Act is at least informing some CIDA activities – “participatory approaches in project and program design,” “ongoing consultations with local partners and beneficiaries,” and “collaborative evaluations.” This could be greatly amplified.

The Report would benefit from a much clearer and more detailed sense of how the three criteria of the Act shape and inform the Departments’ respective thematic priorities, their short, medium and long-term objectives, and corresponding policies and programs – in particular from the three Departments disbursing the majority of ODA (CIDA, Finance and DFAIT). This was the original intent of the Act.

⁵ The emphasis has been on documentation that states that the Minister’s opinion has been registered for each ODA activity. A reference to the three criteria in the Act, but not any substantial analysis, seems to be sufficient in the view of CIDA officials to assure compliance. CIDA has adopted boiler-plate language in program and project approval documents to allude to this compliance. Other Departments have followed CIDA’s lead and adopted similar approaches.

⁶ For example, “Each theme is linked to poverty reduction and takes into account the perspectives of the poor”, “CIDA’s assistance is also consistent with international human rights standards”. “CIDA supports human rights activities in many countries” (page 3).

⁷ A-2011-00256 / LMO

A minimalist and inadequate human rights approach

As noted last year, CIDA has determined that a “do-no-harm” approach to human rights standards is sufficient to meet the requirements of the Act: “For its programs to be consistent with international human rights standards, the Agency should be able to demonstrate that it can reasonably expect that it will not directly or indirectly result in human rights violations, or a worsening of the human rights situation in the country where the project is taking place.”⁸ The Agency has not accepted the argument that the Act’s references to international human rights standards also requires its practices in both determining aid priorities and carrying out programs to be governed by international human rights principles (focusing on those most discriminated, ensuring empowerment and participation, for example).

But, even accepting CIDA’s narrow definition of its human rights obligations under the Act, the Agency has yet to provide a rationale for its policies, strategies and programs that explicitly addresses even the “do-no-harm” approach. Merely stating that this condition is one that the Agency already meets in every program decision is not sufficient.

The Government has an approach to consultation – but this is not publicly available

Under the provisions of the Act, CIDA and other Departments involved in disbursing ODA must consult on the implementation of the Act with CSOs, developing countries and multilateral institutions at least once within a two year period. Of the 13 Departments listed in the Report, only two of the Departments (Finance Canada and CIDA) make any reference to consultation under the Act.

Finance Canada is the only government department that has held a consultation specifically in-line with the provisions of the Act (in 2008 and 2010), and should be commended for indicating in this Report some of the feedback it received in the consultation. That said, it is unclear in what ways the consultation had any impact on Finance Canada’s orientation. Of the two issues highlighted in the Report that emanated from the consultations (greater transparency at the International Finance Corporation and a better balance between grants and non-grants for climate financing⁹), Finance Canada made the case for why it was only supporting greater transparency at the IFC, ignoring the issue of balance in climate financing, and simply stating that non-grants are important too. Finance Canada has yet to put in the public realm any of the submissions to its consultations .

CIDA has not yet held a consultation specifically with respect to the ODA Act, but the FY2010/11 Report indicates that it did hold more than 100 consultations with more than 7,300 stakeholders (on average around 70 people per consultation). CIDA documents¹⁰ reveal that considerable work was undertaken in 2009 to develop a new Directive on Consultation, following a review provoked by the consultative provisions of the Act. The Directive took effect on October 1, 2009 (and is valid until September 30, 2014), but has never been made public.¹¹ The Directive acknowledges the legal requirements to consult

8 Quoting CIDA officials in Brian Tomlinson, “An Update on Implementing the ODA Accountability Act: A CCIC Policy Backgrounder”, July 2010, (unpublished document), page 2, based on documents received under Access to Information requests.

9 Seventy-one percent of Canada’s \$400 million in 2009/10 for climate financing is in the form of concessional loans through the International Finance Corporation.

10 Brian Tomlinson, July 2010, op. cit.

11 CCIC has obtained a copy of the Directive through Access to Information.

under the Act, and lays out some guidance with respect to the purpose of CIDA consultations (“a dialogue and an expectation of influencing the Agency’s policies, programming or management”), principles for guiding these consultations (that they be accountable, transparent, timely, open and informed), and a process for getting approval for consultations and documenting and reporting the results.¹² The Directive itself is very good, but it indicates no pro-active measure to consult specifically on the Act itself. There is no indication whether the 100 consultations highlighted in the Report have been conducted in ways that are compliant with this Directive.

