

ODA: OPTIONS AND CHALLENGES FOR CANADA

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This report was written for the Canadian Council for International Cooperation in February and March 2004. It outlines some of the challenges facing Canadian ODA now and in the years ahead. The paper is written in three parts. Part 1 examines some of the changes taking place in ODA thinking and delivery in other OECD member states: Denmark, Netherlands, Norway, Britain, the United States and Australia. Part 2 examines some of the current trends and issues in ODA: learning and knowledge, policy coherence, managing for development results, security, the roles of the private sector and civil society. Part 3 offers some thoughts and recommendations for preserving and sustaining a Canadian international development effort focused on poverty eradication. The paper was shaped by discussions with many individuals in Canada and other countries, but the views and any errors or omissions are those of the author alone.

PART 1: SOME ODA CHANGES IN OECD MEMBERS STATES

DENMARK

Denmark has been a leader in ODA for many years, reaching 0.7% of GNI more than two decades ago, and surpassing the one per cent figure for most years of the past decade. Denmark has been a strong supporter of multilateral institutions, inventing the phrase 'Active multilateralism' to describe its proactive stance in many UN agencies. It also provided high levels of support to NGOs. An ODA review in 2000 resulted in a publication entitled *Partnership 2000*, which stated more clearly the purpose behind the parliamentary Act on International Cooperation of 1971 (amended in 1998) - that alleviating poverty is the single most important aspect of Danish development cooperation.

In November 2001, the government, led by a Social Democratic-Radical Liberal alliance, was defeated in a landslide victory that went to the Liberal-Conservative-right populist opposition. This is the first time the right has had a majority in Denmark since 1929. There were various issues in the election: Euro-scepticism, welfare and immigration. Although immigration is not a problem in Denmark, and is usually not an issue, it became one in this election, in part because there were no other big issues. Foreign affairs, despite the recent proximity of the 9/11 attacks in the US, was not a major issue, and there is speculation that the Venstre (Liberal, but actually conservative) party did so well because its new leader moved it to the centre on welfare issues, taking the wind Social Democratic sails.

Where Danish ODA is concerned, the new government has made dramatic changes. In January 2002 it produced a Review of Denmark's Official Development Assistance to Developing Countries.

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While it reaffirmed the poverty-oriented principles of *Partnership 2000*, it reduced ODA by 10 per cent; reduced the number of core countries from 18 to 15; did away with the development ministry, bringing under the Ministry of Foreign Affairs (MFA); abolished several advisory committees (NGO Liaison Committee, Advisory Board for Environmental Assistance to Developing Countries etc.), and transferred environmental programs from the Ministry of the Environment to the MFA, reducing spending by 50% in the process.

ADanida@ exists now more as a label than anything else. Danish ODA is managed by the South Group, one of three groups in the Ministry of Foreign Affairs. The others are the North Group and the Danish Trade Council. The South Group is administered by a State Secretary (a civil servant) who reports to the Minister of Foreign Affairs. The South Group administers all bilateral and multilateral assistance, each division headed by an undersecretary. Aid is administered by regional departments, although the government has placed new emphasis on decentralization to the field, devolving more decision making to Danish embassies in developing countries. This is being done without an increase in administrative resources, by transferring positions from Copenhagen to the field and by making economies in other areas.

In June 2003, the government released a new paper on ODA: *A World of Difference: The Government=s Vision for New Priorities in Danish Development Assistance 2004-2008*. This paper reaffirms poverty reduction as the Aoverriding objective@ of Danish Development assistance, but it also added Astability, security and the fight against terrorism@ to the agenda. Under this heading fall conflict prevention, peacekeeping and peacemaking, with an estimated increase in spending of DKK575 million (US\$97.7 million) over five years. The paper said that there would have to be Amore assistance for the money@ B doing more with less, and it announced that a greater priority would be placed on human rights, democratization and good governance. It also announced increases in ODA spending on private sector development and trade-related issues. Where multilateral spending is concerned, it announced that contributions to UNDP and UNICEF would remain stable, but that there would be savings of DKK300 million because of Aa markedly lower priority@ being assigned to ILO, UNESCO, UNIDA and others.

The paper also announced changes in the funding of NGOs. Overall, it said, the 15% of ODA that has been allocated through NGOs will remain stable, but funding to Athe few professional NGOs@ that have framework agreements would be reduced by 5% in 2004, rising to 10% by 2006, in order to Areprioritize a broader spectrum of NGOs and other new forms of cooperation with NGOs.@

The paper announced plans for untying DKK 750 million (US\$126 million) in ODA over the four year time period, although this has since been accelerated, in part because of a threatened EC lawsuit against Denmark.

Comment

The immigration theme that exercised the electorate in 2001 has continued as a governmental priority issue, with greater ODA emphasis on a “support scheme for the near areas” – the countries in the Middle East and North Africa that are the origin of many immigrants to Denmark. Like the

large amount of Danish funding for Iraq, this is not new money, it is money drawn away from other development priorities

Although Denmark has long espoused a policy of active internationalism and a desire to influence the world with our values, there is a feeling in some quarters that the country has been punching above its weight for some time. Its active multilateralism – sometimes called “destructive multilateralism” within the UN system – is viewed by many as little more than earmarking UN contributions to Danish priorities (bilateralizing the multilaterals). UNDP felt the Danish lash when Kofi Annan appointed Mark Malloch Brown as the new Administrator of UNDP in 1999. Denmark, one of the largest contributors to UNDP, had expected the job to go to its candidate, Poul Nielsen (later EC Commissioner for Development). When that did not happen, Denmark slashed its contribution to UNDP by almost 40%.

The new government continues to espouse an active internationalism, but Danish commentators say that an active Danish policy outside the European Union can only be of secondary importance. Certainly the days of Danish Euro-scepticism are changing.

The purpose in the changes to NGO funding was ostensibly to spread funding more widely to organizations that have a popular base in Denmark, thus enhancing public support for ODA. Public support, however, was not in doubt, and because so many of the smaller NGOs have limited capacity and are obliged to work in alliances with the larger NGOs, the effect, at least in the short run, has been to reduce the amount of NGO activity and professionalism in the field.

Shortly after its election, the new government announced a sweeping aid review, but cut the aid budget before the review had even begun. In fact the stated 10% cut is probably much higher, not least because of all the new areas that are being contemplated for funding. And with the exception of a new unit on human rights within the MFA, most of the changes seem to step back from priorities related specifically to poverty reduction. Greater announced gains in policy coherence may be offset by the loss of a ministerial voice for development in cabinet and in parliament. In 1997, Danish spending on defence and ODA were about DKK 15.5 billion each. Today the defence budget is DKK 18 billion and the aid budget is roughly DKK 13 billion.

According to Knud Vilby, former chair of the Danish NGO MS, the development over 40 years of a soft Danish security policy focussed on development and human rights, and made it possible for Denmark to play a role internationally. This role is now being jeopardized by the reduction in aid and our less active role in the UN and other international fora.

NETHERLANDS

Along with Norway, Sweden and Denmark, the Netherlands has traditionally been one of the top four ODA donors in the OECD. It has a strong commitment to poverty eradication, multilateralism, aid untying, debt reduction and coherence in its development policies. In 2003, The Carnegie Endowment's Center for Global Development and *Foreign Policy* magazine placed the Netherlands at the top of a new development ranking system. The CGD/FP A “Commitment to Development Index” ranks 21 rich

countries on several development-related scales: aid flows, openness to Third World exports, performance in peacekeeping, investment, migration and environmental policies. The Netherlands ranked first, followed by Denmark, Portugal and New Zealand. Norway and Britain were tenth and eleventh respectively, while the last four places were held by Canada, Australia, the United States and Japan.

