



HOUSE OF COMMONS
CANADA

**STANDING COMMITTEE ON EXTERNAL AFFAIRS
AND INTERNATIONAL TRADE**

**DISCUSSION PAPER
ON
ISSUES IN CANADA'S OFFICIAL DEVELOPMENT ASSISTANCE
POLICIES AND PROGRAMS**

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JULY 1986

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This paper is intended to discuss Canada's official development assistance policies and programs but that depends on the response of Canadians and their organizations. We hope that many of you will take the time and trouble to discuss some or all of the questions we have posed. If you think there are other questions we should have asked, tell us so. The Committee will ensure that your views are taken into account in its deliberations. We advise that submissions should be received by December 31, 1986.

HOUSE OF COMMONS

CANADA

As part of its work, the Committee will hold public hearings in certain cities across the country. The date and location of these hearings are listed below:

- Vancouver - Tuesday, September 23
- Calgary - Wednesday, September 24
- Ottawa - to be determined

**STANDING COMMITTEE ON EXTERNAL AFFAIRS
AND INTERNATIONAL TRADE**

Individuals or organizations who wish to testify are asked to inform the Clerk, in writing, by August 29, 1986. Your request to appear should be accompanied by an indication of the issues you wish to address.

In order to accommodate a broad range of interested parties and to hear a wide spectrum of opinion, the Committee reserves the right to select the witnesses who will appear before it.

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POLICIES AND PROGRAMS**

Inquiries and correspondence regarding submissions and hearings should be addressed to:

External Affairs and
International Trade
House of Commons
Ottawa, Ontario
K1A 0A6
Tel.: (613) 996-1531

The Committee looks forward to your contribution and hopes that this Discussion Paper will generate a wide range of views.

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HOW TO PARTICIPATE

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The Committee looks forward to your contribution and hopes that this Discussion Paper will generate a constructive dialogue.

William C. Winegard, M.P.
Chairman

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ISSUES IN CANADA'S OFFICIAL DEVELOPMENT ASSISTANCE POLICIES AND PROGRAMS

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ISSUES IN CANADA'S OFFICIAL DEVELOPMENT ASSISTANCE POLICIES AND PROGRAMS

A PARLIAMENTARY DISCUSSION PAPER

I. THE PURPOSE AND SCOPE OF THIS INQUIRY

The alleviation of mass hunger and poverty in less developed nations is clearly seen by Canadians as one of the most critical and urgent aspects of our international relations. Recently, in particular, the plight of millions threatened by starvation in Africa has deeply touched the conscience of Canadians. Responding to public concern, the Government in November 1984 appointed the Honourable David MacDonald as Canada's Emergency Coordinator for African Famine Relief. The generosity of public support far exceeded all expectations. In March 1985, Mr. MacDonald's report on the first four months of his mandate, "The African Famine and Canada's Response", was referred to this Committee. In our Second Report tabled in the House of Commons in April 1985, we recommended the continued matching of voluntary funds and the extension of the Coordinator's mandate to March 31, 1986. The work done over this period has helped to sustain public awareness and to raise the larger issues which must be addressed as the focus shifts from emergency relief to long-term development objectives.

In strongly supporting aid to famine-stricken countries in Africa, the Committee concluded:

New policies and strategies are needed if Canada is to respond effectively and help prevent the recurrence of such terrible human tragedies. We need to address comprehensive and critical questions if public confidence in Canada's aid program is to be maintained. Canadian generosity is not at issue; policy effectiveness is.

There was also consensus that development assistance to Africa is a long-term problem to which Canada should make a long-term commitment. Yet, as the Committee noted: "At present a clear strategy is lacking. Canada cannot simply react to the plans of others. We need to clarify our own goals, the better to choose the development plans we should support. In particular, Canada's aid program should be designed to maximize benefits for the poorest people." With that in mind, the Committee stated its intention "to undertake an in-depth review of Canada's development assistance programs and policies".

Following on Mr. MacDonald's final report, "No More Famine: A Decade for Africa", the Government announced a special "Africa 2000" program as a 15-year commitment "in support of the development of the African continent". Disbursements under this program through the Canadian International Development Agency (CIDA) will total \$150 million **over the next five years** and be directed primarily to supporting small projects mounted by non-governmental organizations (NGOs). But that is only a small part of the more than \$900 million that Canada will spend on official development assistance (ODA) to Africa **in the current fiscal year**. It is an even smaller part of the overall ODA allocation of \$2.5 billion. That expenditure, and what the Government

expects to achieve by it, form the broader focus for the inquiry of which the publication of this Discussion Paper is the first stage. Only a comprehensive examination of ODA and its relationship to the other objectives of Canadian foreign policy can address the questions being put to us by Canadians, and thereby contribute to a renewed political mandate for the aid program.

No one imagines that the problems of international development can be solved by Canadian aid. It is, however, a very significant aspect of our foreign policy and one which has engaged the longstanding interest of Parliament and this Committee. Recently, the Special Joint Committee on Canada's International Relations received a great deal of testimony on development cooperation which it described as "an area of foreign policy that draws Canada out into the world and enhances the country's reputation and independence". In putting forth its own conclusions and recommendations the Committee acknowledged that it had not conducted an in-depth evaluation of the aid program and so referred a number of major issues for our consideration. The only previous systematic inquiry into ODA took place over 15 years ago when the aid budget was much smaller and CIDA was still a young organization. It is clearly time for Parliament to address the subject again.

The independent study by this Committee will pursue an intensive and concentrated approach over the period of the next year. To that end, the purpose of this Discussion Paper is to put forward key issues, to raise questions, identify options and invite comment. By focusing the responses, we see an opportunity for both practical realism about the role of aid and imaginative thinking about new directions. In taking a fresh look at development aid, we are, of course, starting from a very large base of international and domestic experience. It is important to maintain that perspective and accordingly the next sections provide a short background to the issues raised in Part IV. The appendices to the paper provide a series of statistical snapshots of international and Canadian ODA.

II. ODA: ITS NATURE AND HISTORY IN BRIEF

Helping other less fortunate than ourselves is an admirable motivation. In these terms, aid appears a relatively simple concept. Applied to international relations, however, it is much less so, and its altruistic purpose is also less apparent. When we speak of foreign aid, we are mostly referring to transactions between and among governments, either directly through national agencies or by multilateral institutions (United Nations organizations, development banks) created and controlled by governments. ODA stands for Official Development Assistance, meaning that it is a public expenditure as distinct from private, voluntary contributions, and that its primary objective must be developmental as opposed to assistance which seeks strategic or commercial advantage.

ODA involves a concessional transfer of resources from richer, industrialized countries to those which are less developed (LDCs). This transfer may be in the form of grants and loans with a high grant element, or it may be other assistance such as technical and educational cooperation. The terms can be highly liquid and flexible as in the case of an untied cash grant, or very rigid as with much food aid and other tied aid.

The chief group of donor countries are the 17 members which belong to the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). In addition to Canada, membership includes the United States, 12 West European countries, Australia, New Zealand and Japan. Since the 1960s the DAC has been recording detailed statistics on the aid expenditures of member countries and the European Economic Community. The DAC also collects some data on aid flows from Communist Bloc countries which form the Council of Mutual Economic Assistance (CMEA) and, since the 1970s, from the Gulf states which belong to the Organization of Petroleum Exporting Countries (OPEC). (See Appendix I.) A few countries classed as LDCs (China, India, Israel) have also been small aid donors as well as recipients.

The United States provided half of all aid in the very early years, but its share has dropped steadily to just over 20 per cent today and was exceeded in the 1970s by the combined aid of the EEC countries. British and French aid, much of which has been channelled to former colonies, has also declined markedly in percentage terms. On the other hand, Japan and West Germany have become major aid donors. OPEC aid peaked at nearly 30 per cent of the global total in the mid-'70s and still leads in per capita terms, along with the Scandinavian countries. Currently, the DAC countries provide over three-quarters of all aid. The U.S. is still by far the largest single donor. Canada's share has grown from only 1.1 per cent in the early 1950s to just over 4 per cent today. During the same period, world ODA has shot up from several billion dollars to nearly \$40 billion (U.S.) annually, though the real volume increase on a constant dollar basis has been much less.

It has generally been agreed that certain forms of assistance to developing countries (e.g., military assistance) should not be counted as ODA, but precisely what should be counted has changed over time and remains a matter of some dispute. Administrative costs are now included. There are also a number of grey areas and borderline cases, particularly with respect to the use of so-called mixed credits in which aid is blended with export credits and other market funds as an added inducement to the borrowing country to obtain its supplies from the donor country. In recent years, the DAC has adopted guidelines on associated financing and other purchasing policies. There has been pressure on donors to liberalize the terms of their bilateral aid (i.e., less restrictive tying practices) and to increase its concessionality. Canada scores high on the latter, but remains near the bottom with respect to the untied portion of aid.

