



HOUSE OF COMMONS  
CANADA

# **For Whose Benefit?**

**Report of The Standing Committee on  
External Affairs and International Trade on**

**Canada's Official Development Assistance Policies  
and Programs**

**May 1987**



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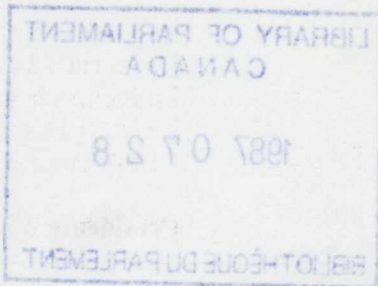
Fascicule N° 26  
CHAMBRE DES COMMUNES  
Le jeudi 30 avril 1987  
Le mercredi 12 mai 1987  
Le jeudi 13 mai 1987  
Le vendredi 14 mai 1987  
Le vendredi 15 mai 1987  
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Thursday, April 30, 1987  
Tuesday, May 5, 1987  
Thursday, May 7, 1987  
Tuesday, May 12, 1987  
Wednesday, May 13, 1987  
Thursday, May 14, 1987  
Wednesday, May 20, 1987

Le jeudi 30 avril 1987  
Le mardi 5 mai 1987  
Le jeudi 7 mai 1987  
Le mardi 12 mai 1987  
Le mercredi 13 mai 1987  
Le jeudi 14 mai 1987  
Le mercredi 20 mai 1987

**Chairman:** William C. Winegard

**Président:** William C. Winegard

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*Minutes of Proceedings and Evidence  
of the Standing Committee on*

*Procès-verbaux et témoignages  
du Comité permanent des*

**External Affairs and  
International Trade**

**Affaires étrangères  
et du commerce  
extérieur**

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**RESPECTING:**

Consideration of Canada's Official  
Development Assistance policies and  
programs, pursuant to Standing Order 96(2)

**CONCERNANT:**

L'étude des politiques et programmes du  
Canada en matière d'aide publique au  
développement, conformément à l'article  
96(2) du Règlement

**INCLUDING:**

The First Report to the House

**Y COMPRIS:**

Le Premier Rapport à la Chambre

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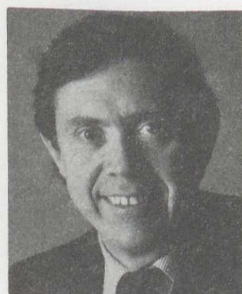
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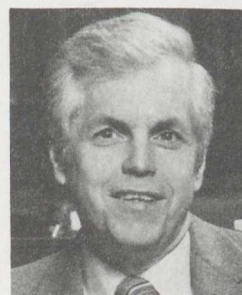
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**THE STANDING COMMITTEE ON  
EXTERNAL AFFAIRS AND  
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has the honour to present its

**FIRST REPORT**

In accordance with its Order of Reference dated Friday, June 28, 1985, and its mandate under Standing Order 96(2), your Committee has heard evidence and considered policy with respect to Canada's Official Development Assistance and reports the following:



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## Chairman's Foreword

In the wake of the African famine, the Standing Committee on External Affairs and International Trade decided it was time for a comprehensive review of Canada's Official Development Assistance. This report presents the results of the Committee's inquiry, carried out over the past year. While there is much for Canadians to be proud of in our aid program, there is room for improvement as well. As Chairman of the Committee, I hope that we will be successful in helping to change the emphasis from the building of things to human development, from short-term projects to long-term relationships and, above all, from Ottawa-centred decision-making to doing development in the field. These themes run through the whole report.

To determine the views of Canadians, the Committee travelled across Canada and held extensive hearings in Ottawa. In addition, I and other Members of the Committee have received thousands of letters, leaving no doubt in our minds that Canadians care and think deeply about the aid program. From the outset of our study we were also determined to see Canadian aid in action and to exchange views with the ordinary people and senior officials of developing countries. The pressures of time limited us to a single field trip to Africa, but the itinerary was carefully designed to include large and small, bilateral and multilateral aid projects. This valuable field experience was greatly supplemented by a wealth of previous experience and travel by both Members and staff of the Committee in other parts of the Third World. In addition to our investigations in Africa and our hearings back home in Canada, we held discussions with senior officials of the international financial institutions in Washington and with representatives of United Nations development agencies in New York. Looking back over the year as a whole, I think we can claim to have listened fairly to all sides of issues and to have explored carefully all important facets of the aid program.

The most pleasant part of the Chairman's duties is to thank all those who contributed to the work of the Committee. I would like to begin with my colleagues from all three parties who worked hard, always cheerfully and usually willingly, under the Chairman's whip. From the beginning, the ODA study was blessed by a spirit of co-operation resulting in a report that is unanimous on nearly all recommendations. On those few matters where we were unable to agree, the debate was conducted with mutual respect. For this I thank all Members who participated in the study. Our success in undertaking and completing a large and complex assignment of this sort also owes a great deal to the staff members of our team. The clerk, Maija Adamsons, kept us on course through a demanding schedule with efficiency and good humour. We were well served by our expert advisers, Bob Miller of the Parliamentary Centre for Foreign Affairs and Foreign Trade, Dr. Gerald Schmitz from the Library of Parliament Research Branch and research assistant, Ian Burney of the Parliamentary Centre. Many others—secretaries, administrative assistants, word processor operators, translators, interpreters and editors—put in long hours on our behalf. We thank them all.

I would like to express our appreciation to all those outside the Committee who made our work easier, more rewarding and in some cases just plain possible. We were impressed by the exemplary co-operation we received from the Canadian International

Development Agency in responding promptly and fully to our requests for information and in arranging our itineraries in Africa. Canadian diplomats and development officers abroad were unstinting in their efforts to accommodate us. Thanks are also due CIDA President Margaret Catley-Carlson and to Ivan Head, President of the International Development Research Centre. Mr. Denis Beaudoin, Chief of Parliamentary Relations for CIDA, was always there to help us at each stage of the study.

Finally, to all the African people in Tanzania, Ethiopia and Senegal who greeted us warmly and responded candidly and graciously to our incessant questioning, a special thank you.

## Glossary

AEA	— African Emergency Aid
CGIAR	— Consultative Group on International Agricultural Research
CIDA	— Canadian International Development Agency
CIDA-INC	— Industrial Co-operation Program of the Business Cooperation Branch
DAC	— Development Assistance Committee of the OECD (see below)
EDC	— Export Development Corporation
FACE	— Food Aid Co-ordination and Evaluation Centre of CIDA
GATT	— General Agreement on Tariffs and Trade
ICDS	— Institutional Co-operation and Development Services Division of CIDA
ICOD	— International Centre for Ocean Development
IDA	— International Development Association (part of the World Bank Group)
IDRC	— International Development Research Centre
IFAD	— International Fund for Agricultural Development
IFIS	— International Financial Institutions
IHA	— International Humanitarian Assistance Program
IMF	— International Monetary Fund
LDCS	— Less Developed Countries
LLDCS	— Least Developed Countries
MAF	— Mission Administered Funds
MFA	— Multi-Fibre Arrangement
NGOS	— Non-governmental Organizations
NICS	— Newly Industrializing Countries
ODA	— Official Development Assistance
OECD	— Organization for Economic Co-operation and Development
OPEC	— Organization of Petroleum Exporting Countries
PAC	— Partnership Africa Canada
PCIAC	— Petro-Canada International Assistance Corporation
PPP	— Public Participation Program of CIDA
DCC	— Southern African Development Co-ordination Conference
SALS	— Structural Adjustment Loans by the World Bank
SCEAIT	— Standing Committee on External Affairs and International Trade
SCEAND	— Standing Committee on External Affairs and National Defence
UNCTAD	— United Nations Conference on Trade and Development
UNDP	— United Nations Development Program
USAID	— United States Agency for International Development
WFP	— World Food Program



# INTRODUCTION

## Getting ODA in Perspective

---

A year ago, when the Committee began this study of Canada's foreign aid policies and programs, we approached the subject with many questions but few firm conclusions—except that it was time for Parliament to reassess comprehensively the direction of what was now a multi-billion dollar expenditure. In a July 1986 Discussion Paper on the issues, we observed that Official Development Assistance (ODA) had become a huge, bureaucratically complex affair, serving many different interests and objectives. We wondered then: What are we really trying to accomplish? How much good are we doing? Might there be a better and simpler way?

Recognizing that ODA is a relatively new activity for all governments, it should come as no surprise that mistakes have sometimes been made. On the whole, however, Canada's aid program has earned a high reputation internationally. It is clear that many Canadians hold even higher expectations for the future of the program. They believe that Canada can make a major contribution to international development, and they want to participate in working for excellence and effectiveness in this field. They told us about their vision of ODA during public hearings in eight cities across Canada, in several hundred written briefs and thousands of letters. These Canadians were not uncritical of past efforts and present trends, nor were they unaware of serious economic problems at home. But, they declared, providing practical help to less fortunate peoples in the developing world is worth doing, and it is worth doing well.

The Committee realizes, of course, that the humanitarian motivation of helping others can put a deceptively simple face on the daunting task of eliminating global poverty and hunger. The development process often lacks not only adequate flows of external aid, but also, social justice and political stability. The generosity and goodwill of donors can be defeated by all manner of perverse policies and unfavourable circumstances. At the same time, even in the most impoverished and desperate situations, there are human resources that can be mobilized to encourage dignified, self-reliant development.

In December 1986, the Committee journeyed to the frontline of ODA delivery in three African states—Tanzania, Ethiopia and Senegal—in order to see for ourselves both the bad news and the good. Overall, we had to report that the former outweighed the latter. The evidence of economic deterioration was so widespread that there was blame enough to go around for the apparent failures of aid and development. Yet we did not come away cynical from that experience. The dedication of some of the Canadians in the field and the struggles of the Africans themselves made a deep impression on us. It strengthened our belief that the international community must not

slacken its resolve when the going gets tough and successes are few. Donors and recipients alike are having to take stock and to make tough choices. We were able to explore some of these themes concerning the future of aid policy with government ministers and representatives of other donors in Tanzania and Senegal, as well as with senior officials of the United Nations and international financial institutions during meetings in Washington and New York in February 1987.

The Committee is under no illusions about what reform and renewal of Canada's ODA can accomplish. Third World needs, not to mention accumulated debts, are immense in comparison to the global volume of ODA, which is equal to only about one-third as much as our federal government spends in a year. That relatively small amount, spread over more than 100 countries, forms but a small fraction of the resources used for development in those countries. Most of the capital is in fact raised locally. Generally, too, private investment and trade flows are much more important than external aid in determining economic growth. While the factors making for development progress are extremely varied and complex, the OECD report, *Twenty-Five Years of Development Co-operation*, has noted that

A review of the relatively successful cases points to three key characteristics: political stability; opportunities for dynamic, growth-oriented political and business elites; and strategies oriented toward long-term economic efficiency primarily through systems of incentives and resource allocation relying largely on market signals, including the use of external markets for this purpose.<sup>1</sup>

Aid is at best one supporting aspect of development, and it is never a substitute for appropriate domestic and international policies. Increased dependence on aid, as is happening now in Sub-Saharan Africa, is a symptom of economic as well as environmental failure. Nowhere is it plainer that aid remains a very high-risk business. Nevertheless, the record also shows that for the developing countries as a whole, aid has worked to bring lasting benefits as well as to alleviate misery in the short term. As the same OECD report concluded,

It is in the nature of official economic assistance that it is concentrated on countries coping with particularly difficult problems. Official development assistance is not investment banking. It is therefore not directed to the countries with the highest potential investment returns. Aid not only is concentrated on countries with the most difficult and intractable development problems; substantial amounts of it must be used to cope with emergency situations arising from natural calamities, refugee influxes or strife. It is not at all surprising, therefore, that many of the major aid recipients are not among the fast-growing countries. Almost all have been helped significantly by aid to accelerate social development and to lay at least some of the foundations for rapid economic progress.<sup>2</sup>

Canada's aid program over this period has earned a high reputation abroad. In our discussions with officials of African governments and representatives of multilateral development agencies, we heard Canada praised as a strong supporter of development efforts and CIDA praised as an effective, responsive aid agency. At the same time, we have been struck by the fact that Canadian aid programs are often little known or understood at home. In part, this is because the aid program has developed in the

<sup>1</sup> Organization for Economic Co-operation and Development, *Twenty-Five Years of Development Co-operation, 1985 Report* (Paris: 1985), p. 278. For a range of views of the role of aid, markets, and the state in development, see also the excellent collection edited by John Lewis and Valeriana Kallab, *Development Strategies Reconsidered* (New Brunswick, N.J.: Overseas Development Council and Transaction Books, 1986).

<sup>2</sup> OECD, *Twenty-Five Years of Development Co-operation*, p. 281. See also the conclusions in Robert Cassen & Associates, *Does Aid Work?* (Oxford: Clarendon Press, 1986) and Anne O. Krueger, "Aid in the Development Process", *The World Bank Research Observer* 1/1 (January 1986), pp. 57-78.



shadow of foreign policy as a whole, without much of an agenda to call its own. That had seemed to change in the mid-1970s with the publication of the government's *Strategy for International Development Cooperation 1975-1980*. Yet as our Discussion Paper noted, it raised hopes that were quickly disappointed. The North-South Institute's Final Report Card on the Strategy judged the results rather harshly.<sup>3</sup> We are concerned that in the 1980s the aid program continues to betray an ambivalence of purpose and design. While aid is a central and highly regarded aspect of Canadian foreign policy, and while its profile has been boosted by events such as the African famine, the challenge of renewal is still to be met if the program is to achieve its full potential.

The Canadian International Development Agency (CIDA) has also entered something akin to a mid-life crisis. It has built up tremendous professional capacities and evolved into an efficient, well-managed bureaucracy reporting to a minister under the authority of the Secretary of State for External Affairs. Yet the Agency seems somewhat unsure of its role. Within the aid program as a whole, there is a continuing tension between the desire to maintain developmental integrity and the pressures to subsume ODA within other foreign policy goals and to make it more responsive to domestic interests. We believe it is both possible and highly desirable to resolve this tension in a way that makes for a stronger, more coherent program and better serves Canada's long-term foreign policy interests.

Since Canada's aid is small in relation to the total development challenge, it is imperative that its impact not be diminished by tendencies and trends that would see it become dissipated, unfocused, or diverted from its primary objective of helping the world's poorest to achieve self-reliance. The Committee senses that the aid program needs a fresh jolt of political energy to keep it on course and able to adapt to the realities of the 1990s and beyond. It is therefore an opportune time to be reviewing the basics of ODA policies and programs, and to be asking the ultimate question against which the enterprise of renewal and reform must be measured: For whose benefit? Hence the title and the overriding theme of the Committee's report.

The answer that runs through each of the following 12 chapters is that Canada's aid should be, above all, about human development, and that it should be concentrated on those most in need. Ideally, this should come about as a result of a shared vision and a shared commitment, on the part of the government and its ODA partners, to reaching the poor. In practical terms, policy frameworks and conditions, organizational structures and budgets should all serve to reinforce this underlying thrust. We believe that Canada, too, benefits from such an approach, though not necessarily in the short term. It is a matter of getting, and keeping, the proper perspective on ODA's primary aims and secondary rewards. As the brief of the Association of Universities and Colleges of Canada expressed it succinctly:

... the first purpose of aid is to better the lives of the poorest people in the poorest countries. It is not to sell Canadian goods and services, provide profits, or improve Canadian education and research — if it does any or all of these things as a concomitant to bettering the lives of the poorest people in the poorest countries, so much the better.<sup>4</sup>

Accordingly, Part I of this report underlines the fundamental purposes and priorities that the Committee believes should guide Canada's aid program. Because

<sup>3</sup> Cf. North-South Institute, *In the Canadian Interest? Third World Development in the 1980s* (Ottawa: 1980), especially pp. 5-18, "The 1975-80 Strategy; Final Report Card", and pp. 52-61, "Getting 'Aid' in Perspective".

<sup>4</sup> Association of Universities and Colleges of Canada, "Issues in Canada's Official Development Assistance Policies and Programs", Brief, December 1986, p. 3.

ODA now encompasses many different activities and instruments, there is a danger it will become confusing and confused in its objectives, lacking coherence and any real sense of direction.

Part II of the report deals with the complexities of the policy environment, both external and domestic, in which aid decisions must be taken. It confronts the issues of conditionality and linkage, of policy dialogue and reform, and it surveys the broad choices that must be made in allocating our aid dollars.

Part III of the report introduces the issues of ODA administration and delivery, outlining the political and bureaucratic structures and the functional arrangements that the Committee sees as necessary to effectiveness in achieving aid objectives. While supporting a stronger policy direction for the aid program, the Committee also favours a more decentralized approach to operations and expanded partnerships between CIDA and the Canadian private sector.

Part IV of the report turns to the issues of public support, evaluation and funding, which the Committee sees as closely linked. Development education is necessary for an informed and active public. Canadians also want assurances that aid is being well spent and is really helping the poor. Together with clarity of purpose, aid effectiveness is the most important determinant of public support, and that has an obvious impact on the amount of ODA Canada will provide.

Finally, the report closes with a cautionary Epilogue, which notes that while ODA may accentuate the positive or moderate the negative, it neither creates nor controls the fundamental forces at work in the world economy. We should always strive to make our aid as effective as possible, focusing our efforts on human development benefiting the poorest areas of the globe. Yet even if aid is so directed, these gains could be lost if solutions are not found to the overhanging political and economic problems such as those of debt and trade. Aid can help to alleviate mass poverty and hunger, and it can give development a crucial assist. It is not, by itself, the answer.

## PART I

---

# Purposes And Priorities

The Canadian people have asked us to lead a new government, a government of national unity, a government of national purpose. They have asked us to lead a government that will serve the interests of all Canadians, a government that will be the servant of the Canadian people. It is not the service of the Canadian people.

Government policy follows the broad national interests in the following way:

### Humanitarian

- to express the Canadian desire to relieve suffering and promote social justice.

### Political

- to use money 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.

Properly interpreted, these interests complement each other, for they are all directed towards the same end: the well-being of the Canadian people.



# CHAPTER ONE

## For Whose Benefit?

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After almost a year of studying Canadian official development assistance, we conclude that it is beset with confusion of purpose. At least three quite different impulses—commercial, political and humanitarian—act upon the aid program. Their impact is felt at the operational level, where aid managers must contend with multiple and often contradictory objectives. The problem exists at the policy level, where the search goes on for new justifications and aid constituencies. In time the confusion will come to be felt by the Canadian people, who may wonder why we have aid programs at all.

The confusion was brought home to us forcefully during a recent meeting with senior Canadian officials. When asked how they would rank the national interest in ODA, one of them replied with great assurance: first political, second commercial and third development. That is one version of development assistance. It is not our version. It is not the version of the Canadian people.

Government policy defines the three national interests in ODA in the following way:

### *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.

Properly interpreted, these interests complement one another, for as one witness observed,

The reason for Canadian aid programs should not be debated as a matter of morality vs. self-interest. Both are joined together in an open economy committed to social justice.<sup>1</sup>

The humanitarian interest is close to the heart of the matter but runs the risk of making charity an end in itself. The purpose of ODA is not to demonstrate our moral sensibilities but to provide timely and effective assistance to those who need it most. The instruments of assistance are widely varied and include partnership with voluntary organizations, business and universities in Canada. Among the forms of assistance that may be of greatest benefit to the poor are those that expand their own entrepreneurial opportunities. It is for this reason and in this context that we recognize economic development, through private sector initiatives and the generation of savings and investment, as an essential objective of the Canadian aid program.

Properly understood, the promotion of stability and peace in the world is an important and legitimate political reason for development assistance programs. We must understand, however, that stability is not synonymous with maintenance of the status quo. The interests of the poorest people and countries in the world will only be promoted through far-reaching social, economic and political change, not all of which will be to our immediate comfort and liking. More self-reliant people and nations are also more likely to assert their own interests. Development co-operation will promote the critical and often difficult relationship of equals.

Economic interests serve as a pillar of Canadian ODA, provided they rest on a solid foundation of long-term development. The aid program is not for the benefit of Canadian business. It is not an instrument for the promotion of Canadian trade objectives, even though in the longer run there will be economic returns. Canada's national economic interest in ODA rests on a simple proposition:

If aid is given to the Third World in a way which strikes at the extreme destitution of the poorest, bringing them out of their present economic isolation and enabling them to sell and therefore to buy, new customers for Canadian products will appear.<sup>2</sup>

We should understand that new customers also means new competitors. Canadian aid, if it does its job, will enhance the ability of developing countries to support themselves by trading with others. In turn, Canada's prosperity will depend on its ability to adapt to this changing world economy.

The underlying theme running through all the elements of national interest—humanitarian, political and economic—is that ODA is an investment in the future. It is an investment in the satisfaction of basic human needs that takes into account the protection of the natural environment for the sake of all people. It is to that vision that Canadian ODA must remain dedicated.

## Investment In The Poor

During the course of the Committee's visit to Senegal in West Africa, we spent an hour at the side of a main road talking, through an interpreter, to the people of a nearby village. They had walked over to greet us as we ate lunch. Their chief rolled out a reed mat for us to sit on. As we talked, we were struck by the people's dignity and

<sup>1</sup> Irving Brecher, McGill University, "A Statement Presented to the Standing Committee of the House of Commons on External Affairs and International Trade", October 22, 1986, p. 1.

<sup>2</sup> Michael Lubbock, "Canada and the Third World", Brief to the Committee, October 1986, p. 2.

intelligence and particularly by the strength, grace and assertiveness of the women. Later, we walked through the small village and were impressed by its cleanliness and order. But we also noticed the lethargy and runny eyes of the small children who were held in their mothers' arms. We were told of the debt trap in which the villagers found themselves. The wife of the chief explained that the village had become indebted to a local rural development corporation and, because things were growing worse in the region, she believed they would never get out of debt. Members were struck by the irony that a development institution established to help the poor had wound up trapping them in their poverty. In talking to these people we felt that we had met the constituents for the Canadian aid program.

Some 880 million Third World people live in what has been called "absolute poverty", a poverty so severe that it stunts human potential.<sup>3</sup> Half of the people in absolute poverty live in South Asia, mainly in India and Bangladesh. A sixth live in East and Southeast Asia, mainly in Indonesia. Another sixth are in Sub-Saharan Africa where, because of the failures of development, the incidence of extreme poverty may be growing most rapidly. The rest—about 100 million people—are divided among Latin America, North Africa and the Middle East. Although urban poverty is spreading in many parts of the Third World, the poor are still primarily rural people, overwhelmingly dependent on agriculture, and in the main, landless labourers. While the proportion of the world's people living in these conditions has diminished over the past generation, their number has actually grown. This is the single greatest failure of development.

The case for improving the lives of the poorest people is both moral and economic. Less hunger, fewer child deaths and a better chance of primary education are almost universally accepted as important ends in themselves. But mass poverty is also a major impediment to economic development, a point that is only coming to be understood. There remains a strong tendency to treat expenditures on capital equipment and infrastructure as productive investments, while expenditures on people, especially the poorest people, are regarded as unproductive social costs.

Poverty is a priority only for the poor. It has not been a priority for governments of developed or developing countries. In our linear thinking, poverty is seen as an effect rather than a cause of underdevelopment. Have we been treating the symptoms rather than the disease?<sup>4</sup>

We now know that investments in the poor are among the best investments a developing country, or any country, can make. Development strategies designed to help the poorest people must break the seamless web of ill health, poor nutrition, lack of education and high fertility that traps them. Parents with a primary education are more likely to learn about and be willing to adopt improved health, hygiene and nutrition practices. But the poor will not graduate from poverty by going to school for two or three years. At the heart of their problem is lack of employment, lack of income, lack of resources, lack of power. Grass roots projects, however beneficial, will not eradicate mass poverty. The grass roots must be nourished, far more than they have been, by national and international policies designed to get at and remove the underlying causes of poverty.

We want to stress that investments in the well-being of the poor are very much in the long-term interests of Canada and all other industrialized countries. Poverty and high rates of population growth are inextricably joined. As we look out at the world, we

<sup>3</sup> Irma Adelman, "A Poverty-Focused Approach to Development Policy", in *Development Strategies Reconsidered*, John R. Lewis and Valeriana Kallab, eds. (Washington: Overseas Development Council, 1986).

<sup>4</sup> Art Wright, The Banff Centre School of Management, "Partners in Progress: Canadian Development Cooperation in the 1990", Brief, March 15, 1987, p. 18.

see that to all the other differences between rich countries and poor has been added a demographic divide: high rates of population growth in many areas of the Third World and low rates in the developed countries of the north. The Worldwatch Institute observes:

Polarized population growth rates are driving roughly half the world toward a better future and half toward ecological deterioration and economic decline.<sup>5</sup>

The mushrooming of population in many developing countries is putting additional stress on a global environment already reeling under the blows of rapid and careless economic growth in many parts of the world. Environmental recovery thus depends critically on meeting the needs of the poorest people and countries.

Where the governments of developing countries are indifferent to the needs of their poorest people, Canada should be cautious about responding to requests for government-to-government assistance. Where international economic forces militate against the development of the poorest countries, Canada should be in the vanguard of reform. Development assistance has tended to operate on the trickle-down model, which says that if enough aid is poured in at the top some will reach the bottom. CIDA's 1985-86 Annual Report acknowledges that "aid in many places has not trickled down".<sup>6</sup> We think it is time to practise more trickle-up aid. More care and attention should be devoted to the design of aid projects so that they will be of direct benefit to the poorest people. Where projects are not of direct benefit, care should be taken to ensure they do not inadvertently harm the interests of the poor.

For these reasons we endorse emphatically the recommendation of the Special Joint Committee on Canada's International Relations that "meeting the needs of the poorest countries and people should remain the primary and overriding objective of the Canadian aid program".<sup>7</sup> We welcome the Government's acceptance of this recommendation as clearly reflecting the imperatives of development and the values of the Canadian people.<sup>8</sup>

## Partnership

The essence of human dignity is self-reliance, the ability to manage one's own affairs. The essence of extreme poverty is dependence, being subject at every turn to forces utterly beyond one's control. Eradicating mass poverty should be the central purpose of development: partnership that promotes self-reliance should be the indispensable means.

Of all the lessons that have been learned about development, none is so unequivocally clear as this: projects defined and carried out without the active participation of the people they are intended to benefit rarely produce the expected results. They remain the projects of the outsiders, unsupported and unassimilated. Application of this lesson has been painfully slow. It contends with a misconceived notion of charity—that it is better to give than to receive. In fact, it is better to share. It is complicated by forms of assistance that elevate the interests of donors above those of recipients. It is impeded by stereotypes of the Third World that provoke pity and generosity: pictures of helpless and suffering humanity.

<sup>5</sup> The Worldwatch Institute, *Our Demographically Divided World*, Worldwatch Paper #74, December 1986, p. 7.

<sup>6</sup> Canadian International Development Agency, *Annual Report 1985-86*, p. 9.

<sup>7</sup> Canada, Senate and House of Commons, Special Joint Committee on Canada's International Relations, *Independence and Internationalism* (Ottawa: Supply and Services, 1986), p. 91.

<sup>8</sup> External Affairs Canada, *Canada's International Relations: Response of the Government of Canada to the Report of the Special Joint Committee of the Senate and the House of Commons* (Ottawa: Supply and Services, 1986), p. 20.



In fact, the poorest people are anything but helpless given the slightest opportunity to help themselves. In Ethiopia we visited a huge food-for-work project in the highlands of Shewa province, where only two years ago there were 50 deaths a day from famine and related diseases. The picture we saw was certainly vastly different from the pathetic television images of passive, starving people. In 1986, 7.3 million trees were planted as part of the project. As a soil conservation measure, 500 kilometres of solid terraces have been erected. All of the construction, including roads, is done without machines. Six thousand people worked on one 15-kilometre stretch of the road. Because of this intense human effort, we were told, construction is actually faster than with machines.

The age of colonialism is dead and should now be buried. The role of development assistance today and in the future is not to do the job of development for the people of the Third World. Rather, it is to forge partnerships in support of their own efforts, by helping them to build their own institutions and strengthen their own human resources.