Governments in the Netherlands have traditionally been coalitions, in recent years led by the Labour Party. The more conservative Christian Democrats were members of every coalition government between 1918 and 1994. After the 1994 elections, however, there was a shift to the left, and the Christian Democrats were out. Elections in 2001 marked a significant voter swing to the right. The Christian Democrats formed a caretaker coalition, and won the most number of seats in further elections held in 2002. The current government is led by the Christian Democrats, in a coalition with the VVD (right-wing liberal) and a much smaller party, the Democraten 66 (left-wing liberal). Coalition governments in the Netherlands have always resulted in considerable negotiation on major shifts in policy, ensuring that extreme positions have little chance of gaining political ground.

Development cooperation in the Netherlands is managed by the Ministry of Foreign Affairs, with a Minister for Development Cooperation responsible for about 80% of the spending. The most recent DAC Peer review (2001) found that the structure was conducive to good policy coherence, but that there were problems in personnel management between the foreign service and aid streams.

The government issued a new foreign aid policy document in October 2003, following an interministerial policy review on the effectiveness and coherence of development cooperation. *Mutual Interests, Mutual Responsibilities: Dutch Development Cooperation en Route to 2015*, reaffirms the country's commitment to poverty reduction, placing strong emphasis on the Millennium Development Goals. It also reaffirms its commitment to spending 8 per cent of GNI on ODA, a policy which until recent years has led to regular and significant increases in aid spending because of the growing Dutch economy. Like other OECD countries, the Netherlands will focus on fewer recipient countries (36), screening them against poverty and governance criteria. Half of bilateral aid will be spent in Africa, and there will be a slow decrease in multilateral spending (from 31% in 2001 to 27% in 2007), with a concomitant growth in bilateral allocations (from 18% in 2004 to 24% in 2007). The Interministerial Review actually recommended that half of all Dutch ODA should go through multilateral channels, but the Ministry argued that this would be "inexpedient" and that choices had to be made in favour of "those organizations which deliver results, focus on MDGs, enable the Netherlands to provide added value and make tangible contributions to the Netherlands' policy goals."

A new feature is the break-up of the Netherlands' traditional oligopolistic NGO funding arrangement. By law, in the past four Dutch "co financing organizations" have received 11% of the development budget, the number rising recently to six (NOVIB, Cordaid, ICCO, HIVOS, Plan and Terre des Hommes). In 2002, the government introduced an additional grant scheme, the "Theme-based Co financing Program" (TMF). The government plans to merge the two programs in 2007, and to fund applications on the basis of "quality, effectiveness and complementarity" as recommended in the IBO report. Management of the process will be contracted out for the TMF from 2005, and for the joint scheme from 2007. The funding of civil society organizations, at 22% of ODA in 2003, will rise slightly to 23% by 2007.

The new policy also places considerable emphasis on private sector development. Private sector spending will increase from 4% of ODA in 2002 to 6% in 2007, while export credit insurance and investment will grow from one per cent in 2001 to 10% of ODA by 2005. The policy places new emphasis on issues of governance. It has created a “Stability Fund” with effect from January 2004, “to provide rapid, flexible support for activities at the interface between peace, security and development in countries and regions emerging from, or at risk of sliding into armed conflict.” Activities may include peace dialogues, reintegration of ex-combatants, security sector reform and small arms destruction. The fund is budgeted at €64 million (C\$108 million) in 2004 and is projected to rise to €77 million by 2007. It will draw on both ODA and non-ODA budgets. While only ODA-able activities, as defined by the OECD, will be charged against the ODA budget, the government feels that “existing OECD criteria do not take sufficient account of the links between peace, security and development”, and it is considering whether there might be enough international support for a review of the criteria.

Comment

Some see Dutch ODA as the last bastion of older and better Dutch values in a more sceptical, intolerant world. As in Denmark, however, there is growing concern in the Netherlands about refugees and immigration, and the connection that is seen between this and instability elsewhere in the world. The anti-immigration issue helped elect a more conservative government. A stagnating economy has also reflected on ODA. In 2003, economic growth fell below zero for the first time in 20 years.

Since the mid-1990s when the Dutch foreign aid apparatus was welded onto general foreign affairs management, the most noticeable changes have included more power in the hands of embassies, and even sub-embassies Under Eveline Herfkens (Minister of Development Cooperation from 1998 to 2002) much power and money effectively went to the World Bank. The new minister Agnes van Ardenne, has backed away somewhat from Herfkens=s (and the Bank=s) interest in sector-wide approaches, preferring to keep Dutch hands on the steering wheel, stepping back as well from a recipient-led approach to develop.

The general poverty-focussed policies of the new government continue in the same vein as in the past, with efforts at better coherence and greater focus. There will also clearly be a dispersal of funding among a larger number of NGOs. This has already led to fierce competition, and what was intended as a more mature relationship with a wider range of NGOs has soured the relationship with many of the government’s traditional NGO partners. There is also considerably greater emphasis on security-related issues, mostly at the expense of multilateral spending. The Netherlands gave Apolitical but not military support@ to the US-led invasion of Iraq. However it sent 1,100 marines in 2003 to relieve American troops guarding Al Muthanna in southern Iraq. (The former Foreign Minister, Christian Democrat Jaap de Hoop Scheffer, became Secretary General of NATO in January 2004.)

Cutbacks to multilateral agencies, notably UNDP, are not seen so much as a reflection on UNDP, as a reduction to “soft” targets among competing priorities, many of them locked in by the previous government on the expectation of a growing economy and more cash.

The commitment to spending 8% of GNI on ODA has been made easier by a decision to include debt write-offs in the calculation of ODA. This is done by most donor governments, but was not the practice in the Netherlands until the current government took office. This effectively has allowed ODA to continue to appear to “increase”, despite a stagnating economy over the past two years. The reality is that there have been hidden cuts to the aid budget.

There is a clear move toward the private, for-profit sector, with a strong emphasis on export promotion. This is said to follow the French example in Europe. Van Ardenne has also announced that she will place more emphasis on hard measurement and effectiveness. But aid-watchers in the Netherlands say that the kind of staff recruitment and training that would be required, and the ambivalence in the ministry towards calls for more links with academics and other knowledge-producers, put large question-marks next to calls for more tough-mindedness, results and value for money. That, together with powerful embassies staffed by people with almost no training in development, makes the overall prospects for a learning organization and improved aid administration are not terribly promising, critics say.

Despite the changes, the aid budget, as usual, sails through parliament as the part of the budget that attracts the fewest comments and criticisms of any.

NORWAY

Norway's ODA began in the late 1940s, and over the last three decades Norway has consistently been among the world's top three or four aid donors, with spending in excess of 0.7% of GNI for several years. The government announced in its 2003 budget that ODA would rise from 0.93% of GNI to 0.94% in 2004, with a target of reaching one per cent by 2005. (The one per cent figure has been a target since 1972.)

Between 1981 and 1997, Norway alternated between Labour and Conservative minority governments. Labour leader Gro Harlem Brundtland was Prime Minister from 1990 until October 1996 when she left politics and became head of the World Health Organization. Labour remained in office until October 1997. A three-party minority coalition government (Centre, Christian Democratic, and Liberal parties) took office after the September 1997 election. That government fell in March 2000 and was succeeded by a minority Labour government. Labour lost power in the September 2001 election, with its worst performance since World War I. The Christian Democrats again formed a minority government with the Conservatives and Liberals, in a coalition that was heavily dependent on the right-populist Progress Party.

Hilde Frafjord Johnson, who was born in Tanzania where her father was a teacher, worked closely with NGOs for several years. As a Christian Democrat Member of Parliament, she served as Minister of International Development between 1997 and 2000, and again since 2001.