How important is ODA? The DAC distinguishes it from other resource transfers which include bilateral export credits, capital investments and non-concessional multilateral financing grouped together as "Other Official Flows" (OOF), as well as grants by private voluntary agencies and private flows at market terms. For the DAC countries as a whole these other transfers amounted to over \$50 billion (U.S.) in 1984, compared to just under \$29 billion (0.36 per cent of GNP) for ODA. One must also consider the much larger volume of North-South trade, and the accumulated Third World debt which stood at nearly \$900 billion (U.S.) in 1984, 60 per cent owed to private banks. Given adverse terms of trade and high interest rates, some calculate the net flow of resources is actually from South to North. Without ODA the imbalance would be far greater than it is. Understood in these terms, ODA is a very significant part of the total economic relations between developed and developing countries. This is especially true of Canada, whose trade and financial links with the Third World - though substantial - are modest in comparison with many other industrialized countries.

The idea of official aid as necessary for global economic growth took root only after the Second World War when the principles underlying the West's recovery plan for Europe and reconstruction of the international economic order were extended to the Third World in the context of the Cold War. Then as now, humanitarianism was the dominant motive for aid, at least in terms of public opinion. At the same time, ODA has always had to serve other foreign policy objectives - strategic, political, commercial and cultural - in addition to what might be considered pure development purposes. Moreover, the conventional wisdom about development has undergone major change. Aid can no longer be viewed as a temporary 'ad hoc' measure supporting a simple model of stages of growth leading to industrial takeoff. Development cooperation has turned out to be an extremely complex, risky endeavor; a human and political as well as economic process. Development is not just a matter of transferring goods or technology. Questions of equity and participation must also be addressed. The poor must become agents of their own development.

Aid which started off as short term and confident of success, has become long term and institutionalized, more controversial and less certain. As ODA has evolved into a huge multinational industry, with all that entails, doubts have grown about its value. International targets have been set - the 0.7 per cent ODA/GNP ratio, more recently 0.15 per cent of GNP to the least developed countries - but only a few donors have met them. In the 1970s most donors adopted basic human needs approaches, but some 30 per cent of DAC bilateral aid still goes to upper middle-income countries, and less than 20 per cent is devoted to the agricultural sector. Many countries continue to give and receive aid for reasons which have more to do with political symbolism, strategic or commercial interests, than with providing benefits to the poorest people.

Given the continued dependence of many countries on aid, has ODA been successful in promoting development? A recent study of aid effectiveness for a World Bank/IMF task force found that the majority of aid was successful in terms of meeting its own objectives.* But the study also showed that aid has been least effective where it is needed most - by the poorest countries and peoples, particularly in Africa. The conclusion was that a serious reorientation of programs is needed in order to tackle the problems of mass poverty, which persist in spite of development and over three decades of ODA experience.

* The study Does Aid Work?, by Robert Cassen and Associates, was done under the auspices of the Development Committee of the Bank and the Fund. It is being published this year by Oxford University Press. Canada was an active participant in the work of the sponsoring Task Force on Concessional Flows.

The need for an integrated strategy - close coordination of ODA with other development policies in areas such as trade and finance - had become apparent by the 1970s. Reviewing the 1970 Government White Paper "Foreign Policy for Canadians", the Sub-Committee on International Development Assistance of this Committee reported in 1971 that this was "probably the

* The Standing Committee on External Affairs and National Defence, reorganized in February 1986 as the Standing Committee on External Affairs and International Trade.

III. CANADA'S ODA RECORD

The post-war history of Canadian aid started with the \$2 billion which Canada contributed to the reconstruction of Europe. In 1949 a much more modest contribution to the United Nations technical assistance program shifted the focus to the struggling nations of the Third World, many of them newly-independent or about to become so. In 1950, Canada played a prominent role in the Commonwealth Conference that launched the Colombo Plan designed to put India, Pakistan, Sri Lanka (then Ceylon) and Malaysia on the path to development, and to keep them in the Western camp. During the 1950s, however, aid amounts remained very small. Aid was intended to be a one-shot deal. The aid program was administered rather haphazardly by the departments of External Affairs, Trade and Commerce and Finance. There was little long-term planning and aid consisted mostly of exports of Canadian commodities and support for capital-intensive infrastructure. In 1960, the program was reorganized as the External Aid Office (EAO) within the External Affairs department. The recognition was dawning of ODA as a long-haul relationship. In 1968 the EAO became the Canadian International Development Agency (CIDA), with full departmental status under the Secretary of State for External Affairs and primary responsibility for the management of the Canadian aid program.

The creation of CIDA signalled the importance which the Government attached to the aid program and broadened the notion of aid from that of a simple one-way transfer to the wider arena of cooperation with developing countries. Apart from its operational responsibilities, CIDA was to be the voice of Third World development within government. In contrast with the International Development Research Centre (IDRC), which was established in 1970 as an arms-length Crown corporation with an international Board of Governors and a specific mandate, CIDA remained an executive creation with a deliberately vague and fluid mandate. The argument against autonomous status and operational independence was that it would detract from the policy influence which CIDA could exert by having the Secretary of State for External Affairs as its spokesperson in the Cabinet. The argument seemed sound at the time. CIDA would coordinate the government's action on ODA. However, it also meant that CIDA was vulnerable to influences from other departments whose mandate was not development. In particular, increasing commercial pressures were brought to bear on the Agency.

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point which has emerged most frequently and forcefully in the course of the whole inquiry". The case for policy coordination was repeated in subsequent Parliamentary reports in 1976, 1977 and 1980 and declared to be a policy principle in the Government's "Strategy for International Development Cooperation, 1975-1980". During the 1970s, CIDA was an active participant in various interdepartmental committees, including one on economic relations with developing countries (ICERDC). Yet, despite the importance of relating aid and non-aid policy instruments, and the bureaucratic mechanisms put in place to effect that result, the impression is one of frustration on CIDA's part. An integrated development policy failed to materialize.

On aid issues the record has been mixed. The Strategy document indicated that the Government would relax its 80 per cent tying rule for bilateral ODA to permit developing countries to compete for contracts. This did not happen. ODA as a percentage of GNP also fell from a high of 0.56 per cent in fiscal year 1975-76 to a recent low of 0.40 per cent in 1980-81. (It has since risen to the 0.5 per cent level where, according to current government policy, it will remain for the balance of this decade.) At the same time, a tremendous expansion has taken place in the ODA budget and in the diversity of ODA programs and channels. CIDA, which started off in 1968 with a budget of about \$250 million and 500 employees, now has 1,120 employees and a budget approaching \$2 billion. With growth has come a corresponding increase in the bureaucratic regulation to which the aid program is subject. The bewildering complexity of approval procedures in the current ODA system is partly a response to the concerns about accountability raised vigorously by the Auditor General since the mid-'70s. But it is also the result of trying to run a multi-purpose aid program in over 80 countries. Surveying the ODA scene, we are moved to wonder: What are we really trying to accomplish? How much good are we doing? Might there be a better and simpler way?

IV. ISSUES

Those who have followed the aid debate over the years will find that many, if not all, of the issues raised below are familiar to them. We should not be discouraged by this. Public policy is a continuous process of asking and re-asking the same basic questions. The aim is, over time, to improve the quality of our answers.

Goals

We did an internal report which held up 10 objectives and showed that for each one of them there were objectives which went in entirely contrary directions, and yet all of them were endorsed objectives of the Canadian aid program.

Mrs. Margaret Catley-Carlson, President of CIDA
Testimony before the Standing Committee on
Public Accounts, June 20, 1985

Canada now spends \$2.5 billion a year on Official Development Assistance. Do we know why? The first step in our inquiry is to define clearly Canada's purposes in giving aid. Unless we can do that it will be impossible to say whether or not that aid is achieving its objectives.

1) Why does Canada have aid programs?

What national interests and values are served by ODA? The official answer is threefold:

- Humanitarian - to express the Canadian desire to alleviate human suffering and promote social justice;
- Political - as one means to increase stability and improve the chances for peace in the world;
- Economic - to support the economic growth of developing countries and thereby stimulate international trade and Canada's own long-term economic prospects.

Are these valid national reasons for having aid programs? Are there others? What weight should be assigned to each of these interests? Are they consistent? The great majority of Canadians have a humanitarian vision of foreign aid. Do existing programs express that vision? What is meant by political stability? How does this relate to concerns about social justice? Has ODA proven to be an instrument for promoting political stability in the Third World? In purely economic terms, is there a beneficial relationship between international trade and the economic growth of developing countries? Has aid been an effective means of promoting mutual interests and common approaches to global problems?

2) What are we trying to achieve?

The objectives of the ODA program as stated by CIDA* are:

To facilitate the efforts of the people of developing countries to achieve self-sustainable economic and social development in accordance with their needs and environment, by cooperating with them in development activities;

and to provide humanitarian assistance;

The same statement goes on to say that:

Development has been defined as a process by which societies change so that they are able to meet the basic needs of their populations in a way that is sustainable in the long run and is based largely on indigenous resources and values.