## Development

Brian Walker, President of the International Institute for Environment and Development, has remarked, "The longer I work in the field of aid and development, the more I appreciate the complexities of the process." Every facet of development is connected to every other. Changes in the economy affect the environment, changes in values have implications for population, changes in Washington and Paris have repercussions in San Salvador and Dakar. The field of development is a veritable junkyard of abandoned models, each of which featured a particular aspect of development—growth, equity, trade, self-sufficiency—and ignored the rest. Development, it has emerged, is a balancing act, in which the challenge is to find the right mixture of policies and programs in a rapidly changing and often threatening environment. Seen in this way, development is not an invention once and for all but a continuous process of adaptation.

Development assistance must equally be capable of adaptation driven by the search for better answers to a fundamental question: how can we ameliorate and eradicate absolute poverty? The answers are not all literal and direct, as the Tanzanian Minister of Finance reminded us:

It may not appear that some of your aid, for example to help build the railroads, is going directly to the poor but the railroad is very important. We depend on it to market our crops. In the long run your aid helps the farmer.<sup>10</sup>

Development assistance of this type helps the poor move from subsistence to participation in the wider economy. Attention must be paid to the health—the capacity to adapt—of the whole society. Without strong national institutions capable of managing change, development will slide into chaos—and the poor will suffer first.

Because development is so complex, there must be a sense of development professionalism at the heart of Canada's ODA program. Canada must equip its aid agencies with the means and the mandate to assist the search for development solutions as effectively as possible. At the same time, Canada will be able to assist only a small fraction of the development efforts being made worldwide. In choosing where, among the poorest countries and people, to concentrate development efforts, it is perfectly

<sup>9</sup> Brian Walker, "The African Environment and the Aid Process", *International Journal* (Autumn 1986), pp. 734-747, 134.

<sup>10</sup> Cleopa Msuya, Minister of Finance, Meeting in Dar Es Salaam, December 3, 1986.

legitimate—indeed necessary—to take political and historical considerations into account. It has been shown that long-established relations, such as Canada has with many of its Commonwealth partners, contribute significantly to the effectiveness of aid. Foreign policy should serve as a framework guiding the application of ODA, without compromising its objectives or effectiveness.

## **A Development Charter**

Development assistance is a unique area of Canadian public policy, in that it is directed to benefit others. Its mandate is quite simple: to help the poorest people and countries in the world to help themselves. Only by discharging that mandate does assistance serve Canada's long-term national interests, be they defined in humanitarian, political or commercial terms.

At the same time, there are many pressures on the aid program to serve other short-term interests, not all of which are consistent with the central purpose of Canada's official development assistance. In these circumstances we think it important to have a clear and binding declaration of the fundamental purposes of aid, to guide its managers and to inform Canadians and the people of the Third World. Accordingly, **we recommend that the Government adopt a Development Assistance Charter as part of a legislative mandate for Canada's development assistance program. The Charter should contain the following principles:**

- 1. The primary purpose of Canadian official development assistance is to help the poorest countries and people in the world.**
- 2. Canadian development assistance should work always to strengthen the human and institutional capacity of developing countries to solve their own problems in harmony with the natural environment.**
- 3. Development priorities should always prevail in setting objectives for the ODA program. Where development objectives would not be compromised, complementarity should be sought between the objectives of the aid program and other important foreign policy objectives.**

## CHAPTER TWO

### Human Development

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Development is a complex process and, for that very reason, there is a strong temptation to represent it by tangible things—roads, wharfs, buildings and monuments. This edifice complex sometimes beguiles aid donors because it permits the attachment of labels (“Made in Country X”) to aid projects. But we have learned gradually, and expensively, that the development of physical infrastructure is only the outward manifestation of something far more important—human development. As the Association of Universities and Colleges of Canada observed in its submission to the Committee,

It is people and their attitudes, competence, skills and managerial capacities which make the difference between stagnation and development. Physical plant is useless without the managers, skills and infrastructure to operate it.<sup>1</sup>

Canadian aid managers have painfully discovered the human factor in development. During our trip to Africa, we visited facilities built with Canadian aid that were badly run down because of poor management and maintenance. Their rehabilitation, again funded by Canada, places much more emphasis on training and technical assistance. Canada’s help to the Tanzania Railways Corporation illustrates the point. Following the breakup of the East African Federation, Tanzania had to build its own railways management and maintenance systems, virtually from scratch. Canada’s involvement began in the early 1970s with the supply of badly needed diesel locomotives but has since evolved into a complex, long-term relationship. Along with other donors, Canada has provided managerial advice, spare parts and technical assistance, maintenance facilities and training and, most recently, worker housing that would attract skilled workers. What began as one-shot capital assistance has become a sometimes difficult partnership in human and institutional development.

Human development goes far beyond training in modern management and technology, although that is one of its important facets. More fundamentally, it is the struggle to liberate human potential, which is blocked and often destroyed by poverty and deprivation. As such it is both an end in itself and a vital contributing factor to economic development. In its ground-breaking study, “Poverty and Human Development”, the World Bank concludes that educating girls is an excellent investment for any developing country because of the crucial role of women in health,

<sup>1</sup> Association of Universities and Colleges of Canada, “Issues in Canada’s Official Development Assistance Policies and Programs”, Brief to the Committee, December 1, 1986, p. 1.

nutrition and family planning.<sup>2</sup> The President of CIDA has made a similar point about the benefits of providing primary health care for all:

If conscience and foresight are not enough to move us to right action, maybe the instinct for a bargain will do it. We need to turn one of our stock ideas upside-down—the idea that health care is ruinously expensive. In reality, basic health care is reasonably cheap, the cost-benefit ratio is terrific and what we need to get clear in our heads is that what we simply cannot afford is...the incomparably greater costs of not providing that care.<sup>3</sup>

## Human Resource Development

Development assistance strives to address the wide range of human development through what has been labelled 'human resource development'. The term is multifaceted and elusive. It refers to sectoral activities like education, health and nutrition and to the pervasive learning elements in all development, including technical assistance and manpower training. Apart from its diversity of forms, the approaches to and priorities in human resource development are undergoing rapid change. Twenty years ago, western aid agencies put large numbers of co-operants in the field to provide services directly to the poorest people. Today, they support the work of local organizations and community groups. In its brief to the Committee, CUSO explained the significance of this shift:

Development will never be effective if it is imposed: people have to want it and see that programs in which they are involved will meet their basic needs. They have to be involved and they need to feel that their contribution is worthwhile.<sup>4</sup>

Far-reaching changes are also taking place in the provision of assistance to Third World institutions in the public and private sectors. In many developing countries, government is being downsized and the accent is being put on better management of scarce resources. At the same time, the focus of economic development is shifting from government to business. Many developing countries are now looking for ways to strengthen and diversify their scarce entrepreneurial resources.

Canada is a country rich in human and institutional resources; as a result, the demand for Canadian-supported human resource development projects has increased dramatically. A brief from the Forum for International Activities notes that the sources of these requests now include a wide range of private sector groups: non-governmental development agencies, professional associations, consulting firms, private medical associations and chambers of commerce. The types of requests reflect new priority areas: energy, trade, marketing, industrialization, financial management and monetary matters, informatics, computerization and the environment.

Interest in small scale private enterprise has prompted new requests for training in such areas as costing, financial management, small scale credit schemes, mobilization of capital and marketing. In the more traditional sectors such as health and agriculture, there is new interest in the development of wide-ranging skills across disciplinary lines. Management training for a wide variety of needs (commercial enterprises, educational institutions, research centres, government departments, social projects, NGOs) is demanding greater attention, as it is recognized that weakness in this area is a major constraint to development.<sup>5</sup>

<sup>2</sup> The World Bank, *World Development Report, 1980* (Washington: 1980), p. 50

<sup>3</sup> Canadian International Development Agency, "Health", *Development* (Summer 1985), p. 3.

<sup>4</sup> Canadian University Service Overseas, "Submission to the Standing Committee on External Affairs and International Trade on Canada's Official Development Assistance Policies and Programs", December 1986, p. 13.

<sup>5</sup> Forum for International Activities, Brief, December 1986, p. 2.

Diversity and rapid change are the distinguishing characteristics of human resource development. Canada's aid program faces major challenges of adaptation. In place of government-to-government aid, there is people-to-people aid. In place of rigidly defined projects there are evolving, long-term relationships. In place of remote bureaucracy, there is hands-on management. In time, these changes will transform the very nature of the Canadian aid program.

## Canada's Support for Human Resource Development

All three priority sectors of Canadian ODA—agriculture, energy and human resource development—will remain important in the future. However, as we have shown, human resource development has a special significance because it is important in its own right, through education, health care and other programs, as well as being an essential element in all other ODA programs. It thus has the ability to serve as a kind of prism through which the entire aid program should be viewed.

The Committee received abundant evidence that Canadians see human development as the single most important aspect of aid: indeed, many equate the two. They see in people-to-people aid the chance to help those most in need and to build enduring human relationships between Canadians and the people of the Third World. There is another consideration as well. The Committee's cross-Canada hearings revealed a strong conviction on the part of many witnesses that development assistance should be linked to human rights. Some witnesses want this to be done by reducing or terminating aid to governments that commit serious human rights abuses. A complementary approach is to shape the aid program so as to promote strategies of development that enhance human rights. A human resource development strategy, with particular emphasis on the poorest people, would go some way towards reconciling development assistance and human rights.

Notwithstanding its evident importance, human resource development is only now re-emerging as a major priority of Canada's official development assistance. Over the years, the aid program has passed through cycles, or fashions, that emphasized capital assistance (in the 1950s), education (in the '60s), capital assistance again (in the '70s), and now human resource development in the 1980s. These swings of the pendulum have sometimes had more to do with political and bureaucratic imperatives in Ottawa than with development needs in the Third World. Human resource development is complex and difficult to manage. In the 1970s large increases in ODA funding combined with CIDA manpower constraints to favour aid projects, such as infrastructure and lines of credit, that disbursed large amounts of money with comparatively few administrative burdens.

There are encouraging signs that priorities are changing. CIDA's support for technical assistance activities has increased substantially in the past few years, and the Agency has established a new Social Development Division to strengthen its activities in health, education and other human development sectors. Still the pressures remain to disburse a large and growing aid budget, and the 'hardware mentality' will change only slowly. In these circumstances it is important to underscore the lessons we have learned **by recommending that CIDA provide capital and infrastructure assistance in the future only when there are built-in training and technical assistance programs designed to ensure the long-term maintenance and good management of the facilities. Thinking "Human Resource Development" in everything we do should become a trademark of Canadian aid. We would further recommend a substantial shift in priorities and expenditures in CIDA, from large-scale capital projects to human resource development programs.**

In addition to infiltrating all development assistance activities, Canada's human resource development program should concentrate on the following priorities.

## Women in Development

The primary purpose of Canadian ODA is to contribute to the alleviation of absolute poverty. We are convinced that supporting the role of women in development is key to that purpose. Women continue to be most susceptible to poverty and deprivation. On every continent, the majority of the illiterate are women. They continue to account for two-thirds of the world's work hours and produce 60 to 80 per cent of the food in Africa and Asia, 40 per cent in Latin America. Yet women officially constitute only one-third of the world's labour force, receive only ten per cent of its income, and own less than one per cent of its property.<sup>6</sup>

As Match International pointed out in its brief to the Committee, "the link between the development of women's potential and development per se is now becoming apparent". In a visit to the Dunes Fixation project in northern Senegal, the Committee saw the link in action. In order to protect the newly planted windbreaks, the project supports the development of village wood lots, organized and managed by women who are the main gatherers of firewood. This is only one example to illustrate that the contribution of women as workers and managers of human welfare is basic to the development of households and communities. It is essential they be given the resources to become more productive, including education and training.

CIDA has been among the world's leading aid agencies in supporting women in development, although worries were expressed at one hearing that the Agency's interest was waning.<sup>7</sup> While it is essential that Canadian aid programs remain sensitive to the priorities and values of developing countries, we are convinced that women in development can and should become a much higher, not a lower, priority in the Canadian aid program. **Recognizing the vital contribution of women, we recommend that a substantially larger part of ODA be channelled to projects that are developed by, and directed at, women, particularly at the grass roots level. The aim should be to improve the situation of women and further promote their participation in the wider development process.**

## Primary Health Care

No aspect of poverty destroys human potential more directly and assuredly than ill health. In 1987, according to the World Health Organization, 3.5 million children in the Third World will die of a preventable disease. An additional 3.5 million children will be permanently disabled by a preventable disease. The six killer/crippler diseases are polio, measles, diphtheria, tetanus, whooping cough and tuberculosis. As Connaught Laboratories observed in its brief to the Committee, "These diseases are virtually unknown in North America thanks to the twin miracles of immunization and political resolve".<sup>8</sup> The Committee would add that the recent ominous rise of AIDS and its spread around the world have brought home the vital importance of health care for the entire international community.

<sup>6</sup> Match International Centre, "Submission to the Standing Committee on External Affairs and International Trade", December 1986, p. 4.

<sup>7</sup> *Proceedings of the Standing Committee on External Affairs and International Trade*, February 19, 1987, pp. 19:15-16 (hereafter cited as *Proceedings* 19:15-16).

<sup>8</sup> Connaught Laboratories, Brief, January 27, 1987, p. 7.

CIDA has long acknowledged the fundamental role of primary health care in the development process. It has pointed out, for example, that each dollar spent on immunization results in downstream savings of twenty-five dollars by reducing the future health care costs of coping with the consequences of permanent disability. The link between improved health of children and the eventual lowering of birth rates has also been well established. And yet, in this area at least, the reality of Canadian ODA has not matched the rhetoric. While CIDA has channelled substantial support to NGOs and multilateral agencies, the bilateral aid program has virtually ignored primary health care and other related development activities such as literacy and rural education. Commitments to the health sector as a whole, including population programs, amounted in 1984 to \$28.6 million, or 1.8 per cent of bilateral commitments, although this figure increased in 1985 to \$45.4 million, or 3.9 per cent of bilateral commitments.<sup>9</sup>

We are pleased to see the leading role currently being played by CIDA in a new, worldwide immunization campaign. In our view, this recent progress in increasing bilateral assistance for primary health care should be continued and significantly accelerated. Assistance should be concentrated in developing health care extension services that reach the villages and rural populations of the Third World. **Accordingly we recommend that over the next few years, CIDA substantially increase support for primary health care as a proportion of bilateral program disbursements. Assistance should be concentrated on the development of health care delivery systems that benefit the poorest people.**

## Education

Another priority area, in the Committee's view, is strengthening support for educational development, both directly in Third World countries and through expanded training and scholarship programs for study in Canada. A recent World Bank study of Africa concluded that the education sector was suffering serious reversal in both the quality and quantity of the services it provides.<sup>10</sup> A lower quality of education in turn discourages families from sending their children to school, especially when the decline coincides with higher school fees and other charges. In recommending greater donor support, the Bank draws particular attention to the needs of primary education and its comparative neglect by foreign aid agencies.

We are particularly concerned that the dramatic gains made in literacy by many developing countries over the past two generations may be lost, with incalculable damage to the entire development process. It has been shown, for example, that hastening the transition to lower birth rates depends critically on literacy, particularly of women. Canada's contribution to solving the population problem should come through the multilateral program, supporting international organizations that promote family planning, as well as through the bilateral program, providing much stronger support for programs of social and economic development, such as literacy, that indirectly encourage lower birth rates. In our view, CIDA should substantially increase bilateral assistance for education at the primary level and, in particular, for literacy programs.

During our visit to Senegal, we saw evidence that the development effort has been undermined at times by educational policies that neglect basic training appropriate to

<sup>9</sup> CIDA, *Annual Aid Review 1985: Memorandum of Canada to the Development Assistance Committee of the OECD*, p. 15.

<sup>10</sup> The World Bank, *Financing Adjustment With Growth in Sub-Saharan Africa, 1986-90* (Washington: 1986), pp. 29-30.

the needs of the country. Skilled craftsmen, mechanics and maintenance people are in short supply in many countries of Africa. Within the education sector, CIDA should pay special attention to institutions providing occupational and technical training. That said, we also recognize the importance of advanced education and training; as a bilingual country with strong educational institutions and resources, Canada is well placed to provide much needed assistance. The severe recession of the early 1980s has adversely affected many key institutions in the Third World, both public and private. The recovery and sustained development of these countries will depend in no small part on the quality and leadership of their best educated people.

We are also convinced that the capacity of our colleges and universities to contribute in this area of development far exceeds the use now being made of them. Greater effort should be made through the valuable, proven device of twinning Canadian colleges and universities with counterpart institutions in developing countries, a matter we address in more detail in Chapter Nine. Here we would like to highlight the need and opportunity for expanded programs for Third World students in Canada. Early in our study we were dismayed to discover that Canada, until recently, lagged behind all OECD countries except Austria in the proportion of ODA devoted to scholarships for Third World students. There has been a significant improvement in the past several years, particularly with the decision to raise the number of Commonwealth Scholarships for study in Canada from 200 to 500 and the commitment to a similar program within the Francophonie. But far more needs to be done. In few areas of development co-operation is there as close a mutual interest between Canada and developing countries. University students tend later in life to fill important decision-making positions in their countries. By encouraging them to study in Canada, we earn their friendship and understanding.

The Committee received recommendations for increasing the number of scholarships by numbers ranging from a few hundred to many thousands.<sup>11</sup> We believe that it is both realistic and desirable for CIDA to establish an additional 1,000 open scholarships for core countries over and above the educational and training awards currently provided in the bilateral program. An increase of this size is designed to meet the immediate need for an expanded scholarship program, but we would urge CIDA to monitor its program continuously and periodically raise the number of ODA-sponsored students in Canada. The Committee is also concerned about a related matter. We note that most provinces charge higher 'differential' fees to foreign students and that all but one of these provinces—Ontario—apply the higher fees to ODA-sponsored students as well. We would urge the government to seek agreements with all provinces that charge differential fees to waive them in the case of ODA students.

Increasingly it is being recognized that Third World countries desperately need educated people with practical, hands-on training. One of the most exciting changes in the Canadian ODA scene is the growing practice of using Canadian business as a teaching resource. The Canada-China Human Development Training Programme is a pioneer in this area. In October 1983, World University Service of Canada (WUSC) entered into an agreement with CIDA to administer a program to help upgrade the skills and knowledge of 300 Chinese professionals who hold or will hold important administrative and technical positions in China. These trainees are placed in a wide range of Canadian public and private sector institutions for periods ranging from three to twelve months. Among private sector organizations that have already hosted trainees

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<sup>11</sup> The Association of Universities and Colleges of Canada recommended 200 additional ODA scholarships, and the Canadian Bureau for International Education recommended 10,000.



are banks and financial institutions, oil and gas companies, international trade and law firms, and railway, road and mass transit equipment production companies. We strongly commend such initiatives. In the Committee's view training programs using Canadian business as a teaching resource can and should be expanded substantially. To encourage practical, hands-on experience for all Third World students and enable them to participate in university-business co-operative programs, visa and other restrictions that prevent foreign students from gaining work experience in Canada should be lifted for ODA-sponsored scholarship students and trainees.

**In light of these observations, we recommend:**

- 1. That CIDA substantially increase bilateral assistance for education at the primary level and, in particular, for literacy programs;**
- 2. That, within the education sector, CIDA pay special attention to support for Third World institutions providing occupational and technical training;**
- 3. That CIDA establish an additional 1,000 open scholarships for core countries over and above the educational and training awards currently provided;**
- 4. That the Government of Canada seek waiver agreements with all provinces that apply differential fees to ODA-sponsored students;**
- 5. That training programs using Canadian business as a teaching resource be expanded substantially;**
- 6. That the visa and other restrictions that prevent foreign students from gaining work experience in Canada be lifted for ODA-sponsored students and trainees.**

## **The International Development Research Centre**

Development research is among the most beneficial—though risky—ODA investments. A major review showed that returns on investment in agricultural research have been two to three times greater than returns on other agricultural investment.<sup>12</sup> It is now a matter of highest priority that far more research be conducted on the problems and development of Sub-Saharan African agriculture. Through the International Development Research Centre (IDRC), Canada has been a world leader in supporting Third World scientific research. There is a very important component of human resource development in the Centre's work. It both supports the research activities of scientists and assists developing countries to build up the research capabilities, innovative skills and institutions required to solve their problems. A distinctive and highly beneficial aspect of the Centre's work is its concentration on strengthening indigenous Third World science and technology.

A considerable part of IDRC's work over the years has been in support of research in such areas as health and education, which are at the heart of human resource development. In a submission to the Committee, IDRC observed:

Neither can human resources function in vacuo, nor is their development an end in itself. Bringing development to poor populations means providing those populations with skills and with organizations and institutions designed to harness those skills to common purposes.<sup>13</sup>

<sup>12</sup> Cited in Robert Cassen & Associates, *Does Aid Work?* (Oxford: Clarendon Press, 1986), p. 119.

<sup>13</sup> International Development Research Centre, "Human Resources Development: Some Notes on the IDRC Experience", Brief, March 4, 1987, p. 7.

We are anxious to see this lesson applied by encouraging practical ways for IDRC research to be built into and more effectively related to CIDA's development projects and programs, particularly in human resource development. Too much research produces an impressive list of publications and little else. Too much development rests on poorly researched foundations. To encourage greater collaboration between IDRC and CIDA, while recognizing and affirming IDRC's independence, **we recommend that the two institutions establish a staff exchange program and make greater efforts to use IDRC research in CIDA's human resource development projects. We further recommend that IDRC follow up actively with CIDA, NGOs and other development agents to ensure the practical application of its research. We would hope to see joint IDRC/CIDA projects in the years ahead.**

PART II

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# Policy Conditions And Choices

Clarifying the central purpose of the Canadian aid program is an essential first step. It is a truly a first step, for our efforts, conditions for effective development must be met in some countries where there is desperate need, basic human rights have not been observed and the opposite of development is taking place. An all too common example is the lack of respect for the rights of peasant farmers, whether because of the failure to implement land reform or the forced collectivization of agriculture. We must acknowledge, too, that aid through large-scale construction in large infrastructure projects in developing countries without paying sufficient regard to their effects on the rights of the local population. Respect for basic human rights is one of the most important conditions for a true development process. It is not negotiable, therefore, for Canada to support development projects and to pursue approaches to development that, in supporting human rights, can be widely supported by the Canadian people. As we argued in the previous chapter, direct investment in human resources is such an approach and Canadian aid works with it a much better rights orientation when it makes this a priority.

## The Uruguay Context for Human Rights Policy

The United States' taking up of the 1976 United Nations Declaration on the Rights and Duties of Individuals is an example of a similar approach. It is the 1976 Declaration that is the focus of this chapter. It is a disturbing one that immediately comes to us as governments, business circles and business very prominently, the United States, and other nations. A large number of nations approved before us, the central thrust of their provisions, which concern the rights of individuals, especially in the Special Joint Committee on Canada's International Relations during its public hearings. The Committee is convinced of the need of attaching more explicit human rights conditions to Canada's aid and of the difficult work the government will have to address. However, we believe that loss of coherence would not disrupt policy. The government should base its decisions on a case-by-case basis, taking into account such circumstantial factors as the degree of foreign aid that realistically can be expected, the reliability of information on human rights issues, and the possibility of complementary Canadian or multilateral action. The Committee is convinced that a consistent, considered approach to the human rights conditions of development assistance can be in Canada's long-term foreign policy interests.



## CHAPTER THREE

### Linking Aid and Human Rights

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Clarifying the central purposes of the Canadian aid program is an essential first step, but it is only a first step. In deciding where to put our efforts, conditions for effective development must be stated and choices made. In some countries where there is desperate need, basic human rights have not been observed and the opposite of development is taking place. An all too common example is the lack of respect for the rights of peasant farmers, whether because of the failure to implement land reform or the forced collectivization of agriculture. We must acknowledge, too, that aid donors have sometimes collaborated in large infrastructure projects in developing countries without paying sufficient regard to their effects on the rights of the local population. Respect for basic human rights is one of the most important conditions for a true development process. It is not unreasonable, therefore, for Canada to expect governments receiving our aid to pursue approaches to development that, in supporting human rights, can be broadly supported by the Canadian people. As we argued in the previous chapter, direct investment in human resources is such an approach, and Canadian aid carries with it a basic human rights orientation when it makes this a priority.

#### The Uneasy Context for Human Rights Policy

The further step—linking aid to the observance of specific human rights standards by recipient countries—is an issue that has come into its own in the 1980s. It is also a disturbing one that understandably makes a lot of governments, bureaucracies and businesses very uncomfortable. But it must be confronted squarely. A large number of witnesses appearing before us made this a central theme of their presentations, echoing concerns that had been expressed strongly to the Special Joint Committee on Canada's International Relations during its public hearings. The Committee is conscious of the risks of attaching more explicit human rights conditions to Canada's ODA and of the difficult issues the government will have to address. However, we believe that fear of controversy should not dictate policy. The government should base its decisions on a clear set of principles, taking into account such circumstantial factors as the degree of leverage that realistically can be exercised, the reliability of information on human rights abuses, and the possibility of complementary Canadian or multilateral action. The Committee is convinced that a consistent, considered approach to the human rights conditions of development assistance can be in Canada's long-term foreign policy interests.

The sensitive matter of applying human rights standards in particular cases is a necessary next step, but not one on which the Committee feels it can pronounce authoritatively. We did not conduct the sort of detailed, first-hand investigations that would be necessary to make such judgements. However, we did receive a great deal of specific testimony, mostly on Central America and, to a lesser extent, on Ethiopia (the resettlement and villagization programs of the Mengistu regime) and Indonesia (transmigration, the occupation of East Timor by the Soeharto regime).<sup>1</sup> Several other parts of the world—southern Africa, Chile, Sri Lanka and Bangladesh—were also cited in connection with serious allegations of human rights violations.

Central America, in particular, although it accounts for less than 2 per cent of Canada's ODA, has brought home vividly to Canadians the dilemmas of human rights conditionality, both positive and negative. On the positive side, many witnesses supported increased aid to Nicaragua (already the second largest recipient of Canadian assistance to the region), citing its "outstanding success in implementing projects that are genuinely developmental in that they promote self-reliance and benefit the neediest sectors of society."<sup>2</sup> The brief of the Canadian Council for International Co-operation also noted that: "Costa Rica, alone among Central American nations, has chosen to shun militarization and opted instead for a greater commitment of its GNP to social programs such as health and education."<sup>3</sup> On the negative side, Nicaragua has not been exempt from some of the accusations of human rights violations and militarization commonly made against its northern neighbours. Bilateral aid to Guatemala and El Salvador, suspended in 1981 because of the extreme violence in those countries, received almost no support. Canada's decision in 1984 to resume a modest program in El Salvador was strongly criticized by a wide range of NGOs working in Central America, as well as churches and human rights groups. Pointing to continuing gross human rights violations and the weakness of civilian governments, they also warned against any similar resumption of aid to Guatemala. Aid to the Honduran government, CIDA's only core recipient in Central America, was viewed negatively because of that country's role in the Nicaraguan conflict.

What are the human rights and development guidelines that aid decision makers should use under these conditions? The United Church of Canada suggested to the Committee that the following questions must be answered for each country:

First, does the civilian government have control over the military? Second, is the government of the aid-receiving country addressing the root problems of poverty and underdevelopment? More specifically, do they demonstrate the political will to do so? Are they in the position to do so practically and politically? Third, is there a continuation of human rights abuses? Are past abuses acknowledged and real redress attempted; for example, by the prosecution of those responsible? Fourth, what real difference in the life of the poor have the programs of the government made?<sup>4</sup>

Whatever precautions are taken, the Committee understands that making ODA choices in an environment of foreign policy controversy and ideological polarization carries more than the usual risks. In these circumstances, it is more important than ever that the aid program remain faithful to its own purposes and priorities. Conditions

<sup>1</sup> References to Central America were common throughout the public hearings. On Ethiopia see the testimony of Jim Doble and Mel Middleton, *Proceedings* 6:22-38. On Indonesia see the testimony of Dr. W.H. Owen, *Proceedings* 2:37-44, and the brief of Elaine Brière, "Canada and Indonesia: A Case Study for Considering the Role of Human Rights Policy in Canada's Official Development Assistance", *Proceedings* 7:31-35.