3. The Report indicates a modest increase in Canadian ODA for 2010/11

Timely information

The Report provides timely and more detailed statistical information on Canadian ODA in 2010/11¹³ and an early, albeit incomplete, ability to compare Canadian ODA performance with 2009/10.

An analysis of the figures provided in the Report, compared to actual disbursements for 2009/10, show a modest increase of about \$300 million in Canadian ODA in 2010/11, primarily due to the inclusion as ODA of \$292 million in climate financing through the World Bank’s International Finance Corporation. Taking these new figures into account, CCIC estimates that Canadian ODA (as reported to the Development Assistance Committee), will be \$5,550 million in 2010/11, somewhat lower than expected. CIDA disbursements for ODA were unexpectedly only \$20 million higher than 2009/10, despite the approval of more than \$440 million in supplementary estimates (for Haiti and the Muskoka Initiative) for CIDA in 2010/11.

Inflated aid calculations

As noted in the analysis of the previous two Reports, the Government includes an estimated \$310 million as federal and provincial support for the first year resettlement costs for refugees in Canada. The stated rationale for the \$136 million provided by the federal government in the Report is that these refugees would be a cost and burden to developing countries that would otherwise host them. While clearly such support is essential and invaluable for refugees coming to Canada, Canada has an international human rights obligation to accept refugees and the Report provides no evidence for its claim that developing countries as a consequence have greater resources for poverty reduction. CSOs have suggested that such expenditures inflate donor aid performance, and CCIC argues that including refugee figures is inconsistent with the criteria of the ODA Accountability Act. Similarly Canada includes an estimated \$165 million in Canadian ODA as an imputed amount for developing country students studying at Canadian universities.

Real Canadian ODA for 2010/11 (not counting debt cancellation, nor support for refugees and students in Canada) is \$5,050 million, which is nevertheless a significant increase over 2009/10 at \$4,700 million.

4. Emerging trends revealed in the FY2010/11 Report

Generate comparability of information between Reports

Compared with the previous two reports, the FY2010/11 Report provides significantly more detailed

¹² “CIDA’s Directive on Consultation”, pages 2-4, based on documents received under Access to Information requests.

¹³ These numbers will be further refined when the government publishes its 2010/11 Statistical Report on ODA in March of 2012.

information with respect to spending on CIDA's thematic priorities and in its various program activities (including Low and Middle Income countries and "Fragile States"). This is an improvement on the previous two year's reports. However, though this Report added some new statistical information, it has also taken other statistical details away – for example, a lot of the important aggregate information that was featured in previous years (for example on sector spending and on regional program spending) is now absent. Including figures from the previous years' disbursements (as highlighted in the Statistical Report for that respective year) on sector, regional would create better context and transparency for understanding the trend lines in addition to the figures published in the Report for this year.

Future reports would do well to re-introduce these elements and consolidate this information, using the Report to provide a mid-point window into CIDA spending prior to the release of the more comprehensive statistical report six months later.

ODA disbursement for CIDA: 2010/11 trends:

Bilateral disbursements for CIDA in FY2010/11 dropped by \$60 million from \$2,687 million in FY2009/10 to \$2,629 million in FY2010/11. In comparison, multilateral aid (core funding to multilateral institutions) rose substantially by 13 percent from \$635.13 million in FY2009/10 to \$718 million in FY2010/11. The rationale for this increase is not explained in the Report.

As with previous years, disbursements to Afghanistan (\$214.03, down from \$230 million in FY2009/10) and Haiti (\$209.61 million, down from \$227 million) are significant, amounting to 11.8% of all CIDA ODA disbursements in 2010/11, or approximately one-sixth of all bilateral allocations.

The next top five bilateral recipients are all in Africa: Mozambique (\$103.17 million), Ethiopia (\$91.83 million), Tanzania (\$88.03 million), Mali (\$85.62 million) and Ghana (\$80.24 million). Only Pakistan (\$81.27 million) compares to these disbursements in volume, given multilateral funding received from the international humanitarian response to the floods.

