

**SUBMISSION TO THE DEPARTMENT OF FINANCE**  
**Consultations on Official Development Assistance, 2012**  
**The McLeod Group, January 31, 2013**

**Summary**

- The Department of Finance should encourage the preparation of an over-arching strategic framework for Canada's ODA, based on poverty reduction, the perspectives of the poorest, and international human rights standards.
- The Department should support measures to reduce policy incoherence within the Canadian government and press the Bretton Woods institutions to support international efforts to improve policy coherence for development.
- There should be a commitment by Canada to increase aid volumes over the next five years to enable the country to achieve the development cooperation goals it has set for itself.
- The Department of Finance should hold the World Bank accountable for the achievement of the gender objectives it has set for itself.
- The Bretton Woods institutions must be required to develop strategies for their engagement with fragile states, giving priority to poverty reduction, the perspectives of the poor and assuring consistency with international human rights standards.
- The World Bank must be required to show how Canada's support for AgResults is reflected in attention to gender equality, food security and climate change, and small-holder agricultural production.
- The Department of Finance should commit to sharing its assessments of the performance of the institutions at which it represents Canada, and should insist on greater rigour and transparency by those institutions in publishing their monitoring and evaluation reports.

The McLeod Group welcomes the opportunity to provide comments on the Department of Finance's contribution to Canada's Official Development Assistance programs. The achievement of global peace, stability, security and prosperity is very much in Canada's national interest, and development assistance has a key role to play in helping create the conditions for growth and equity.

The Department of Finance consultations, a requirement of the Official Development Assistance Accountability Act, should serve as a vehicle to receive the views of Canadians – civil society, the private sector, academic institutions and other stakeholders – on priority issues for Canada as an aid donor and to communicate to Canadians the Department's assessment of its performance against the three tests of the Act. We encourage the Department to publish its assessments of the performance of the World Bank Group in poverty reduction, global actions on debt relief and innovations such as the new AgResults initiative. This will broaden and deepen the public dialogue in Canada among all stakeholders regarding the outcomes of the work of these important institutions in the effort to reduce poverty.

## **Aid Strategy**

The continuing absence of a formal overall Canadian aid strategy, encompassing all elements of the Canadian government's official development assistance (ODA) program, makes it difficult to understand the specific framework and priorities (sectoral and thematic) governing the work of the Department of Finance in achieving the goals of the ODA Accountability Act. As we proposed in our submission in 2011, this framework should specify individual departmental roles, including that of the Department of Finance. In its May 2012 Review of Canada's development cooperation policies and programs, the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) commented that "Canada lacks a clear, top-level statement that sets out its vision for development cooperation." The DAC went on to recommend that "To provide a clear strategic vision within Canada's foreign policy context, demonstrate application of its new approach to development cooperation and provide a transparent basis for accountability Canada should ... put in place an overarching development cooperation vision that is owned by and guides the whole of the Canadian government for at least the next five to ten years." There have been many announcements by different ministers of new policy directions, specific initiatives and commitments but a national framework is still missing. The McLeod Group continues to believe that such a framework is key to informing Canadians and Canada's international partners, including those institutions which the Department of Finance is responsible for, of Canada's intentions, priorities and objectives.

The ODA Accountability Act represents the legislative starting point for a clear, high-level statement of the goals of Canada's development cooperation. This strategy would have application across the whole government and, as recommended by the DAC, have relevance over an extended period of time. It would explain how a robust, effective development cooperation program is in Canada's long-term political and economic interest. In our view this would represent self-interest properly understood. It would assist in the management of competing national interests that could threaten the success of long-term development programs and support greater policy coherence for development in such fields as trade, investment, migration and environment, to name but a few. This framework should set out clearly an approach for Canada to all instruments, including multilateral assistance. In the case of the international financial institutions it should provide a coherent and coordinated policy structure to ensure that the Department of Finance and the Canadian International Development Agency work together in representing Canada's views at the World Bank Group and the regional development banks.

As we observed in 2011, it is important to remember the World Bank's stated mission "...to fight poverty and to help people help themselves..." complemented by the commitment that "At the World Bank we have made the world's challenge – to reduce global poverty – our challenge." A Canadian aid policy framework should set out how, as a member of the World Bank, Canada will work with its partners to reduce poverty. With the recent selection of a new president for the World Bank, a person with a strong development background, there are new opportunities for the Department to present a

supportive message reinforcing the Bank's own policy framework to be more pro-poor, more focussed on issues of inclusiveness, gender equality, and the needs of fragile states. This role should include continuing to press for improved governance of the Bretton Woods institutions, notably in providing for a stronger voice for developing member countries, especially those seen as new leaders in the global economy such as the BRICS.