<sup>2</sup> Statement of OXFAM-Canada West to the Committee, October 28, 1986. The most comprehensive case was made by Tools for Peace in their brief, "Supporting a Good Example: The need for Canadian official development assistance to Nicaragua", October 1986.

<sup>3</sup> Canadian Council for International Co-operation, Brief to the Committee, December 1986, p. 15.

<sup>4</sup> *Proceedings* 3:6.

attached and decisions taken on human rights grounds cannot be allowed to become strategic weapons or the object of a political popularity contest. Whatever the nature of the regime in question, the focus of any aid Canada gives should be on the human development of the poor. That is the best way to ensure that the linkage of ODA to human rights is not only just and correct in terms of our own guidelines, but produces concrete benefits for those in need, wherever they may be.

## Guiding Principles

The relationship of human rights to development assistance will not accomplish much if it is simply punitive. Even in the worst circumstances, there can be occasions for constructive action. Some caveats and qualifications to the principle of linkage should therefore be stated at the outset.

First, a clear distinction should be maintained between emergency humanitarian relief, given without preconditions on compassionate grounds, and long-term development assistance. Human rights should never be used as a reason for turning our back on human suffering. We should, however, monitor the use of emergency aid closely to ensure that abuses do not occur.

Second, with respect to long-term development, while Canadians have delivered a message that they do not want our aid to go to governments that violate the fundamental rights of their own citizens, they have not said to abandon people who may be in desperate need in part because they have been victimized by the policies of these governments. The Mennonite Central Committee in particular urged openness in this matter. They explained their position, based on continuous work in Vietnam since 1954 and in Kampuchea since 1979:

We acknowledge that Vietnam's occupation force in Kampuchea and its human rights record are problems. But the people need help. Also, they should have more opportunities for contact with the west. We can ensure that aid is used for its intended purposes there. We believe also that our involvement is serving a "bridge-building" function. We hope that before too long we will be able to use CIDA funds for work in these countries.<sup>5</sup>

Provided they are prepared to shoulder the risks, we agree that NGOs should have this flexibility. And, as a general rule, decisions to reduce or deny direct bilateral assistance should be taken in the context of careful country assessments in which consideration is also given to how those suffering from human rights abuses might be helped. At the same time, as the Canadian Foreign Aid Dialogue told the Committee in Halifax, "In some cases, the most effective contribution we can make to development may not be through our ODA programs, but rather through our bilateral and multilateral work for the protection of human rights and for the peaceful resolution of civil and regional conflicts."<sup>6</sup>

Third, the human rights criteria used by aid decision makers should be coherent with those developed for Canadian foreign policy as a whole, and they should be applied universally in a consistent and transparent way. The worst thing would be for the government to adopt stricter human rights policies in theory, but then allow them to be implemented in an ad hoc, inconsistent or lax manner.

<sup>5</sup> Mennonite Central Committee, "Thy Neighbour's Keeper", Brief, October 29, 1986, p. 4.

<sup>6</sup> *Proceedings* 2:27-28.

Fourth, human rights standards should be based on established principles of international law and convention. Among the most important of these are the Charter of the United Nations, the Universal Declaration of Human Rights, and the International Covenants on Civil and Political Rights and on Economic, Social, and Cultural Rights, to which Canada is a signatory. These standards should not be politicized in ways that would see them used as ideological weapons rather than development tools. Negative assessments of human rights observance should be based on verifiable reports of violations, not determined a priori according to the nature of the political or economic system or the ideological complexion of the regime in question.

Fifth, human rights should not be defined too narrowly or in isolation from the conditions for development. In keeping with the international obligations referred to above, our concept of human rights should encompass individual, civil and political rights, as well as socio-economic and cultural rights. There are certain obvious minimum subsistence and security rights. Without them, as the brief of the British Columbia Ten Days for World Development committee noted, "existence is either not possible or unbearable." However, in the broadest sense, development itself is a human right. The same brief goes on to quote Bernard Wood, Director of the North-South Institute: "All aid is or should be about human rights [since] it is supposedly an instrument for the promotion of economic and social rights and the basic standards of a minimum decent existence for those who do not have access to them."<sup>7</sup> The comments of Dr. Sheila Zurbrigg in Halifax were also instructive:

... to be effective medical technology has to be accompanied by very, very basic changes in the economic precariousness of the poor majority, working conditions, wages—not high wages, but just wages that will provide minimal calories for a family. The link to human rights is that unless there is some manoeuvring room for villagers to press for some accountability within the overall economic and political situation, those more fundamental socio-economic changes will not occur, and as a result the dollars we send in medical aid will be essentially wasted.<sup>8</sup>

The lesson the Committee draws is that human rights must be seen as an integral part of development, not as a factor separate from or incidental to the basic needs of the poor.

Reviewing the context for including human rights considerations in ODA policy, **the Committee recommends:**

- 1. That emergency humanitarian aid continue to be given on compassionate grounds without preconditions, but that it be monitored closely to prevent abuses;**
- 2. That the victims of human rights violations not be forgotten when decisions are taken to reduce or deny long-term development aid to governments;**
- 3. That human rights criteria be developed coherently as part of overall Canadian foreign policy, and that these be applied in a universal, consistent and transparent manner;**
- 4. That such criteria, embracing both individual, civil and political rights and socio-economic and cultural rights, be derived from established standards of international human rights law and convention;**

<sup>7</sup> *Proceedings* 7:72.

<sup>8</sup> *Proceedings* 2:21-22.



5. That verifiable reports of violations, not ideology or strategic interest, be the basis for unfavourable assessments of human rights observance;
6. That, more generally, progress on human rights be considered part of development, with assessments of the human rights situation in a given country being related to the overall record of development, particularly from the vantage point of the poorest people.

## A Human Rights Operational Framework

Canada's performance on international human rights to date has been criticized as episodic and primarily reactive. Nonetheless, a human rights agenda is beginning to take shape on which to build. In the course of the Committee's deliberations, encouragement came from the government's generally positive response to the recommendations of the Special Joint Committee. As a result, several initiatives are already under way that complement our work in this area. In addition, the creation of a House of Commons Standing Committee on Human Rights in February 1986 provided an important new forum for the continuing consideration of human rights by Parliament. These are welcome steps forward. The Committee recognizes, however, that a good deal of work must still be done before explicit human rights conditions can be properly incorporated into Canada's ODA policy framework. CIDA needs to establish its own corporate review procedures, and a process needs to be put in place whereby the results of human rights evaluations are made available to Parliament—specifically, to this Committee and to the Human Rights Committee—on a regular, annual basis.

Official policy currently states that two main human rights criteria are to be used when making ODA decisions:

- The performance of the recipient government in terms of systematic, gross and continuous violations of basic human rights.
- Canada's ability to deliver aid designed to achieve the central objective of helping the poor.

The 1982 report of the Sub-Committee on Canada's Relations with Latin America and the Caribbean was an important milestone in establishing these conditions. In December 1986 the government's White Paper, *Canada's International Relations*, tabled in the House of Commons as a comprehensive response to the report of the Special Joint Committee, contained additional elements of a human rights policy that the Committee believes should be extended and made more precise. The White Paper stated: "The Department of External Affairs will begin regular training in human rights prior to officers being posted abroad and for returnees working as geographical desk officers and those administering policy on export controls."<sup>9</sup> We support the suggestion of the Canadian Council for International Cooperation that a similar training program be established within CIDA. We see a Human Rights Unit being created in the Policy Branch of CIDA to conduct training courses and to co-ordinate the implementation of human rights policies in close liaison with the Department of External Affairs.

*For the ODA program as a whole, the Committee sees merit in developing a classification grid for recipient countries that would provide incentives for good behaviour as well as penalties for poor human rights performance. Without minimizing the difficulties of such a system of categorization, the Committee puts forward the following as a basis for consideration:*

<sup>9</sup> External Affairs Canada, *Canada's International Relations* (Ottawa: Supply and Services, 1986), p. 72.

### Human rights negative

- *Extreme cases judged by the international community to be guilty of persistent gross and systemic violations. These countries would be ineligible for government-to-government aid, but some basic needs assistance might continue through non-governmental organizations working directly with the poor.*

### Human rights watch

- *Cases of lesser or variable concern in which serious allegations have been made but there are many gray areas and development progress is still possible. Any direct bilateral assistance would be very carefully targeted and monitored.*

### Human rights satisfactory

- *Cases in which specific human rights problems may arise, as they do in all states, but in which the overall development context is judged to be acceptable. The full range of aid channels can be employed.*

### Human rights positive

- *Cases in which the human rights record of the government is exemplary, or in which there has been a marked and sustained improvement in the human rights situation and development orientation of the government. In the latter cases, aid might be increased selectively in order to strengthen these positive directions.*

The Committee agrees with the position taken in a submission from the Human Rights Research and Education Centre of the University of Ottawa: "Rewarding of human rights progress should be a central aspect of any human rights-based policy."<sup>10</sup> The Centre also brought to the attention of the Committee the recent efforts of Norway, joining the Netherlands and the United States, to develop systematic criteria for reviewing aid policies in the context of the human rights situation in recipient countries. The Norwegian approach is of interest because, in contrast to the "Country Reports on Human Rights Practices" compiled by the U.S. Department of State, it places a heavy emphasis on social and economic rights and on initiatives to promote human rights rather than punitive actions against violators.<sup>11</sup> Canada can learn from the experiences of these donors, and it should begin to exchange information and ideas with them. Ultimately, the ideal would be to develop a consistent, common approach to human rights among all Development Assistance Committee members.

In the immediate term, the challenge for CIDA is to devise an operational system for incorporating human rights policies and knowledge of human rights conditions in the Agency's planning and decision-making processes. For example, the brief of the Human Rights Centre makes the following points:

<sup>10</sup> Allan McChesney, Human Rights Research and Education Centre, University of Ottawa, "International Development Assistance and International Human Rights", Brief, April 1987, p. 6.

<sup>11</sup> See the first English edition of *Human Rights in Developing Countries: A Yearbook on Countries Receiving Norwegian Aid*, Tor Skalnaes and Jan Egeland, eds. (Oslo: Norwegian University Press, 1986). The Norwegian government first included human rights linkage explicitly as a major principle of aid policy in a report to the Norwegian parliament during the 1984-85 session.

The inauguration of a more formal policy link between ODA and human rights performance would require additional sophistication in cyclical reviews of country programmes. A regularized format for assessing human rights conditions as they relate to other ODA goals would assist personnel, as would a periodically annotated collection of relevant policy statements. A "precedent" list could be provided, setting out those few past situations wherein human rights was one factor in ODA cessation or redirection. Consideration might be given to the devising of a situational response matrix, outlining a series of possible responses to a graduated scale of human rights improvement or deterioration. As is the norm now, assessments would have to be done on a case-by-case basis, but good decisions may be facilitated with the help of reasoned forethought as to what is *likely* to be appropriate.<sup>12</sup>

In reviewing bilateral aid at the country level, CIDA should be encouraged to collaborate closely with NGOs working in the field. The annual consultations between the Department of External Affairs and the NGO community in advance of the February sessions of the United Nations Commission on Human Rights could be used effectively to this purpose. The involvement of NGOs will also help to ensure that country assessments do not turn into mechanical or geopolitical exercises by the donor, but also reach down to consider the grass roots effects of aid activities on the recipient. As the Canadian Council of Churches argued in its brief:

An attempt should be made to channel all existing and new aid projects through a policy filter to determine whether they contribute positively to the observance of human rights or whether, instead, they foster human rights violations.<sup>13</sup>

With regard to multilateral aid, the Committee acknowledges that the officers of international financial institutions, in particular the World Bank and the International Monetary Fund, can cite their articles of agreement to argue against any use of 'non-economic' criteria in their lending practices. However, along with many Canadians we believe that human rights issues can be directly relevant to the economic survival of the poor, whose voice may not be listened to by governments. Again, therefore, the perspective of NGOs working in the field with the poor is very important in reviewing all the channels by which aid goes to governments. Even an institution like the IMF, which does not see itself as a development agency, is nonetheless a major creditor of many developing countries, and its policies are not neutral in their effect on the human rights situation in these countries. The multilateral dimension of ODA cannot simply be exempted from Canada's human rights policies. Canada should work for changes that would allow human rights considerations to be put openly on the agendas of the international financial agencies. Canada should in any event look very critically at multilateral loans to countries deemed 'human rights negative' or 'human rights watch' for the purposes of bilateral aid.

The Committee believes that a concern for basic human rights should be a consistent part of all Canadian ODA programming, bilateral and multilateral. Therefore, **the Committee recommends:**

- 1. That a Human Rights Unit be established in the Policy Branch of CIDA to conduct training courses for development officers and to co-ordinate human rights policies and programs with the Department of External Affairs;**

<sup>12</sup> McChesney, "International Development Assistance and International Human Rights", p. 5.

<sup>13</sup> Canadian Council of Churches, "The Churches' Perspective on Canada's Official Development Assistance", Brief, December 1986, p. 16.

2. That CIDA begin immediately to elaborate a Human Rights in Development policy framework, with an appropriate country classification grid, such as the country category system suggested in Chapter Three of the Committee's report, to be included in its annual report to Parliament;
3. That CIDA collaborate further with the Department of External Affairs in the preparation of an annual ODA-Human Rights Review, to be tabled in Parliament and referred to this Committee and to the Standing Committee on Human Rights.

In applying the policy framework, the Committee also recommends:

1. That countries deemed to be 'human rights negative' be automatically declared ineligible to receive direct government-to-government assistance;
2. That all CIDA country program reviews and project approval documents include a section evaluating human rights according to explicit criteria laid down in the policy framework;
3. That in making human rights evaluations, aid officials at all levels consult closely with Canadian NGOs with an established presence in the field;
4. That Canada work for changes to allow human rights concerns to be put openly on the agendas of the international financial institutions and, in addition, examine very critically multilateral loans to countries deemed 'human rights negative' or 'human rights watch'.

## Human Rights Development

Besides linking ODA to the protection of human rights, the report of the Special Joint Committee raised the issue of funding human rights development directly through ODA: "Through co-operative programs of financial support, exchange, research and technical assistance, Canada should contribute to the long-term development of political, civil and cultural rights as it now contributes to long-term economic and social development through the aid program."<sup>14</sup> The government has responded along these lines in the case of Haiti's request for assistance in developing procedures for democratic elections. The government has also accepted the recommendation that an International Institute of Human Rights and Democratic Development be created to carry out such projects. Two Special Rapporteurs were appointed in January 1987 to advise the government on how to proceed, and their report is expected this summer.

The case for a pro-active, institution-building approach to democratic human rights development is more controversial than the traditional focus on human rights protection and redress. It is, however, equally compelling if we are serious about going beyond a narrow sanctions approach to helping promote an environment where there is greater respect for all human rights. Developing countries should be able to seek this sort of human rights aid from Canada. The Committee therefore supports initiatives in this area, but with some qualifications. For example, the proposed Institute should be conceived as a separate, specialized instrument on the model of the IDRC, and not regarded in any way as a substitute for the comprehensive human rights policy framework we have recommended. **The Committee therefore recommends that the International Institute of Human Rights and Democratic Development carry out its**

<sup>14</sup> Canada, Senate and House of Commons, Special Joint Committee on Canada's International Relations, *Independence and Internationalism* (Ottawa: Supply and Services, 1986), p. 103.

distinct mandate as an independent, free-standing body working closely with Canadian human rights groups and non-governmental organizations.

## Human Rights and Militarization

A final important issue related to human rights and development is militarization. It is alarming when Third World countries spend more on the military than on basic needs such as health, education and other social services. Some of the African countries most at risk from famine—Ethiopia, Sudan, Angola, Mozambique—are also countries torn apart by internal violence. In 1984, the value of arms imports to Africa exceeded that of grain imports. In Central America, too, armed conflicts have devastated local economies and caused untold human suffering. Under these circumstances, programming long-term development aid is very difficult. Moreover, while high levels of military spending may sometimes be justified as a necessary self-defence against aggression, all such cases should be examined critically in regard to continued eligibility for ODA. *Our aid should not allow any government to spend more on arms and less on basic needs than it otherwise would. In keeping with our own priorities and values, Canada should ask questions and expect answers in the case of recipient countries whose governments' budget allocations put more emphasis on the military than on programs of social and economic welfare. More generally, because the issue of disarmament and development is a critical one that ultimately affects us all, the Committee urges Canada to take a leadership role in discussions of this subject in multilateral forums.*

Canada should also work with others to control the traffic in arms destined for developing countries. Responding to a suggestion of the Special Joint Committee, the government stated in its White Paper that it “will invite the Canadian Institute for International Peace and Security to ensure that the known facts are brought to the attention of Canadians and to carry out further study of the concept of an arms register.”<sup>15</sup> We support this as a long-term international initiative. **In addition, the Committee recommends specifically that military exports from Canada be prohibited under the *Export and Import Permits Act* to any country that has been declared ineligible for government-to-government aid on human rights grounds.**

<sup>15</sup> External Affairs Canada, *Canada's International Relations* (Ottawa: Supply and Services, 1986), p. 48.



# CHAPTER FOUR

## Linking Aid and Trade

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The motivation of Canadians for tying ODA to minimum human rights considerations is appropriately developmental, and the Committee supports it on that basis. From a global standpoint we all benefit when increased respect for human rights supports efforts to promote peace and economic prosperity in developing countries. Of course, there is an element of enlightened self-interest at work as well. But the point is the universality of human rights as a basis for aid policy conditionality. The issue of tying ODA to minimum Canadian commercial considerations raises the question of who benefits in a very different, more parochial way. Here the messages we received tended to diverge, at times rather sharply. In general, the Canadian business community argued that trade and development objectives are complementary. In other words, aid should be a profitable investment for both the donor and the recipient in the short as well as the long term. In contrast to this view, the non-profit development community argued that aid and export objectives must be kept separate, and that the direction of Canada's aid program has been too much influenced by commercial pressures.

### Poverty, Aid-Trade, and Human Development

In Part I of this report, the Committee set out an approach to Canada's ODA that clearly emphasizes the importance of long-term investment in human resources, particularly of the poor. One of the goals of such investments is to build the basis for self-sustaining development and thereby for future trade relationships of benefit to both sides. No country wants to be a perpetual mendicant. A successful aid strategy is one that, over time, creates opportunities for profitable partnerships between Canada and developing countries. But in moving from aid to trade, we must begin at the base and not try to skip over the facts of mass poverty and underdevelopment. For example, in Asia, which includes CIDA's four largest core country recipients (Table 4.1), CIDA's annual report observes a striking contrast:

Asia represents both the greatest opportunities and the greatest challenges for global development....Already Canada's trade with Asia in value terms is greater than that with Europe.

There are some 20 developing countries in Asia, chiefly in the Indian sub-continent and Southeast Asia. Canada provides assistance to 15 of them ... Over 90 per cent of the world's poorest people live within the borders of these Asian countries.<sup>1</sup>

<sup>1</sup> Canadian International Development Agency, *Annual Report 1985-86*, p. 37. The largest bilateral recipients are, in order, Bangladesh, Indonesia, Pakistan and India. Sri Lanka is also a major recipient.

Table 4.1

**Canadian Aid and Trade Flows, Selected Asia-Pacific Countries**  
(millions of dollars)

	Bilateral ODA <sup>1</sup>	Exports from Canada	Imports to Canada	Ratio of ODA to Total Trade
	(1985-86)	(1986)	(1986)	
Bangladesh	103.53	101.24	18.49	.86
Indonesia	77.49	240.01	113.06	.22
Pakistan	73.19	64.84	146.93	.35
India	52.45	346.57	165.45	.10
Sri Lanka	27.99	28.89	35.81	.43
China	21.80	1,097.46	566.47	.01
Thailand	15.55	105.27	149.94	.06
ASEAN countries <sup>2</sup>	105.39	644.59	732.47	.08

Source: Canadian International Development Agency, *Annual Report 1985-86*, Table M; Statistics Canada, *Summary of Canadian International Trade, December 1986*, Cat. No. 65-001, Ottawa, February 1987.

<sup>1</sup> Includes all forms of direct country-to-country assistance.

<sup>2</sup> Indonesia, Thailand, the Philippines, Malaysia, Singapore, Brunei; excludes regional programs.

One would expect the persistence of mass poverty in Asia to reinforce a basic needs orientation in Canada's aid. Indeed, according to the NGO consortium South-Asia Partnership, this has been happening with respect to the sub-continent: "Canada's ODA to the five major countries of the region now emphasizes direct benefit to the poor much more than a few years ago when major infrastructure projects were the hallmark." As they see it, any secondary objective, such as promoting commercial linkages, "no matter how well intentioned, that in practice mutes the energetic pursuit of poverty eradication, should be removed."<sup>2</sup>

Other observers, however, told the Committee that Canada must look at regions like Asia and the Pacific from another perspective as well. They pointed to the emergence of newly industrializing countries (NICs), especially in Southeast Asia, but also including South American countries such as Brazil. As one witness put it, "Much of the analysis of the North-South debate that was done in the 1970s does not apply, because the world is being restructured....For example, the centre of manufacturing in the world will be in Asia."<sup>3</sup> In this view, Canada needs to rethink its approach to poverty alleviation in countries that already have major industrial and trade capacities. Moreover, as Professor George Abonyi has noted: "Industrial development assistance is fundamentally different from the traditional focus of Canadian development assistance which has tended to focus on humanitarian aid and infrastructure development. It requires a very different set of skills and institutional linkages." This means working closely "with the private sectors of both countries, since they generally play the key role in industrial development." It also means a strategic approach to Canadian aid and

<sup>2</sup> South Asia Partnership-Canada, Brief to the Committee, February 1987, pp. 2, 7. The five countries are Bangladesh, India, Nepal, Pakistan and Sri Lanka.

<sup>3</sup> Dr. Douglas Webster, *Proceedings* 8:82; cf. also Alain Albert and Maxime A. Crener, "Le Canada et les pays à revenu moyen, approche stratégique de l'aide et du commerce", University of Ottawa Working Paper 86-5 (Ottawa: 1986).



trade capabilities in commercially competitive developing countries that goes well beyond simply providing additional concessional financing for export sales.<sup>4</sup>

If there is a problem with private sector-led approaches to industrial and institutional co-operation—which might include university-based activities as well as joint enterprise ventures involving significant technology transfers and human resources training—it is that they will tend to direct their attention to the modernized, more developed sectors of the economy. They are unlikely to have a grass roots approach aimed at bringing direct benefits to the poor majority, who may have been excluded from or even harmed by this modernizing activity. So an aid-trade strategy needs to be thought out carefully and integrated with the more basic poverty-directed human development thrust of ODA. Otherwise, it can risk becoming a subsidy for mainly commercial transactions that ought really to pay for themselves. Another risk in focusing too narrowly on expanding trade is that human rights considerations may tend to be downplayed or ignored. For example, we note the case of Indonesia which is now, excluding food aid, the single largest recipient of Canadian bilateral assistance and a major potential aid-trade partner. During our public hearings we heard sharp criticism of the record of the Soeharto regime. However, in response to questions raised by a member of the Committee, we have received detailed assurances from the Secretary of State for External Affairs, in a letter dated April 13, 1987, that the human rights situation in Indonesia is improving. Whatever the final determination of the facts in this case, our main concern is that the goal of promoting Canada's trade with the Third World be seen in the context of a strong message on human rights and human development.

The Committee knows that there can be real dilemmas for CIDA when it is pushed and pulled in several directions as commercial prospects vie with humanitarian concern. While Canada has a large program in Bangladesh for obvious reasons of need, in Indonesia our focus is much less clear. China is generating some exciting results in terms of human resource development, but it also seems obvious that we have a growing aid program mostly for reasons of trade. In setting out our own philosophy, we do not question the valid expectation that a strategic increase in aid and trade involvement in some countries can and should repay long-term economic dividends to Canada. However, to be justified in overall ODA terms, aid-trade activities should always be considered together with the first priority, which is to attend to the pressing basic needs of the world's poorest people.

## Tied Aid

The most common criticism of Canadian aid from the non-profit humanitarian side is that CIDA's bilateral tied aid rule detracts from the central purpose of providing maximum benefits to the poorest countries and peoples. Until 1970 direct government-to-government aid was fully tied to procurement in Canada. And despite moves in the Development Assistance Committee of the OECD towards liberalizing procurement practices, Canada was not prepared to sign a 1975 *Memorandum of Understanding* that encouraged the partial untying of bilateral assistance loans in favour of purchases in developing countries.

The first and only significant relaxation in CIDA procurement came in 1970 as a result of the government's foreign policy White Paper:

In order to improve the flexibility of the Canadian programme to meet specific requirements of high development priority, the Government...intends to liberalize

<sup>4</sup> George Abonyi, "Aid-Trade Strategy", *Policy Options* (October 1985), pp. 26-29; see also George Abonyi and Bunyaraks Ninsananda, "The Privatization of Development and Implications for Canada: The Case of Thailand", University of Ottawa Working Paper 86-72 (Ottawa: 1986).

the procurement conditions to cover shipping costs on all goods provided under the official development assistance programme, and to make available up to 20% of total bilateral allocations on a completely untied basis for projects or programmes of particularly high development priority. In addition, the Government will be prepared to work with other donor countries towards agreement on general measures which might be taken to untie development assistance on a multilateral basis.<sup>5</sup>

This was eventually followed up by the government's *Strategy for International Development Cooperation 1975-1980*, which stated:

The Government will liberalize the CIDA procurement regulations by immediately untying its bilateral development loans so that developing countries would be eligible to compete for contracts; it will consider untying to other donor countries in selected cases where this can demonstrably bring significant results to the development programme.<sup>6</sup>

However, as noted in our July 1986 Discussion Paper, the 1975 policy never became effective and, indeed, is no longer applicable because CIDA has moved to a 100-per cent grant program. The basic rule remains that established by Cabinet in 1970. It stipulates that 80 per cent of CIDA's bilateral country program budget (about 35 per cent of ODA in 1985-86) be spent on goods and services purchased in Canada, with a minimum two-thirds Canadian content. However, the 80-per cent figure includes transportation costs (untied) from Canada to the project site. These have averaged about 15 per cent of the budget. At the same time, over the years CIDA has not fully used its 20-per cent untying authority, most of which goes to financing local costs.

In addition, food aid, representing about 15 per cent of the total aid budget, is closely tied to procurement in Canada. As of 1984, Treasury Board regulations permit only 5 per cent of the food aid budget to be untied to purchases in third countries, although as in the case of the geographical programs, liberal provisions for transportation costs apply to the tied Canadian portion. For the rest of ODA, about one-half of the total, formal tying rules either do not exist or are not considered applicable. Most of this aid, such as that channelled through multilateral agencies and NGOs, is completely untied. In reality, therefore, contrary to some critical impressions, more of Canada's overall ODA is untied than is tied. The split is now about 60/40. The DAC is in the process of changing its statistical criteria to reflect more accurately the tying status of its members and to clean up reporting practices described to us as "notoriously unreliable" by a senior OECD economist.<sup>7</sup>

Although Canada's tied aid rules have the merit of being more transparent than most, the fact remains that for the core bilateral portion of ODA they are still rigid and high by DAC standards. Tied aid also makes up a much higher percentage of Canada's exports to the Third World than is the case for most other DAC members. This is not an optimum situation since it could encourage a tendency to subsidize uncompetitive or inappropriate goods and services through the aid program, thereby incurring significant efficiency and opportunity costs for both Canada and the recipient. If aid from Canada does not meet the tests of good development and good economics, the interests of neither party will be well served.

<sup>5</sup> Government of Canada, *Foreign Policy for Canadians* (Ottawa: Queen's Printer, 1970), pp. 16-17.

<sup>6</sup> Information Canada, *Canada: Strategy for International Development Cooperation 1975-1980* (Ottawa: Information Canada, 1975), p. 32.