Development so defined has a mixed record over the past 35 years. Some developing countries have made dramatic progress while others are as far from being able to meet the basic needs of their people today as they were a generation ago. Does the record demonstrate the need for some fundamental changes in the objectives of foreign aid? Do we have a clear idea of what we mean by basic needs? Has Canadian ODA been directed to meeting them? Has aid been truly responsive to the needs and environment of the people of developing countries? Do we ask the poor themselves what they want and need? Since national and international economic policies have so often undermined development, should policy dialogue and reform at all levels be a stated objective of Canadian ODA?

The second objective of Canadian ODA is that of providing emergency humanitarian assistance. This has the merit of directly helping people in extreme need and of expressing the values of Canadians. At the present time Canada spends about 2 per cent of ODA on humanitarian assistance. Should we spend more? This form of assistance is normally thought of as relief, not development, and so not designed to change the conditions that gave rise to the emergency. But what of the world wide population of 10 million refugees whose plight is often extreme and of long duration? What opportunities exist to bridge the gap between humanitarian and development assistance to refugees?

* Canadian International Development Agency, "A Briefing Book for Parliamentarians", April 1986, p. 2.

3) Where should we concentrate our efforts?

No matter how clearly we define our objectives, the need for aid will continue to exceed the supply. It is, therefore, imperative that we establish priorities and concentrate our efforts where they are most needed and likely to do the most good.

The declared priority of Canadian ODA continues to be that of meeting the needs of the poorest countries and peoples. Our assistance is quite heavily concentrated in the lowest income developing countries, though it is of less direct benefit to the poorest people in those countries. Comparative studies of ODA suggest that it has been least effective in the alleviation of extreme poverty. Should Canadian ODA continue to focus on the poorest countries? Should it be targetted more carefully at providing help to the poorest people? How?

Although bilateral assistance is directed primarily at 30 countries in four geographic regions, it finances aid activities in some 55 to 60 countries. Through multilateral and NGO channels Canada is present in many other countries as well. In all, our program is one of the most dispersed in the world. Should we concentrate our efforts in fewer countries? In one or other regions of the Third World? By what criteria? CIDA's country classification system is supposed to differentiate between important and less important development assistance relationships. How strongly does it reflect an assessment of need? Should Category I countries be chosen exclusively on the basis of development criteria?

Apart from geography there is the matter of sectoral and program concentration. At the present time, energy, agriculture and human resource development are the top priorities of the bilateral aid program. Are these the right priorities? What weight should be assigned to each of them? In the area of human resource development, should greater attention be paid to education and to the needs of women in development? Other areas of development such as health, water resources and population now receive comparatively little support from Canada. Should those areas or others be given higher priority?

Policy Environment

Aid policies are conditioned by a host of factors operating in both the domestic and international environments. In turn, aid can be a lever for inducing certain changes in that environment.

4) What conditions should we attach to our aid?

The stated objectives of Canadian ODA point to the needs of developing countries as the first consideration in giving aid. In fact, things are not quite so simple as that. The objectives

themselves carry an obligation to ensure that assistance is used effectively for the purposes intended. One of the criteria for determining Canadian aid eligibility is the commitment to development of the recipient country. How should Canada determine that commitment? What indicators should be employed in deciding whether the priorities of a recipient are the ones we wish to support? The more general issue is whether and how Canadian values and attitudes should condition our aid programs. Should human rights, military expenditures, ideology (political and economic systems) be important factors in aid decision-making in the bilateral and multilateral programs? As one person remarked to the Committee, "aid is inherently interventionist", yet, at the same time, it is intended to encourage self-reliant development. Without dialogue and coordination of goals, conditionality is unlikely to promote development. What balance should be struck between responsive and interventionist aid? Is Canadian ODA too much one way or the other? How should the policy dialogue be conducted?

5) How should political and economic interests be reflected in our aid programs? What about tied aid?

Apart from the development conditions inherent in aid relationships, a number of other interests and values are closely associated with ODA. These arise from the underlying national political and economic interests in having aid programs in the first place. While Canadian interests are primarily developmental, CIDA describes geopolitical and commercial interests as essential considerations in defining aid relations with core countries. CIDA's bilateral assistance program is used, among other things, as a foreign policy instrument for winning friends and influencing governments. This has the effect of regularly lengthening though almost never shortening the list of Canadian aid recipients. Should political interests of this sort play an important part in Canadian ODA?

National economic interests impact as surely as political interests on the aid program. While the declared purpose in having such programs is the economic development of recipients, and only thereby the long-term economic benefit of Canada, there are many pressures for more immediate benefits. The most striking and frequently debated of these is tied aid, the rule that a minimum of 80 per cent of bilateral assistance must be in the form of Canadian goods and services. This is an issue we are determined to get to the bottom of. Is tying of significant economic benefit to Canada? Does it promote or undermine longer-term Canadian trade with the Third World? Does it seriously distort the purpose or erode the value of Canadian aid? What are the costs and benefits? More generally, what part should Canadian trade and commercial objectives play in our aid programs? How should institutions such as the Export Development Corporation relate to CIDA?

6) What are other countries doing?

Canadian aid policies are not made in isolation from those of other donors. They are also influenced by competitive pressures within the global political economy which can sometimes have unwelcome effects. Currently, there is growing concern about the practice of *crédit mixte* and related forms of promoting exports through aid. Although Canada's proposed Trade and Development Facility was cancelled for budgetary reasons, should Canada be working for stricter guidelines on such uses of ODA? More positively, are there elements in other donors' programs that we should emulate?

Over time an international development community has been built up, but its record of cooperation is mixed. What opportunities exist for Canada to promote greater pooling of information and experience within the OECD and other multilateral fora? Policy and program coordination among donors and recipients is also vital, but all too often lacking. The "Club du Sahel" - joining donors and recipient countries in Sub-Saharan Africa - appears to be one of the rare successes. What might Canada do to encourage policy dialogue and better coordination of aid activities, regionally and internationally?

Organization and Programs

The first prerequisite of an effective aid program is clarity of purpose. The second is the means to carry out this purpose.

7) Who should decide?

Canadian ODA consists of a large, complex and occasionally fractious bureaucratic family, including CIDA, the senior Departments of External Affairs and Finance, as well as the Department of Agriculture and the Wheat Board in the case of food aid. In addition, the International Development Research Centre, Petro-Canada International and the International Centre for Ocean Development have an arms-length but nonetheless real membership in the family. Several central agencies of government, notably Treasury Board, exert powerful influence over the management of ODA. The office of the Auditor General scrutinizes the expenditure of ODA funds on behalf of Parliament. There are a number of questions that arise from this system of divided responsibilities. Does it make sense to have Canada's participation in the World Bank managed by the Department of Finance while CIDA is responsible for the regional development banks? Is there adequate coordination of food aid? Are there alternative models of interdepartmental consultation and policy-making that would enhance the effectiveness of ODA? Are there clear lines of authority which give coherent political direction to the aid program?

At the present time, CIDA is both the largest operational agency in the ODA system and the source of Cabinet advice on the allocation of ODA among the various channels, CIDA included. Should ODA policy-making be separated to a greater extent than it now is from CIDA operations? The Agency manages the expenditure of about three-quarters of Canadian ODA. In this single bureaucratic form are grouped together a variety of very diverse programs, including bilateral assistance, multilateral programs, assistance to NGOs and the business cooperation branch. Should some of these programs (e.g.: NGO programs, technical assistance, business cooperation) be removed from CIDA and established as smaller and more specialized institutions having an arms-length relationship with government? Would CIDA itself fare better as a Crown corporation with its own legislative mandate? Should other changes in its operating rules be made to enhance the effectiveness of the Agency? Would an advisory council or board of directors be useful and, if so, how would it relate to Ministers? to the President's Committee of CIDA? to other departments and agencies?

ODA is only a part of the economic relations between developed and developing countries. If the object of Canadian policy is to encourage development, then trade and finance policy must be related to and made consistent with ODA. Evidence received by the Committee suggests that CIDA, the lead agency on ODA, has little influence on other areas of policy which impact on developing countries. How can Canadian aid policy be made more broadly developmental? What mechanisms are needed to promote policy integration?

ODA policy is a unique activity of government because it seeks to help other countries and people. ODA decision-making must, therefore, also be unique in responding to the needs, priorities and concerns of developing countries. Is Canadian ODA, and CIDA in particular, too Ottawa-centered? Are the rules and monitoring of Treasury Board and the criteria used by the Auditor General's Office appropriate to ODA? Do they result in CIDA having to concentrate too many of its staff resources at headquarters? Should greater responsibility for decision-making be transferred to developing countries or to Canadian officials working in those countries?

8) What channels and aid instruments should we use?