The Department of Finance should report annually to Parliament, as required in the ODA Accountability Act, on its initiatives with the Bretton Woods institutions, including the International Monetary Fund, to ensure all these institutions contributed to the reduction of global poverty, took into account the perspectives of the poor in their programming decisions and that their actions were consistent with international human rights standards. At the present time the Department's reports to Parliament contain only the most perfunctory information, consisting largely of brief lists of activities with which Canada has been associated, with no information on specific actions or leadership related to the three legislated criteria for Canadian aid. Reporting to Parliament should contain the substance of Canadian interventions in key policy dialogues taking place at the governing boards of the World Bank and IMF regarding those institutions activities to support poverty reduction. It is widely recognised that the Bretton Woods institutions play a central role in donor dialogue at both country and global levels, thus Canada's policy input can be as critical as the specific financing provided.

### **Policy Coherence**

While in the view of the DAC, in its 2012 Review, "Canada has gone some way towards establishing the building blocks for policy coherence for development...Canada has yet to show that development impacts (potential and actual) are being considered in all relevant draft policies." Canada has supported the consensus at the OECD that to reduce global poverty and build a global partnership for development, donor country governments must ensure that their policies on issues beyond development cooperation are supportive of, or at least do not undermine their development cooperation policies and programs. All countries have a common interest in developing countries achieving sustainable and broad-based development, but progress requires a better understanding and management of the political economy of globalisation. Evidence of policies that undermine development can be found in agricultural subsidies, arms exports, climate change policies, fisheries over-exploitation, the migration of health care workers and trade restrictions. The McLeod Group encourages the Department of Finance to support – nationally and internationally – initiatives to reduce policy incoherence by identifying instances of incoherence and proposing mitigation measures. We support the DAC view that "A higher level of political commitment to policy coherence for development would help Canada ensure all government departments consider the impact of new policies on developing countries."

The Department of Finance should encourage the Bretton Woods institutions to build international partnerships with bilateral and other multilateral donors, partner developing

countries and policy institutions to support action to improve policy coherence for development beyond aid issues and for greater development effectiveness.

## **Aid Volume**

Policy is important, but money counts for a lot. The McLeod Group is concerned that the volume of Canada's ODA has been significantly reduced in the last two years, and this trend will continue. How can Canada exert leadership and maintain credibility in global fora when it is contributing less and less to the collective financial effort? Canada's behaviour is in marked contrast to other major bilateral donors, with weaker fiscal situations, where ODA budgets have been ring-fenced and protected from cuts. Will the new commitments announced since the last (2011) consultations be met at the cost of existing, ongoing programs involving commitments to partner countries and international organisations? What does this say about Canada as a predictable, consistent and reliable participant in global efforts to reduce poverty?

Canada doubled its ODA between 2001 and 2010. Since then, however, there have been cuts announced to the International Assistance Envelope which call into question the capacity to meet new commitments, including but not limited to the Muskoka initiative for maternal, newborn and child health, multiple humanitarian aid activities, the AgResults program and new priorities for the private sector. It is important to note that with lower aid volumes and the reduction in the number of countries of focus for Canadian bilateral aid, Canada is reducing its attention to sub-Saharan African countries, though this region is the furthest from achieving the Multilateral Development Goals.

The McLeod Group urges the government to make a clear commitment to increase aid volumes over the next five years, to facilitate planning for effective program delivery and management for development results. This commitment would be in line with the Paris Declaration on Aid Effectiveness and with the undertaking made at the High Level Aid Effectiveness Forum in Busan in late 2011 to increase the predictability of ODA.

## **Gender Equality and Women's Rights**

In 2011 the McLeod Group expressed its concern at the steady erosion of Canada's performance in the promotion of gender equality and women's rights. There has been little if any evidence since then of improvement in Canada's performance, whether through bilateral or multilateral channels. Gender is the most significant predictor of poverty, and gender inequality remains the most pervasive and fundamental obstacle to the eradication of poverty and the guarantee of human rights for all. It is a crucial dimension in applying the three test criteria of the ODA Accountability Act.