<sup>7</sup> Some changes are reflected in the tables in the latest report. See Organization for Economic Co-operation and Development, *Development Co-operation, 1986 Report, Efforts and Policies of the Members of the Development Assistance Committee* (Paris: 1987), pp. 63-4.

Accordingly, a renewed approach to tied aid is one that ensures that ODA acts as an incentive, not an alternative, to achieving the goal of Canadian international competitiveness. We note the case of one firm, Champion Road Machinery, which was helped into the export market by tied aid and was subsequently successful in winning multilateral World Bank contracts.<sup>8</sup> This sort of graduation needs to be encouraged—and indeed should be the rule, not the exception. Canada should always aim to give recipients the best deal possible with respect to price, quality and after-sales support. This is in our economic interest as well as theirs.

From a development point of view, even more crucial than competitiveness is appropriateness. A high fixed tying rule carries the danger of making what Canada has to sell as or more important in aid decisions than what the poor want and need. The pressure for bilateral programs with an economic return to Canada of 80 per cent or more could introduce capital-intensity and non-poverty biases into the selection of channel, country, sector and project. It could favour higher-income countries or elite groups in low-income countries. This danger can be exaggerated, but it is present. We heard about and saw examples of how large inappropriate aid transfers can distort development priorities. The Committee therefore cautions that the Canadian content of procurement must always be matched against the developmental purposes established in Part I of this report.

Business has a legitimate concern that Canadian ODA not end up subsidizing competitors in other industrial countries. Obviously Canada is not going to purchase needed supplies elsewhere if these are readily available in Canada at competitive prices. It makes sense to buy commodities like fertilizer in Canada. Our consulting services are among the best in the world. Canada should not sell itself short when it has export capacities that can be used legitimately for development goals. Occasionally, though, it may make sense to purchase a specific good in another donor country. Suppose, for example, that a CIDA project requires a new tractor in a district where all the existing tractors are of non-Canadian manufacture. In such a case, insisting on a machine different from all the rest simply because it is Canadian could be manifestly uneconomic for that project. Who would benefit from ignoring these costs? Certainly not the recipient or the Canadian aid program.

Under CIDA's current, under-utilized untying authority, procurement in other OECD countries does not seem to have emerged as a serious problem. Where circumstances warrant, it should be possible to ensure that further untying be similarly held to mostly local costs and to procurement from local firms in other developing countries. In a number of LDCs, especially the poorest countries in Sub-Saharan Africa, sophisticated developed country imports will often not be appropriate forms of aid. Many areas of human resource development also rely heavily on local inputs. Indeed, one of the goals of self-reliance is precisely to mobilize local resources, including local savings and investment, more effectively. Even in the case of food aid, it may be that supplying local staples is the best solution, or that close by a food-deficit country is another developing country with an exportable surplus of grain. This occurred recently with respect to Mozambique and Zimbabwe. In such a case, it would only make sense for Canada to purchase part of any food aid shipment to Mozambique from Zimbabwe.

The Committee observes that CIDA has just launched a new program that may serve as a prototype for bilateral aid in the future. The plan, entitled "Meeting the Challenges of the Sahel", is aimed squarely at the poorest rural populations of Mali, Niger and Burkina Faso. Several features of the plan should have far-reaching consequences for Canadian ODA:

<sup>8</sup> *Proceedings* 18:11.

- The fluidity and flexibility required to carry out the activities to halt desertification will require a significant untying of aid.
- Experience would seem to indicate that in its present form food aid does not always meet needs effectively. To the extent required, CIDA could begin to purchase millet and sorghum in Third World countries.
- Since the local people will have to play a major role in project management, the Canadian program will provide the tools and instruments that will enable them fully to exercise their responsibilities.

There are other examples where supplying everything from Canada may not be the best approach. A simple water pump made locally or in another developing country may be more suited to local project conditions than complicated devices manufactured in Canada. Canadian ODA should not be so tied up in regulatory buy-Canadian knots that it cannot be used for clearly beneficial purchases within the developing world. CIDA's decision makers in the field need to have and to exercise more flexibility in this regard. This could also have the added benefit of encouraging more Canadian businesses to get out into the field, designing and adapting more products to meet Third World requirements. Again, there are advantages to both Canada and recipient countries.

In affirming the general principle that, where appropriate and competitive, Canadian goods and services should be purchased in preference to those of any other industrial country supplier, the Committee therefore also affirms that the Canadian content of ODA should be driven less by political considerations and fixed percentage rules than by development objectives and what makes economic sense from the perspective of both Canada and its Third World partners. It is not a contradiction to say that CIDA exists to serve their needs, and that, wherever possible, domestic and international goals should be complementary. Similarly, while business and NGO representatives are unlikely to agree on the merits of tied aid, on the question of appropriate mutual benefits the following comments, among many, are instructive:

The question of improving the delivery of aid has much to do with the suitability of the goods or services to the aid project at hand. To say that our aid recipients do not want Canadian goods and services—they would prefer to buy from others—is not necessarily correct. What recipient countries want is projects and goods delivered from Canada which are the best and the most competitive we can provide. (Canadian Export Association, Brief of December 1986, p. 4).

Tied aid, per se, is not particularly problematic when the Canadian goods or services are the most price competitive and most appropriate technologically. In fact, under those circumstances it would be foolish not to supply Canadian goods and services provided, of course, that the programme is genuinely developmental. (Canadian Council for International Co-operation, Brief of December 1986, p. 17).

The modest relaxation of the tying rule envisaged by the Committee would, on the basis of past studies, be unlikely to result in any significant loss to the Canadian economy.<sup>9</sup> It would provide important gains in aid flexibility, something that is particularly useful at the field level of operations. The bottom line of the aid program is, after all, benefits to overseas recipients, not jobs or profits for Canadians. The desirability of Canadian content should always be measured against the basic development goals set down in the ODA charter we proposed. This is not an either/or

<sup>9</sup> Cf. Keith Hay, "The Implications for the Canadian Economy of CIDA's Bilateral Tied Aid Programme", (Ottawa: Economic Council of Canada, Ottawa, 1978). Studies of other donor programs have reached similar conclusions.

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situation. Both tied aid and untied aid can have notable successes; equally, both can fail. Our approach coincides with the view expressed in the brief of the Association of Universities and Colleges of Canada:

... the focus of discussion and analysis should shift from "tied vs. untied" to the issue of ODA effectiveness—both in design and delivery—in meeting the needs of the poor majorities within the poorest countries. Each and every project and programme should be more rigorously assessed and evaluated in terms of developmental impact.<sup>10</sup>

In light of all these considerations, **the Committee recommends:**

1. That as a general principle of bilateral aid, Canadian goods and services that, having regard to all relevant circumstances, are competitive and appropriate be purchased in preference to those of any other industrial country supplier;
2. That with regard to tied aid CIDA move expeditiously to implement the guidelines on good procurement practices for official development assistance adopted at the high-level DAC meeting in 1986;
3. That the current 80 per cent rule be relaxed in order to increase flexibility in the field for local-cost and developing country procurement, with CIDA's untied spending authority being raised gradually to up to 50 per cent of the bilateral government-to-government budget.

As warranted by specific circumstances, **the Committee further recommends:**

1. That CIDA be able to waive tying requirements for some LLDCs in Sub-Saharan Africa;
2. That untying be allowed in the case of food aid to the extent of permitting third-country purchases in situations where a neighbouring developing country has an exportable surplus of food.

## **Aid and Exports**

Although tied aid procurement is the most obvious way Canadian economic interest manifests itself in the aid program, commercial considerations can impinge on the developmental purposes of aid in other ways. Recent trends in international markets have made it more difficult to cope with these pressures. We know that the Canadian economy is highly trade-dependent and that our share of world trade has been falling. In particular, the percentage of our trade that is with developing countries is far below that of our major OECD competitors (see Table 4.2) and even many smaller industrial countries. Geographic proximity to the United States only partly explains why an increasing share, nearly 80 per cent, of our exports now go to a mature market that represents just 5 per cent of the world's population.

Since the early 1980s, economic recession in the OECD countries and debt service problems in LDCs—the double jeopardy of higher protectionism and lower commodity prices—have taken their toll on North-South trade. But considering the growth potential of developing country markets, Canada's historically weak performance in this area is certainly cause for concern in the longer run. Unfortunately, with the intense competition in the more attractive of these markets, there is corresponding

<sup>10</sup> Association of Universities and Colleges of Canada, Brief, December 1986, p. 13.

Table 4.2

**Developing Countries Share as a Percentage of  
Merchandise Trade Flows, 1985**  
(1982 figures in parentheses)

	LDC Share of Total Exports	LDC Share of Total Imports	LDC Share of Total Trade
Canada	6.4 ( 9.9)	9.1 (12.0)	7.7 (10.9)
United States	33.9 (39.2)	34.0 (41.0)	34.0 (40.2)
Japan	30.0 (42.1)	53.2 (58.2)	39.7 (49.9)
European Community	14.9 (19.4)	17.1 (20.7)	16.0 (20.0)

Source: Calculated from General Agreement on Tariffs and Trade, *International Trade 1985-86*, Geneva, 1986, Appendices 145-151.

pressure to use ODA to subsidize bilateral export credits. This blending of aid and commercial financing in order to increase the concessionality of export bids—first used aggressively by France, whence the term *crédit mixte*—is now a widespread practice. Countries such as China, Indonesia and India are considered ‘spoiled’ markets because of it. What should Canada do?

While the Committee believes that it is impossible to ignore the export promotion war, Canada does have choices about whether or when to use ODA funds as ammunition. Several witnesses from the non-profit NGO sector cited the Decima Research public opinion poll conducted for the Department of External Affairs in the summer of 1985, which concluded: “It is clear...that for most Canadians, aid and trade are completely separate and that any attempt to link them by using aid to enhance trade, for example, would be considered exploitive and immoral.” We think things are not quite so black and white. But we share the concerns of many in the development field about the spread of mixed credits—in effect, using aid money to buy large projects in developing countries for what are essentially trade, not development, reasons. Many economists have also opposed this kind of subsidized competition for distorting trade as well as aid. It is a high-stakes game in which neither Canada nor the poor are likely to win many benefits.<sup>11</sup>

The Canadian Export Association observed in its brief “that the supply of aid projects is more and more a competitive business, and that in many cases, recipient countries are able to consider proposals from a number of donor countries.”<sup>12</sup> We do not doubt that this is true. We also want to encourage Canadian firms to seek out development challenges in the Third World and to bid aggressively on multilateral as well as bilateral contracts. There will be occasions when development can be exporter-led, and Canada should not deal itself out through an excessive show of purity. The Committee’s only concern is that we not compete for aid business in ways that deflect us from the basic development priorities outlined in our ODA charter.

<sup>11</sup> See the testimony of Dr. Irving Brecher, *Proceedings*, 3:43-44, and the still relevant study by James Adams, *Oil and Water: Export Promotion and Development Assistance*, (Ottawa: North-South Institute, 1980). For a recent critique cf. Martin Rudner, “Trade cum Aid in Canada’s Official Development Assistance Strategy”, in *Canada Among Nations: 1986 Talking Trade*, Brian W. Tomlin and Maureen Appel Molot, eds. (Toronto: James Lorimer & Company, Publishers, 1987).

<sup>12</sup> Canadian Export Association, Brief, December 1986, p. 9.

As yet Canada has remained a relatively minor player in what is referred to more generally by the DAC as associated financing. The Committee believes Canada should continue to be very circumspect in this area for the reasons already mentioned. We realize that Canada lacks the low interest rate advantages of Japan. Canada also does not resort to techniques such as West Germany's use of 'advance bidding', in which some aid reported as untied (i.e., nominally open to international competitive bidding) is in fact made available only if the contract is won by a domestic firm.<sup>13</sup> Protectionism comes in many guises, so it is small wonder that the latest OECD annual review concedes the failure of efforts to achieve a multilateral aid liberalization agreement. However, the same report notes more optimistically:

Efforts continued in 1985 and 1986 to seek greater transparency and discipline in the use of aid in association with export credits and similar transactions. ...Parallel work in the DAC and among the participants in the Arrangement on Guidelines for Officially Supported Export Credits aims at establishing higher minimum permissible grant elements for mixed credits and similar transactions. The objective is to strengthen the distinction between trade and aid financing and to strengthen the developmental orientation of the latter.<sup>14</sup>

The Committee expects that Canada will continue its strong support of efforts within the OECD to discourage excessive associated financing competition by increasing the costs to donors and by strengthening discipline and transparency in the use of ODA to support export transactions.

In that spirit, the Committee also expects that strict development criteria will be maintained with respect to Canada's own aid-trade practices. We note that since 1978 Canada has made extensive use of 'parallel financing', in which CIDA and the Export Development Corporation (EDC) co-operate on but separately administer portions of an export package that is deemed to have a development component. Only the CIDA portion is reported as ODA. Canadian contractors have also benefited from CIDA co-financing arrangements on large capital projects with international development banks and several OPEC donors. In 1981, EDC was given a non-ODA mixed credit facility, but it was rarely used. Then, as first announced in the April 1984 federal budget, it appeared there would be a major expansion of aid-trade activities through a new facility that would capture one-half of an expected increase in ODA above 0.5 per cent of GNP. When this projected growth in ODA was cut back substantially, the new fund was also put on hold. However, Canada's aid review memorandum to the DAC prior to its December 1986 examination, stated that:

...funds will continue to be available within the Export Development Corporation to meet the needs of competitive exporters for concessional financing to markets in developing countries. To the extent that these funds are used for development projects, they will be reported internationally as additional ODA above and beyond disbursements through traditional aid programs. Each such concessionally-financed project will be assessed and monitored using appropriate developmental criteria.<sup>15</sup>

<sup>13</sup> OECD, *Development Co-operation, 1986 Report*, p. 71.

<sup>14</sup> *Ibid.*, p. 62. The grant element to qualify as ODA would be raised on a phased-in basis from 25 per cent to 35 per cent. Negotiations are also continuing on setting "commercial interest reference rates" compared to the DAC's standard 10-per cent discount rate. For an explanation of these issues see John Ray, "The OECD 'Consensus' on Export Credits", *The World Economy* 9/3 (September 1986), pp. 295-309.

<sup>15</sup> CIDA, *Annual Aid Review 1985: Memorandum of Canada to the Development Assistance Committee of the Organization for Economic Co-operation and Development* (Ottawa: 1986), pp. 13-14.

The pre-examination report of the DAC Secretariat acknowledged that these aid-trade funds will be over and above the current ODA target of 0.5 per cent of GNP, and that only funds drawn on EDC's government account (Section 31) will be counted as ODA. Still, the DAC Secretariat expressed strong reservations:

In assessing the ODA eligibility of each transaction, CIDA is not expected to undertake appraisals on its own but will rely on information provided by the recipient country as to the developmental soundness of the respective projects. This implies that there is a fundamental difference between the rigorous appraisal procedures applied to traditional ODA projects and those to be used in assessing ODA eligibility in the case of Treasury financed mixed credits.<sup>16</sup>

The Committee shares the DAC's concern that CIDA's long-term development objectives and those of export promotion per se be kept sufficiently clear and distinct so that ODA is used in a trade context only when CIDA determines that there is a genuine complementarity. Too much pressure for short-term trade benefits from aid will inevitably overlook the poorest countries and peoples. As we noted earlier, even countries like Indonesia and Brazil, which have commercially attractive modern sectors, also have areas of mass poverty. Aid and trade can sometimes be combined successfully to achieve human development goals, especially in the areas of industrial co-operation and technical assistance where the involvement of the private sector is actively sought. But if we are serious about helping the poor, aid objectives cannot be driven primarily by Canadian commercial interests. CIDA's responsibility is to deliver effective aid programs, which may or may not have a trade development element; it is not to improve Canada's trade prospects as such, much less to solve other domestic economic problems. There are more appropriate instruments with which to tackle these. And there may also be better ways to deliver Canada's export promotion program that would free the aid program from some of this domestic burden and from the confusion of multiple objectives that tends to result.

In Chapter Nine, the Committee makes specific recommendations designed to encourage the participation of Canadian business in the work of development. At this juncture, what we must bear in mind is the fundamental distinction between CIDA using the skills of the private sector as a resource for development programs of benefit to the poor, and simply using ODA as a 'soft money' resource for transactions motivated more by commercial than by developmental considerations. Or to put it another way, we believe that Canadian business can and should gain from promoting development, harnessing the profit motive to development purposes, as long as these purposes, and not just promoting Canadian exports, remain the objective of aid.

Accordingly, in order to keep a developmental perspective on aid-trade linkages, the Committee recommends:

- 1. That the Government strongly support efforts within the OECD to restrict mixed credits competition by increasing the costs to donors and by strengthening discipline and transparency in the reporting of ODA;**
- 2. That the Government ensure that no part of any Canadian concessional export financing package is counted as ODA unless it meets CIDA's development criteria as defined in the ODA charter;**
- 3. That efforts be made to improve Canada's export position in developing countries that do not compromise the integrity of the aid program.**

<sup>16</sup> OECD, Development Assistance Committee, *Aid Review 1986/87: Report by the Secretariat and Questions on the Development Assistance Efforts and Policies of Canada* (Paris: 1986), p. 22.



## Aid and Imports

The linkage of ODA to trade tends to be suspect because it is seen as responding to Canadian commercial objectives first and development second. However, another way of making this linkage is to see it as responding directly to the needs of recipients in developing their trade potential. Here the developmental rationale is much more clear, but the donors' focus must shift from export to import policy. We know that lowering protectionist barriers to imports from developing country can have a positive effect on their economic growth. This side of the aid-trade equation—the need to support their export potential and to adjust to their comparative advantage within a comprehensive trade liberalization strategy—does not always receive sufficient attention. The recommendations made to us by the Canadian Importers Association were rather lonely among the briefs from the business community:

Having our import controls made more consistent with ODA objectives would involve a decrease in the restrictions placed by Canada on the use of the General Preferential Tariff and a reduction in our use of escalating tariffs that rise with the degree of processing of a good. We also recommend that Canada decrease its reliance on tied aid, and suggest, instead that Canada increase its use of multilateral aid channels.<sup>17</sup>

Nonetheless, we also note the statements by the Canadian Chamber of Commerce and by Kenneth Hillyer, President of Redma Consultants:

...in the long run, Canadian trade and industrial policies cannot be used to protect and encourage firms and industries in Canada which have little hope of being internationally competitive....Progress in the developing world depends in large part on the ability of developing countries to integrate their economies into a liberalized world trading system based on specialization of production and trade on the basis of comparative advantage. (Canadian Chamber of Commerce, Brief of February 1987, p. 22).

... most European countries actively promote Third World products as a major component in their aid programs. Many have developed firm structural adjustment programs with defined deadlines to eliminate protection of import-sensitive industries subject to Third World competition. We believe we should devote more of our aid to the direct promotion of imported goods from the developing world in something like this fashion. (Kenneth Hillyer, *Proceedings*, February 10, 1987, p. 11).

At present, CIDA has a contract with a private sector import office known as the Trade Facilitation Office Canada. However, we still hear far more about how aid can support our exports than about how trade with us can support their development.

The matter of domestic adjustment to Third World competition is undoubtedly a politically sensitive one. Among the examples frequently cited are the repeated extensions of such protectionist measures as the Multi-Fibre Arrangement (MFA). The latest was in July 1986. In responding to the report of the Special Joint Committee on Canada's International Relations, the government stated that the new MFA Protocol of Extension "provides for particularly favourable treatment for the least developed countries" and that "Canada is prepared to discuss the eventual phasing out of the Multi-Fibre Arrangement in the Multilateral Trade Negotiations."<sup>18</sup> We welcome this declaration. We are also mindful of the difficulties that must be overcome in order to make real progress. There are legitimate concerns in Canada about the dumping of low-

<sup>17</sup> Canadian Importers Association, Brief, December 1986, p. 3.

<sup>18</sup> External Affairs Canada, *Canada's International Relations* (Ottawa: Supply and Services, 1986), p. 65.

cost imports, about the conditions of labour in developing countries, and about the impact of more competition on the lives of the affected workers and communities in Canada. We must begin, therefore, to put in place long-term policies that stimulate two-way trade in ways that meet these concerns.

Since one of the best ways to aid developing countries is to buy more of their goods, **the Committee recommends:**

- 1. That import promotion be a declared objective of ODA policy, particularly in the case of CIDA's core program countries;**
- 2. That the Government seek to avoid conflicts between ODA objectives and trade policies towards those countries;**
- 3. That, as part of a long-term strategy of trade liberalization and adjustment, the Government work out a realistic agenda for reducing protectionist barriers to developing country imports and for implementing the necessary restructuring programs for those affected by increased competition.**

## CHAPTER FIVE

### Aid and Policy Dialogue

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The tying of policy conditions to ODA has become an enormously complicated affair, one that extends well beyond considerations of basic human rights observance in recipient countries and short-term commercial or political interests in donor countries. There is a widespread perception, however arguable, that the economic development policies of many poor countries are not working, and that increased aid flows should be contingent on policy reforms that meet with the approval of the donor community.

Almost 20 years ago the Pearson Commission promoted the idea of developing countries as full partners in development. During the 1960s and '70s the rhetoric of the United Nations development decades, the success of OPEC, and the beginnings of North-South dialogue raised expectations about the capacity of less developed countries (LDCs) to participate in the world economy on a more equal basis with the industrialized countries. Some LDCs, notably in Asia and to a lesser extent in Latin America, emerged from this period more in charge of their economic futures. But many more did not. They were the most vulnerable to the external shocks of the early 1980s—Northern recession, historically high interest rates, and depressed commodity prices, in some cases added to natural calamities such as drought or the man-made destruction of civil and regional conflict. In 1987 it seems that for many LDCs, especially low-income countries in Africa, the momentum of development has been lost. A number of countries are actually regressing and, at the same time, becoming more dependent on external assistance simply to meet basic needs. How can aid policies help to reverse this decline?

#### **The Bilateral Agenda of Reform**

The Committee believes that the linking of ODA to economic policy dialogue and reform must begin with some humility on both sides and an acceptance of co-responsibility for getting out of the current crisis. Donors have sometimes pushed on recipients, or given in to their demands for, projects that were not economically viable or appropriate, even under favourable circumstances. In Africa we saw examples of sophisticated capital projects that were malfunctioning because of lack of proper maintenance and other critical managerial and human resource weaknesses. With chronic shortages of foreign exchange and spare parts, basic infrastructure—most of it donor-supplied—is eroding. Local governments, with less money for everything, including basic needs, are in a quandary. They appeal to the donors, who are in turn reluctant to throw more money at the problem.

We must acknowledge that some aid has not helped because it has made weak countries even more economically dependent rather than strengthening self-reliance. Often, too, the national interests of donors have worked against proper co-ordination of aid efforts; the result has been inappropriate patterns of development and economic inefficiencies that recipients can ill afford. We would point also to the environmental hazards that need to be addressed as part of a responsible dialogue on development strategies. The recent report of the World Commission on Environment and Development emphasizes the need for policy dialogue in order "to deal simultaneously with economic and ecological aspects in ways that allow the world economy to stimulate the growth of developing countries while giving greater weight to environmental concerns."<sup>1</sup>

As a first step, Canada, like other donors, should ensure that its own program of assistance is both economically sound and environmentally sustainable. New capital projects should not be considered in countries experiencing serious balance of payments difficulties unless they can be put on a viable long-term footing or specifically address infrastructure that is critical to economic recovery—for example, basic rural transportation to allow crops to get to market. Existing capital projects should also be reviewed according to these criteria and, if they do not meet them, be rehabilitated or phased out.

CIDA is already making some adjustments in this regard. In one region of Africa, "approximately 42% of the new commitments in 1984-85...were directed at rehabilitation, operation and maintenance programs with lower priority being given to large new infrastructural projects."<sup>2</sup> The Committee supports further moves in this direction. CIDA is also making greater use of other non-project forms of assistance, such as lines of credit and donated commodities, which both substitute for imports and can be sold to generate counterpart funds in local currency. In line with our recommendations in Chapter Four, such commodities should be developmentally appropriate, and in some cases lines of credit should be tied less rigidly than in the past. With this in mind, we support the increased use of flexible program aid for the most seriously affected countries. As the brief of the Canadian Council of Churches pointed out:

Direct financial balance of payment support for Least Developed Countries whose whole economies are faltering severely and whose foreign exchange needs are nearly overwhelming is also a highly desirable form of aid. This is especially true in the case of Third World governments with a demonstrated concern to promote the genuine development of their countries in ways that will bring its advantages to their peoples. Direct financial assistance seems to us to be of far greater benefit to these governments than aid for new projects.<sup>3</sup>

Good donor behaviour is necessary to provide a sound basis for negotiating commensurate policy changes on the part of recipient governments. It can serve to undercut charges that donor conditionality is simply ideology or a new form of imperialism. Donor governments, after all, have a responsibility to their taxpayers to see that aid is not wasted. That responsibility would not be fulfilled if nothing were said about economically perverse policies which can cause even the best-intentioned projects to fail. Several witnesses urged that CIDA make policy dialogue a central element in its country programming and that bilateral funds be concentrated where the policy environment is receptive.<sup>4</sup> While there is not universal agreement as to what constitutes

<sup>1</sup> World Commission on Environment and Development, *Our Common Future* (Oxford: Oxford University Press, 1987) pp. 3-22.

<sup>2</sup> Canadian International Development Agency, *Annual Aid Review 1985* (Ottawa: 1986), p. 8.

<sup>3</sup> Canadian Council of Churches, Brief to the Committee, December 1986, p. 14.

<sup>4</sup> *Proceedings* 2:65-47 and 7:40-45.

good economic policy, and while prescriptions vary according to the circumstances in each country, the following areas are among those mentioned most frequently: more resources for agriculture and, in particular, appropriate incentives for small-scale peasant agriculture and food production; realistic exchange rates and fiscal policies; greater openness to international markets; efficient management of the public sector; and more attention in general to private sector initiative so as to reduce the burden on the state and state-owned enterprises.

Our often blunt discussions with government ministers and officials in Tanzania and Senegal were very useful for both sides in this regard. We were able to talk with them about the consequences of the centralized, statist approaches to development that were often adopted by such countries after independence. The political reasons may have seemed valid then, but some of the economic results have been extremely counterproductive. Agriculture in particular has suffered from stifling bureaucratic controls and low fixed prices, which discouraged producers while favouring urban elites. Africa has lost the ability to feed itself and is more desperately dependent than ever on external assistance. For their part, the Africans told us about the corrective measures they were taking and presented a sober analysis of their own predicament, described succinctly by the Tanzanian Minister of Finance as one of "managing poverty". We do not minimize the very real problems the leaders of these countries face in shifting policy directions and implementing programs of recovery.

The Committee realizes, too, that in future discussions there will remain legitimate areas for economic policy disagreements, and that economic data are sometimes incomplete or unreliable. Moreover, proposed changes to recipient government policies ought not to be simply deduced from Western economic models, but should be designed to bring real benefits to the poor or, at the very least, to mitigate the effects of adjustment on the poor. So while we believe that frank dialogue with recipients on economic policy reforms is often appropriate and necessary, it should always be borne in mind that the point of such dialogue is not to impose our views, but to strengthen the basic purposes of our ODA in alleviating poverty and supporting self-reliance.

In support of the efforts of the developing countries, there should be a recognition that the process of dialogue and reform is a two-way street. To be credible, donors must be prepared to accept the kind of discipline they propose for others, and they must show that they are willing to adjust their own programs to meet the global development crisis. Accordingly, **the Committee recommends:**

1. That CIDA evaluate the long-term economic and environmental sustainability of existing capital projects and either reorient or phase out those that are unlikely to contribute to self-reliant development in harmony with the natural environment;
2. That CIDA, before considering new capital projects, place a high priority on the maintenance or rehabilitation of projects that can meet the tests set out above;
3. That in the most seriously affected countries, CIDA support the development of projects that explicitly address the balance of payments situation;
4. That in these countries CIDA also give high priority to the increased use of flexible program-type assistance;
5. That in its economic policy discussions with the recipients of such program transfers, CIDA ensure that the structural adjustment or other reforms it is proposing reinforce, or at least are consistent with, the basic objectives of the Canadian ODA program.