At the present time, the allocation of shares among bilateral, multilateral and special programs is based more on broad political considerations than on any evaluation of effectiveness. Bilateral or country to country assistance - which now accounts for about 36 per cent of ODA - has the merit of being tied most closely to Canadian policy objectives. In some circumstances - for example, where Canada does not want to work with a recipient government - that advantage may become a disadvantage, and alternatives to

bilateral assistance are sought. The multilateral channel - working through a wide range of international organizations - accounts for about one-quarter of ODA. It has the advantages of pooling expertise and increasing the leverage of Canadian assistance but distinct national policy objectives may disappear. The question has also been asked whether Canada gets a fair return from its investment in multilateral organizations. In general, what are the costs and benefits of bilateral and multilateral aid? Can the comparative effectiveness of these two channels be established? Should their present funding shares be appreciably changed in the future?

Food aid is a major aid policy instrument. In recent years Canada has provided well over \$300 million of food aid annually through the World Food Program, bilateral assistance and Canadian non-governmental organizations. Over the years food aid has been criticized as a surplus disposal scheme which acts as a disincentive to agricultural production in developing countries. Steps have been taken by Canada and other donors to mitigate these dangers by relating food aid to agricultural development plans. Are the new food aid policies effective? Are they sufficiently sensitive to long-term agricultural development? What additional steps should be taken to enhance the value or curb the use of food aid?

The aid instruments we employ reflect the kind of development we wish to support. Canadian aid remains quite heavily project-oriented, meaning that it supports very discrete activities with a beginning and an end - building a dam, training a group of technicians. It is now recognized that a universe of good projects may still collapse if the basic health of a country - e.g., its finances, its administration - cannot sustain those projects. Accordingly many aid agencies are increasingly turning their attention to program aid, including balance of payments support, designed to strengthen and reform the basic structures of a country. What balance should be struck between project and program aid? What balance between big projects and small?

9) What role should ODA partners play?

Government to government assistance is only one part, albeit the largest financially, of the aid relationships between Canada and developing countries. More than 300 Canadian non-governmental organizations are active in raising funds, designing projects and working in developing countries. The strength and special role of these organizations lies in the commitment of their members to grass roots development through small, people to people projects. For almost 20 years it has been Canadian government policy to support these organizations either directly or through matching funds. Some are now heavily dependent on government funding. Has this compromised the independence of NGOs? Are there ways in which the

system of funding could be changed to minimize this possibility in the future? To what extent is absorptive capacity - the ability to use funds effectively - a limiting factor in the growth of NGO programs? What is the capacity of NGOs? How fast should their funding increase?

As non-governmental organizations have grown in size and resources, CIDA has looked to them as a means of contracting out the management of bilateral assistance programs. These country focus programs have involved some very interesting and creative partnerships among CIDA, NGOs, Canadian universities and the private sector. How far should this form of partnership be carried? Could a significantly larger part of Canadian bilateral assistance be channelled through non-governmental partners? Are there dangers in too much privatization of aid?

Apart from private voluntary organizations, Canadian universities have a long and distinguished history of involvement in development. However, in one area of education - the provision of scholarships - Canada lags behind many other countries. Only Austria among OECD countries grants fewer scholarships as part of ODA. Should Canada's scholarship program be greatly expanded? If so, how? In what areas, on what conditions?

Increasing interest is also being shown in Canadian business as a teaching resource in the development assistance program. Is Canadian business interested in playing such a role? How can small and medium-sized companies - the kind most relevant to many developing countries - be involved?

Learning

ODA is a bridge between the people of Canada and the peoples of the Third World. It is essential that both ends of the bridge be solid and secure. This means working steadily at one end to improve the quality and effectiveness of aid and working at the other to learn from and inform the Canadian people.

10) Do we learn from our mistakes?

Official development assistance is a complex activity and, at the same time, a small part of the total influences operating on developing countries. For these reasons and others it is often difficult to say whether a particular aid project has been successful or not. Over the past decade CIDA has expanded the resources which it devotes to project evaluation and review. With what results? Are Canadian aid projects appreciably better - or more likely to succeed - than they were a decade ago? Should significantly more be spent on evaluation? What opportunities exist for greater international cooperation in comparing the results of aid?

The quality of evaluation is at least as important as the quantity. How well equipped are Canadian officials to understand the cultural forces at play in developing countries? Do outside consultants feel free to offer sharp, critical analysis to the agency that commissions their work? Apart from project evaluations, why does so little effort go into evaluating the work of multilateral organizations which Canada supports? Why does CIDA not carry out evaluations which explicitly compare the effectiveness of various programs, sectors and channels?

The purpose of evaluation is to improve aid effectiveness, but also to assure the Canadian people that aid is not being wasted and is being used as efficiently as possible. Accordingly, there would seem to be a strong case for making aid evaluations public. Canadians should be in a position to assess the results of programs, warts and all. Are there any compelling reasons which prevent public disclosure?

11) What are Canadians saying?

It is important to measure the effectiveness of aid in developing countries. It is equally important to determine the nature of support for aid among Canadians. The extraordinary response to the African famine demonstrated that the commitment of Canadians to helping others is as strong as ever. At the same time public opinion surveys suggest that the orientation of Canadians toward aid is considerably more humanitarian and less self-serving than is the aid program itself. What means exist for keeping Canadian aid programs in touch with public opinion? Recognizing the distinction between public relations and public education, has CIDA been effective in explaining Canadian aid programs? Are there adequate opportunities for meaningful involvement by Canadians? Is there a need for new forms of public participation? Should Parliament play a more active role in putting the people and the bureaucracy in touch with each other? Are there activities this Committee should undertake to promote greater public discussion and understanding?

Funding

We come to the last but far from the least of the issues we must consider. How much money should we devote to aid? How much is enough?

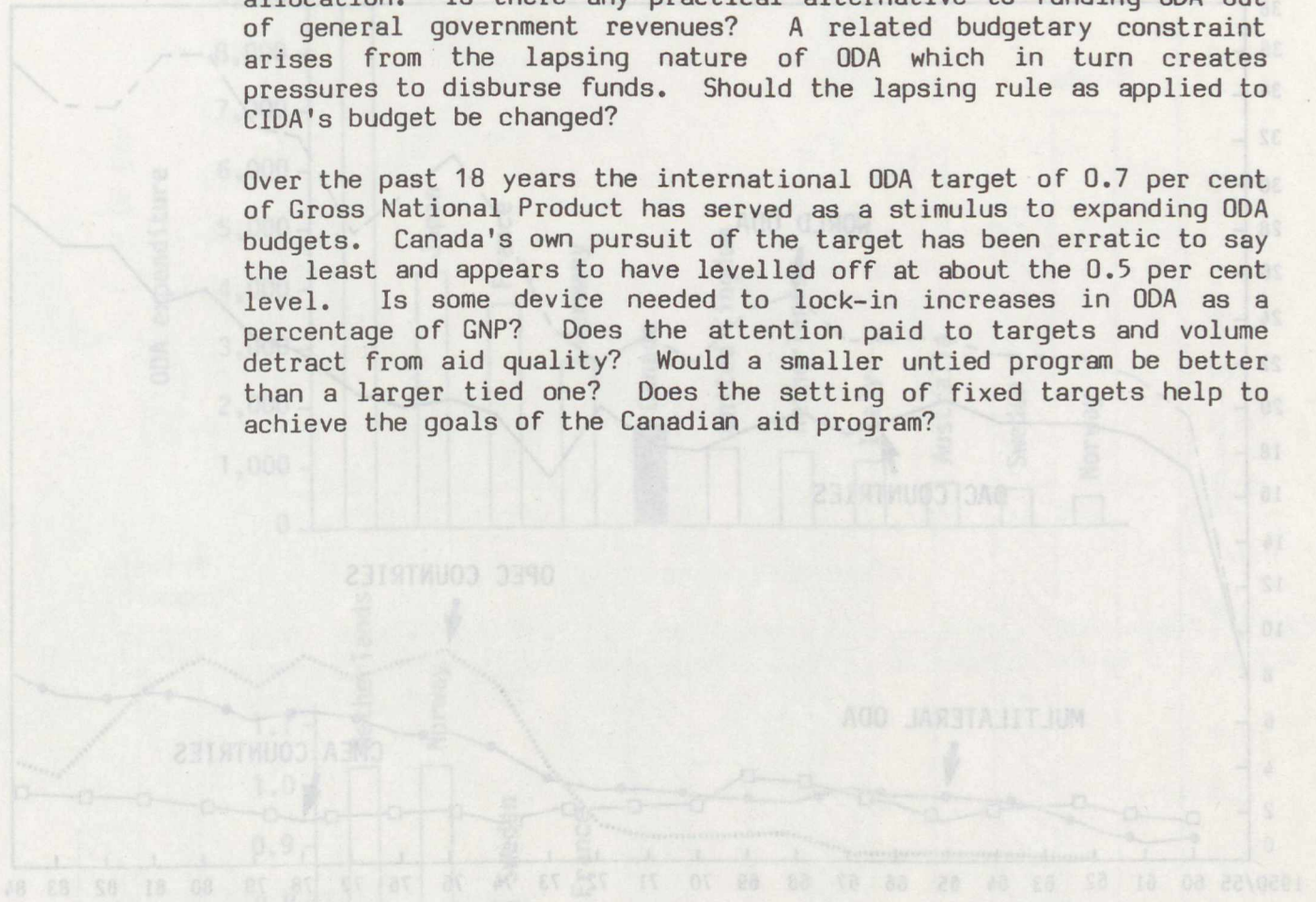
12) Should we pursue targets?