Canada must ensure strengthened and explicit accountability for gender equality results from the funds provided to multilateral agencies and international financial institutions. This has particular relevance to the initiatives cited by the Department of Finance in 2010, the International Finance Corporation's work to support the private sector in addressing climate change, agriculture and food security, and enterprise development, and in 2012 with respect to AgResults (see also comments below.) Is the World Bank helping to create the required supportive enabling environment in partner developing countries to ensure the equal involvement of women as decision-makers as well as beneficiaries?

How will Canada be assessing the World Bank's performance against the gender equality special theme for IDA 16, and how will this monitoring be reported to Parliament? How will this monitoring incorporate the ODA Accountability Act three tests?

### **Fragile States**

Fragile states have taken on greater profile in terms of global challenges than was the case in 2011. State fragility now affects more regions and countries with larger populations, including Egypt, South Sudan, Syria, Pakistan and most recently Mali and adjoining countries. Major Canadian ODA partner countries such as Haiti remain fragile despite significant levels of international financial support. Parts of Nigeria, Africa's most populous nation, are exhibiting fragile state characteristics. Poverty and inequality are among the most prominent drivers of fragility. It is in Canada's national interest to be involved with international and regional efforts to reduce fragility and help these states make progress towards the international development targets. The international financial institutions have a central role to play in the development of strategies for donor involvement in fragile states and the Department of Finance should require the institutions to develop such strategies and should evaluate their performance in implementing them. These strategies cannot be limited to economic factors and security concerns but must also incorporate political and social development considerations. Coordination is essential for the success of external interventions in fragile states and Canada must not only accept the coordinating role of the World Bank where appropriate but also ensure that the Bank is utilising best practice knowledge, such as the DAC Principles for Good International Engagement in Fragile States.

### **Monitoring, Reporting and Transparency**

Effectiveness and accountability are words frequently used by Canadian ministers when speaking about the aid program. But it has been remarked (in the DAC 2012 Review of Canada) that Canada has taken a narrow, made-in-Canada view of these issues, and that there is less transparency regarding development cooperation operations, in the form of publicly-available sectoral and thematic plans, evaluation reports and program review documents. As the McLeod Group observed in 2011, Canada's results expectations must recognise the importance of partnership in successful development cooperation and Canada should avoid a short-term orientation which will lead to unrealistic expectations.

The World Bank has an evaluation office with a well-earned reputation for technically high-quality reports. Is the Department of Finance, on behalf of Canada, requiring the World Bank to assess the impact on poverty reduction, consultation with the poor and consistency with international human rights standards as issues to be covered in all major evaluations? What are the Department's objectives in terms of the Bank's performance assessment efforts? How is Canada holding the international financial institutions to account in terms of aid effectiveness measures such as greater harmonisation of delivery channels, fewer parallel implementation structures and greater use of common procedures and arrangements?

## **AgResults**

The Department of Finance is responsible for Canada's support for the "pull mechanism" initiative titled AgResults, launched in 2012, following discussions at the G20 Summit in Toronto in 2010. The McLeod Group believes that increased attention to the agricultural sector is key to poverty reduction and development. Initiatives that encourage innovation, both private and public sector, and address food security will be an important contribution to improving crop yields, reducing post-harvest losses and increasing rural incomes and contributing to sustained poverty reduction. We urge the Department of Finance, in its oversight of the initiative, to hold the World Bank accountable for ensuring that gender considerations are given prominent consideration in the selection of pilot ideas. The World Bank has pointed out (WDR 2008) the major but generally unacknowledged role women play in agriculture and that failure to recognise this results in failed investments and foregone opportunities. It is also important that in any pilots there is an appropriate balance between ideas that benefit smallholder producers versus agribusinesses, that climate change-induced vulnerability in agriculture is addressed and that a credible, comprehensive evaluation framework is in place. The results of the evaluation of the pilot phase of AgResults should be published and the Department of Finance should engage Canadian stakeholders in a dialogue on subsequent steps, should the initiative be successful.

## **Conclusion**

The McLeod Group urges the Department of Finance to widen its consultations with Canadian stakeholders on official development assistance. We encourage also a more open sharing of assessments of performance by the institutions for which the Department has responsibility. As we said in 2011, development is a high-risk undertaking and all partners must be prepared to engage in lesson-learning exercises, to recognise and learn from unsuccessful initiatives and to communicate openly to the public and to parliament on successes and failures.