## The Multilateral Agenda of Reform

Much of the pressure for donor-led policy dialogue has come about because of the failure to reach agreement on the more sweeping international economic reforms that had earlier been demanded by the South, and because of the extraordinarily precarious situation in which many developing countries find themselves. Third World debt now stands at over one trillion dollars and counting. The poorest debt-burdened countries are clustered in Sub-Saharan Africa, and these countries are also those most dependent on external aid and other forms of official development finance just to keep their economies afloat. These countries receive less attention than the major debtors such as Brazil and Mexico because they do not pose a threat to Western financial interests. They account for only a small fraction of the total developing country debt, and private bank exposure is low—only about 10 per cent of debt obligations in Sub-Saharan Africa. Yet because their ability to pay is also much less than that of middle-income countries, the burden of austerity on the population is relatively greater.

In many of the poorest countries, donor governments, their aid and export credit agencies, and the international financial institutions (IFIs)—the International Monetary Fund (IMF), the World Bank Group and the regional development banks—are the major creditors. The onus, therefore, is on them, as they are in a position to call the tune. In the absence of significant private flows, official debt repayment must be offset by new flows of ODA and by Paris Club rescheduling of old debt. However, the growth in official development finance has been inadequate, and recently World Bank credits issued through its soft loan window, the International Development Association (IDA), have become less concessional. Moreover, the Bank and the IMF refuse to reschedule their loans. In the case of the IMF, net flows in 1985 were negative for eleven countries in Sub-Saharan Africa.<sup>5</sup>

Given its origins as a monetary watchdog, the IMF has focused on short-term liquidity rather than long-term growth. It is unpopular with LDC governments because of the tough conditions it imposes on its lending, including its new Structural Adjustment Facility, which is more concessional than the other credit tranches. A severe contraction of internal demand is a typical part of an IMF stabilization package. By contrast, the World Bank has concentrated on the developmental supply side, supporting change through growth. During the 1970s it also tried to direct more of its projects to alleviating absolute poverty. However, in practice, the mandates of the Bank and the Fund have tended to converge. In the 1980s the Bank has become a major source of policy-based program lending through its structural adjustment loans (SALs). Both institutions now collaborate on 'policy framework papers' for specific countries.

The Committee does not doubt the need for policy reforms in developing countries. However, we do have some concerns about the sensitivity of IMF/World Bank conditionality to the needs of the poorest countries and peoples. Development is not just a matter of high GNP growth rates or stable prices. It should also include measures of qualitative social progress, democratic participation<sup>6</sup> and the broad distribution of the benefits of economic growth. Adjustment, too, should not be based too narrowly on a few assumptions drawn from a particular economic theory. It should encompass structural changes that address the social and political realities of poverty. As Sheldon Annis has argued:

<sup>5</sup> Organization for Economic Co-operation and Development, *Development Co-operation 1986 Report* (Paris: 1987), p. 194.

<sup>6</sup> In this regard, we note that South Korea's efforts to join the OECD have been rebuffed on the non-economic grounds that it is not a liberal democracy.

The causes of low growth, debt, and poverty are not simply that poor people don't have enough incentives to produce or that they are constrained by protectionist trade policies: in too many countries, the poor don't have land, small farmers don't have access to infrastructure, workers are not protected by social security and fair labor legislation, education is scant, prices discriminate against small farmers, agricultural and settlement policies work against natural resource management, credit is often not available to the people who can best make use of it, and, in general, politics tends to stifle growth by reinforcing entrenched power and privilege. The bank should address *these* policy challenges as it links new investments with policy reforms.<sup>7</sup>

The Committee believes that Canada should use its influence in the IFIs to encourage them to pay close attention to the growth and equity implications of their structural adjustment policies. In this regard, we were pleased to note that the Inter-American Development Bank is now attempting explicitly to measure the poverty impact of its loans. Along with others, it made the case to the Committee that maintaining social and human capital investment in recipient countries is critical to their future economic health. This lesson needs to be taken to heart by the major sources of policy-based lending—the World Bank and the International Monetary Fund. If not, the risk is that the economic reforms they seek will run at cross-purposes with poverty-oriented human development approaches. Another lesson of recent experience is that to be successful, structural adjustment programs must be properly funded. It should be understood that they will require very long-term commitments from the donors.

In light of these concerns, generated by the growing policy leverage of multilateral financial institutions over the economies of the poorest countries, **the Committee recommends:**

- 1. That the Canadian representatives on the governing boards of the international financial institutions promote approaches to structural adjustment lending in developing countries that fully address the effect of economic policy conditionality on the poorest people;**
- 2. That Canada in its bilateral program support investments in social and human development as a concomitant to macro-economic adjustment, so that the burden of policy reform falls least heavily on the poor;**
- 3. That Canada agree to specific structural adjustment packages, provided they meet the test set out above, are adequately funded and sufficiently long-term.**

## **Aid Co-ordination**

Although the international development banks are the major source of policy-based finance, we have argued that considerations such as the impact of economic adjustment on the incomes and living standards of the poor should also apply to the conditionality imposed by bilateral donors on their program aid. Increasingly, these donors are getting together among themselves and with the major multilateral agencies to discuss co-ordinated responses to the adjustment problems of particular regions, countries and sectors. The World Bank has organized consultative groups for some countries, and the United Nations Development Program (UNDP) also sponsors round

<sup>7</sup> Sheldon Annis, "The Shifting Grounds of Poverty Lending at the World Bank", in Richard Feinberg et al., *Between Two Worlds: The World Bank's Next Decade* (New Brunswick, N.J.: Overseas Development Council and Transaction Books, 1986), pp. 37-38.

tables. At its high-level meeting in 1986, the Development Assistance Committee of the OECD adopted a detailed set of "guiding principles" on aid co-ordination with developing countries; the principles recognize the lead role of the IFIs in structural adjustment.<sup>8</sup> This trend has had an obvious effect on country programming in Canada. The recent submission by Canada to the DAC explains that:

In particular cases, greater emphasis is being placed during the policy dialogue on appropriate policy reforms and structural adjustments by the recipient country. Key elements in this regard are the existence of an agreement with the International Monetary Fund and/or the World Bank to effect the required reforms and adjustments and a coordinated approach by the donor community through a consultative group, round table or other mechanism.<sup>9</sup>

The Committee accepts that there is a need for improved aid co-ordination. We note that the Cassen study on aid effectiveness was highly conscious of this issue and critical of past inattention to it.<sup>10</sup> Nonetheless, given the weakness of many recipient governments, there is a danger that too much emphasis will be placed on the co-ordination of donors' conditionalities rather than on the capacity of recipients to co-ordinate their aid with the co-operation of donors. As G.K. Helleiner has noted,

...conditionality risks merely supplying more resources to those already performing, or willing to perform in future, in ways of which external donors approve, rather than stimulating truly indigenous decision-making capacity and processes of change where they are most required. In Africa policy dialogue is unfortunately still widely perceived to be (and, in fact, often is) a de facto donor monologue; and so-called cross-conditionality, in which external agencies link their decisions to one another, further reduces the capacity of African governments to develop their own paths.<sup>11</sup>

John Loxley adds: "Aid coordination is too vital a concern to be delegated to donors. If, as might sometimes be the case, recipients lack the capacity to coordinate aid, this weakness should be addressed as a matter of urgency...".<sup>12</sup>

The latest OECD report on development co-operation recognizes that conditionality and policy dialogue must not become a one-way street leading to recipients surrendering control over their own economic affairs.

Policy decisions cannot and should not be imposed from outside. Donors must strive to understand the political, institutional, economic and social considerations that affect the recipient's capacity to undertake policy adjustments. Closer working relations and cooperation are most likely to evolve from intimate donor knowledge of the political and socio-economic context of the recipient country and from the provision of aid on an increasingly assured, continuous and predictable basis.

For donor advice in the policy and programming dialogue to be credible, it must be consistent as well as competent and reflect full understanding of the variety of economic and other constraints facing the developing country. A profusion of conflicting advice from a multiplicity of donors can be counterproductive. Policy reform efforts are most likely to be fruitful when they are concentrated on key

<sup>8</sup> OECD, *Development Co-operation 1986 Report*, Part VII.

<sup>9</sup> CIDA, *Annual Aid Review 1985*, p. 7.

<sup>10</sup> Robert Cassen & Associates, *Does Aid Work?* (Oxford: Clarendon Press, 1986). See in particular Chapter Seven, "The Systemic Effects of Aid and the Role of Coordination".

<sup>11</sup> G.K. Helleiner, "Economic crisis in Sub-Saharan Africa: the international dimension", *International Journal* XLI (Autumn 1986), p. 763.

<sup>12</sup> John Loxley, *Debt and Disorder: External Financing for Development* (Boulder, Colo.: Westview Press and the North-South Institute, 1986). See in particular Chapter 6, "Aid and the Economic Crisis", p. 178.



problem areas and when the responsible authorities—central and sectoral—assume responsibility for policy analysis and decisions. It is a basically unhealthy situation if developing countries have to rely heavily and repeatedly on donors to carry out their policy analyses and programme planning.<sup>13</sup>

**Accordingly, the Committee recommends that CIDA's approach to policy co-ordination stress co-operation with the recipient country and with other like-minded donors on strengthening the capacity of local government institutions to co-ordinate aid and to integrate it with coherent development plans.**

## Debt and Trade

Although the Committee's focus is on ODA, we would not like to leave the impression that aid-induced policy dialogue and reform are going to solve the Third World's development problems. Several briefs we received argued forcefully that more or even better aid is not enough.<sup>14</sup> Aid can mean the difference between life and death in emergencies such as the African famine. It can bring out the best in people. But ODA should not be a long-term palliative, still less an excuse for not getting at the root causes of global poverty and injustice. Today, as a crushing mountain of debt is piling up in the developing countries, we must be conscious of the inadequacy of strategies that would simply hand the burden of economic policy adjustment to the national governments of countries too weak to resist the pressures of aid donors. The object of ODA conditionality and co-ordination is not a return to neo-colonial dependency, but a recovery of the development process in these countries. In particular, if concerted action on the debt overhang is not forthcoming for the poorest countries, we fear that aid agencies risk being transformed into de facto debt relief agencies, with much of development in these countries put on indefinite hold.

The problems of adverse terms of trade and unstable export earnings in low-income countries are closely linked to that of debt service and must also be addressed urgently by the international community. Existing compensatory financing arrangements have proved inadequate. Efforts to prop up the terms of trade, such as the European Community's STABEX scheme under the Lomé Convention, have had a relatively minor impact. At the same time, the far more ambitious and comprehensive proposals of the United Nations Conference on Trade and Development (UNCTAD) for a Common Fund to bolster commodity prices have been ill-starred from the beginning. International agreements for individual commodities also appear to have had little success to date.<sup>15</sup> In light of these recent experiences with attempts to stabilize financial and trade flows, it would be facile but wrong to avoid taking any further action—in effect, leaving the fate of developing countries to the survival of the fittest in international markets. The problems of debt and trade would only grow worse, and we, too, would wind up losers. The failings of action so far should be taken as evidence that there are no simple solutions, not that there are no solutions.

**Accordingly, on debt, the Committee commends the Government for its initial five-year moratorium on ODA debt for Sub-Saharan African countries announced at the May 1986 United Nations Special Session, and we would urge further remedial action,**

<sup>13</sup> OECD, *Development Co-operation 1986 Report*, p. 106. For the text of the guiding principles for aid co-ordination adopted by DAC members at their 1986 high-level meeting, see pp. 106-110. See also the 1985 Report, *Twenty-five Years of Development Co-operation*, Part VIII, "Aid Co-ordination and the Policy Dialogue".

<sup>14</sup> For example, Kitchener-Waterloo Ten Days Committee, "Debt, Trade, Aid: A Development Formula for Canada's Relationship with the Third World", Brief, October 1986.

<sup>15</sup> Cf. the analysis in the World Bank, *World Development Report 1986* (New York: Oxford University Press, 1986), Chapter 7. On the UNCTAD negotiations see also the critical perspective of a participant: Edmund Dell, "The Common Fund", *International Affairs* 63 (Winter 1986), pp. 21-38.

such as the extension of the moratorium to other official debt in cases where there is critical need and the recipient government has committed itself to a program of recovery. We believe that Canada should urge the donor community to adopt similar measures and, in deserving cases, to consider additional steps such as partial debt forgiveness, interest rate reductions, or the conversion of loans to grants (in the case of the World Bank, the conversion of harder-term loans to IDA credits).

On trade, the Committee notes that the seventh session of UNCTAD will take place in July 1987 and that many developing countries will be participants in the Uruguay Round of the Multilateral Trade Negotiations under the General Agreement on Tariffs and Trade launched last September. We therefore urge the Government to use these negotiating forums actively to pursue ways of aiding the trade prospects of low-income countries.

### Aid Allocations: Channels, Sectors and Countries

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The fundamental purposes of Canada's ODA are simple to understand: we want to help the poorest peoples and countries to achieve self-reliance. But how? We attach policy conditions, both domestic and external, to our aid giving. Sometimes these reinforce our purposes and enhance the quality of our aid; sometimes they do not. Inevitably, political judgements are involved. Going beyond that, making aid decisions becomes much more than a matter of the right intentions and conditions. It is also concretely about the distribution of resources—by whom, to whom, and how much. Here, any remaining simplicity quickly disappears, as the funding allocations diagrams on the following pages illustrate. Canadian aid goes to support thousands of projects in over a hundred countries through nine separate channels, dozens of programs, and hundreds of executing agencies.

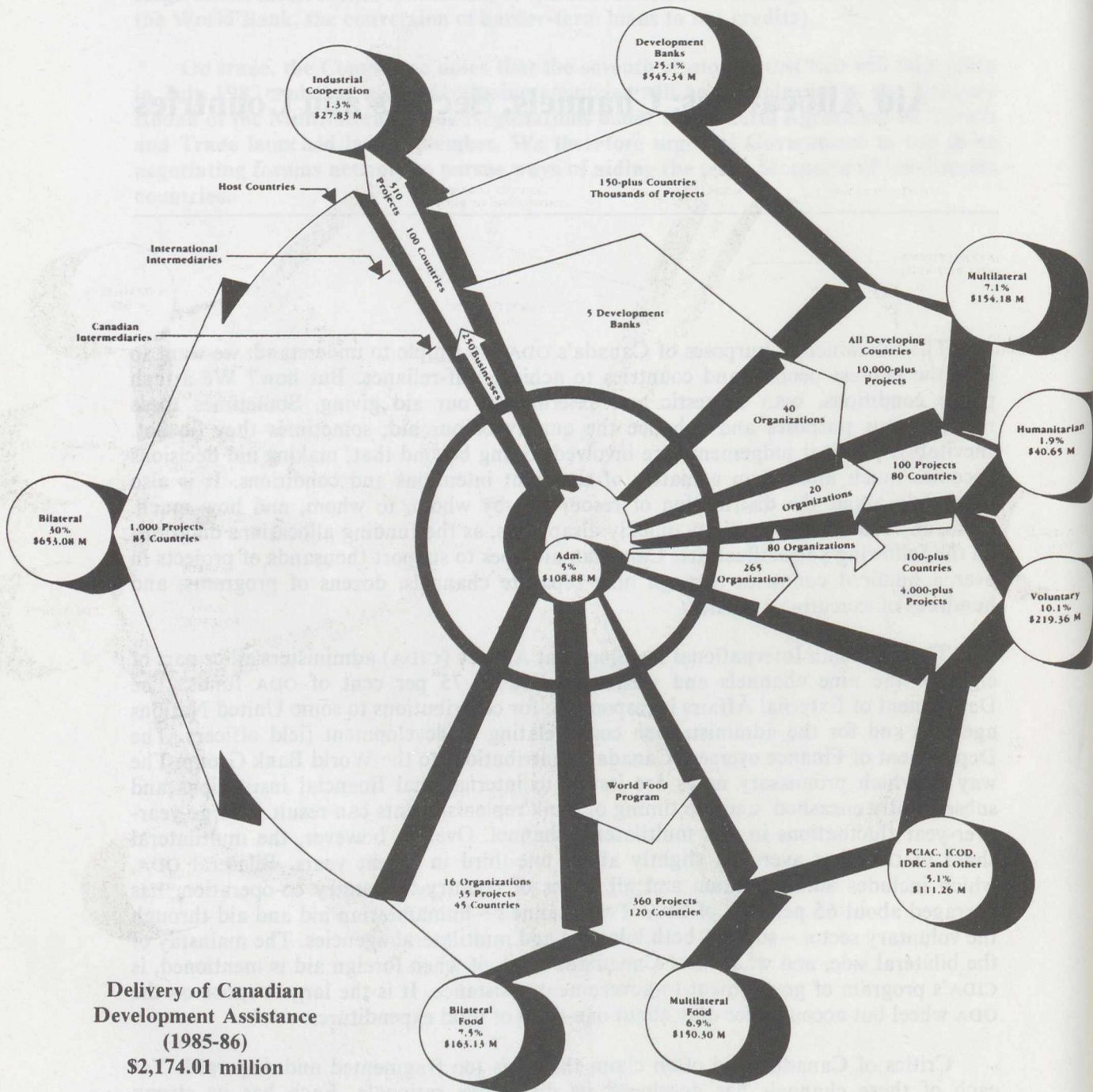
The Canadian International Development Agency (CIDA) administers all or part of eight of the nine channels and spends upward of 75 per cent of ODA funds. The Department of External Affairs is responsible for contributions to some United Nations agencies and for the administration costs relating to development field officers. The Department of Finance oversees Canada's contributions to the World Bank Group. The way in which promissory notes are issued to international financial institutions and subsequently encashed<sup>1</sup> and the timing of bank replenishments can result in large year-over-year fluctuations in this multilateral channel. Overall, however, the multilateral share of ODA has averaged slightly above one-third in recent years. Bilateral ODA, which includes administration and all forms of country-to-country co-operation, has averaged about 65 per cent of ODA. Two channels—humanitarian aid and aid through the voluntary sector—support both bilateral and multilateral agencies. The mainstay of the bilateral side, and what most Canadians think of when foreign aid is mentioned, is CIDA's program of government-to-government assistance. It is the largest spoke on the ODA wheel but accounts for only about one-third of total expenditures.

Critics of Canadian aid often claim that it is too fragmented and dispersed. Yet each of these channels has developed its distinctive rationale. Each has its strong defenders and promoters. How much diversity is compatible with maintaining clarity of purpose? How much diffusion can be allowed without diluting Canada's potential for influence? There are no easy answers to these questions. But aid cannot be all things to

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<sup>1</sup> The full amount of the notes is reported as ODA at the time of issuance but is actually drawn down only over a period of years.

Figure 1  
Actual ODA Disbursements, 1985-86

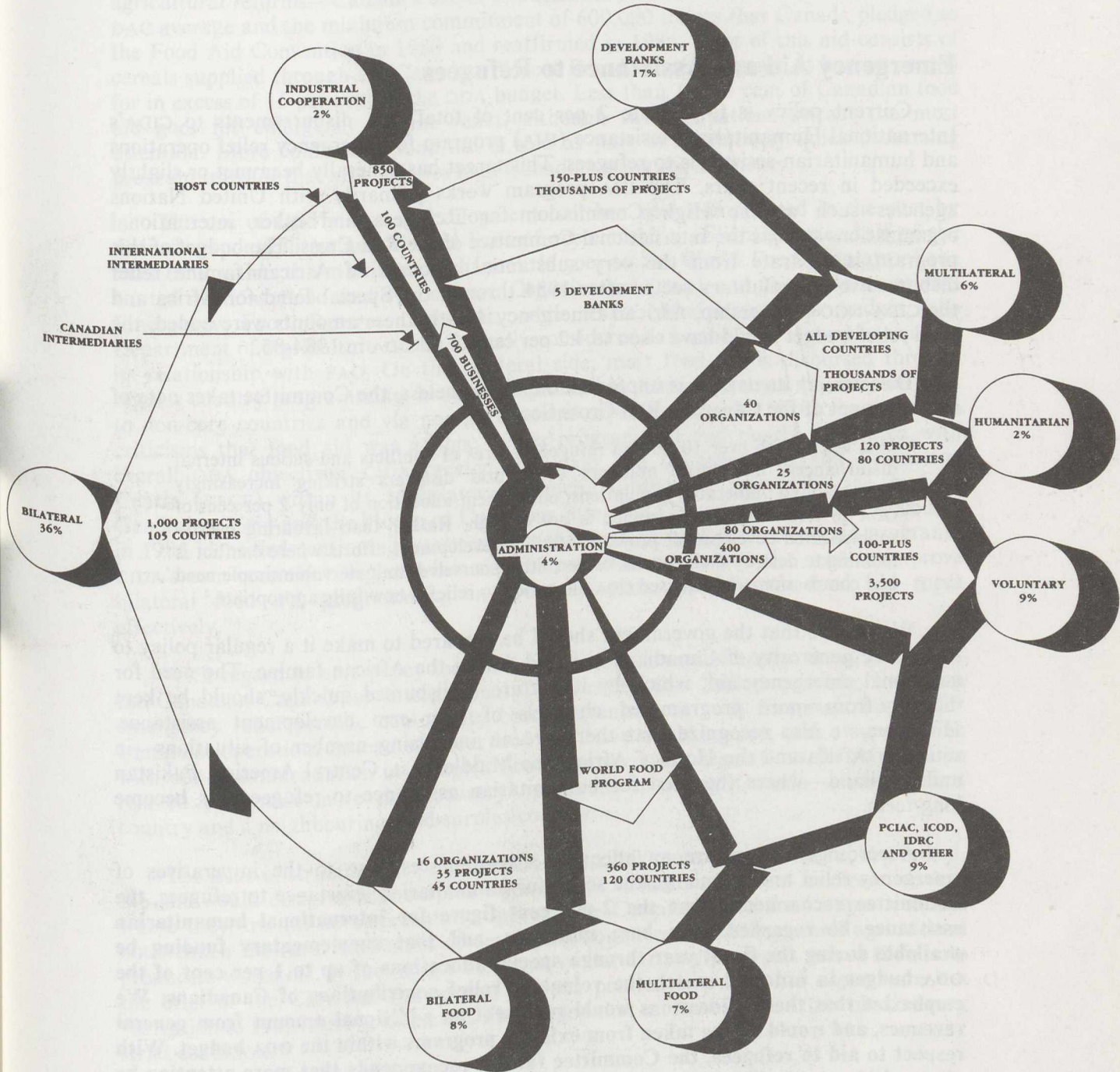


Source: CIDA, *Annual Report 1985-86*, p. 10.

Figure 2

Forecast ODA Expenditures, 1987-88

Official Development Assistance (1987-88)  
\$2,660 million



Source: CIDA, Main Estimates 1987-88, Part III, Expenditure Plan, p. 6.

all constituencies and countries. We cannot do everything well everywhere. Funding levels should reflect the true relative importance of all channels, sectors and programs in achieving the stated priorities of Canadian aid policy. In some cases this may mean more differentiation and responsiveness; in others, greater focus and concentration will be required.

## Emergency Aid and Assistance to Refugees

Current policy is to allocate 2 per cent of total ODA disbursements to CIDA's International Humanitarian Assistance (IHA) program for emergency relief operations and humanitarian assistance to refugees. This target has generally been met or slightly exceeded in recent years. The IHA program works primarily with United Nations agencies such as the High Commission for Refugees and other international organizations such as the International Committee of the Red Cross. The budget of this program is separate from the very substantial amounts of African famine relief disbursed to the voluntary sector after 1984 through the Special Fund for Africa and the CIDA-NGO partnership, African Emergency Aid. If these amounts were added, the total relief budget would have risen to 4.2 per cent of all ODA in 1984-85.

Disaster, by its nature, is unpredictable. Nonetheless, the Committee takes note of the argument of the Canadian Red Cross Society:

In a world with over 10 million refugees, scores of conflicts and serious internal disturbances, and large numbers of natural disasters striking increasingly marginal and vulnerable populations, our present allocation of only 2 per cent of ODA to humanitarian assistance is not enough. Rather than favouring overly-sophisticated development projects, funding development efforts where conflict is looming to destroy their results, or permitting ourselves to undervalue simple need and compassion, an increased ODA allocation to relief is now fully appropriate.<sup>2</sup>

We believe that the government should be prepared to make it a regular policy to match the generosity of Canadians as it did during the African famine. The need for additional emergency aid, which by its nature is disbursed quickly, should be kept distinct from more programmed channels of long-term development assistance. However, we also recognize that there are an increasing number of situations—in southern Africa and the Horn of Africa, the Middle East, Central America, Pakistan and Thailand—where the need for humanitarian assistance to refugees has become long-term.

Accordingly, to ensure an adequate Canadian response to the imperatives of emergency relief and to enlarge the scope for humanitarian assistance to refugees, **the Committee recommends that the 2-per cent figure for international humanitarian assistance be regarded as a base minimum, and that supplementary funding be available during the fiscal year through special allocations of up to 1 per cent of the ODA budget in order to match the voluntary relief contributions of Canadians. We emphasize that these allocations would represent an additional amount from general revenues, and would not be taken from existing programs within the ODA budget. With respect to aid to refugees, the Committee further recommends that more attention be given within CIDA's bilateral regional branches to the funding of multi-year relief and resettlement projects that specifically address the long-term needs of refugees not currently being met through the country program structure. Where possible, such projects should be integrated with existing country programs.**

<sup>2</sup> Canadian Red Cross Society, Brief to the Committee, p. 13.

## Food Aid

Despite the longstanding risks associated with food aid—namely, that it can create import dependency, depress the prices paid to small local producers and delay needed agricultural reforms—Canada's use of this channel continues to be well above both the DAC average and the minimum commitment of 600,000 tonnes that Canada pledged to the Food Aid Convention in 1980 and reaffirmed in 1986. Most of this aid consists of cereals supplied through the Canadian Wheat Board. In recent years, it has accounted for in excess of 15 per cent of the ODA budget. Less than 10 per cent of Canadian food aid goes for emergency famine relief, although these situations attract the most attention. More commonly, food aid is sold as part of a relatively quick disbursing program transfer that also satisfies high Canadian tying requirements.

The use of food aid as a development tool has been complicated in the past by divided responsibilities and blurred lines of accountability. Slightly under half of the total falls within the multilateral channel. It goes to the World Food Program of the United Nations Food and Agriculture Organization (FAO) and to the International Emergency Food Reserve. However, while CIDA administers this budget, the Department of Agriculture is still formally considered to be the lead agency because of its relationship with FAO. On the bilateral side, most food aid is disbursed through regular country programming; however, especially in Africa, a substantial amount goes to non-core countries and via non-government organizations. In 1978, responding to criticisms that food aid was ad hoc, under-programmed and poorly integrated with overall ODA objectives, CIDA created the Food Aid Co-ordination and Evaluation Centre (FACE) within its Multilateral Branch. Subsequent reports by the Auditor General in 1984 and the House of Commons Standing Committee on Public Accounts in 1985 identified continuing weaknesses in the management of the food aid program.<sup>3</sup> CIDA's own recently completed internal evaluation also "showed the need to improve bilateral food aid programming in order to plan and allocate food aid more effectively."<sup>4</sup>

With regard to emergency food assistance, the Committee notes the argument of the Canadian Council for International Co-operation that "where possible, Canadian emergency relief provide community based organisations with financial support for triangular operations instead of direct food aid."<sup>5</sup> We would support such a move in line with our recommendation in Chapter Four that the tying regulations for food aid be relaxed to permit more third-country operations involving Canada, a food-deficit country and a neighbouring food-surplus country.

The issue of structural or programmed food aid is more complex and controversial. No one would disagree that surplus commodities should not be sent in circumstances where they are not developmentally appropriate. Certainly, ODA food imports should not weaken the rural economies of developing countries by making small agricultural producers worse off. It should not be a case of our farmers' interests versus theirs. As the brief of the Christian Farmers of Alberta pointed out, food aid exports are not "salvation to Prairie grain farmers". They urged that all food aid transfers observe very strict conditions.<sup>6</sup>

<sup>3</sup> See also Mark Charlton, "The Management of Canada's Bilateral Food Aid: An Organizational Perspective", *Canadian Journal of Development Studies* 7/1 (1986), pp. 7-19.