Responsibility for the management of Norway's ODA is a complicated matter. Between 1984 and 1990 there was a separate Ministry of Development Cooperation, but this was merged with the MFA in that year. The Ministry of Foreign Affairs has overall responsibility for foreign policy and

development assistance. Some of this is delegated to the Minister of International Development who works with the Minister of Foreign Affairs, taking political and technical responsibility for development and humanitarian assistance and human rights. Multilateral assistance B some 25-30% of ODA B has been administered by the MFA, as is Norway=s humanitarian assistance. Bilateral assistance has been administered by the Norwegian Agency for Development Cooperation (NORAD). NORAD is subordinate to the MFA but has its own Director General, a separate budget and a separate annual report.

The Overall objectives of Norwegian ODA are set by parliament, which approves countries of cooperation and annual budgets. The MFA formulates strategies and policies, and on the bilateral side, NORAD has been the implementing agency. NORAD also handles arrangements with Norwegian NGOs. Although five large NGOs receive the lion=s share of the funding, 70 others are also supported by NORAD. Almost one quarter of all Norwegian ODA is channelled through NGOs.

There is a broad political consensus on the importance of development assistance, so it is not a divisive political issue. Norway has led other countries on untying most of its assistance (although it has recently retreated on technical assistance), it makes no loans, it has made a strong commitment to the Millennium Development Goals, and poverty reduction has been the stated overarching objective of Norwegian assistance. AAll development cooperation must help to combat poverty, regardless of whether it consists of financing for public expenditure, private sector development or development of civil society,@ states a strategy document. A more recent publication, *Fighting Poverty: Norway=s Action Plan 2015 for Combating Poverty in the South*, is much clearer than publications in most OECD countries about the need to tackle poverty. It places emphasis on the responsibilities of developing countries and their ability to manage their own development. It discusses human rights, HIV/AIDS, the environment and the need for greater donor coordination - by partner countries. AWe will use our positions on the boards of international organizations like the IMF, the World Bank and UN agencies to insist that poverty strategies must be drawn up and implemented by the partner countries themselves.@

In 2003, Norway=s state auditor issued a highly critical report on NORAD spending in Mozambique, accusing the agency of serious mismanagement. A few days later, it was announced that the Ministry would take over the management of aid projects. It was assumed by some that the change was a result of the auditors= findings. In fact a review of development administration had been announced in parliament in 2002 as part of a wider government Amodernization@ project. In response to a report by external consultants, delivered in 2003, a reorganization was announced, to take effect on April 1, 2004. Under the new arrangement, the Ministry will take over all bilateral program administration overseas, with a greater delegation of authority to Norwegian embassies. NORAD will be Astreamlined@ and converted into a Aknowledge institution@, with remaining responsibility for NGOs, private sector support and evaluation. Its budget is expected to drop from NOK4.3 billion (C\$825 million) to about NOK 2 billion, and its staff complement will drop from 360 to fewer than 200.

Comment

The 2004 gelding of NORAD is the result not just of a Amodernization@ program, but of a power struggle among various players. The 2003 consultancy study (conducted by ECON Centre for Economic Analysis and Montreal-based Universalia), said that Norwegian ODA suffered from fragmentation, a weak overall strategy, the challenges of enhanced ownership by developing countries, program and policy-based approaches, issues relating to Aresults@ and Aa general process of integration between development cooperation and politics/foreign policy.@ It offered two options: a much stronger NORAD, similar to Sida and CIDA, or an enhanced ministry, with a unified international development administration within the ministry.

The Development Minister, who is said by Norwegians to have a strong personality, favoured the second option, which would have brought the administration of aid programs directly under her wing, removing them from NORAD. The Foreign Minister, civil society, trade unions and others objected in varying degrees, as B understandably B did NORAD. A draft of the state auditor=s report on Mozambique was leaked at the height of this debate, and was used by Ms. Johnson as a reason for announcing the sweeping changes that she desired. As part of the package, however, the Minister of Foreign Affairs insisted on control over all spending through UN agencies, on the assumption that these B including UNDP, UNICEF and WFP B would become more politically engaged in the years ahead. Oddly, however, the Development Minister retains management of funding through the World Bank and other international financial institutions.

Critics say that the AWashington consensus@ now prevails, but the desired coherence and coordination that were the purpose of the change will not be well served by this setup. In taking the management of bilateral programs away from NORAD, the government has placed traditional diplomats in almost all of the commanding positions, signalling, perhaps, a longer-term weakening of Norway=s pro-poor resolve.

Norway=s Development Minister and the MFA remain steadfast in their stated commitment to the Millennium Goals and other poverty-reduction principles, but the MFA takeover leaves ODA spending vulnerable to other agendas. Some of this was already happening. In 2002, NOK 57 million (C\$11 million) was transferred from the aid budget to the Ministry of Defence for expenses linked to Norway=s military mission in Iraq. In 2003 the figure was about NOK 49 million. A Norwegian General explained the rationale: AThe mission we are to perform is important for Norway, it is important for the Norwegian Defence, but it is first and foremost important for the people in Basra. We are to give aid to the suffering population.@ When asked whether the Defence Ministry actually met OECD criteria for ODA, an MFA spokesman said they relied on what they were told by the Ministry of Defence. AWe saw no reason to double check,@ he said.

UNITED KINGDOM

Britain represents the most radical positive change in several years among OECD member states in overall ODA management and direction. Since the election of a Labour government in 1997, the Overseas Development Administration, a department of the Foreign Office, was converted to an

autonomous government department with a Secretary of State for International Development as a member of cabinet. Three white papers in the following four years helped to shape more fundamental changes in direction: poverty reduction was enshrined in legislation governing the aid programme; there was a more comprehensive approach to policy coherence; significant amounts of ODA were untied; and efforts were made to work more closely with selected multilateral agencies and civil society. Britain has also written off all debt to the poorest countries and has been a major backer of the HIPC initiative.

Britain is the fourth largest contributor of ODA in the OECD. In 2001, the government said it would raise the ODA budget to £3.6 billion by 2003-4. This was achieved and the plan for 2005-6 is £4.6 billion (C\$11.3 billion). This represents a doubling of ODA in real terms in about six years, to a level of 0.31% of GNI in 2002.

In 2001, Britain established two “conflict prevention pools”, the Global Conflict Prevention Pool (GCPP) and the Africa Conflict Prevention Pool (ACPP), a new approach to tackling conflict prevention and an innovation in what is being called “joined-up government”. The purpose of the Pools is to bring together the resources of the Ministry of Defence, Foreign & Commonwealth Office, and the Department for International Development, to enable a more strategic approach to conflict reduction. Initiatives include conflict assessment and reduction, security sector reform, promotion of access to the justice system, and small arms reduction programs. In Sierra Leone, for example, it has meant a reformulation, training and equipping of both the army and police, the creation of a new Ministry of Defence with appropriate civilian oversight, funding for an anti-corruption unit and support to a truth and reconciliation commission.

The GCPP had a budget of £74 million (C\$182 million) in 2003-4, and the ACPP had a budget of £50 million (C\$123 million) in 2003-4. Both funds are managed by cabinet committees, chaired by the Foreign Office in the case of the Global Fund, and DfID in the case of the Africa Fund.

Comment

Clare Short, Britain’s Minister for International development from 1997 until 2003 was an active and outspoken proponent of foreign aid. While she developed a reputation for integrity, compassion and a good understanding of her brief, she was far from consistent, often overriding stated government policies, developing pet projects and pet countries, and – until her final showdown with Prime Minister Blair over Iraq – staying well away from larger geopolitical questions. Although Short was regarded as part of the British “old left,” she was not well disposed towards British NGOs.