The needs of developing countries far exceed the ability, or at least the willingness, of developed countries to provide assistance. The gap between the two is growing. What should we do to narrow the gap? Are there alternatives to official development assistance which can make up more of the shortfall in future?

NET ODA EXPENDITURES OF THE OECD DONORS, 1964
(top: millions of dollars; bottom: percentage of GNP)

The difficulty in increasing aid budgets is compounded by the fact that they form a significant share of discretionary federal government expenditures, funded on the basis of annual appropriations. Within the complex negotiations of the budget process, pressures inevitably arise which impact on the ODA allocation. Is there any practical alternative to funding ODA out of general government revenues? A related budgetary constraint arises from the lapsing nature of ODA which in turn creates pressures to disburse funds. Should the lapsing rule as applied to CIDA's budget be changed?

Over the past 18 years the international ODA target of 0.7 per cent of Gross National Product has served as a stimulus to expanding ODA budgets. Canada's own pursuit of the target has been erratic to say the least and appears to have levelled off at about the 0.5 per cent level. Is some device needed to lock-in increases in ODA as a percentage of GNP? Does the attention paid to targets and volume detract from aid quality? Would a smaller untied program be better than a larger tied one? Does the setting of fixed targets help to achieve the goals of the Canadian aid program?



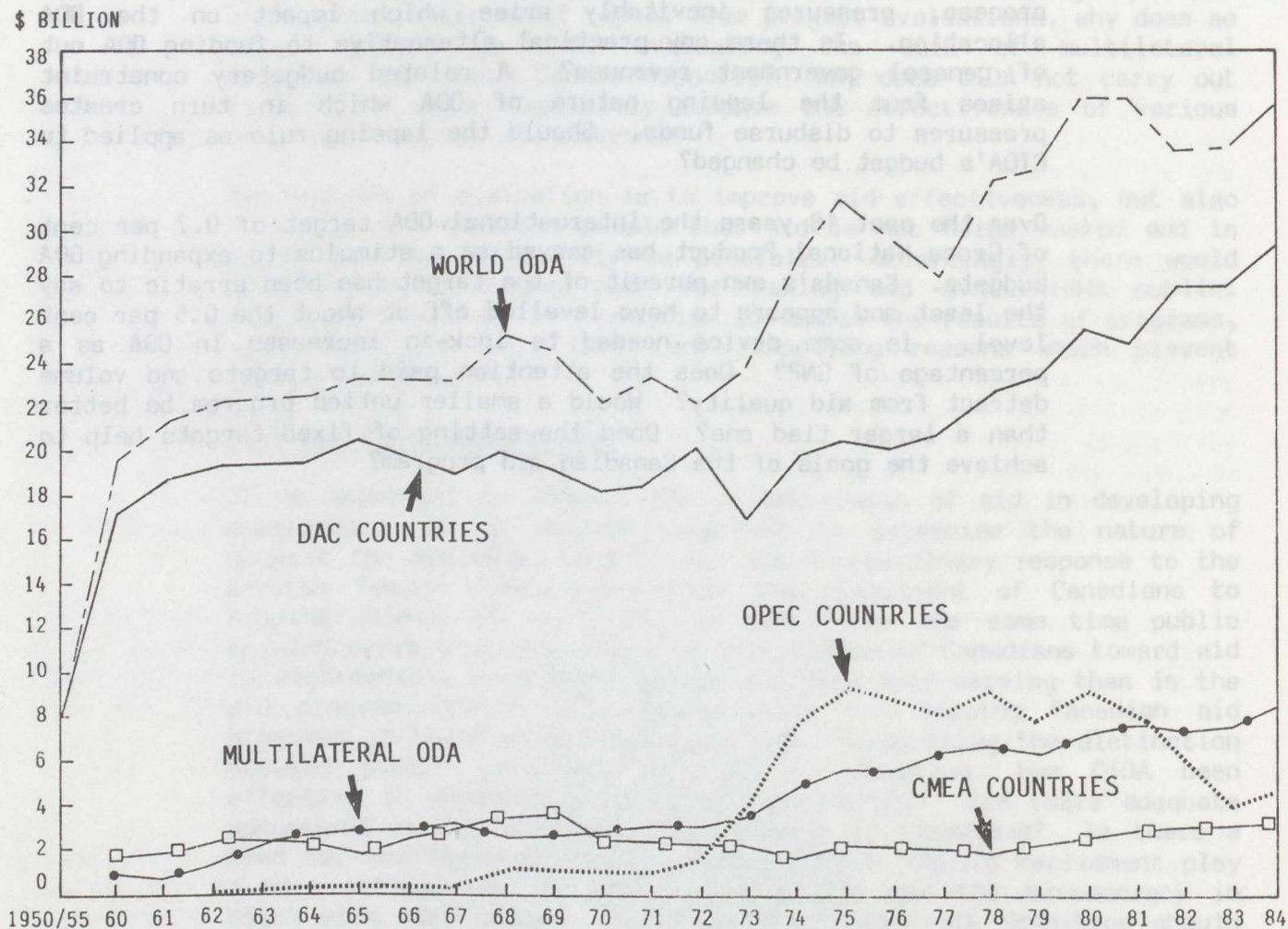
* Note: The DAC countries total includes both bilateral and multilateral ODA. Within that total, the separate line for multilateral ODA groups together all contributions made through international financial institutions, United Nations agencies, the European Community and other non-bilateral channels.

Source: OECD, Twenty-Five Years of Development Co-operation: A Review, Paris, November 1987, Chart III-1, p. 94.

Source: OECD, Twenty-Five Years of Development Co-operation, 1985 Report, Table 25 and 26, p. 107 and 108.