<sup>4</sup> Canadian International Development Agency, *Main Estimates 1987-88*, Part III, Expenditure Plan (Ottawa: Supply and Services, 1987), p. 28.

<sup>5</sup> Canadian Council for International Co-operation, Brief, December 1986, p. 21.

<sup>6</sup> Christian Farmers of Alberta, Brief, November 1986, pp. 7-10.

The Committee believes that properly designed food aid projects can bring important benefits to developing countries and also serve Canadian interests and values. The Co-operative Union of Canada (CUC) gave us the example of one of its projects, in partnership with CIDA and India's National Dairy Development Board, where \$75 million of unrefined canola oil has been shipped since 1981 from western Canada to India where it is refined, packaged and sold by oilseed producer co-operatives. According to the CUC: "The co-operatives are exerting real pressure on the merchant cartel that has traditionally controlled the oilseed market in India. Prices paid to farmers for their product have doubled since the inception of the program. Consumers are also benefiting from consistent supply and fair, stable prices for this important dietary staple."<sup>7</sup> During our field trip to Africa we were also impressed with the massive food-for-work rehabilitation project being carried out by international NGOs with Canadian assistance in the Shewa highlands of Ethiopia.

Food aid on a non-emergency basis need not be an inferior form of assistance. It can be coherent with ODA objectives when it is part of a long-term strategy of agricultural development and food self-sufficiency that respects the rights of indigenous producers and gives priority to the needs of the poor. However, we have noted the continuing doubts about CIDA's existing programming capacity to integrate bilateral food aid with appropriate long-term development strategies. Large food aid allocations should not be simply a quick and administratively convenient way of meeting the pressure to disburse lapsing tied aid funds. Moreover, given the mixed record of food aid, it is a channel that should be handled with greater care and used more sparingly than in the past. **The Committee therefore recommends that non-emergency food aid not exceed 10 per cent of the ODA budget, and that where it does not meet the conditions described above, the funds be reallocated within the agricultural sector.**

## Multilateral ODA

In 1985-86, total contributions through multilateral channels (Table 6.1) reached nearly 40 per cent of the ODA budget, well above the DAC average of 26 per cent in 1985. The more usual level is about 30 to 35 per cent. These figures, which are well above the minimum multilateral allocation of 25 per cent set down as government policy in the White Paper of 1970, reflect Canada's longstanding support for the multilateral system. Apart from humanitarian relief and food aid, Canada is a major donor to the international financial institutions through both the Department of Finance and CIDA, and to United Nations development agencies through CIDA's Multilateral Technical Co-operation Program. Canada is also the largest contributor to Commonwealth and Francophone technical assistance programs.

Apart from in camera meetings with multilateral donors outside Canada, the Committee received very little testimony on multilateral programs as such. Only a few witnesses during our public hearings urged a stronger emphasis on multilateralism in Canada's ODA programs. There was also some feeling that Canada should do better in terms of procurement by multilateral institutions, and that their accountability is weak, particularly in the larger organizations where our influence is very limited. In general, domestic constituencies in Canada rather naturally concentrate on the bilateral programs in which they have an obvious stake. Nevertheless, the view of the Committee is that Canada has derived substantial material and diplomatic benefits from our multilateral contributions. Some groups of Canadians have been very successful in winning multilateral contracts, and there is no reason why overall performance cannot

<sup>7</sup> Co-operative Union of Canada, Brief, December 1986, p. 15.



Table 6.1

**Distribution of Selected Multilateral Contributions, 1985-86**  
(millions of dollars)

Group	Assistance Disbursements	Percentage of total Multilateral ODA
World Bank Group (Department of Finance)	351.43	40.6
Regional development banks <sup>1</sup> (CIDA)	193.43	22.4
United Nations Development Program	59.00	6.8
UNICEF	27.80	3.2
UN Fund for Population Activities	10.25	1.2
World Health Organization (Department of External Affairs)	7.87	0.9
CGIAR <sup>2</sup>	13.50	1.6
Commonwealth Fund for Technical Co-operation	15.90	1.8
<b>TOTAL MULTILATERAL</b>	<b>864.60</b> (39.8% of ODA)	

<sup>1</sup> Asian, African, Caribbean, and Inter-American.

<sup>2</sup> Consultative Group on International Agricultural Research.

Source: CIDA, *Annual Report 1985-86*, various tables.

improve. Canada has been having some success in pushing for reforms in several United Nations agencies, and we strongly encourage the government to continue its efforts in this regard. Multilateral organizations are not perfect, but they often have unique advantages over bilateral aid agencies. They are also extremely important to the context of policy dialogue and co-ordination, as discussed in the previous chapter. We would not want Canada to lose its high standing in the multilateral development field.

Apart from a general endorsement of the multilateral channel, there is one area we would single out as meriting increased support. The Consultative Group on International Agricultural Research (CGIAR) is a bona fide multilateral success story. It supports 13 strategic research centres around the world. The CGIAR network has proven its effectiveness, and although Canada is already the third-largest donor, we would support further increases in contributions. Also in the area of renewable natural resources is the International Fund for Agricultural Development (IFAD). Founded in 1977, IFAD is a unique partnership of OECD and OPEC donors and the developing countries. Unlike the IFIS, IFAD focuses exclusively on rural poverty and food production, working with smallholders at the village level. It now explicitly considers the needs of women in all its projects. Unfortunately, a sharp decline in OPEC aid led to a near halving of contributions to IFAD's second replenishment in 1986. Canada remains only the tenth-largest donor, contributing 3 per cent of resources. Canada pledged \$43 million to the first replenishment ten years ago, but only \$23 million to the second. Canada has also not participated in IFAD's special facility for Sub-Saharan Africa. The work of IFAD earned a strong endorsement in the 1980 Report of the Parliamentary Task Force on North-South Relations and from, among others, George Atkins of the Developing Countries Farm Radio Network during our public hearings.<sup>8</sup> We would like to add to that endorsement and to urge the government to increase its contributions to IFAD.

<sup>8</sup> Canada, House of Commons, Parliamentary Task Force on North-South Relations, *Report to the House of Commons on Relations between Developed and Developing Countries* (Ottawa: 1980), p. 53; *Proceedings* 6:58.

In light of these observations, the Committee recommends that contributions to multilateral programs be maintained at an average level equal to approximately one-third of the ODA budget. In particular, the Committee recommends that Canada strongly support the work of the Consultative Group on International Agricultural Research, and that the International Fund for Agricultural Development receive high priority within multilateral funding allocations. Canada should increase its contribution to the IFAD replenishment and should also make a significant commitment to the special facility for Sub-Saharan Africa. CIDA should be encouraged to explore the possibilities for joint projects with IFAD.

## The Core Bilateral Program

As Table 6.2 indicates, slightly more than three-fifths of Canada's ODA was given bilaterally in the latest year for which complete figures are available. Of this about three-fifths is government-to-government aid through CIDA's geographical branches. Current policy calls for a distribution of government-to-government funds among the four branches as follows: Asia, 42 per cent; Anglophone and Francophone Africa (shared equally), 42 per cent; and Americas, 16 per cent. Actual disbursements in 1985-86 (including food aid) were very close to this: Asia, 43.6 per cent; Anglophone Africa, 19.6 per cent; Francophone Africa, 21.6 per cent; Americas, 14.2 per cent. If all forms of bilateral assistance are included, the regional distribution is Asia, 31.2 per cent; Anglophone Africa, 19 per cent; Francophone Africa, 15.3 per cent; Americas, 13.4 per cent; and other not specified or unallocable by country, 21 per cent. In recent years there has been a significant overall bilateral shift from Asia to Africa, in particular to the drought-affected regions of Sub-Saharan Africa. This appropriately

Table 6.2

### Distribution of Country-to-Country Assistance 1985-86 (millions of dollars)

	Assistance Disbursements	Percentage of Total Bilateral	Percentage of Total ODA
Government-to-Government	816.21	62.3	37.5
— of which food aid	163.13	12.5	7.5
Canadian NGOs <sup>1</sup>	196.84	15.0	9.1
— of which food aid	28.15	2.1	1.3
— institutional co-operation	60.33	4.6	2.8
International NGOs	22.52	1.7	1.0
Industrial co-operation	27.83	2.1	1.3
Humanitarian assistance	25.85	2.0	1.1
IDRC	82.28	6.3	3.8
Other Crown Corporations	21.34	1.6	1.0
Scholarships	5.96	0.5	0.3
Other <sup>2</sup>	1.69	0.1	0.1
Administration	108.88	8.3	5.0
Total	1,309.40	100.0	60.2

<sup>1</sup> This total includes contributions to all voluntary agencies and to para-public institutions such as universities for overseas and domestic (development education) initiatives as well as contributions from provincial governments.

<sup>2</sup> This figure includes contributions to the Asia-Pacific Foundation and to Voluntary Agricultural Development Assistance (VADA).

Source: CIDA, *Annual Report 1985-86*, Table C and others.

reflects the severity of the food shortages and general economic crisis in Africa. In the southern Africa region initiatives such as the Southern African Development Co-ordination Conference have grown in importance because of the intensity of the continuing struggle against apartheid. The Committee strongly endorses the leadership role being taken by Canada in supporting the efforts of the frontline states to reduce their economic dependence on South Africa.

The attention paid to Africa in Canada's ODA program is not misplaced. However, over the long term we would not want the regional distribution of funds to become unbalanced in ways that might neglect areas less in the public spotlight. Our aid to Asia, the continent that is home to most of the world's poorest people, is already very low on a per capita basis. The Committee would therefore caution against any significant reduction in the share of bilateral ODA going to low-income countries in Asia. We would expect the Americas region also to retain roughly its present share of funding. We note positively that the geographical shifts during the 1980s have not weakened the generally strong poverty orientation of the bilateral program. Nearly 80 per cent of allocable bilateral ODA went to least developed (LLDCs) and low-income countries in 1985.<sup>9</sup> About half of that (38 per cent of total bilateral) went to LLDCs—almost twice the DAC average. The government has reached the United Nations target of 0.15 per cent of GNP to LLDCs, thereby honouring a commitment made in 1981. We want to see these levels of concentration maintained.

Before moving to the issues of sectoral concentration and core country eligibility, a brief comment should be made about the responsive and non-CIDA portion of bilateral ODA, which currently accounts for nearly 40 per cent of the total for this channel. (Specific recommendations on non-CIDA institutions and on ODA partners are made in Part III.) The Committee strongly supports more active participation by Canadians in the work of international development. The genius of the special programs in the voluntary non-profit sector is their creative independence and their people-to-people micro-level orientation. This must not be compromised. We also want to encourage an atmosphere in which institutions such as universities and private business can make a larger contribution. The International Development Research Centre has proved its worth as an independent, specialized ODA instrument and merits continued support on that basis. At the same time, there are many development needs that can be met only on a direct government-to-government basis, and we would like to see CIDA's ability to do good country programming in the field substantially strengthened. Therefore, while we support a gradual increase in funding for other bilateral initiatives, we believe that the Agency's core geographical programs (including food aid but excluding administration costs) should not fall below one-third of the overall ODA budget.<sup>10</sup>

**Following these observations, the Committee recommends:**

- 1. That the distribution of bilateral ODA among CIDA's regional branches maintain roughly its current balance;**
- 2. That the strong concentration of CIDA's bilateral aid on low-income countries be maintained;**

<sup>9</sup> LLDCs are defined as countries with a 1983 GNP per capita below US\$400. The figure used by CIDA for low-income countries is per capita GNP of less than US\$625 in 1978.

<sup>10</sup> Following this general rule of thumb, a minimum bilateral government-to-government allocation of 33 1/3 per cent of ODA in 1985-86 would have been equal to about 55 per cent of total bilateral country-to-country assistance (versus the actual figure of 62 per cent), leaving the remaining 45 per cent (about 27 per cent of overall ODA) for other responsive and non-CIDA initiatives and for administration costs.

3. That there be increased funding for responsive and non-CIDA bilateral programs, but that the direct government-to-government portion of overall bilateral assistance not fall below one-third of total ODA.

## Sectoral Distribution

CIDA's core bilateral programs have tended to multiply more on a geopolitical basis than on a functional sectoral basis. What started in the early 1950s as a small program for Commonwealth Asia has now been extended to every part of the developing world. In sectoral terms, as Roger Young has noted, "Canadian aid has had a rather traditional orientation historically. The provision of wheat food aid and financing for physical infrastructure (hydroelectric energy, railway transportation) and technical assistance have been major components of tied aid financing."<sup>11</sup> During the latter half of the 1970s, the focus on basic needs drew more attention to rural development, education, health and population issues. In 1981, CIDA adopted three priority sectors of concentration: agriculture, energy, and human resource development. However, statistical breakdowns among these are often incomplete or misleading. Definitions change. Projects may be reclassified to suit different reporting purposes. There are wide year-over-year fluctuations. While agriculture is usually ranked first (35.5 per cent of commitments in 1985), this figure includes food aid and investments in rural transportation. In fact, transportation and communications constitutes the largest single element in the bilateral budget. And although spending on social infrastructure and education has increased significantly over the past decade, we received one brief claiming that on a bilateral basis the areas of primary health care, equality of opportunity for women, and literacy and rural education still are being given only "minimal access to Canada's ODA program funding."<sup>12</sup>

The Committee believes that while some large capital projects and block funding transfers (e.g., commodities, lines of credit) will be necessary and appropriate, the trend should be strongly towards programming a more significant element of human development into all bilateral aid. As we argued in Part I, investment in human resources, particularly in the underutilized potential of the poorest people, should be a fundamental purpose of Canadian ODA. Human resource development should not be considered a separate, compartmentalized sector, any more than attention to the needs of the poor, the needs of women, or environmental impact are sectoral concerns. These are base criteria that should cut across all sectors and programs.

In other respects, allocating funding by sector is unlikely to work across the board. Rather, this is best done in the context of a specific country or regional program, where Canadian capabilities and expertise can be applied to priority needs in close consultation with the recipient governments. There are sectors such as agriculture that will certainly remain central to development for years to come, though in line with earlier recommendations, the Committee cautions against regarding food aid as a substitute for planned agricultural development projects. We note that the success of such projects will also often be contingent on the willingness of recipient governments to implement structural agricultural policy reforms to encourage small private producers.

Other sectors will gain in prominence or take on a new orientation as countries pass through different stages of development. Our programming must allow for the fact

<sup>11</sup> Roger Young, "Canadian Foreign Aid: Facing a Crisis of Its Own?", *Journal of Canadian Studies* 194 (Winter 1984-85), p. 34.

<sup>12</sup> Connaught Laboratories, Brief, January 27, 1987, p. 5.

that Third World conditions are not standing still and are very often heterogeneous, even within a single country. Within this complex, uneven evolution, however, some common trends can be identified. We know that mass migration to the cities will continue even under the most optimistic scenarios for rural development, population control, and growth in food and agricultural production. Attention to rural poverty and higher incomes for small farmers points to the need to dismantle some of the heavy bureaucratic controls that have artificially depressed prices for farm products and thereby encouraged the movement from the countryside. At the same time, the situation of millions of urban slum dwellers raises a whole new set of issues for aid planners. Canada's ODA will have to adapt more quickly to the realities of Third World urbanization. As one brief put it:

In the hierarchy of need, now and in the future, the urban sector is dominant, yet CIDA has very few urban programs relative to total aid. Urban growth by the year 2000 will cause overwhelmingly large pockets of poverty—many exist now. Canada's programs must reflect that need and sectors in bilateral aid should be modified to respond to urban related issues.<sup>13</sup>

The Committee notes positively the attention given to both urban and rural concerns within the balanced, poverty-oriented sectoral approach recommended to us by OXFAM-Canada:

While continuing a rural focus, ODA should increase the emphasis on the urban situation, in particular targetting women, children, youth and the aged. There should also be more support for popular organizations and economic development options related to the poor and their initiatives. Human settlement options including housing, infrastructure and social services need special attention. In the rural context the focus should be on basic needs—that is national self-sufficiency in food, appropriate modernization of production and improvement in human settlement conditions.<sup>14</sup>

The energy sector is one where Canadian capacity is strong, but the sector is less readily identifiable with basic needs. Nevertheless, a secure supply of energy at reasonable prices is extremely important for economic self-sufficiency. Electrification is an essential part of rural development strategy, and new sources of energy can ease the pressure on forest resources, which are being depleted for fuel wood. Energy development should be carefully designed to support ecologically sustainable forms of economic activity. In the case of large-scale energy and forestry projects, close attention should be paid to social and environmental impact assessment during the planning process, including procedures for public review where appropriate. We note that in 1986 CIDA adopted a comprehensive environmental policy<sup>15</sup> and that an Office of Environmental Affairs has been created within the Professional Services Branch. However, this has failed to satisfy some critics.<sup>16</sup> The brief of the CCIC also commented that: "The scope of environmental and resource degradation in the world is reaching catastrophic proportions and it is clear that environmental factors have not been a priority in development programs."<sup>17</sup> The implementation of policy in this area should therefore be monitored closely, with a view to seeking improvements in consultation with NGOs and environmental groups.

<sup>13</sup> Dillon Consulting Engineers and Planners, Brief, December 1986, p. 11; for a similar emphasis, see Chreod International, "The Urban Imperative", Brief, February 1987 and *Proceedings* 18:25-34.

<sup>14</sup> *Proceedings* 11:19.

<sup>15</sup> CIDA's action has been in step with recommendations on the environment and development assistance adopted by the Council of the OECD in 1985 and 1986. For the text of these see OECD, *Development Co-operation 1986 Report* (Ottawa: 1987), pp. 211-16.

<sup>16</sup> Testimony of Pat Adams, Energy Probe, *Proceedings* 12:19; Cf. Janine Ferretti, Paul Muldoon and Marcia Valiante, "CIDA's New Environmental Strategy", *Probe Post* (Winter 1987), pp. 25-30.

<sup>17</sup> Canadian Council for International Co-operation, Brief, December 1986, p. 16.

Based on this overview of CIDA's areas of sectoral concentration, the Committee recommends:

1. That a basic-needs human development element be strongly integrated into all bilateral country programming;
2. That human resource development, especially that of benefit to the poorest people, particularly women, be considered a criterion of all bilateral aid rather than only a single sectoral concentration;
3. That further allocations by sector be specific to a regional or country program, that is, not determined according to any general formula;
4. That in maintaining agriculture and food production as a priority of the aid program, Canada impress on recipient governments the importance of policies that provide incentives to small farmers;
5. That CIDA also direct much more attention to developing projects and programs that respond to the realities of Third World urbanization and attempt to meet the basic needs of the swelling ranks of urban poor;
6. That CIDA, as part of the implementation of its new policy on the environment and development, consult closely with NGOs and environmental groups in ensuring that appropriate procedures of social and environmental impact assessment are carried out for large capital projects, especially those in the energy and forestry sectors.

## A New Country Eligibility Framework

The Committee's July 1986 Discussion Paper noted that geopolitical and commercial considerations have played an essential part in defining core country aid relationships and that the use of ODA as a foreign policy tool "has the effect of regularly lengthening though almost never shortening the list of Canadian aid recipients."<sup>18</sup> CIDA now operates bilaterally in over 100 countries, which fall into three main categories of eligibility: category I (core countries) in which comprehensive long-term programming takes place; category II in which a significant presence is maintained but more on a project-by-project basis; category III in which selective instruments (Mission Administered Funds and NGOs) are used for small amounts of aid. There are also two categories of ineligible countries. Current Cabinet policy for the allocation of funds among countries eligible for ODA is as follows: category I, 75 per cent; category II, 20 per cent; category III, 5 per cent. Actual distribution in 1984-85 was category I, 80 per cent; category II, 13 per cent; category III, 7 per cent. As the 1986 report of the Desmarais study group explained, this distribution reflects an uneasy co-existence of both "a desire to have a visible presence in a broad range of friendly countries" and "a desire to concentrate bilateral aid because of a concern for effectiveness of impact."<sup>19</sup> The Committee believes that the second desire should be the more fundamental.

At present, there are 33 category I recipients—31 countries and two regional groups, the Sahel and the Southern African Development Co-ordination Conference

<sup>18</sup> Canada, House of Commons, Standing Committee on External Affairs and International Trade, *Discussion Paper*, July 1986, p. 11.

<sup>19</sup> Task Force on Canada's Official Development Assistance Program, *Study of the Policy and Organization of Canada's Official Development Aid: Report to the Minister for External Relations* (August 1986), p. 45.

(SADCC). Nine of these countries are LLDCs, compared to seven LLDCs in category II and twenty-one in category III. There are several middle and upper middle-income countries in category I (Ivory Coast, Jamaica, Colombia) and in some low-income recipients, such as China and Indonesia, the accent seems to be on developing commercial relations. Zaire, a repressive regime that by all accounts has pursued disastrous economic policies, remains a core country in Francophone Africa.

A CIDA briefing book provided to the Committee identifies the following eligibility criteria: need, commitment to development, absorptive capacity, economic performance/effort, crisis factors, political interests to Canada, and commercial interest to Canada. It also lists in order the most important issues in core country programming:

- the importance of political and economic relations of the country with Canada;
- the anticipated economic spin-offs of the program which affect the Canadian economy;
- interest shown by the private sector and Canadian voluntary organizations for the country;
- the competitiveness of Canadian businesses in international markets;
- Canada's experience with the country in implementing its cooperation program;
- the type of projects to consider (small versus large);
- the portfolio of projects in operational and planning stages;
- the eventual impact of projects on a national versus local level;
- the degree of flexibility to keep in order to allow for new initiatives; and
- impact of the program on women and on environment.

Going down this list, it is striking to note that the first five issues all concern priorities for the donor, and that nothing is said specifically about human rights or about our capacity to reach the poorest people. Only one issue, the last, focuses directly on human development.

At best, the country classification system as now constituted is over-extended and betrays a confusion of objectives. It almost invites being held hostage to foreign policy considerations that may have little to do with the basic purposes of the aid program in reaching the poor and promoting self-reliant human development. Rather than bringing clarity and focus to Canada's ODA, the multiplication of categories tends to make our aid efforts appear less concentrated than they really are. It is an exercise that lacks discipline and transparency. Moreover, although several regional groupings (the Sahel countries in West Africa and the frontline states of SADCC) are classed as category I recipients, there is no explicit attempt at regional coherence. The category system as a whole has become a top-down political process, instead of country selection being an outgrowth of CIDA's field-based regional and sectoral programming.

The Committee strongly favours the latter approach because it is based on the clear development logic of integrating country programs with regional and sectoral strategies, all in line with the basic purposes of ODA. In this way, too, we believe that a further concentration of Canada's aid on the poorest countries and peoples could be phased in without incurring significant foreign policy cost. While there would continue to be program and non-program countries within each region, there would be no category list as such. The factors determining core programming status would be clearly developmental and not subordinate to commercial or diplomatic considerations. Countries with which Canada has had a long and productive history of ODA partnership

would obviously be favoured in terms of core eligibility. But the process of selecting program countries should be sufficiently open and flexible to admit new countries when it is determined that they fit with Canada's development priorities.

Consistent with our overall philosophy of aid, we would identify the following criteria of core eligibility as among the most important:

- the absolute need of the recipient country;
- Canada's experience with the country as an aid partner;
- the compatibility of the country's development priorities with those of Canada;
- the demonstrated capacity of the recipient to use aid wisely in ways that promote human resource development and are of direct benefit to the poor; and
- the respect shown for human rights in the broadest sense.

The fact that these criteria necessarily involve some qualitative judgements should not dissuade us from making choices that will strengthen the development orientation of the aid program. As the first witness at our public hearings put it:

The selection criteria for categorising countries for Canadian support should reflect an assessment of need, but they should also reflect a variety of other elements as well—including an assessment of how serious the government of a country really is about development strategies that genuinely include social programmes for the rural and urban poor.<sup>20</sup>

We also agree with another witness that "countries which actively support democratic processes should be given special consideration for funding. Countries in which the poor organize themselves to deal with their governments, in which governments encourage the poor to develop representative organizations, and in which governments are prepared to deal with these organizations should be primary targets of Canadian aid."<sup>21</sup>

In arriving at a more coherent group of core program countries, CIDA should review all its existing country programs to see whether they meet the criteria for inclusion outlined above. Canadian NGOs operating in the field should be widely consulted during this process.

In conclusion; therefore, **the Committee recommends:**

- 1. That the existing system of country categories be abolished;**
- 2. That within each region of CIDA activity, the eligibility of countries for core programming status be based on development criteria, in particular:**
  - **the absolute need of the recipient country;**
  - **Canada's experience with the country as an aid partner;**
  - **the compatibility of the country's development priorities with those of Canada;**
  - **the demonstrated capacity of the recipient to use aid wisely in ways that promote human resource development and are of direct benefit to the poor; and**
  - **the respect shown for human rights in the broadest sense;**

<sup>20</sup> Dr. Ian McAllister, *Proceedings* 2:6.

<sup>21</sup> Canadian Save the Children Fund, Brief, December 1986, p. 2.



3. That the total number of core program countries (excluding regional groupings) not exceed 30;
4. That as a general guideline these countries receive at least 80 per cent of direct bilateral aid, the remaining 20 per cent of funds to be allocated on a project-by-project basis among all other developing countries.

## PART II

# Aid Organization And Delivery



## PART III

# Aid Organization And Delivery

During the 1960s many of the aid organizations had administrative machinery that, by and large, is still in operation. The Canadian International Development Agency (CIDA) was established in 1968, the International Development Association (IDA) in 1969, the Inter-American Development Bank (IDB) in 1960, the World Bank in 1946, and the International Labour Office (ILO) in February 1945. We may be about to see the birth of a new organization of the UN family—an Institute for Human Rights and Development.

Apart from the impulse to create new institutions, Canadians have tended compulsively with the existing ones. At CIDA, in particular, reorganization has been slower a way of life, although some question whether it has been to remain loyal to its submission to the Committee, the University of Guelph has, this is way.

During the course of its development, various programs, the University of Guelph has provided extensive advice to the complex and fragmented organizations responsible for CIDA. Funds for advice have come from CIDA, Federal Health, Finance, Department of Agriculture, the World Bank and IDB. The University has witnessed the 20 years' massive changes and complex reorganizations of CIDA, the largest operational agency in CIDA. At all these various stages, the Federal government, Guelph has encountered repeated evidence of organizational territoriality, and several indications are that the following is becoming a new pattern.

The frequency of reorganization and the multiplicity of organizations have given rise to a degree of reorganization fatigue. Some of the changes are being done, though they be used as a means of redefining new policies, which can be accomplished by redefining existing structures, or as a device for saving resources, particularly in the view, reorganization should be used to enhance administrative effectiveness only when all other means of achieving the objective have been exhausted.

We agree that organizations should not be changed lightly. The changes should be stated clearly and the costs and benefits weighed carefully. On the other hand, failure to change can be very costly too. The 1960s have seen several reorganizations of major



## CHAPTER SEVEN

### Strengthening Policy Structures

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During the 1960s many aid donors established new administrative machinery that, by and large, is still recognizable in the shape of today's aid agencies. In Canada CIDA was established in 1968; IDRC followed shortly in 1970. Institution building resumed in the 1980s. Petro-Canada International Assistance Corporation (PCIAC) was established in 1981, and the International Centre for Ocean Development (ICOD) in February 1985. We may be about to see the birth of another member of the ODA family—an Institute for Human Rights and Democratic Development.

Apart from the impulse to create new institutions, Canadians have tinkered compulsively with the existing ones. At CIDA, in particular, reorganization has been almost a way of life, although some question whether it has been to much avail. In its submission to the Committee, the University of Guelph had this to say:

During the course of its development assistance programs, the University of Guelph has provided extensive advice to the complex and fragmented bureaucracy responsible for ODA. Requests for advice have come from CIDA, External Affairs, Finance, Department of Agriculture, the Wheat Board and IDRC. The University has witnessed over 20 years massive changes and countless reorganizations in CIDA, the largest operational agency on ODA. In all these contacts throughout the federal government, Guelph has encountered repeated evidence of ambiguity and territoriality, and present indications are that the pathway is becoming even more tortuous.<sup>1</sup>

The frequency of reorganization and the uncertainty of its effects have given rise to a degree of reorganization phobia. Some aid managers now argue that it should not be used as a means of introducing new policies, which can be accomplished by redirecting existing structures, or as a device for solving temporary personnel problems. In this view, reorganization should be used to enhance administrative effectiveness only when all other means of achieving the objective have been exhausted.