Critics of DfID have said that while things have changed over the years, there is still a very real emphasis of political and commercial goals within Britain’s ODA. For example In Zambia, DfID is said to be spending £700,000 on improving nutrition, but £56m on privatizing the copper mines. In Ghana, aid for upgrading the water system were conditional on partial privatization.

George Monbiot, author of *Captive State: the corporate takeover of Britain*, wrote in January 2004 that the emphasis on private sector development and privatization “was pioneered by the sainted Clare Short. Short’s trick was to retain her radical credentials by publicly criticizing the work of

other departments, while retaining her job by pursuing in her own department policies that were far more vicious and destructive than those she attacked. Blair's trick was to keep her there, to assure old Labour voters that they still had a voice in government, while ensuring that Short did precisely what his corporate backers wanted."¹

The current Minister is Hillary Benn, widely regarded as "new Labour". He replaced Guyana-born Baroness Amos, who lasted in the job five months.

THE UNITED STATES

With the advent of the Bush administration and the fallout from 9/11, there have been significant changes in thinking about ODA in the United States. Interestingly, the three pillars of US foreign policy as enunciated in September 2002, are *international development*, diplomacy and defence. USAID's two overarching themes are *economic globalization* and *conflict prevention*. Under that rubric, it has three pillar bureaus: Global Health; Democracy, Conflict & Humanitarian Assistance; and Economic Growth, Agriculture and Trade.

Despite the best efforts of the State Department, USAID has managed to remain somewhat autonomous for many years. That changed in 2003, with the first-ever joint State Department-USAID Strategic Plan. The wider changes, however, are much more dramatic. InterAction, the US NGO umbrella organization, published a paper in September 2003 on these changes. InterAction says that it is concerned about a number of intended and unintended consequences of the Administration's goals and methods, especially the post-September 11, 2001 inclination to view foreign aid primarily through a new national security lens. It says that despite a stated commitment to create a more cohesive policy framework for foreign aid as an element of national security strategy, the Administration is dispersing responsibilities and resources so widely that the delivery and impact of foreign aid may well fall far short of expectations, both in countries of strategic interest and on a global basis.

The government has created a range of new entities such as the Millennium Challenge Corporation that will manage the Millennium Challenge Account (MCA) outside USAID. This fund, aimed at poor countries with good track records on governance, was announced two years ago with a budget of \$5 billion per annum. Congress approved only \$1 billion for 2004, however. In 2004, the MCA will be available to 63 eligible countries that will compete for funding. These are countries that President Bush has said are "ruling justly, investing in their people, and establishing economic freedom."² Supporters in Congress say that the approach will stop the practice of "pouring money down a rat hole", while critics say that the MCA has diverted \$400 million from traditional aid programs in 2004 and will result in a weakening of support to the poorest people in some of the poorest countries.

The government has also established a separate office in the State Department to manage the newly created \$5 billion, five year fund on HIV/AIDS, to be run independently of USAID's own HIV/AIDS programs and those of the UN Global Fund. It has created a Famine Fund to be managed by the Office of Management and Budget (OMB), to be run by USAID, but separately from

USAID=s current emergency programs. And there is a dramatic increase planned for the Department of Defense in the delivery of relief and reconstruction. According to InterAction, these and other changes are Aleading to increased fragmentation of resources and responsibilities, confusion externally about who is in charge, and a loss of coherence in the field as multiple federal agencies pursue similar goals with little coordination. Recent changes in foreign aid structures have been implemented in an ad hoc manner, often with little transparency and consultation with stakeholders, or consideration of lessons learned from the United States= long experience in foreign aid.@

InterAction says that it is Adeeply concerned@ about the confusion and loss of direction, about the government=s failure to meet existing funding pledges, and the escalating costs of Aextraordinary@ relief and reconstruction activities in Iraq and Afghanistan, which threaten to undercut on-going humanitarian and development programs around the world.

AUSTRALIA

The Australian Development Assistance Agency (ADAA) was established in 1974, bringing together functions performed by different departments since the aid program to Papua New Guinea began in 1946. ADAA was replaced in 1976 by the Australian Development Assistance Bureau (ADAB) within the Foreign Affairs portfolio. In 1987 the name was changed to the Australian International Development Assistance Bureau (AIDAB), and in 1995 to AusAID, the Australian Agency for International Development.

AusAID is an administratively autonomous agency within the Foreign Affairs and Trade portfolio. The Director General reports directly to the Minister for Foreign Affairs on all aspects of aid policy and operations, and is responsible to the Secretary of the Department of Foreign Affairs and Trade for the administration of the agency. He is responsible for the agency’s financial management.

In 1996, the government commissioned an independent review of the aid program. The Simons Committee Report was published in April 1997 under the title, *One Clear Objective: Poverty Reduction Through Sustainable Development*. The government’s response was a new policy orientation, spelled out in a November 1997 report entitled *Better Aid for a Better Future*. In this, the current, more equivocal objectives of AusAID were established: “AusAID has a single outcome: Australia’s national interest advanced by assistance to developing countries to reduce poverty and achieve sustainable development.”

AusAID is, or appears to be more “results-oriented” than many bilateral aid agencies, preparing its programs within what the government calls an “accrual-based outcome and outputs budget framework”. This measures the agency’s performance against targets established in the budget. AusAID’s 2003 *Annual Report* spells out in some detail how this objective was met, saying in sum, that:

“AusAID achieved its overall quality target with more than 75 per cent of activities receiving a quality rating of ‘satisfactory overall or higher’. All administered programs individually met the

quality target including NGOs, multilateral organisations and humanitarian and emergency programs. Within country programs quality ratings did not vary greatly by region or sector, though activities in education and rural development did exceed average overall performance... Across the agency for 2002-03 the most commonly identified strength was the demand-driven nature and effective targeting of activities. Sustainability issues featured as a main weakness, with the ability of partners to meet ongoing costs identified as a key challenge faced by AusAID in common with other donors.”

The Minister of Foreign Affairs and Trade has established an Aid Advisory Committee (AAC) comprising 11 members drawn from academia, business, religious organizations and NGOs. Members have been appointed for a three-year term by the Minister, on an individual basis and not as representatives of specific organizations or interests. The Director General of AusAID, the Secretary of DFAT (or his representative) and the Executive Director of the Australian Council for Overseas Aid (ACFOA), are ex-officio members of the AAC.

Comment

There have been no major changes in Australia’s aid structure and orientation since the current government took office in 1996. The government is a coalition of the Liberal and National Parties, headed by Liberal Party leader John Howard. It is a vigorously conservative government that was re-elected in 1998 and 2001. The latter election was premised to a large extent on reducing immigration to Australia and halting the flow of illegal asylum seekers. More recently, Australia allied itself directly with the US-British coalition in the Iraq war.

Australian ODA hovers around 0.26% of GNI while defense expenditures have increased. Despite small increases in ODA recently, the Australian Council for Overseas Aid and Development (ACFOA) – CCIC’s counterpart in Australia – estimates that if current trends continue, Australia will have the third lowest level of ODA in the OECD by 2006.

PART 2: CURRENT TRENDS AND ISSUES IN ODA

“Aid doesn’t work,” is a common refrain among those who would reduce it, end it, or use it for other purposes. It is true that a great deal of aid does not work, but taxpayers might well ask, “*Which* aid doesn’t work?: The sale of millions of dollars worth of Westland helicopters, subsidized by British ODA in India? Or UNICEF’s vaccination of children. The hundreds of millions of dollars worth of loans to construct dams that have long silted up, the roads to nowhere, the fish-packing plant on the edge of a lake that has disappeared? Or small loans to poor women in Bangladesh.