APPENDIX I

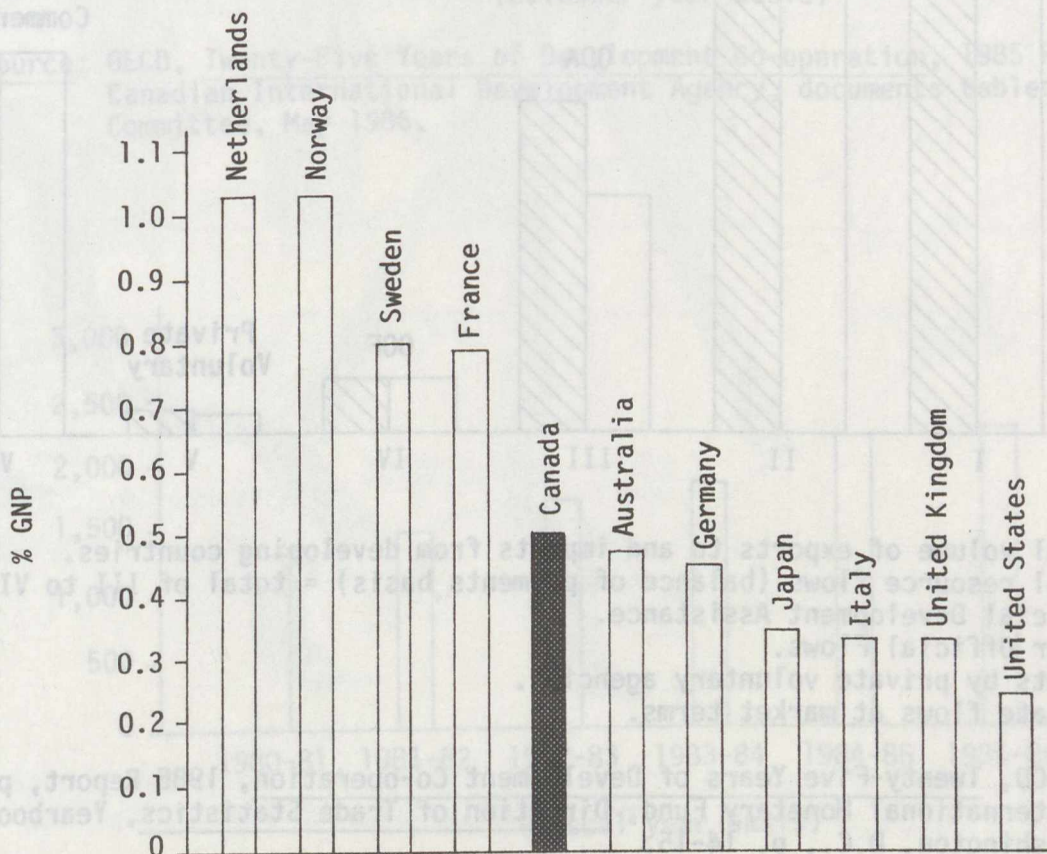
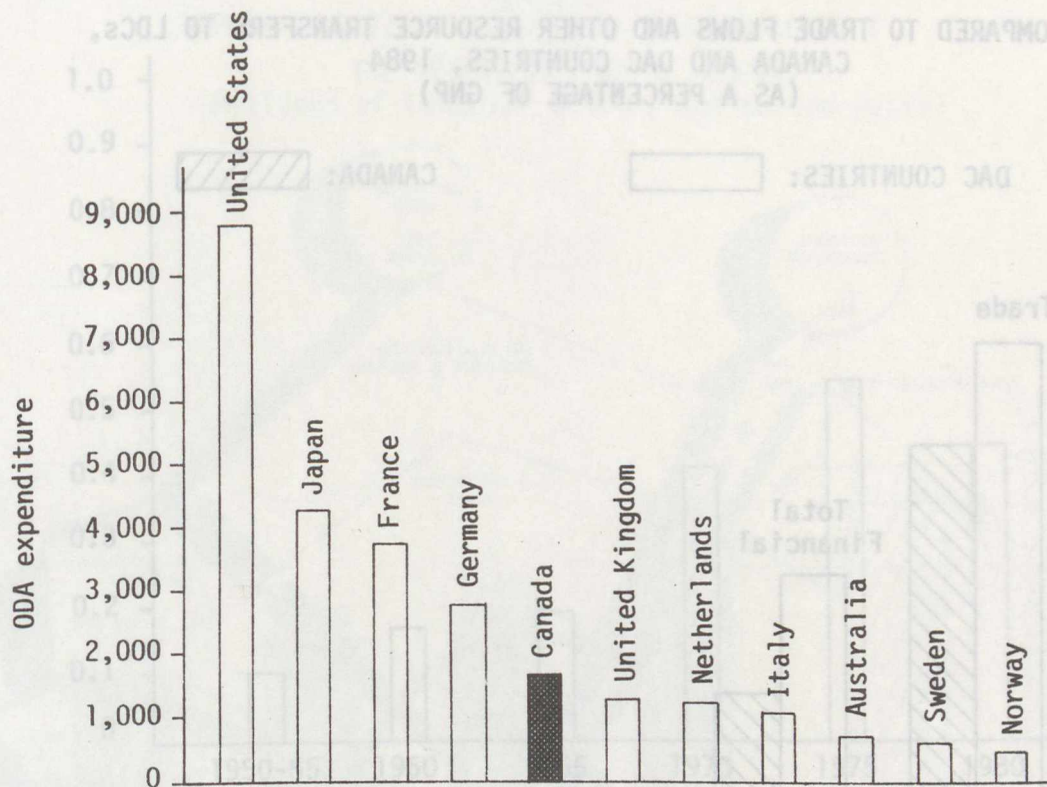
WORLD ODA BY DONOR GROUP
(\$ U.S., 1983 prices and exchange rates)



* Note: The DAC countries total includes both bilateral and multilateral ODA. Within that total, the separate line for multilateral ODA groups together all contributions made through international financial institutions, United Nations agencies, the European Community and Other non-bilateral channels.

Source: OECD, Twenty-Five Years of Development Co-operation: A Review, Paris, November 1985, Chart III-1, p. 94.

NET ODA EXPENDITURES* OF LEADING OECD DONORS, 1984
(top: millions of \$ U.S.; bottom: percentage of GNP)

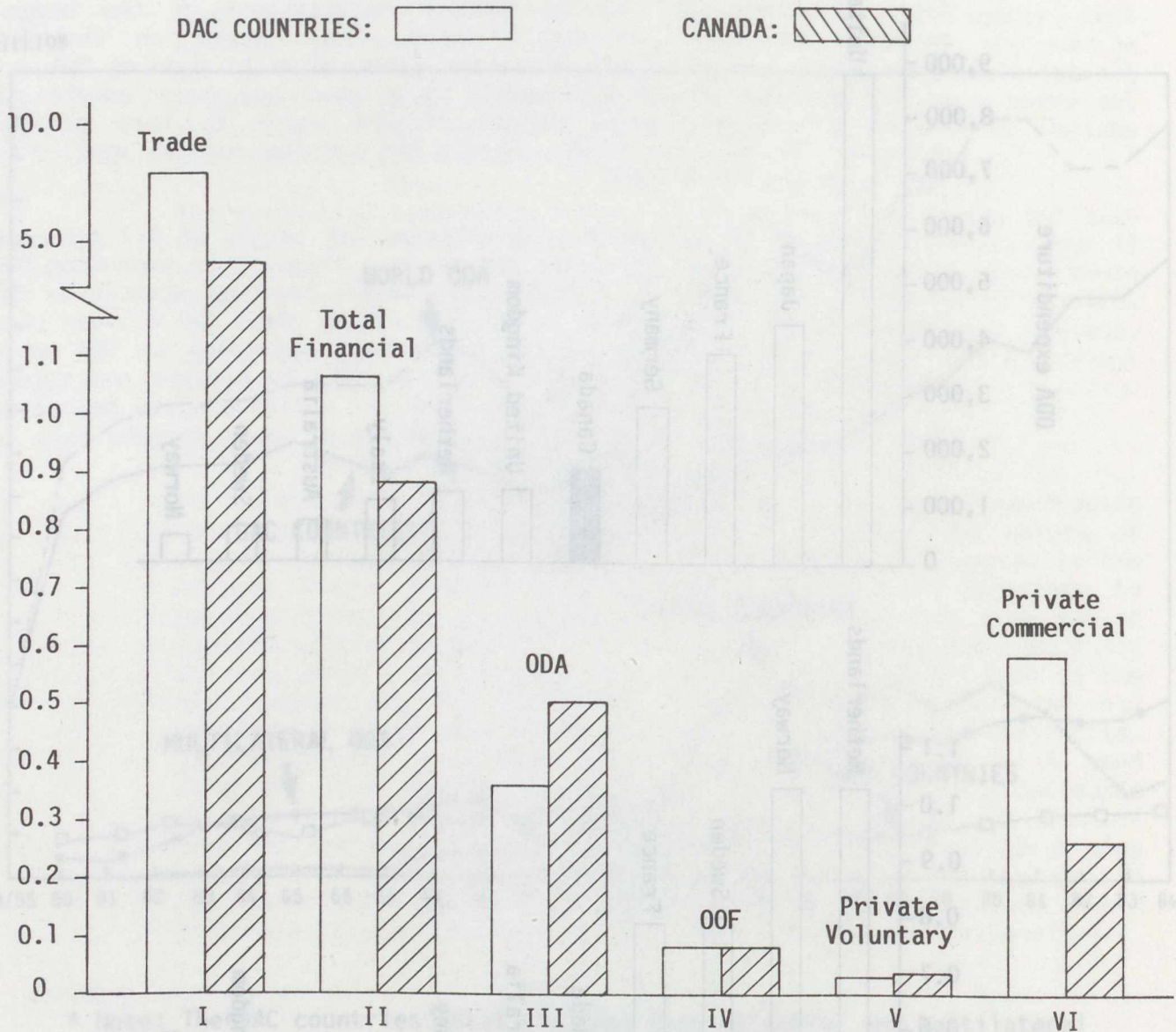


Source: OECD, *Twenty-Five Years of Development Co-operation, 1985 Report*, Tables 25 and 26, p. 334 and 335.

* The net transfer after subtracting ODA loan repayments from gross expenditures.