We agree that organizations should not be changed lightly. The objectives must be stated clearly and the costs and benefits evaluated carefully. On the other hand, failure to change can be very costly too. The 1980s have seen radical restructuring of many

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<sup>1</sup> University of Guelph, "The University of Guelph in International Development: Issues in Policies and Programs", Brief to the Committee, December 1986, p. 13.

private sector and governmental institutions under the pressure of rapidly changing national and international environments. It is unlikely that aid agencies will be exempt from the constant struggle to adapt to new challenges and conditions.

## CIDA

The Canadian International Development Agency, Canada's main instrument for helping the Third World, is subject to powerful political cross-currents and constraints. Tied aid has encouraged the growth of a large Ottawa-centred bureaucracy that devotes a lot of time and human resources to administering an intricate web of procurement procedures. Restrictions on hiring, coupled with rapidly increased ODA volume, have necessitated administrative adjustment at CIDA in favour of large projects and rapid disbursement. Such an approach does not lend itself very well to a human resource development strategy.

Quite apart from the ground rules of Canadian aid that shape its administration, CIDA feels varying degrees of pressure to accommodate short-term foreign policy and commercial objectives. We suggested earlier how these pressures should be managed at the policy level, but are there organizational answers as well? Some witnesses before the Committee argued there were not.

When it comes to CIDA's place in the governmental structure of Canadian foreign policy making . . . there is no magic blueprint. How well our aid managers cope with competing foreign policy interests is less a matter of organization than of governmental leadership and commitment to ODA goals.<sup>2</sup>

Other witnesses offered an organizational solution that was considered seriously when CIDA was being established in the late 1960s, namely, to make it a Crown corporation. The reasoning behind this proposal is straightforward. An arm's-length Crown corporation would have a layer of insulation between itself and politics and would be exempt from at least some of the myriad bureaucratic regulations that now complicate the aid process. In effect CIDA would be given the independence to pursue its mandate as it saw fit.

Attractive as the idea seems at first glance, the Committee has concluded that CIDA should not become a Crown corporation. It is essential that the aid program have champions and friends in the councils of government where budgetary and basic policy decisions are made. Regrettable as it may be, the goals of independence and regular policy input are incompatible. While the establishment of smaller, specialized agencies such as IDRC has worked very well, nowhere among OECD countries has the approach been applied to the aid program as a whole. In all donor countries, the broad lines of aid policy, and in some cases the details of aid allocation, are subject to consultation with the other principal ministers concerned with overseas expenditure.

There is another consideration of equal importance. The case for integrating all policies affecting developing countries is being strengthened by the trend towards policy-based ODA. We argued in Chapter Five that Canada should walk softly in this area, recognizing the uncertainty and controversy that surrounds policy dialogue. Nonetheless, it will be more, not less, important in the future for Canada to get its own development policy act together.

<sup>2</sup> Irving Brecher, McGill University, "A Statement Presented to the Standing Committee of the House of Commons on External Affairs and International Trade", October 22, 1986, p. 13.

## A Parliamentary Mandate

Instead of insulating CIDA from the Canadian political process, we prefer strengthening it within that process. The development charter we recommended in Chapter One consists of principles that are supported strongly by the Canadian people, as our hearings and repeated public opinion polls make clear. Political leadership has a responsibility—and, we would add, a self-interest—to see to the embodiment of those principles in all policies and operations.

When CIDA was created as a department of government in 1968, it was by order in council, not an Act of Parliament.<sup>3</sup> The Committee was told by a former President of CIDA that consideration was given to CIDA legislation but finally rejected. "We learned that to have CIDA's own legislation was naïve and that the mandate had to be vague. If there was legislation it would have been focused on the lowest common denominator. As a result CIDA was created by order in council."<sup>4</sup> Our own conclusion, looking back over CIDA's first twenty years, is that it was naïve *not* to have had legislation, because the lowest common denominator is more likely to be encouraged than avoided by a vague mandate. We think that legislation spelling out CIDA's mandate, and in particular the implications of the development charter, would go some distance to correcting this weakness. It would also present the government and all political parties with the opportunity to demonstrate to Canadians that, whatever else may divide us, we are all committed to a strong, progressive aid program.

## Minister for International Development

We reaffirm the importance of CIDA remaining under the overall foreign policy responsibility of the Secretary of State for External Affairs, a senior minister of government who is chairman of the Cabinet Committee on Foreign and Defence Policy. Development, as we have defined it, is a fundamental long-term Canadian foreign policy interest and must be promoted as such. It is also, we would argue, the dimension of foreign policy that is most distinctively Canadian and offers the best opportunities for Canada to make an independent and creative contribution to international affairs. As we have shown in this report, there are short-term foreign policy and commercial interests that may, if left to their own devices, undermine development objectives. The policy discipline, commitment and coherence necessary to avoid that will remain an important responsibility of the Secretary of State for External Affairs.

We think it equally important to establish the position of Minister for International Development under the overall authority of the Secretary of State for External Affairs. When CIDA was created by order in council, it was decided not to assign responsibility for the new body to a separate Minister, on the grounds that the Secretary of State for External Affairs would be a stronger ally in Cabinet. CIDA has now outgrown the arrangement. The Agency has over 1,200 employees and is responsible for overseeing an annual budget in excess of \$2 billion. Moreover, there are many complex policy issues surrounding ODA that require concentrated political attention and guidance. While the Secretary of State for External Affairs should continue to play a key political role in certain fundamentals of aid policy, such as

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<sup>3</sup> The order in council, dated May 8, 1968, consisted of a single sentence: His Excellency the Governor in Council on the recommendation of the Secretary of State for External Affairs, pursuant to subparagraph (ii) of paragraph (f) of section 2 of the Financial Administration Act, is pleased hereby to designate the External Aid office as a department for the purposes of the Financial Administration Act. Never was a birth more soberly or discreetly announced.

<sup>4</sup> Standing Committee on External Affairs and International Trade (SCEAIT), Discussion Meeting, May 15, 1986.

country selection and ODA volume, a Minister for International Development must provide day-to-day political oversight and, more important, leadership in the development of policy.

Over the past eight years we have seen halting progress towards establishing a Minister for International Development. The position of Minister for External Relations was created in the 1970s with junior ministerial responsibilities in the Department of External Affairs but initially no responsibilities for CIDA as such. In 1979 and again following the election of the present government in 1984, the Minister was given specific delegated responsibilities for CIDA by the Secretary of State for External Affairs. This delegation follows long, complex negotiations and varies from time to time, leaving the status and position of the Minister open to some question, not least within CIDA for which the Minister is responsible.

We think it is time to regularize and define the responsibilities of a Minister for International Development in place of the Minister for External Relations. The essence of the Minister's role should be political management, by which we mean bringing a strong political commitment and understanding of the Agency's mandate to its operations. A former President of CIDA remarked to the Committee:

At present country programs come to the President's Committee where there are no politicians. The trade-offs are done exclusively by bureaucrats. Many of the tough decisions are ones where political input would be valuable.<sup>5</sup>

The Minister's role in overseeing operations and ensuring the coherence of the aid program becomes even more important in light of the substantial decentralization of aid decision making from headquarters to regional offices that the Committee recommends in Chapter Eight.

The Minister should also play a key role in the development of policy. Twenty years ago CIDA was conceived as an operational agency, delivering goods and services in a supposedly self-evident development process. As the Committee has discovered over the past 10 months, development now raises a host of policy issues, and development assistance is drawn increasingly into more general economic, social and political debates. While the government's position on these issues will not be determined by CIDA, it is essential that the Agency's perspective be expressed forcefully and effectively. In discussions of the debt issue, for example, CIDA should press the case for protecting the interests of the poorest people and countries. Where Canadian trade policies fly in the face of CIDA's attempts to encourage development, that too should be pointed out. The Minister for International Development should be given a mandate to address both aid and non-aid issues where these directly affect the countries and sectors of concentration in the aid program.

In addition, the Minister will inevitably be called upon by various interests to influence the Agency's procurement practices. At present the Minister for External Relations reviews lists of eligible suppliers and may delete names from or add names to that list. Procurement is subject to federal laws and regulations and is made through competitive bidding, with the lowest priced compliant bid accepted unless otherwise authorized by the Minister on an exceptional basis. The discretionary powers of the Minister should be used very carefully to promote good procurement policies rather than the interests of particular firms. As testimony from a number of business witnesses revealed, there is a perception that a comparatively small number of companies get the

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<sup>5</sup> SCEAIT, Discussion Meeting, May 15, 1986.



lion's share of contracts. It is an important responsibility of the Minister to ensure that the bidding process is as open, well advertised and fully competitive as possible.

## **International Development Advisory Council**

To buttress the Minister's position, we think it would be useful to create an International Development Advisory Council. The role of the Council would be threefold: first, to advise the Minister on long-range policy issues. For example, we know that Third World cities are growing at rates that swamp the planning or provision of services. The Council could consider how CIDA should reorient its programs towards urban development. Second, to strengthen management and implementation of the development charter we propose, the Council should be able to examine program and policy evaluations and to make recommendations for corrective action to the Minister. Third, the Council would be an important instrument for opening CIDA to outside policy influence. In turn, it could play a useful role in encouraging debate of ODA issues and in raising the public profile of CIDA across Canada.

The Council should include members of important ODA constituencies in Canada, such as NGOs, academics and business. However, it should not become just another channel for lobbying. A substantial part of its membership should consist of leading Canadians from various walks of life who can bring fresh insight to the discussion of ODA. The government should also give serious consideration to including non-Canadians on the Council, particularly distinguished representatives from the Third World. To ensure the effectiveness of the Council, its mandate should be spelled out carefully, and it should meet regularly and be supported by a small secretariat.

There is a final, important element in the strengthening of CIDA's policy role: creating opportunities for input from the Agency's staff at the working level. All too often parliamentary committees hear only from senior government officials in Ottawa, but we also benefited greatly from discussions with CIDA staff in the field. We were impressed by their high calibre and dedication and by the seriousness with which they discussed the practical difficulties of pursuing development and ways of improving aid programs. We are concerned, however, that the absolutely indispensable professional experience and knowledge gained through years of working abroad may be dissipated or lost when officers return to headquarters. It is imperative that the Ottawa environment nurture the sense of professionalism that must lie at the heart of any successful aid program. One means of doing this is by creating opportunities for field experience to be employed in program and policy development. We are delighted that a professional officers' association is being established in CIDA. We would urge that, like its Australian counterpart, the association devote some of its efforts to serious study and discussion of the aid program and, when appropriate, make submissions to parliamentary committees studying ODA.

To summarize the various proposals we believe would strengthen CIDA within the Canadian political process, **the Committee recommends that CIDA be given a clear, parliamentary mandate spelling out the principles of a Development Charter. The position of Minister for External Relations should be replaced with a Minister for International Development, responsible for CIDA and under the general authority of the Secretary of State for External Affairs. The responsibilities of the Minister for overseeing the operations of CIDA and developing policy should be spelled out carefully in legislation. To buttress the Minister's role, the Committee recommends further the creation of an International Development Advisory Council, to include representatives of important ODA partners in Canada such as NGOs, academics and business, as well as other distinguished Canadians.**

## Other ODA Actors

As we observed in our July 1986 Discussion Paper, Canadian ODA consists of a large, complex and occasionally fractious bureaucratic family. We have not examined all the members and relationships in that family in detail, but we do have some observations and recommendations.

Since the founding of the Bretton Woods system, responsibility for Canadian participation in the World Bank and the International Monetary Fund has rested with the Department of Finance, which consults with other government departments, including CIDA. Over the years there have been suggestions that responsibilities relating to the World Bank should be transferred to CIDA, on the grounds that the Bank is clearly a development agency. A number of witnesses repeated that recommendation during our cross-Canada hearings. We also heard officials, in CIDA and other parts of government, argue in favour of the present arrangement, on the grounds that ODA is strengthened by having the central financial planning ministry involved in international development through its World Bank responsibilities. They go on to argue that, at a time when Canada is supporting the establishment of closer working relationships between the Bank and the Fund, it does not make sense to separate responsibility for the two institutions in Ottawa.

A majority of the Committee believes that final responsibility for Canada's participation in the World Bank should remain with the Department of Finance, and all Members stress that policy making should be shared with CIDA and involve the closest consultation between the two departments. The World Bank, whatever its origins, is principally a development bank, and Canada's participation in it should be driven primarily by development concerns. Bank policies and performance should be scrutinized closely to ensure that they benefit the poorest countries and people in the world. The International Monetary Fund, while not ostensibly a development agency, is occupied increasingly with the problems of the Third World and has a major influence on the prospects of many developing countries. **We recommend that the Department of Finance retain final responsibility for Canada's participation in the World Bank and the International Monetary Fund, but that Canadian policy be developed in close, continuous consultation with CIDA. We would recommend further that the two departments prepare a joint statement on their respective responsibilities for the Bank and the Fund and on procedures for consultation.**

Petro-Canada International Assistance Corporation (PCIAC) was established by order in council in 1981 and began operations in early 1982. Although legally and structurally a subsidiary of Petro-Canada, PCIAC is funded by Parliament and operates as an instrument of Canadian ODA to assist developing countries in the oil and gas sector. Its role is not to search for oil or gas per se, but to assist with the development of geological databases through seismic exploration and technical assistance. It is hoped that such preliminary work will lead to exploration and development by commercial oil companies, but these hopes have not been realized thus far. As the President of PCIAC testified before the Committee:

We have not discovered what I would describe as commercially viable deposits of oil. We have not yet been able to point to instances where the private sector has moved in either in partnership with a developing country concerned or on its own to further explore and develop properties where we have been working on behalf of the recipient country's national oil company. We are hopeful and continue to be hopeful there will be a follow-up not only from the multilateral institutions but also from the private sector.<sup>6</sup>

<sup>6</sup> *Proceedings* 12:13.

These results reflect less on PCIAC than on the very expensive and risky business of oil and gas exploration. We note that PCIAC is putting more and more emphasis on technical assistance activities, to the point where, in the words of its President, "almost all of our activities could be classified as technical assistance".<sup>7</sup> That being so, and in light of the emphasis we place on strengthened technical assistance programming in Canadian ODA, we think it essential that PCIAC activities be co-ordinated closely with CIDA's policies and programs and evaluated carefully as to their effectiveness. To that end **we recommend that PCIAC report to Parliament through the Minister of International Development, rather than jointly through the Minister of Energy, Mines and Resources and the Secretary of State for External Affairs as is now the case.**

The International Centre for Ocean Development (ICOD) was established as a federal Crown corporation in February 1985, with a mandate to encourage co-operation between Canada and developing countries in the field of ocean resource development. Programs are carried out by enlisting individual and institutional expertise in Canada, developing countries and elsewhere and by developing and sponsoring the collection and dissemination of information, training programs, technical assistance, advisory services and research.<sup>8</sup> This mandate points to the desirability of ICOD, like PCIAC, being related more closely to CIDA's expanding technical assistance program. Accordingly, **we recommend that ICOD also report to Parliament through the Minister of International Development.** In making this recommendation we are also concerned about maintaining certain unique aspects of ICOD. Its small size allows the Centre to concentrate on small, discrete projects that often fall below the threshold of major funding agencies. Moreover ICOD has concentrated its attention initially on coastal and island states, many of them small, which are not already the focus of extensive Canadian development programs.

This brings us to the last but by no means the least of Canada's ODA institutions—the International Development Research Centre. The IDRC was established by Act of Parliament in 1970 as Canada's response to a finding of the World Bank Commission on International Development that developing countries had "become increasingly dependent on a technology conceived and produced outside their borders and without reference to their special needs".<sup>9</sup> The mandate of the Centre is to support the indigenous scientific research of developing countries for solution of their own unique problems. From the outset it was recognized that research is a high-risk, long-term and often sensitive activity and that, accordingly, IDRC should be granted a special, autonomous status within Canada's ODA system. Thus the Centre was exempted from various official requirements, such as the tied aid rule, which allows it to base its decisions on development criteria alone. As well, and unique among bilateral development agencies, the IDRC Board of Governors includes distinguished members from outside the funding country. That special status has generated controversy from time to time and has also contributed directly to the building of the Centre's reputation as among the most effective development agencies in the world. In turn, the Centre has enhanced Canada's international reputation. We think it important to affirm that status by having IDRC continue to report to Parliament through the Secretary of State for External Affairs.

Times change, and the field of development research is no exception. Many developing countries have greatly expanded their own scientific and technical resources over the past twenty years. Increasingly the question is asked whether the burgeoning

<sup>7</sup> *Ibid.* 12:7.

<sup>8</sup> International Centre for Ocean Development, *1985/86 Annual Report*, September 1986.

<sup>9</sup> Canadian International Development Agency, "International Development Research Centre", in *Canadian International Development Assistance Programs, Briefing Book for Parliamentarians*, pp. 21-29.

research results have translated as well as they might into development action. It was this concern that led us earlier in the report to recommend closer collaboration between IDRC and CIDA. We are concerned as well that IDRC remain an innovative and dynamic organization. With success and expanding budgets has come bureaucratic growth and some slowing down of the Centre's responsiveness. In this report we recommend substantial decentralization to the field for CIDA. As we note in Chapter Eight, IDRC has a well developed system of field offices around the world, but decision-making authority is quite highly concentrated at headquarters in Ottawa. As the role of the Centre's Board evolves towards program and policy functions and away from project approval, we hope and expect to see considerable transfers of decision-making authority to the regional offices. Should the location of the CIDA regional offices coincide with those of IDRC, we see exciting possibilities for expanded collaborative activities by the field staffs of the two institutions.

**In summary, we recommend that IDRC's special, autonomous status within Canada's ODA system be maintained and that it continue to report to Parliament through the Secretary of State for External Affairs. To ensure that IDRC remains an innovative and dynamic organization, we recommend that substantial decision-making authority be transferred from headquarters to its well established system of field offices.**

## CHAPTER EIGHT

### Improving Aid Delivery through Decentralization to the Field

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Aid budgets are unlikely to grow as fast in the future as they have in the past; more cost-effective methods of aid delivery must therefore be found. As noted in a recent CIDA study:

Canadians are increasingly supportive of aid programs but seem to be more interested in high quality of aid with the appropriate impacts than they are interested in high ODA figures.<sup>1</sup>

Suggestions for better aid range from routine administrative improvements to comprehensive reorganization. However, none is so compelling or commands such widespread support as decentralization to the field.

Decentralization of this type embraces two distinct aspects of aid administration: the establishment of field networks in developing countries and the delegation of authority to those field representatives. The two do not necessarily go together. For most donors, even those that maintain large field networks, the function of field missions is primarily administrative. For others, including some with small field networks, there is substantial delegation of authority for project approval.<sup>2</sup> While comparisons of this sort are risky, OECD data indicate that Austria and Germany have the most centralized ODA systems and the United States the most decentralized, with over 40 per cent of its aid staff posted to the field. Moreover, "in the case of the United States...a field mission tends to operate almost as an executing agency in its own right".<sup>3</sup>

CIDA falls between these extremes, but well towards the centralized end of the spectrum. For fiscal year 1986-87, CIDA's authorized person years at headquarters are 1,120 and Canada-based personnel posted in the field are 120, or roughly 10 per cent of the total. It should be noted, however, that only 540 headquarters staff belong to the four geographical branches of CIDA devoted to the bilateral program, and that in addition to the 120 person years abroad there are some 220 locally engaged staff, bringing the bilateral headquarters/field ratio overall to less than 2:1. It is CIDA's decision-making system, however, that is most highly centralized. Most posts currently

<sup>1</sup> Canadian International Development Agency, Area Co-ordination Group, *Decentralization: A Question of Balance*, January 22, 1987, p. 2.

<sup>2</sup> Organization for Economic Co-operation and Development, *Twenty-Five Years of Development Co-operation*, (Paris: 1985), p. 183.

<sup>3</sup> *Ibid.*

act in a staff capacity to decision makers at CIDA headquarters, having little or no authority themselves. The accompanying illustration of CIDA's decision-making tree (Table 8.1) shows that at virtually every step of the decision-making process, Canadian officials in the field wait upon decisions and action by headquarters. In turn, they spend most of their time performing work related to the administrative and procedural requirements of headquarters.<sup>4</sup>

Among OECD donors, the trend is quite clearly in the direction of strengthening field staff and transferring greater authority from headquarters to the field. Indeed the U.S. approach is described by the DAC as "very much in line with current thinking about how aid agencies should operate".<sup>5</sup> As the Committee's public hearings revealed, decentralization was one of the few matters on which virtually all of the ODA partners in Canada—NGOs, universities and business—agreed.<sup>6</sup> The Committee's own findings over the past year, particularly during the trip to Africa, point strongly in the same direction.

## The Case for Decentralization

Decentralization is not an end in itself. It is intended to enhance the effectiveness of aid programs, defined as the likelihood of achieving the central objectives in an economical way. We think there are several respects in which decentralization is likely to do just that.

First of all, decentralization can and should improve the quality of project selection and management. The Development Assistance Committee has reported:

One of the most important general findings of extensive evaluation of aid is that many of the problems encountered during implementation can be avoided and project survival and viability improved through strengthened project appraisal, greater rigour in project selection, clearer and more realistic setting of objectives, greater flexibility in design, and quicker adjustment when shortcomings are identified.<sup>7</sup>

In all those respects, there is reason to believe that Canadian aid management, although improving, is not yet as strong as it should be.

The 1984 Auditor General's Report made the following observations concerning the quality of aid management by posts:

We found that the field officers are not monitoring projects adequately on site... and that information used to make project decisions is not always accurate, complete or timely.

We noted significant problems at posts in monitoring CIDA-financed projects.

CIDA should ensure that field officers are provided with the level of technical and administrative support needed to monitor projects during implementation.<sup>8</sup>

<sup>4</sup> CIDA, *Decentralization: A Question of Balance*, p. 21.

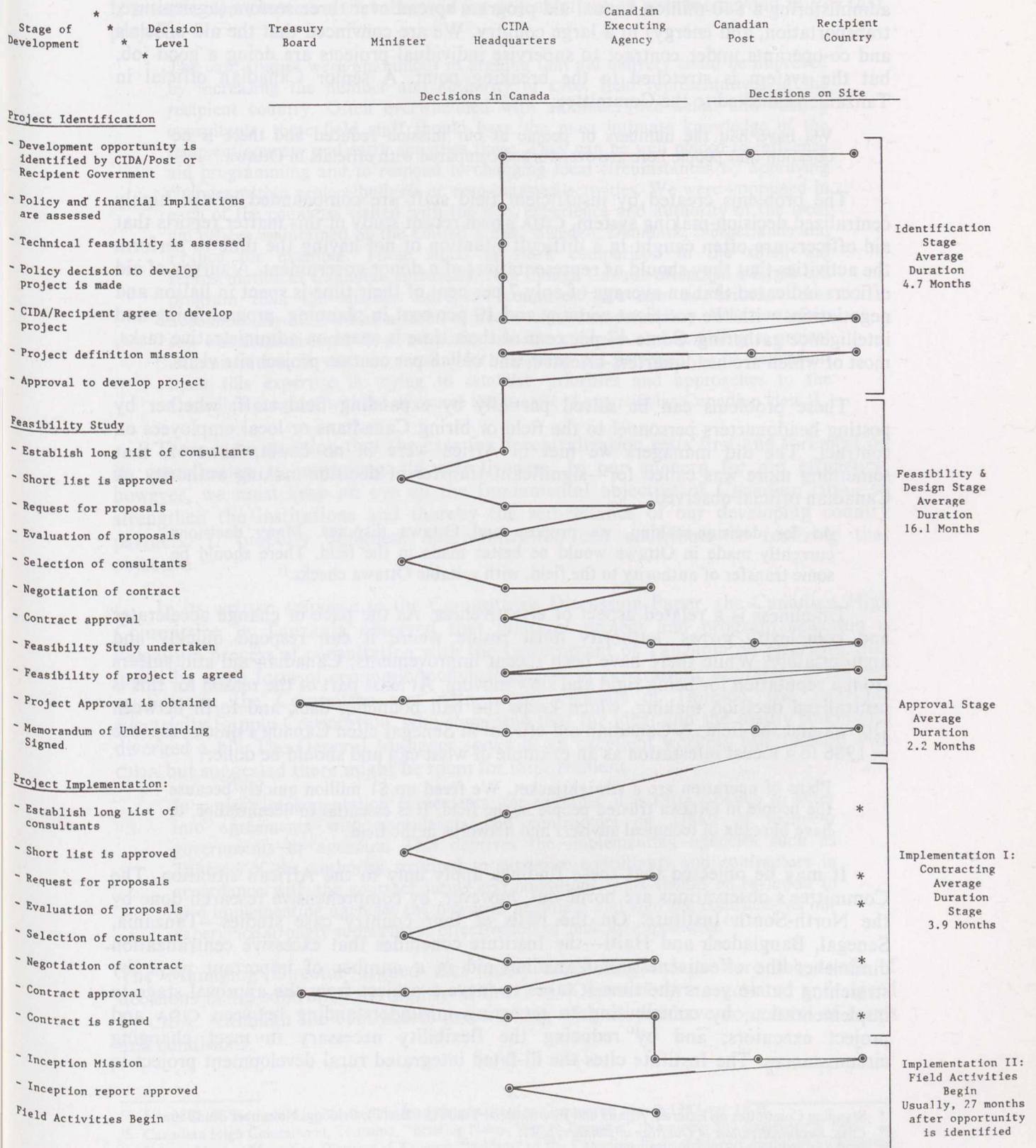
<sup>5</sup> OECD, *Twenty-five Years of Development Co-operation*, p. 183.

<sup>6</sup> Albeit for different reasons. One of the business witnesses supported the concept with the proviso that CIDA field personnel be given training "something along the lines currently given to Trade Commissioners supplemented by a development program". (Delcanda International Ltd., Brief to the Committee, December 1986, p. 6).

<sup>7</sup> OECD, *Twenty-Five Years of Development Co-operation*, p. 285.

<sup>8</sup> Auditor General of Canada, *Report of the Auditor General of Canada to the House of Commons for the Fiscal Year Ended 31 March 1984* (Ottawa: Supply and Services, 1984), paragraphs 9.46, 9.70, 9.72.