The failures of development assistance lie not in the concept of organizations trying to induce development – governments and civil society organizations have worked to stimulate learning, enterprise and peaceful development for centuries. The failures lie in how development is understood, and more importantly in how it is applied. Unfortunately, the development business is prone to fads, promises, jargon and pathologies that regularly divert attention from the main order of

business: *forms of development which reduce today's unacceptable levels of poverty*. The following pages briefly describe some current trends and issues facing the development business today.

A Poverty Focus

All OECD member states continue to place a high emphasis on poverty reduction in their ODA. It is noteworthy, in fact, that so many have published papers on “new directions” in the past three years. Most of these put poverty reduction in first place, and many emphasize the Millennium Development Goals. It is not clear, however, whether poverty reduction is, or ever was a genuine over-arching goal. There remains a vibrant debate within and among aid agencies, and throughout the academic community, on whether to focus explicitly on poverty reduction through an emphasis on the social sector, or whether to influence poverty indirectly through an emphasis on growth.

Knowledge

In recent years there has been a great deal of genuflection to, and confusion about, concepts of “knowledge”, “learning” and “innovation” as necessary drivers of development. CIDA has made large investments in an enhanced Policy Branch. The new Dutch government put a lot of funding into policy-related projects and think tanks after 2002. In Norway, NORAD will stop delivering aid and become a “knowledge organization”. At the delivery end of the chain, great hopes are pinned on information technology, and helping poor countries avoid yet another technology gap – “the digital divide”. In a paper entitled “Rethinking Development: The Challenge for International Development Organizations”, Keith Bezanson sees opportunity in “the growing realization of the importance of knowledge and innovation. Not only are we in the midst of a global transformation based on knowledge... we require better knowledge overall to respond to the conditions that define the crisis in which we find ourselves. And this demand for knowledge about how to do things better has probably never been more pronounced. The quest for innovation is accelerating and is evident at both the macro and micro levels.”³

This conflation of knowledge and innovation is not uncommon, but it is mistaken, just as the conflation of information and knowledge is mistaken. Knowledge is about *knowing* and understanding. It comes from experience and study. Information is a necessary, but small part of this. Innovation is about *experimenting* and taking risks. Innovation is not about “doing things better”, it is about *discovering* how to do things better. Innovation is most likely to succeed if it is based on knowledge, but it will be severely constrained in a world where “results” are demanded of every investment. Knowledge, of course, can be a result of innovation, even (and maybe especially) *failed* innovation. But in worlds where failure is not tolerated, this sort of learning and knowledge is driven underground or erased.

Technology

It is common for each generation to define its own world as more “complex” than the previous one, and for writers to emphasize the importance of technology. Technology, of course, is only a tool, and in the wrong hands, or wrongly applied, it is seldom a panacea or a quick fix. The promise of technology is one of the most disappointing of the many promises in the development business. In

the 1960s and 1970s there was vibrant debate about “the transfer of technology”, “choice of technology”, “appropriate” technology and “intermediate” technology. Most bilateral and multilateral aid agencies, including CIDA and the World Bank had “technology units”. These are long gone, and technology – rarely developed for Southern realities – is still loaded onto ships and planes and shipped south with the same careless abandon that has left tractors rusting in African fields for half a century.

Information technology, the new promise, is certainly not a panacea. When the Atlantic cable transmitted the first telegraph from London to New York in 1858, a popular slogan suggested that the new technology would “make muskets into candlesticks” and would lead soon to world peace: “It is impossible that old prejudices and hostilities should longer exists, while such an instrument has been created fore the exchange of thought between all the nations of the earth.”⁴

SWAPs, PRSPs, Ownership and Governance

The PRSP initiative, like so many in the long tradition of new ODA initiatives, was a good one in concept. It was part of the notion of enhanced “ownership” of development initiatives by recipient countries – “putting the recipient in the driver’s seat”. And it focused on poverty. Not unexpectedly, the idea loses something in its translation to action. Many PRSPs have been rushed; much of the content has been designed offshore; the participation of civil society has been weak (time, timing, capacity and understanding are all real issues); and the commitment of donors to the outcome is patchy.

In some countries, donors *have* bought into the outcome of PRSPs taking a “sector-wide” approach to support for health or education. This is a return to the program funding of the 1960s and a stronger commitment to *government*, but with significant improvements: now there is a common plan to which all interested donors can subscribe. Here, at last, is real donor coordination.

With a concerted plan and donor coordination, the possibilities for greater efficiencies are enormous. And a coordinated donor response allows for greater leverage should a government be inclined to stray from the agreement. This is part of the solution to problems of weak governance: accountability (for *results*) in a widely shared set of objectives and plans.

The approach could also, however, be described as a “babysitter model” rather than one genuinely based on ownership. Donors, usually in the form of the World Bank, hold the government’s hand while it creates a suitable PRSP. Then, if all goes well, a collection of donors buys a piece of it. Down the road, if the government steps out of line, the donors will be able to correct it in ways that were never possible with one-off projects. (Having put the government in the driver’s seat, the donors, of course, remain in the back seat, holding the roadmap and the Sunoco credit card.) Part of the donor concern has to do with the issue of “governance”, rarely an issue until the end of the Cold War. Now good governance – broken down into many component parts, such as public financial management, procurement capacity building, etc – is important to the management of a SWAP, or almost any other form of aid delivery. Governments in the South are clearly going to have to be more accountable, and they are going to have to do more for their own people.

But in *PRSPs and Their Prospects for the Poor*, Alan Whaites notes a problem: “Seeking more from government after two decades of adjustment-led down-sizing and erosion has actually increased the risk of failure, corruption and criticism.”⁵ Throw in a little war, some famine and an HIV/AIDS pandemic, and the problem is multiplied many fold. Initiatives like the Millennium Challenge Account (MCA) and NEPAD, also designed to reward good governance, anticipate performance that may simply not be possible.

Managing for Development Results

The “results revolution” began with the first Clinton administration in the United States. It spread rapidly to Canada and across the Atlantic Ocean to Europe. What could and should have been one of the most important innovations in development assistance, however, has turned into a bureaucratic nightmare on the one hand (and a popular money spinner for evaluation consultants), and an excuse to reduce and/or reorganize ODA on the other. The lack of a results focus in the past, rather than bad policies and poor targeting, is used as an explanation for aid failures. It has been used as a reason for reorganizing Dutch ODA in the past two years, and for the emasculation of NORAD in favour of the Ministry of Foreign Affairs in Norway. Results are very clearly demanded in the directions coming out of Washington – the MCA – and elsewhere.

Problems in understanding what a focus on “results” might actually mean is compounded by the political problem of requiring results within the life of a project, when social change and real impact may take place long after the project is finished, and in ways that make attribution difficult. This could well lead results-conscious managers into more physical infrastructure projects where results can be predicted and identified more easily. Or it may weaken the results idea altogether, if donors settle for short-term outcomes rather than longer-term changes in poverty reduction.

Security

We live in perilous times. But there have been many perilous times over the past century – 1914; 1929; 1939; 1951; 1962. The issue for those concerned about development assistance and the current “perilous time” is whether a connection can or should be made between the two. Do the “root causes” of our insecurity lie in poverty and underdevelopment in the South? If yes, how should this be addressed? The wave of anti-immigration sentiment in some European countries indicates that many believe the answer to the first question to be yes. Danish and Dutch aid will therefore focus more on the Middle East in efforts to reduce tensions and keep potential emigrants at home. The huge diversion of aid monies into Afghanistan and Iraq is clearly about “stabilizing” areas that are seen to pose a threat to the North. The ODA grab by foreign ministries aims, at least *inter alia*, to bring foreign aid into line with a wider security agenda. How foreign ministries expect to use aid more effectively, however, in the fight against insecurity and poverty – if indeed they see a link – is not clear. Diplomats are not usually well versed in the security issues that face today’s world, although this could change. They are certainly not development assistance managers, as problems with Dutch and Danish aid delivery attest.