Based on the information provided in this report, we cannot establish any trends between the disbursements of CIDA's different branches, i.e. geographic, multi-lateral (including Humanitarian Assistance) and Partnership. The March Statistical Report should provide these details.

CIDA thematic and sectoral disbursements

In terms of CIDA's three thematic priorities, the FY2010/11 Report indicates a 19 per cent decline in CIDA spending on food security (from \$909 million in FY2009/10 to \$736.1 million in FY2010/11), but an increase in spending on sustainable economic growth (SEG) of 11 percent (from \$741.4 million in FY2009/10¹⁴ to \$824 million in FY2010/11).¹⁵ In FY2010/11 CIDA spent \$1,034 million on its Children and

14 With the exception of food security, the 2009/10 Report to Parliament on the Government of Canada's Official Development Assistance does not actually include aggregate figures for CIDA spending on either the Sustainable Economic Growth (SEG) or Securing the Future of Children and Youth (SFCY) strategy. The SEG figures derive from an Access to Information request, "Annex 1: Baseline Profile – Global Analysis".

15 Foreign Affairs and International Trade Canada, which reports according to a number of CIDA's thematic priorities, showed even greater increase in its SEG spending, in particular through the Investment Cooperation Program (INC). This is mostly to do with the fact that the program only became part of DFAIT in January 2010, and so previous figures only reported on a three month allocation period. Nevertheless, it has grown from \$0.76 million in FY2009/10 to \$5.96 million in FY2010/11. This will be something to monitor in future years.

Youth strategy. There are no publicly available figures with which to compare this to FY2009/10.

Unlike reports from the previous two years, CIDA provides no breakdown of spending by sector (for example on basic education, improving health, agriculture, private sector development, environment, democratic governance and emergency assistance). This makes it impossible to determine any trends with respect to declining or increased disbursements relative to previous years – last year, spending on education, health, environment and governance were all declining relative to FY 2008/2009, while agriculture, private sector development and emergency assistance all saw increased disbursements.

CIDA regional disbursements

The 2010/11 Report puts bilateral disbursements for Africa at \$1,302 million¹⁶, down slightly from \$1,389 for 2009/10 (according to the Statistical Report for that year). Most of this aid is directed to Sub-Saharan Africa (in 2009/10 only \$32 million went to North African countries).

CIDA's bilateral aid to Asia outside of Afghanistan and Pakistan has dropped by 38% since 2008/09, from \$553.3 million in 2008/09, to \$396.6 million in 2009/2010 to only \$342 million in 2010/11. The Report provides no explanation for this shift within Asia.

CIDA bilateral program in the Americas at \$534 million in 2010/11 is slightly lower than the previous year (\$541.9 million), despite the Government's stated priority for the Americas.

5. The Government must set out its overall approach to implementing the Act

Third time lucky? Unfortunately not.

As first noted in our September 2009 Briefing Note on the Government's first Report on the Act, there is much that could be improved in the Report. We would strongly welcome a report that provides greater clarity on the following issues, among others: how the various Departments set in place measures to assure compliance with the Act; how the three criteria of the Act for ODA have shaped and informed the Departments' respective thematic priorities, short, medium and long-term objectives, and corresponding policies and programs; what procedures enable respective Ministers to form their opinion about a potential ODA activity or program; what guidance government Departments are receiving in setting out their approach to the three criteria; how preliminary figures for Departmental spending in the Report compare to previous years; and, what this year's figures on sectors, regions, thematic priorities and through branches, for example, tell us about emerging trends. Addressing these questions more systematically would add a lot of value to the current Report.

While consultation activity is acknowledged to have taken place, as noted there is no policy approach suggested for future consultations. Consultations are an important dimension of the Government's obligations in the Act. In this respect, CIDA should publicly disclose its Directive on Consultation, and initiate a process of consultation with civil society, as mandated by the Act, and corresponding to the guidance provided by the Directive itself.

¹⁶ Bilateral includes Geographic, Multilateral and Global Programs Branches, and Partnerships with Canadians Branch of CIDA.