

A WORLD IN TRANSITION

debt burdens. Many other federal departments and agencies also play a part in delivering Canadian development assistance.

In terms of aid, CIDA's current program includes addressing basic human needs, particularly improving health, combatting HIV/AIDS and supporting basic education, which together accounted for 46 percent of CIDA's \$2.24-billion aid-program budget in 2003-04. Governance is the second largest area of work and accounted for 18 percent of CIDA's 2003-04 budget. Geographically, Africa receives the largest portion, almost 39 percent of all Canadian assistance across all channels in 2003-04 for a total of \$1.1 billion, an increase of 60 percent since 1999-2000. In recent years, countries in crisis—Afghanistan, Haiti, Iraq—have received an increasing portion of aid resources. In 2004-05, they were three of the top four recipients of Canadian bilateral aid. Humanitarian assistance to address urgent needs normally accounts for over \$150 million per year; this figure will be much higher for 2004-05 due to the unprecedented needs and Canadian response generated by the Indian Ocean tsunami.

Enhancing Aid Effectiveness. Equally important to achieving the MDGs are policy changes designed to strengthen the effectiveness of Canada's development assistance in line with lessons learned from a critical assessment of experience. CIDA's 2002 statement, *Canada Making a Difference in the World: A Policy Statement on Strengthening Aid Effectiveness*, placed the principles of aid effectiveness—local ownership, greater partnership, donor harmonization, policy coherence and a focus on results—at the core of Canada's development cooperation program. Canada has also committed, with other donors, to increase the cost-effectiveness of assistance by reducing the "tying of aid," the practice of specifying that a certain percentage of the money for programs and projects must be spent on goods and services from the donor country providing the funding.

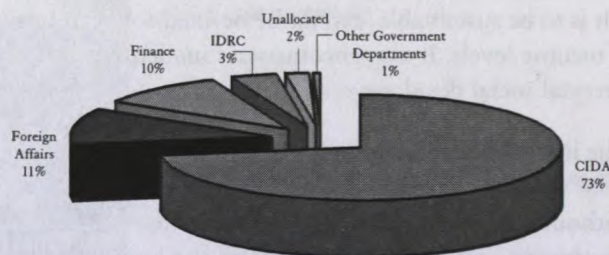
The key challenge now is putting these principles into practice. Despite progress made on programming approaches and in establishing systems for risk management and results-based management, more needs to be done to further strengthen the effectiveness of Canada's development cooperation. A central concern is the wide

dispersion of Canada's aid program, particularly of its bilateral (country-to-country) programs. Canada now provides assistance to 155 countries, a number which exceeds that of any other donor. While valid reasons lay behind the accumulation of programs (for instance, Canada's desire to support former Eastern Bloc countries), the level of bilateral assistance provided to many countries has simply become too small to have a meaningful impact on achieving the MDGs. Of these 155, only 18 receive assistance valued at more than \$10 million annually, with almost 90 at less than \$5 million annually, of which 54 were at less than \$1 million for the year 2003-04.

How does this dispersion limit our effectiveness? For one thing, more country programs mean less ability for Canadians to develop the knowledge, contacts and presence in any one place to ensure that our aid is used effectively. Development happens on the ground, in countries, each with its own unique people, institutions, and cultural and physical environment. At the same time, proliferation of small-scale programming—in terms of both sectors and countries—on the part of donors puts a greater coordination and cost burden on the recipient countries. Their already-strained institutions must deal with the coordination and administration of a huge array of projects, each with its own planning, implementation and reporting requirements. We also lose economies of scale in our own management and overhead costs. For these reasons, there has been a strong trend internationally to try to reduce duplication, ensure a more efficient division of labor, and reduce the developing countries' administrative burden, while improving the overall responsiveness of aid programs to developing countries' own priorities.

International Assistance Allocations by Department

2005-06 Budget totals \$3.6 billion



Source: Data from Department of Finance Canada