Coherence

“Coherence” has now entered the development lexicon as one of those words – like “sustainability” and “results” – that can mean anything, and nothing. Originally, the word referred to the concept of ensuring that all of a government’s policies worked in positive ways toward development goals; that trade, immigration and financial policies did not undercut the development effort. This is what the DAC calls “harmonization and alignment”. Some strides have been made in this. Debt reduction has a long way to go, but it has made a difference in some developing countries. Despite resistance to the Kyoto Protocols, there is a growing recognition that domestic environmental policies must take into account their international impact. Although far from universal, aid untying, especially in Europe, contributes to less costly and more appropriate forms of development assistance. The idea of “good governance”, while no longer new, is part of this mix.

Today, however, there is new meaning in the word “coherence”. With foreign ministries increasingly concerned about security, as noted above, many are now looking for greater convergence in their aid programs with foreign policy and defence priorities. In other words, aid programs must conform to the larger political priorities of government. This is certainly the case in the United States, and there is evidence of encroachment on the aid budgets in many other countries, as the brief case studies on Denmark, Norway and Netherlands attest. Britain has managed, to a certain extent, to isolate the phenomenon by creating “conflict prevention pools” which combine foreign policy, defence and development spending. These may stretch the definition of ODA eligibility somewhat, but the application in some places, Sierra Leone for example, has been both inspired and effective. The Netherlands has recently copied this idea. Even in Britain, however, foreign policy trumps development policy, and funding for Iraq and Afghanistan has been drawn away from other, older priorities.

ODA Eligibility

Concerns about “security” and “coherence” – as these words have come to be used since 9/11 – are placing new pressures on the definition of ODA. When a new item on which governments are already spending money is added to the list of ODA criteria, it has the effect of “increasing” that country’s ODA. If, however, the country’s ODA does not increase by the amount of the “new” expenditure, it means that the country has actually reduced ODA expenditure in other areas. In 1992, the DAC permitted OECD member countries to include expenditure on refugees living in donor countries for the first year of their residence. Even today, some countries do not include it, but for Austria, Canada, Denmark and France, this figure is as high as all the rest of their humanitarian assistance. Throughout the OECD it represents about a quarter of all “humanitarian” spending.⁶

There is currently a debate within the OECD on possible changes to the definition of ODA. One possibility is an increase in domestic refugee costs from one year to two. More importantly, a wide range of possible inclusions are being considered under the headings of conflict, peace and security. These could include “humanitarian” work carried out by military forces (de facto, some countries are already including these costs in their calculation of ODA); technical assistance to the judiciary, military and police forces; security sector reviews; the reform and training of military forces; “developing the analytical capacities” of military forces; and intelligence gathering on threats from terrorism.

While some or all of these may be important initiatives, their inclusion under the ODA rubric will only serve to reduce the funds available for other forms of development (or to inflate donors' apparent generosity). And because these issues are unfamiliar to traditional development experts, they will provide impetus for a movement of all aid functions away from the development stream, and away from autonomous aid directorates towards foreign and defence ministries.

The Private Sector

The UNDP announcement in July 2003 creating the Martin-Zedillo Commission on the Private Sector and Development said, *inter alia*, that development was missing “a strategy of economic diversification and the development of a small- and medium-sized indigenous business sector.” Building a local private sector is the “critical next challenge in development, in the way that democratic governance was so much the challenge in the past few years.”

The timing of the Commission was opportune in the sense that after 20 years of micro credit, NGOs, bilateral and multilateral aid agencies, and a handful of quasi-private sector institutions (e.g. Shorebank, Grameen Bank, BRAC Bank) have managed to marry – with some impressive numbers – principles of poverty reduction and financial sustainability. But micro credit has limitations. Much of it is made available to people in overlooked areas who use it to buy low and sell high: petty traders who make their return and pay their interest mainly by moving goods from one place to another, and charging whatever the traffic will bear. A second large tranche goes to borrowers who engage in traditional village activities: cattle and poultry, food processing, tailoring. If they manage their new “businesses” successfully and borrow from an understanding and enabling institution, they can create a sustainable *addition* to their *livelihood*. But these “enterprises” have always been present in the village. They now shift from whomever was doing them before, to individuals deemed more worthy by the lending institution. There is no new, productive business.

A third tranche of credit – not micro credit of the \$50-\$200 type – has been made available to small and medium enterprises (SME) that have the capacity to create new employment. From a development point of view, the best of these are *productive* enterprises, initiatives that add value or manufacture things that were hitherto imported into the village or into the country. Developing countries, however, are littered with the ruins of small enterprise development. NGOs, donor agencies and governments have been sponsoring such efforts for at least three decades, and despite the current hype associated with micro finance – denominated in millions of success stories – the real success stories in aid-sponsored SME programs can be counted in hundreds rather than thousands.

Part of the problem is a lack of infrastructure in developing countries (such as a reliable electricity supply for a small machine shop), and the distortions that exist in many, if not most developing markets. Another part of the problem, but not the most important by far, is capital. Even where opportunities are manifest, money is available and the infrastructure exists, businesses fail. Perseverance, a willingness to forgo profits in favour of reinvestment, the development of knowledge and judgement (as opposed to obtaining information) are key elements. Entrepreneurs cannot be created overnight; in fact they probably cannot be “created” at all – they have to be found, nurtured *and tested*. Governance is another part of the equation. Governments that do not respect the

rule of law, or that cannot enforce it in a fair and open manner are unlikely to foster the kind of environment needed to encourage those who scrape by in the informal sector to take the risk of becoming more accountable to a corrupt and predatory officialdom.

NGOs and Civil Society

In many OECD member countries, there has been a decided cooling towards NGOs in recent years. Although they deliver an estimated 60% of all emergency assistance (direct fundraising, grants and contracts from bilaterals, plus significant proportions of WFP, UNHCR and UNICEF funding) and are major recipients of bilateral grants and contracts (as much as 25% of bilateral spending in some countries), donor agencies often treat them with suspicion and disdain. More worrisome is the fact that the “lessons” about the importance to good governance of strong civil societies appears to have been lost. Not only are Northern NGOs finding that they are increasingly marginalized in their governments’ aid thinking and spending, *Southern* civil society no longer has the cachet it did ten years ago.

Concomitant with this trend is a growing instrumentalization of NGOs – as contractors drawn into the geopolitical nexus of bilateral and multilateral agencies. The term “public service contractor” carried less weight a decade ago than it does today, when political and security issues have become so much more prominent in the thinking of bilateral aid agencies. Today there are ominous rumblings about NGOs in the thinking of many foreign ministries. In 2001, US Secretary of State Colin Powell told an audience at the State Department, “I have made it clear to my staff here and to all of our ambassadors around the world that I am serious about making sure we have the best relationship with the NGOs who are such a force multiplier for us, such an important part of our combat team...”⁷

Spoken in the weeks immediately following 9/11, these words could, taken out of context, be given too much import. But there is a growing mood, especially but not only in the United States, that if NGOs are not part of government program, then they must be against it. Although British Development Minister Clare Short was regarded as part of the British “old left,” her views on NGOs were highly sceptical. “Who represents the people of the world?” she asked in a BBC interview in 2001. “It’s the governments... Having lots of NGOs squawking all over the place won’t help. They don’t speak for the poor, the governments do.”⁸ Short was objecting to mild NGO requests for reconsideration of British funding for pipelines and dams that promised to cause dislocation and hardship for people in Cameroon, China and elsewhere.