APPENDIX III

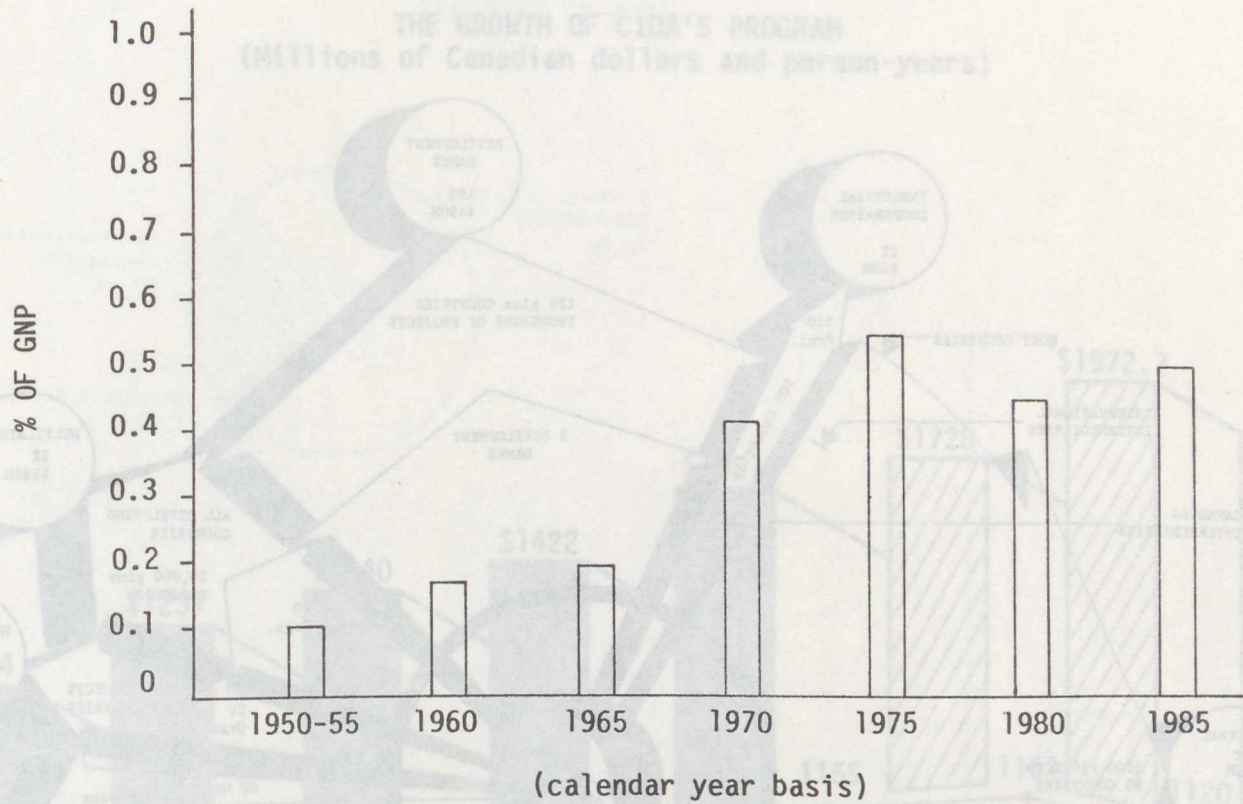
ODA COMPARED TO TRADE FLOWS AND OTHER RESOURCE TRANSFERS TO LDCs,
CANADA AND DAC COUNTRIES, 1984
(AS A PERCENTAGE OF GNP)



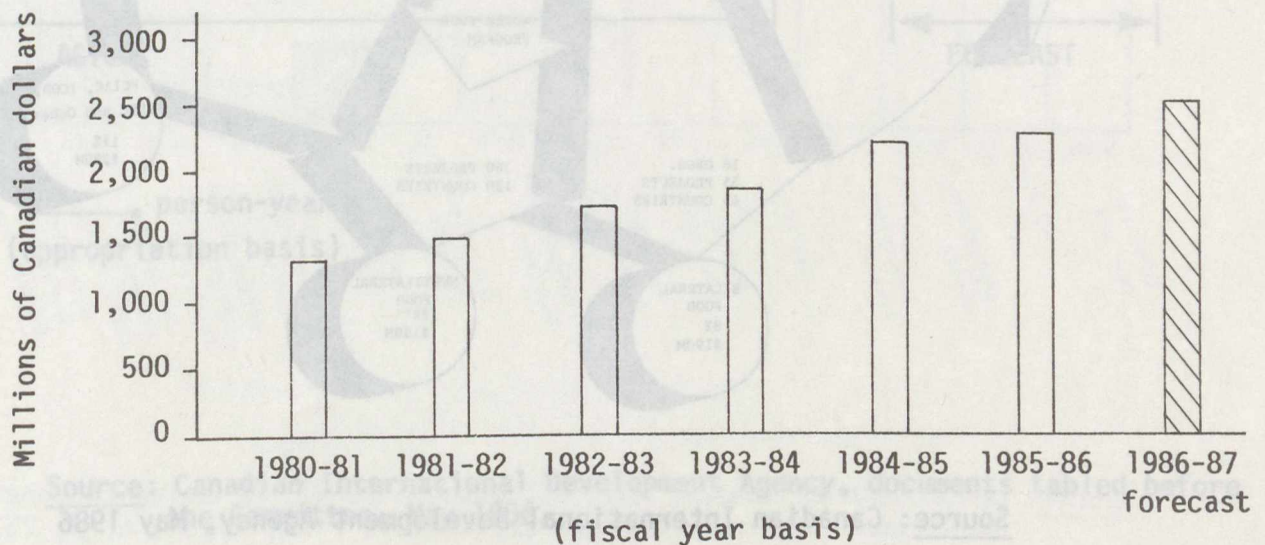
- I - Total volume of exports to and imports from developing countries.
- II - Total resource flows (balance of payments basis) = total of III to VI.
- III - Official Development Assistance.
- IV - Other Official Flows.
- V - Grants by private voluntary agencies.
- VI - Private flows at market terms.

Source: OECD, Twenty-Five Years of Development Co-operation, 1985 Report, p. 318-319; International Monetary Fund, Direction of Trade Statistics, Yearbook 1985, Washington, D.C., p. 14-15.

THE GROWTH OF CANADIAN ODA



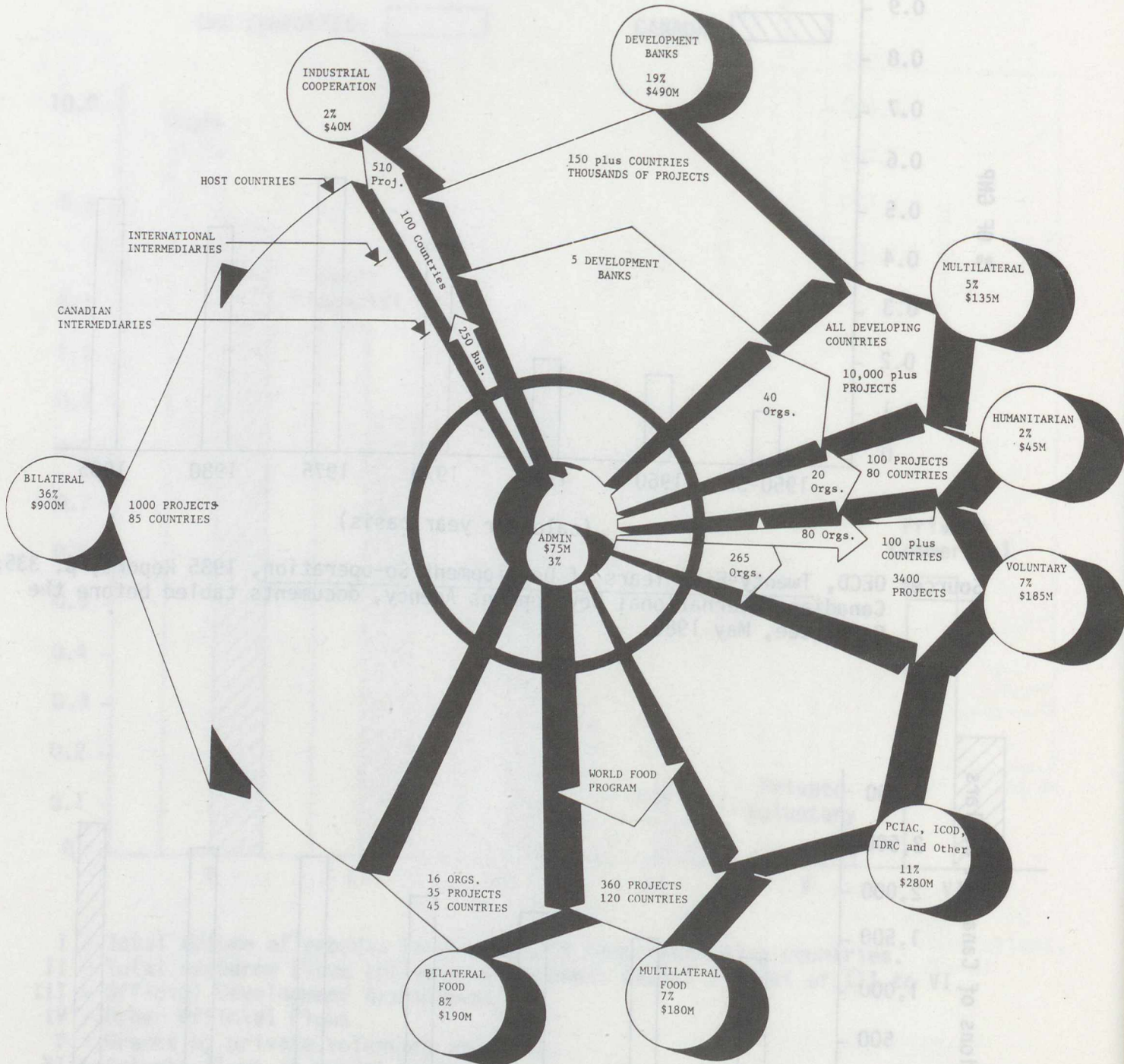
Source: OECD, Twenty-Five Years of Development Co-operation, 1985 Report, p. 335; Canadian International Development Agency, documents tabled before the Committee, May 1986.