The American Enterprise Institute (AEI) where, according to President George W. Bush, “some of the finest minds in our nation are at work on some of the greatest challenges to our nation”,⁹ has set up an “NGOWatch” website to track what it sees as the growing influence of nongovernmental organizations. At a 2003 conference entitled “NGOs: The Growing Power of the Unelected Few,” one speaker cited NGO opposition to the delivery of genetically modified maize to Southern Africa and the use of DDT to fight malaria as examples of “eco-imperialism” and a “callous disregard for life... NGOs definitely provide benefits in the short run,” he said, “but in the long run, their influence is almost always malign.”¹⁰ *Almost always malign...*

The AEI, mimicked in its anti-NGO stance by the Institute of Public Affairs in Australia and others, reflects Bush Administration concern over the reluctance of some American NGOs to fall in line behind government political and military policies in Iraq. Referring to NGOs as government contractors, Andrew Natsios, the head of USAID (and himself a former NGO executive), said “If you even mention your own organization once when you’re in the villages, I will tear up your contract and fire you... You are an arm of the U.S. government right now, because we need to show the people of Iraq an improvement in their standard of living in the next year or two. And I have to have it clearly associated with the U.S. government.”¹¹ Natsios was speaking about Iraq at a time when U.S. policies and presence were in danger of unravelling. But the growing tensions for NGOs caught in the cross-hairs of geopolitical and security concerns are very real, and are not likely to diminish in the short term.

PART 3: IMPLICATIONS FOR CIDA IN GLOBAL TRENDS AND ISSUES

The following suggestions and ideas flow from the lessons of other countries, and from the review of trends and issues presented above. They are offered within a context of preserving and enhancing Canada’s commitment to poverty reduction, while recognizing some of the new pressures and opportunities that impinge on thinking about international development assistance.

Strengthen and Protect CIDA

CIDA is an organization that Canada should be proud of. Any diminution or partition of CIDA would be a step in the wrong direction.

Like Transport Canada, Canada Post or the Canadian Grain Commission, CIDA has its own mandate and responsibilities. While CIDA may sometimes seem distant or even obtuse to other government departments, like other government departments it has always followed national priorities when these transcend its own particular aims and objectives. When required, for example, it has diverted funding from other priorities to the Caucasus, the Balkans, Afghanistan and Iraq, and it is inconceivable that it would resist a serious interdepartmental political priority change.

Any effort to draw CIDA closer to the Department of Foreign Affairs, however, would weaken CIDA’s development credentials, while doing little to advance DFA interests. Even if, for security reasons, parts of CIDA were to be drawn into DFA, it is hard to imagine that DFA could manage politically-inspired humanitarian or long-term development programs better than an agency dedicated to the task. Despite the Netherlands’ high levels of ODA and its traditional poverty focus, the management of Dutch aid has been consistently criticized in DAC peer reviews for overseas staffing confusion between the political and the development streams. This has similarly become the case with Danish aid, decentralized to embassies but within a much stronger foreign affairs framework. It remains to be seen whether the Norwegian Foreign Ministry will manage the country’s bilateral assistance better than NORAD did, but the primary reason for the shift – greater coherence – is belied by the division of responsibility for multilateral spending between the foreign and development ministers, and by NORAD’s residual responsibility for NGO spending.

Security and Conflict Prevention

CIDA can and should be insulated from Canada's international security agenda, while at the same time contributing solutions to development-related security problems. Although DFID has had a stronger mandate, greater independence and a minister of full cabinet rank since 1997, it still bends to overriding national priorities, even at the cost of an embarrassing ministerial resignation. DFID, however, has been somewhat insulated in recent years by the creation of the Global Conflict Prevention Pool and the Africa Conflict Prevention Pool. These funds, contributed and managed jointly by DFID, the Ministry of Defence and the Foreign Office, are available for important non-ODA activities that have immediate bearing on humanitarian concerns as well as longer term development: security sector and judicial reform, anti-corruption efforts, demobilization, truth and reconciliation commissions. By contributing to, and working with a larger pool of funds, DFID can bring humanitarian and developmental perspectives to bear on military and political objectives, while insulating its wider programming from encroachment. The new Dutch "Stability Fund" appears to have a similar purpose. *Canada should consider creating such a fund, to be managed jointly by DFA, CIDA and DND.*

Poverty

Poverty reduction has always been a stated CIDA goal, but in its application and budget, poverty reduction has often seemed ambivalent and even secondary. *Canada should make poverty eradication the unequivocal number one Canadian development goal and the driver for development policy coherence.* Such a policy, however, requires more specifics and fewer generalizations than is currently the case:

- CIDA should be clear on its definition of 'growth', and how this is intended to relate to poverty eradication;
- CIDA should be clear on the purpose of overseas operations: programs and projects should aim for a direct impact on poverty, and for learning which can be used for scaling up or application elsewhere;
- CIDA should develop contingencies that will allow it to work towards poverty eradication in countries where there are policy deficiencies;
- Where PRSPs, SWAps and other international efforts are concerned, Canada should keep an open mind. Scepticism will fuel healthy enquiry. The Canadian government should ensure that the Canadian approach is shaped by Canadian understanding, Canadian experience and Canadian values;
- Canadian NGOs should also consider adapting their focus on PRSPs, which are now going into a second round. They and other Northern NGOs could coordinate their efforts in ways that create more space and build the capacities of Southern civil society to participate more deeply and less reactively. This will require better coordination on the part of Northern NGOs, less proprietorial behaviour where "partnership" is concerned, and less emphasis on a project-by-project approach.

Sectoral Priorities

Canada must find ways to ensure that today's sectoral priorities are politically and programmatically sustainable as priorities; that they are not subject to change with every change at the top in CIDA. In the past, Canada has been a leader in areas such as gender and the environment. We could become leaders in any one or more of our current sectoral priorities if we made that a goal. Canada could become the very best in basic education, for example, through innovative and high-quality programs on the ground that inform a policy position, and through a coordinated approach to learning from all Canadian and other initiatives in the field. Canada's "leverage" (see below) would derive from the quality of our knowledge rather than the weight of our budget.

Knowledge

CIDA's oft-repeated aim to become a knowledge-based organization is laudable, but this will not happen by focussing resources only on an internal policy unit.

- CIDA should draw on the collective knowledge of *all* Canadians working in development: NGOs, academia, the private sector;
- CIDA could encourage, or even require its partners to reflect and report on the policy implications of their work;
- CIDA could establish a 'policy fund' for independent research into issues of developmental interest to Canada;
- CIDA should make 'lessons learned' more than a *pro forma* page at the end of each evaluation. Its Policy Branch should summarize, synthesize and disseminate the lessons contained in evaluations each year;
- CIDA should produce public reports on what it and its partners are doing and learning in key sectoral areas;
- CIDA should reinstitute its annual report, making it a critical review of trends, issues and findings. In other words it should be more than a public relations document.

Technology

Canada takes pride in its achievements in science and technology, and markets these energetically abroad. Aside from IDRC, however, Canada's interest in developing countries is very limited where the concepts of technology choice, technology development and technology dissemination are concerned. Canadian institutions tend to market Canadian ideas and products instead of fostering local capacities for local solutions to local problems. *CIDA can and should play a more proactive role in science and technology, promoting local capacity development and appropriate technologies for sustainable development.*

Results

Knowledge and learning are seriously compromised in the current climate of intolerance for failure. The lessons of failure, as long as failure is not wilful or repeated, are as important as the lessons derived from success, especially where innovation and "model" projects are concerned. *The demand for short-term positive results must be modified by a concern for learning and by time frames which recognize the long-term nature of genuine results where societal change is the objective.*

Humanitarian Assistance

At the centre of the humanitarian enterprise lies the United Nations, created to save and protect the world from the scourge of war. Despite the UN and its agencies, however, despite the Red Cross which can sometimes act as an alternative or a complement, and despite the many fora for coordination and shared learning, each donor has its own analysis of a given emergency, its own policies and strategies, its own organizational and political imperatives. The multiplicity of actors, the overlapping and underlapping mandates, the history of weak collaboration at field level, and the competition for funds by front-line agencies all undercut the coordinating mandate and potential of the UN.

It has been suggested by some that the move to greater earmarking and direct donor intervention in humanitarian financing is the result of three converging influences. The first was the end of the Cold War and the mainstreaming of aid into the international security agenda. The second was greater international engagement in internal wars such as Kosovo and Afghanistan, where donors wanted more visibility and recognition for their humanitarian assistance. Tight earmarking was one way of achieving this. And the third influence is said to result from changes in public sector management, with a greater emphasis on results. In the latter scenario, UN agencies fall victim to their own unwillingness to “reform”. The result is general underfunding, heavily politicized aid and forgotten emergencies.

As Chair of the informal working group on “Good Humanitarian Donorship”, Canada should take a lead in helping to change donor behaviour in ways that make humanitarian assistance more adequate, more predictable, and more timely, to reduce earmarking, and to help reinstate the basic principles of multilateralism.

Developmental Multilateral Agencies

The earmarking of contributions to multilateral agencies for development purposes has also reduced their ability to even out the peaks and valleys created by donor preferences in poor countries. Earmarking, sometimes justified from an accountability perspective, actually weakens multilateral institutions, and does little to enhance overall accountability. *Canada and CIDA could lead in efforts to reinvigorate the multilateral ideal in a time of increasing unilateralism.* John Ralston Saul cites the Land Mine Treaty, the International Criminal Court and the Kyoto agreement as examples of treaties “based on the primacy of ethics and the public good.” “They represent,” he says, “the beginnings of an attempt at an international balance in which the prism of civilization is neither naïve market economics nor national selfishness.”¹²

The Private Sector

For many years, Canada has maintained that private sector development “is a powerful force for poverty reduction”. More recently, CIDA has produced a new policy document (June 2003) on “Expanding Opportunities through Private Sector Development”. While the policy document contains lengthy sections on gender, the environment, results, knowledge, partnerships, civil society, local ownership, participation, capacity building, access, children, HIV/AIDS, harmonization, donor

coordination, a “pro-poor lens”, a “governance lens” and a “business lens”, it remains vague on what CIDA will actually do. It does appear to give some emphasis to small and medium enterprise development (SME).

Effective, pro-poor private sector development in imperfect markets is a major challenge. As joint Chair of the UN Commission on the Private Sector and Development, Prime Minister Martin could help to give Canada a much clearer focus on what private sector development can do to tackle poverty in developing countries. The report of the Commission, released at the beginning of March 2004, wisely laid most of its emphasis on the small and medium enterprise (SME) sector, but noted the serious contextual problems in making investments that can work. *For CIDA, getting beyond micro-credit to a serious focus on SME would be a step in the right direction, but the CIDA policy as currently articulated will need to lose some its jargon and become a lot more serious about specifics.*

NGOs and Civil Society

The Canadian NGO scene, insofar as it relates to CIDA, has been in disarray for more than a decade. Reductions in CIDA funding combined with an increasing number of organizations vying for support has increased competition. Competition, much vaunted in the private sector, has not improved the work of Canadian NGOs overseas. This is not the place for an expansive note on NGOs, but a few things could be considered:

- CIDA should acknowledge the importance of Canadian NGOs as part of civil society and as independent players in the Canadian (i.e. not just CIDA’s) international development effort;
- The response program should be strengthened, but *Canadian NGOs should be funded on the basis of the quality of their work*. This quality should be judged against contributions to poverty reduction; to innovation, pilots and models with implications for scaling up or for policy dialogue in the area of poverty reduction; contributions to peacebuilding; contributions to the strengthening of civil society in developing countries; and the relief of human suffering;¹³
- *Just as CIDA has reduced the number of countries in which it will work, its responsive program will have to take stock of the number of civil society organizations with which it works*. CIDA has continued to fund (and to seek actively) new expressions of Canadian civil society for work in developing countries. When the numerator remains static and the denominator grows, the result is not just a lower amount of money for each, but a general weakening of the whole;
- CIDA should work with Canadian NGOs to develop ways in which it can create greater space for Southern civil society in their own development efforts as well as in policy dialogue with their governments on poverty reduction strategies;
- The “Canada Corps” announced in February by the Prime Minister and described by Foreign Affairs Minister Graham as an assistance program that “will allow Canadian values to be promoted abroad by young people” needs serious thought. Canada has more volunteer sending programs (short-term, long-term, internships, youth, mid-career level, retirees) than any other country in the OECD. Over the years, efforts to coordinate and adequately fund this sector in recent years have not been a major success. The Canada Corps as a renewal

and/or consolidation could be extremely helpful, but as a new, stand-alone initiative, it could duplicate and confuse.

Geographic Priorities

Geographic concentration limits Canada's ability to learn and to apply what it knows from its sectoral programming. And because other donors are also focusing on fewer countries, there is a danger of donors crowding into the "good performers" while other countries (especially those with serious problems) will be forgotten, becoming candidates for the failed states of tomorrow. CIDA should have a clear rationale for greater geographic concentration. To say that Canada works in fifty or a hundred countries only makes sense when every small NGO effort is included in the mix.

If the drive for geographic concentration is about leverage, it is misplaced. The volume of Canadian aid will never amount to more than about five per cent of the total anywhere outside of the Caribbean. If it is about greater efficiency, it is also misplaced. In an era of instant communications and heavily outsourced delivery mechanisms, large lumbering embassies are no longer required for good ODA management. Canada and other OECD member states have experimented with "aid offices" as cheaper and more effective ways of managing programs. There are undoubtedly others. Canada has occasionally talked about regional imperatives but the "embassy mentality" seems to prevent this from taking off. Canada's embassy in Conakry, for example, is closer and more accessible to Bissau, Freetown and Monrovia than it is to many parts of Guinea, and yet the principle of "greater geographic concentration" prevents us from thinking beyond national borders.

Bureaucracy

Development delayed is development denied. *All the knowledge in the world will not be of much use if CIDA's slow, burdensome management systems are not reformed.* CIDA should engage the Auditor General, parliamentarians and its partner organizations in dialogue on how its management systems can be streamlined and speeded up without sacrificing program quality and accountability.

Informing the Public

Canadians support development assistance, but they do not understand it very well. Opinion polls over the past two decades have demonstrated this over and over. The aims of development assistance are too important, and the size of Canadian ODA is too large to leave public understanding to chance. Despite many recommendations (in parliamentary reviews and elsewhere) that budgets for public information and development education be increased, they remain very low. CIDA's Global Classroom Initiative, its Mass Media Initiative and its Journalism and Development Initiative, all part of the Development Information Program, have been steps in the right direction, but at 0.18% of CIDA spending in the last year for which statistics are available (2001-2), they fall woefully short of the 1% of ODA target once set by UNDP as a minimum expenditure for bilateral organizations on public information.

Given permission to spend a part of their CIDA contribution on “public engagement”, many NGOs have also preferred to spend the money directly on overseas programming. This is short-sighted. Media coverage of recent events in Haiti and of the Prime Minister’s report of the UN Commission on the Private Sector and Development are two small examples that demonstrate how much more effort is required if ordinary Canadians are to understand and support the call for increased and more targeted aid.

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