Source: CIDA, "Canadian International Development Assistance Programs: A Briefing Book for Parliamentarians", Ottawa, May 1986, Annex C, p. 14.

APPENDIX V

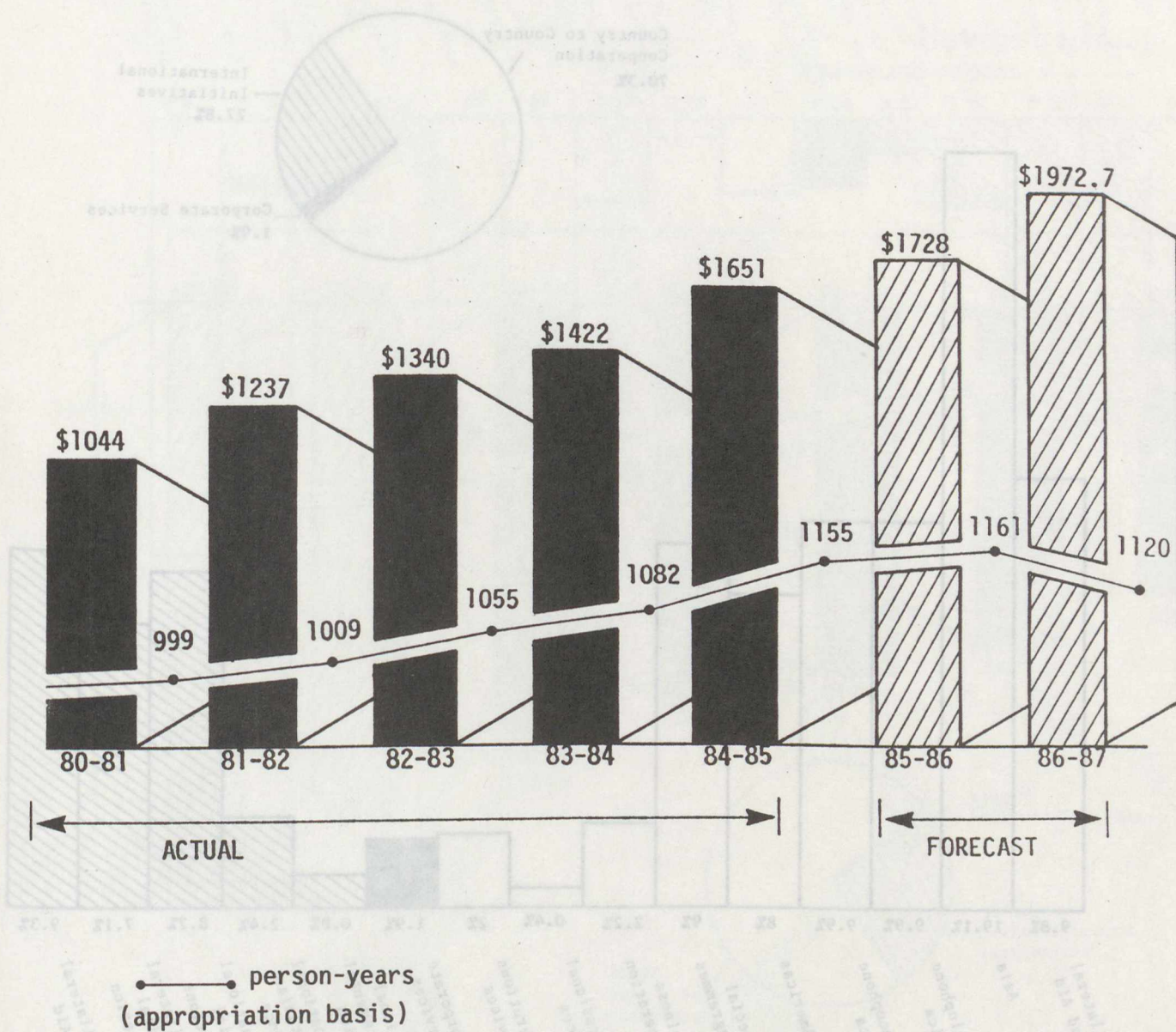
DISTRIBUTION OF ODA EXPENDITURES BY PROGRAM



Source: Canadian International Development Agency, May 1986

APPENDIX VI

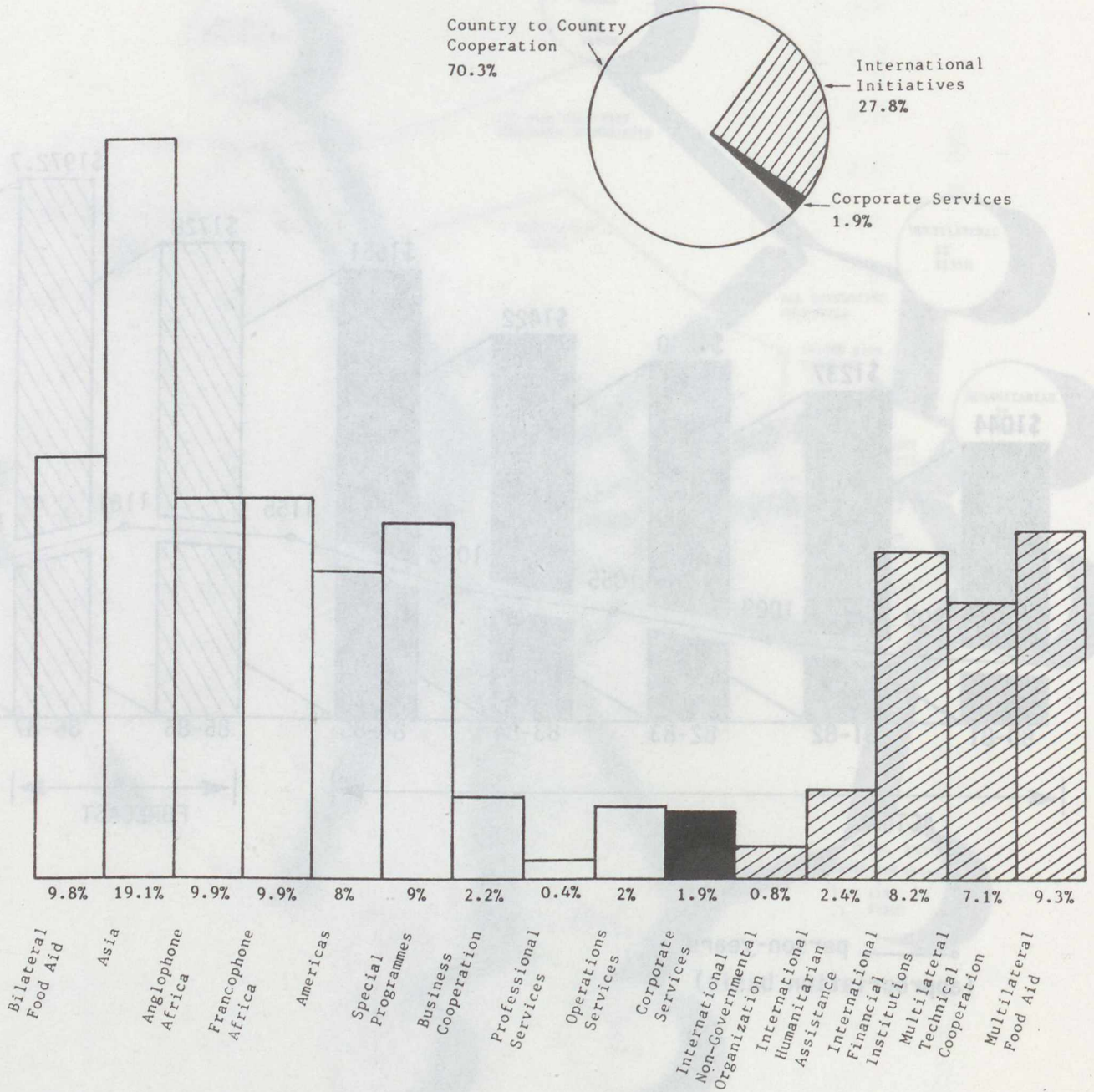
THE GROWTH OF CIDA'S PROGRAM
(Millions of Canadian dollars and person-years)



Source: Canadian International Development Agency, documents tabled before the Committee, May 1986.

APPENDIX VII

CIDA'S EXPENDITURES BY ACTIVITY AND PROGRAM
1986-87 FORECAST



Source: Government of Canada, Main Estimates 1986-87, Canadian International Development Agency, Part III Expenditure Plan, Figure 6, p. 23.