**Table 8.1**  
**DECISION TREE FOR THE DEVELOPMENT OF A MAJOR BILATERAL PROJECT**



\* Where the Canadian Executing Agency is contracted directly by the recipient country

(Source: CIDA, Area Coordination Group, May 20, 1987)

In response to that Report, CIDA expanded its system of Field Support Units, but the Committee found evidence on its trip to Africa that Canadian aid projects are still under-administered. In Tanzania there are four resident aid officers responsible for administering a \$40-million annual aid program spread over three sectors (agriculture, transportation, and energy) in a large country. We are convinced that the aid officials and co-operants under contract to supervise individual projects are doing a good job, but the system is stretched to the breaking point. A senior Canadian official in Tanzania remarked to the Committee:

We have had the numbers of people at our mission reduced and there is no question that people here are overworked compared with officials in Ottawa.<sup>9</sup>

The problems created by insufficient field staff are compounded by the highly centralized decision-making system. CIDA's own recent study of this matter reports that aid officers are often caught in a difficult situation of not having the time to perform the activities that they should as representatives of a donor government. A survey of aid officers indicated that an average of only 7 per cent of their time is spent in liaison and negotiations with the recipient country and 10 per cent in planning, programming and intelligence gathering. Some 47 per cent of their time is spent on administrative tasks, most of which are headquarters-oriented, and only 8 per cent on project site visits.<sup>10</sup>

These problems can be solved partially by expanding field staff, whether by posting headquarters personnel to the field or hiring Canadians or local employees on contract. The aid managers we met in Africa were in no doubt, however, that something more was called for—significant transfer of decision-making authority. A Canadian official observed:

As for decision-making, we propose and Ottawa disposes. Many decisions currently made in Ottawa would be better made in the field. There should be some transfer of authority to the field, with suitable Ottawa checks.<sup>11</sup>

Timeliness is a related aspect of effectiveness. As the pace of change accelerates and complexity grows, authority must reside where it can respond quickly and appropriately. While there have been recent improvements, Canadian aid still suffers from a reputation for being rigid and slow moving. At least part of the reason for this is centralized decision making, which keeps the ball bouncing back and forth between Ottawa and the field. A Canadian aid official in Senegal cited Canada's quick response in 1986 to a locust infestation as an example of what can and should be done:

Plans of operation are a straightjacket. We freed up \$1 million quickly because the people in Ottawa trusted people in the field. It is essential to decentralize, to have bureaux of technical advisers and networks in the field.<sup>12</sup>

It may be objected that these findings apply only to the African situation. The Committee's observations are borne out, however, by comprehensive research done by the North-South Institute. On the basis of four country case studies—Tanzania, Senegal, Bangladesh and Haiti—the Institute concludes that excessive centralization diminishes the effectiveness of Canadian aid in a number of important ways: by stretching out to years the time it takes to move a project from the approval stage to implementation; by contributing to recurring misunderstanding between CIDA and project executors; and by reducing the flexibility necessary to meet changing circumstances. The Institute cites the ill-fated integrated rural development project in

<sup>9</sup> Standing Committee on External Affairs and International Trade (SCEAIT), Briefing, November 30, 1986.

<sup>10</sup> CIDA, *Decentralization: A Question of Balance*, p. 21.

<sup>11</sup> SCEAIT, Briefing, November 30, 1986.

<sup>12</sup> SCEAIT, Final Debriefing, Dakar, December 10, 1986.



Haiti, DRIPP, as a classic case of poor communications and lack of accountability, giving rise to serious mismanagement, mutual recriminations between the Canadian and Haitian governments and Canada's belated decision to withdraw from the project. It is made clear, however, that the need for decentralization goes far beyond this or that project:

The case studies were unanimous in arguing that aid delivery could be improved by increasing the number and authority of CIDA field representatives in the recipient country. Often overwhelmed with administrative detail and visiting consultants, these field staff should have the most intimate knowledge of the recipient country and CIDA activities there. They can be well placed to influence aid programming and to respond to changing local circumstances by approving changes within project budgets or even between activities. We were impressed in each of the countries visited with the size, experience and authority of the local aid offices maintained by the United States, Sweden, Denmark, Netherlands and France for example. These stood in stark comparison to the small aid representation at Canadian embassies, even though Canada often had a larger aid program than the smaller European countries. We saw no evidence that accountability suffered as a result of decentralized responsibility. What we often saw was detailed expertise at a country and sectoral level, and flexibility in project administration. It was not unusual for Canadian aid personnel to be dependent upon this expertise in trying to establish priorities and approaches to the Canadian program without of course the benefit of a particular Canadian view.<sup>13</sup>

There is no question that the case for decentralization rests first and foremost on its contribution to improving aid effectiveness. In our concern for aid efficiency, however, we must keep an eye on the fundamental objective of Canadian ODA—to strengthen the institutions and thereby the self-reliance of our developing country partners. If properly designed, decentralization can contribute to realizing that objective.

In its written response to the Committee's Discussion Paper, the Canadian High Commission in Tanzania observed that bilateral project and program selection is "ideally a process of consultation with the Government of Tanzania on priorities...followed by some form of economic/technical project or programme appraisal".<sup>14</sup> In Dar es Salaam, the Committee met with senior officials of Tanesco, the Tanzania Electricity Supply Corporation, who suggested that the ideal and the reality sometimes diverged a bit. The General Manager spoke of an excellent working relationship with CIDA but suggested there might be room for improvement.

In project implementation agreements, for example, it is CIDA's policy to enter into agreements with consultants and contractors on behalf of recipient governments or agencies. This deprives the implementing agencies such as Tanesco of the authority required to supervise consultants and contractors in accordance with the contract terms and conditions. This should be reviewed to give implementing agencies the power to negotiate and sign the contracts, as our experience strongly supports the effectiveness of such arrangements.<sup>15</sup>

The Managing Director argued that many scheduling delays were the result of decisions being controlled too tightly in Ottawa. "Contracts are negotiated and signed by CIDA. Although the contractors are working with us, we have no control of terms and conditions."

<sup>13</sup> North-South Institute, Unpublished manuscript submitted to Committee, March 1987, pp. 27-28.

<sup>14</sup> Canadian High Commission, Tanzania, "Briefing Notes, Visit to Tanzania", November 30 - December 5, 1986.

<sup>15</sup> Nduga Masha, Managing Director of Tanesco, "Address to the Canadian Parliamentary Committee at Tanesco", December 4, 1986, p. 4.

Decision-making practices of this sort fly in the face of the objective of strengthening Tanesco's own decision-making abilities. It is simply not acceptable that recipients should be involved at the beginning of the project approval process but then excluded from working out many of the details and presented with a final agreement which, in part, they may neither understand nor want. Canadian officials must satisfy themselves that high standards of accountability are maintained in the aid program, but this need not be at the expense of forging closer working relationships with recipient country institutions. One of the main objectives of decentralization should be to involve recipients in all stages of decision making.

There is another side to partnership, namely the involvement of Canadian partners in the aid program. We are concerned that a highly centralized decision-making system has the unintended effect of encouraging business, NGOs and universities to devote more time to competing for funds in Ottawa than to doing development in the Third World. We note the remarks of Richard Bissell of the United States Agency for International Development:

We encourage our businesses and NGOs to go to the field and to do project design in the field. If they can get to the field, they may be able to handle the project.<sup>16</sup>

As we make clear in Chapter Nine, we want to encourage the participation of Canadian partners in the aid program and to strengthen the field presence of Canadian business in order to build long-term, co-operative relations with the people of the Third World. An ODA decision-making system that draws Canadians out into the world will serve both our own interests and those of our developing country partners. The motto for Canadian ODA should be "Join Us for Development *in* the Third World".

In earlier chapters we pointed to three emerging priorities for ODA—better aid co-ordination, improved policy dialogue and greater concentration on human resource development. All three reinforce the case for decentralization to the field. The DAC has pointed out that the effectiveness of in-country co-ordination:

... depends heavily on the competence and authority of aid staffs on the spot, particularly representatives of donors which accept a leading role in sectoral coordination and consequently in providing the analytical services needed to assist recipient governments in preparing for aid coordination meetings.<sup>17</sup>

In the eyes of many developing countries, Canada would be very acceptable as a leader of aid co-ordination efforts, but we do not now possess the field resources or experience to perform the role effectively. Likewise with policy dialogue, effectiveness depends on broad and extensive experience in developing countries, which can come only with a strong and authoritative field presence. As things stand now, Canada is in the position of preaching co-ordination and dialogue while not being able to practise them. The growing emphasis on human resource development also points to the need for decentralization, because this area of development consists typically of longer-term, flexible aid relationships rather than a series of discrete projects. At the heart of a more decentralized system should be a cadre of highly experienced human resource development professionals covering the various sectors of concentration in the Canadian aid program.

The case for decentralization was well summarized in a recent CIDA study, which was approved by the President's Committee on January 22, 1987:

<sup>16</sup> Meeting at USAID, Washington, February 3, 1987.

<sup>17</sup> OECD, *Twenty-Five Years of Development Co-operation*, p. 183.

There appears to be an increasing conviction among donors that presence in the field and delegation of authorities can satisfy at least two essential ingredients of efficiency: it tends to improve the quality of projects and programs through better monitoring, quick adjustments, prompt resolution of problems, and it speeds the completion of the project cycle, especially in identification, planning, initial project approval and approval of cost increases... With respect to planning and monitoring, several donors are coming to the conclusion that a strong field presence of qualified specialists allows for better project design in those areas where planning requires close familiarity with the environment and in-depth knowledge of local institutions (i.e., social projects, women in development, rural development projects).<sup>18</sup>

## CIDA and Decentralization

Canadian aid has taken some modest steps towards decentralization. In 1985-86, Mission Administered Funds (MAF) financed about 1,500 projects in 115 countries, at a total cost of just over \$20 million. The MAF program was begun in 1977 to support small, non-recurring projects at the grass roots level. The program is under the spending authority of Canadian ambassadors abroad, and the present maximum country allocation is \$350,000, with a maximum project size of \$50,000. During the Committee's visit to Africa, we were favourably impressed by the commonsense and innovative nature of many MAF projects. For example, the Madalla Youth Farm in Tanzania was begun by a Boy Scout captain who was concerned about the rapidly growing numbers of unemployed youth in cities and towns. The farm now teaches rural skills and technology to some 80 boys, who will be given small parcels of land to farm when they graduate. MAF funds are used to buy seeds, fertilizers and a variety of basic agricultural tools.

Canadian officials in both Tanzania and Senegal told us that MAF funds generate goodwill for Canada out of all proportion to their size, but they also warned about the risks of having them grow too fast. MAF projects typically require considerable supervision by Canadian posts, and we are concerned that the program be subject to careful and continuing evaluation. Accordingly, **we recommend that Mission Administered Funds be increased gradually in line with the ability of Canadian Missions to select and support small projects that are effective, innovative and of genuine benefit to the poorest people and communities.**

In addition to MAF, CIDA has taken two initiatives in decentralizing the bilateral aid program—micro-activity programs and the establishment of Field Support Units. The micro-activity program is a modest experiment in reorienting bilateral aid towards smaller, grass roots projects. The programs take different forms and are administered in different ways, but in all cases the approach allows rapid identification of projects and maximum assistance to local groups in project implementation, as well as continuous monitoring and evaluation.<sup>19</sup> CIDA has also established more than a dozen Field Support Units, staffed with technical experts and logistical support personnel on contract, with one or more of the following functions: sectoral studies, program development, project identification, monitoring, and evaluation and provision of administrative and logistical services. While the effectiveness of these units has been compromised by a variety of administrative and legal problems, they have undoubtedly

<sup>18</sup> CIDA, *Decentralization: A Question of Balance*, pp. 18-19.

<sup>19</sup> Marcel Messier, *Micro-Activity Program: Canada/Burkina Faso Cooperation*, Coordinator's Final Report, June 1986, p. 5. Messier explains the rationale of the program as arising out of the failure of many of the large infrastructure and integrated rural development projects. "Numerous studies have stressed the need to return to simpler activities, more easily identified and taken in hand from the outset by the people themselves."

expanded the pool of expertise available to Canadian aid managers in the field. The Agency estimates that by the end of the current fiscal year there will be 18 support units in Asia, Africa and the Americas, with at least 150 full-time experts under contract.

Although we welcome and commend these initiatives, they have not fundamentally altered the Ottawa-centred nature of CIDA decision making. Over the past ten years CIDA has shared decision-making and managerial responsibility with Canadian institutions, NGOs and the private sector, a process we welcome and discuss in greater detail in Chapter Nine. But in the area of decentralization to the field, which in our view is the more important form of decentralization, progress has been much more modest. The reasons for this are not all CIDA's doing by any means. As a department of government, CIDA is subject to rules and regulations that constrain its employment, and deployment, of personnel. As part of a consolidated foreign service, CIDA officials are subject overseas to the authority of the Department of External Affairs. In addition, however, there have been obstacles to decentralization within the Agency itself, the most important being a management philosophy that sees overseas posts as mailboxes for decision makers at headquarters.

In our view, obstacles of this sort cannot be allowed to stand in the way of aid effectiveness. To do so would be to reverse the priorities of the aid program, allowing it to be driven by bureaucratic and political exigencies of Ottawa rather than the needs of developing countries. We see encouraging evidence, however, that the times are changing:

Most of the past constraints to decentralization have been progressively eliminated through the evolution of a new management philosophy and changes in attitudes by Treasury Board and External Affairs as well as changes in the regulatory environment. New authorities and mechanisms have been created in the last few years...which provide a whole range of new possibilities for decentralization which did not exist a few years ago.<sup>20</sup>

## Getting On With It

CIDA is giving serious thought to decentralization once again. We are concerned that it be genuine this time and that substantial decentralization be an essential CIDA priority. We are equally concerned that decentralization be pursued in the right direction.

CIDA has identified seven possible models of decentralization, as follows:

1. The current ad hoc approach. This approach allows the decision on what, how and where to decentralize to be left to the discretion of the individual desks and branches within the Agency and is undertaken within existing authorities. Senior management takes a responsive approach to decentralization initiatives.
2. Pro-active decentralization to Posts/Support Units. This model implies an active drive by senior management to decentralize specific functions to the field; maximum use of current authorities and active negotiations to change the remaining regulatory constraints to decentralization. It also implies intensive use of support units (reporting to posts) concentrating on administrative, logistical and technical matters.

<sup>20</sup> CIDA, *Decentralization: A Question of Balance*, p. 3.

3. The person year transfer approach. This approach involves the physical transfer, where appropriate, of persons and functions from headquarters to the field (e.g., country analyst).
4. The technical-oriented regional office (British model). This model consists of establishing technical field offices with public servants and/or contract personnel to provide technical services to several countries (e.g., sectoral studies, project identification and project monitoring).
5. The CIDA field office (variation of the USAID model). The CIDA field office (or Canadian Co-operation Office) would be composed mostly of contract personnel but headed by a public servant with diplomatic status reporting to the head of post. The office would have a certain degree of autonomy from the post in administrative terms (separate budget charged to ODA; personnel are not post employees). It would, however, report functionally to the post.
6. The private sector-driven approach. In this approach, projects would be identified, developed and implemented by the Canadian private sector within predetermined parameters and subject to CIDA monitoring.
7. The recipient country-driven approach. This model would allow the recipient country to plan, implement and monitor programs and projects of their own with CIDA financing.

There are worrying indications that CIDA's current approach is an uncertain combination of models 1, 2 and 5, which might be described as the gradual establishment of field offices through somewhat pro-active but essentially ad hoc means. CIDA officials argue that since conditions vary so widely from country to country and region to region in the Third World, decisions on decentralization must be made on a case-by-case basis. There is also a strong school of thought in CIDA that sees decentralization as being accomplished largely, if not wholly, through the addition of locally hired employees or contract personnel, not by the transfer of CIDA person years and authority from headquarters to the field. This approach, we fear, may be a formula for preserving the status quo.

Conditions in Third World countries do vary widely, a fact that must be reflected in staffing and day-to-day operations of aid programs. But that is no argument for an ad hoc approach to decentralization. On the contrary, it is precisely the wide variations in Third World conditions that compel us to design systems far more sensitive to local realities. Decentralization will no doubt work differently in Latin America than in Africa, but it must work within a common framework. Without such a framework and strong commitment by CIDA to a worldwide system of decentralization in its operations, the process will either be chaotic or a war of attrition, where bureaucratic battles for decentralization will be won, or more frequently lost, on a case-by-case basis. In our view, comprehensive structural change is the only kind likely to succeed. Within it there should be plenty of scope for individualized experimentation and adaptation, qualities we would hope to find in all areas of aid administration.

CIDA identifies the person year transfer approach as one of the decentralization models, but we see it as a necessary element in any model that is likely to succeed politically or administratively. There is considerable scope for hiring local employees or Canadians on contract, a process that began with the establishment of Field Support Units. This approach is less costly than transferring Canadian officials and their dependents to developing countries, and it provides flexibility in hiring experts if and

when required. The hiring of local employees has the added benefit of forging closer relations with the people of developing countries and obtaining life-times of experience for the Canadian aid program. On the other hand this approach by itself will not significantly change CIDA's centralized decision-making system, which is an essential objective of decentralization. For that to occur, some of the people and authority now located at CIDA headquarters must be transferred to the field.

CIDA currently leans towards the field office located in individual program countries as the preferred unit of decentralization. This makes sense inasmuch as the country program in core countries is the heart of the bilateral aid program, and we certainly see the need for further development of the system of Field Support Units that CIDA has begun to put in place. At the same time we have serious doubts about the effectiveness of disbursing staff and authorities to some thirty countries around the world—roughly the number of core countries Canada is likely to have in its bilateral aid program. We wonder whether it would permit the development of sufficiently large centres of expertise and planning to effect a genuine decentralization of decision making. Another consideration was noted by the Development Assistance Committee: "From the recipient's point of view the need to deal constantly with a host of resident missions increases the claims on senior officials' time".<sup>21</sup> Since that is already a serious problem for many developing countries, Canada should be careful not to add to the burden by its method of decentralization.

In its review of decentralization, the DAC goes on to observe that "an interesting but still unique attempt to resolve this dilemma is to be found in the long-established teams of specialists in the United Kingdom's aid program concentrated in regional development missions around the world".<sup>22</sup> In fact Canada's International Development Research Centre is another successful example of just such an approach. The IDRC works through a network of regional offices in Bogota, Nairobi, Cairo, New Delhi and Singapore. The offices were opened as a means of ensuring that IDRC would be responsive to the realities of developing countries and become better known in the Third World. Each office is headed by a regional director assisted by a deputy director who, with one exception, is a development expert from the region.<sup>23</sup>

Bruce Scott, who was regional director of IDRC's Nairobi office for eight years and now heads the office in Dakar, described the strengths of the IDRC system:

Forty-five per cent of the scientific staff are in the field and there is a strong commitment to increase that number. Regional staff are the first point of contact with African researchers. The essential consideration in all projects is relevance to development and it is there that a regional office, with a wealth of experience, is most important. Building scientific capabilities is a very labour intensive process.<sup>24</sup>

We note that in a worldwide comprehensive audit of IDRC in 1980-82, the Auditor General reported that "most project recipients we interviewed considered the IDRC approach superior to that of other international aid agencies".<sup>25</sup> Even so, IDRC itself faces pressures for decentralization of authority. As we noted in Chapter Seven, project approval is still highly concentrated at headquarters, where a new layer of senior bureaucracy has been added in recent years. The result has been some slowing down of

<sup>21</sup> OECD, *Twenty-Five Years of Development Co-operation*, p. 183.

<sup>22</sup> *Ibid.*, pp. 183-184.

<sup>23</sup> International Development Research Centre, "Decentralization: IDRC's Regional Offices", Memorandum to the Committee, April 1, 1987.

<sup>24</sup> IDRC, Meeting at Regional Office, Dakar, Senegal, December 10, 1986.

<sup>25</sup> CIDA, *Canadian International Development Assistance Programs, A Briefing Book for Parliamentarians* (1986), p. 28.

IDRC's decision-making process. The U.S.-based Ford Foundation has adopted a more radical solution to the balance between headquarters and the field, by approving two-year regional programs and then allowing the regional office to approve projects as they are proposed. We suspect that is the direction in which aid agencies will move, some more slowly than others.

Regional offices have the advantage of concentrating resources in the field but at a lower cost than would be entailed by expanded field offices in some thirty countries. There is another critically important consideration, namely the possibility of giving a strong regional orientation to the Canadian aid program. Many, although by no means all, of the problems facing the Third World call for greater co-operation between countries. CIDA's new bilateral action plan to fight desertification in West Africa recognizes this in its inclusion of three country programs (Mali, Niger and Burkina Faso) as well as a Sahel regional program. The Minister for External Relations has observed that "the future of the region depends on the extent to which the people of the Sahel, their governments and the international community are willing to work together".<sup>26</sup> We think the same is true of other regions of the Third World and that Canada should play a leading role in helping to build regional institutions and encouraging regional co-operation. The establishment of strong regional offices would serve as a vital element in such a strategy.

## Canada Partnership Centres

Taking into account our two requirements for decentralization—that it be done within a systematic worldwide framework and involve substantial transfers of decision-making authority, what would a regional office—or a Canada Partnership Centre—look like? For Africa, which the Committee sees as the most immediately compelling case for decentralization, we would envisage two regional centres, one located in French West Africa and relating to the Sahelian countries, the other located in southern Africa and relating to the countries of SADCC—the Southern African Development Co-ordination Conference. These offices would each be headed by a deputy vice-president who would report to a single vice-president (Africa) in Ottawa. Deputy vice-presidents would carry maximum vice-presidential project approval authority of \$5 million. They would be supported in the regional offices by senior staff, including the country program directors for each of the core countries in the region, by senior planners and senior project officers as well as senior technical and professional resource people. The establishment of regional offices of this sort will have the effect of moving many of the decisions now made in Ottawa to the field. We expect this to reduce significantly the number of steps in the decision-making tree illustrated in Table 8.1. In each regional office there would be an estimated 20 to 25 CIDA professionals and 15 to 20 CIDA support staff, for a total of 30 to 45 CIDA person years. It is unlikely that the transfer of personnel would be a simple one-to-one replacement of headquarters staff by field staff. Decentralization will not work if it destroys the vital policy-making, co-ordination and support roles played by headquarters. It must be consistent with the Minister's responsibilities to give strong leadership and coherence to CIDA. In examining the implications of this model, CIDA has estimated that 45 person years in the field might result in a net reduction at headquarters of some 20 person years. The Committee believes that CIDA can and should do better than that, and urges that decentralization be accompanied by a rigorous examination of the functions of headquarters personnel to ensure that the transfer of personnel from headquarters to the field be as close to a one-to-one replacement as possible. The Committee will review CIDA's progress in decentralization over the course of the next year.

<sup>26</sup> CIDA, *Meeting the Challenges of the Sahel: Canada's Bilateral Action Plan* (1986), p. 4.

In addition to Africa, we believe there is a strong case for CIDA regional offices in Asia and the Americas. In Asia, these might be located in South Asia, relating to India, Pakistan, Bangladesh and Sri Lanka, and in Southeast Asia, relating to the countries of ASEAN—the Association of South East Asian Nations. Here, as in Africa, the appropriate administrative arrangement might be offices headed by deputy vice-presidents reporting to the vice-president (Asia) in Ottawa. In the Americas, where the aid program will remain much smaller than for the lower-income regions of Asia and Africa, regional offices would also be correspondingly smaller, one located in the Caribbean/Central America region and the other in a core country of South America. These offices would be headed by officials at the director general level and report to the vice-president (Americas) in Ottawa.

It has been estimated that with 30 to 40 CIDA personnel posted to a regional office, the additional cost for those personnel and any replacement personnel required at headquarters would be on the order of \$4 million to \$8 million per year.<sup>27</sup> Assuming there were five or six such offices around the world, the total additional cost would fall in the range of \$20 million to \$40 million. In the Committee's view, additional expenditures on administration of that order of magnitude are fully justified. It is principally for this reason that we see the necessity for CIDA's administrative budget to be increased as a percentage of total ODA (see Appendix B).

It will be obvious from the foregoing that decentralization is not a cost-free process—financially, administratively or politically. Financially, it entails spending a larger portion of the aid budget on administration; administratively, it means losing some control at the centre; and politically, it means accepting the risks of an aid program truly responsive to the needs of our developing country partners. We strongly support substantial decentralization only because we are convinced that its costs are far outweighed by its likely benefits in contributing to a more effective aid program. Accordingly, **we recommend:**

- 1. That substantial decentralization to the field be an essential priority of CIDA;**
- 2. That decentralization be undertaken comprehensively and involve the transfer of significant numbers of senior officials and decision-making authority from headquarters to the field;**
- 3. That Canada Partnership Centres, or regional offices headed by senior officials at the vice presidential or director general level with corresponding project approval authority, be the principal method of decentralization.**

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<sup>27</sup> Unofficial CIDA estimate prepared by the Area Co-ordination Group.



## CHAPTER NINE

### Building Partnerships

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The theme of partnership between Canada and the Third World runs throughout this report. But the partnership is not singular. It is a universe of partnerships between Canadians and the peoples of Africa, Asia and Latin America. The President of CIDA has observed:

In the past five years Canada's development assistance has broadened its scope, becoming less a government to government transaction and more an interaction between our society and those who can accelerate progress within their own countries.<sup>1</sup>

The Canadian partners are as varied as Canada itself. They grow in number year by year. They belong to a few identifiable communities of interest, most notably NGOs, business and universities, but they differ greatly from one another in development mission, size, experience and ideology. There are organizations, such as the co-operatives, that do not fit neatly in any of the categories, and there are new hybrids, such as business-university consortia, being formed.

The benefits of these diverse working relationships between CIDA and its Canadian partners are evident. They facilitate private development efforts and strengthen the official aid program. They make available to developing countries Canada's rich and varied human resources. Perhaps most important of all, they build bonds of friendship and respect between Canadians and the people of the Third World. David Kennedy, Co-ordinator, Canadian Rotary Committee for International Development, remarked to the Committee,

There are tens of thousands of Canadians like me who care about people, no matter where they live, what their race or condition of life. I, like others, have learned that by spending time in the Third World, showing genuine concern and a willingness to help, friendships can be made which are a very important factor in assisting with development in those countries.<sup>2</sup>

The representatives of Canadian NGOs, institutions and businesses operating abroad act as ambassadors of goodwill, generating a positive image of Canada as a nation unencumbered by past colonial relationships, nationalistic fervour or ideological excesses. Though some would discount the positive contribution made in this respect by

<sup>1</sup> Canadian International Development Agency, *Annual Report 1985-86*, p. 7.

<sup>2</sup> *Proceedings* 6:11.

business organizations, on the grounds that these groups are essentially profit-oriented, the Committee is convinced that their presence is typically as much appreciated by host countries as are the activities of Canadians from all other walks of life. The Committee applauds the tremendous efforts of all of the Canadian ODA partners working, in one way or another, towards the common goal of Third World development.

Canada is a world leader in encouraging the interest and participation of its citizens in the aid program. Among the western donor countries, Canada ranks second in the percentage of total ODA it contributes in support of the independent initiatives of NGOs and other non-profit private institutions (see Table 9.1). The partnerships between CIDA and private groups take two essential forms. *Responsive Programs* refer to the separate facilities within CIDA that provide matching contributions for development projects conceived, designed, co-financed and implemented by private sector organizations themselves. Although still subject to broad government guidelines, this type of programming is distinctive in that it allows for maximum creative input from the ODA partners who originate the projects and generally retain wide operational autonomy.

Table 9.1

**Contributions to NGOs as a Percentage of ODA  
by Members of the OECD's Development Assistance Committee, 1983**

	%
Australia	2.4
Austria	n.a.
Belgium	3.1
<b>Canada</b>	<b>8.7*</b>
Denmark	4.6
Finland	1.1
France	.4
Germany	5.6
Italy	n.a.
Japan	.8
Netherlands	6.6
New Zealand	2.3
Norway	4.1
Sweden	5.9
Switzerland	14.4
United Kingdom	.7
United States	7.4

n.a. Information not available.

\* This figure does not correspond with the NGO share calculated in the text of this chapter; for an explanation, refer to note 8.

Source: Organization for Economic Co-operation and Development, *Twenty-five Years of Development Co-operation: A Review*, (Paris: OECD, 1985).

*Bilateral Programs*, on the other hand, are government-to-government initiatives inspired and overseen by CIDA in which private Canadian organizations become involved in an executing and/or managerial capacity. Although Canadian companies, as suppliers of goods and services, are the partners most heavily involved, in recent years bilateral programs have increasingly involved Canadian NGOs and institutions through the country-focus mechanism. This approach stems from a CIDA policy initiative launched in 1981 in an effort to reinforce the coherence of the Canadian aid program by coordinating the various delivery channels and tailoring the overall aid packages to the specific needs of individual recipients. In practice, CIDA has used this mechanism increasingly to contract out managerial and administrative responsibilities to private Canadian organizations, but the key distinction nonetheless is that these projects are CIDA-driven and CIDA-led.

Partnerships are not without their complications and limitations. During the course of our hearings, the Committee met with many representatives of the NGO and university communities and with some representatives of the business community. We heard much that was positive about the relationships with CIDA but we also heard sharp criticisms and suggestions for how the partnerships could be strengthened or transformed. The various suggestions for improving ODA spring from very different perspectives on development. NGOs generally conceive of development as a broad social and economic process requiring strong public sector involvement and small community-based projects, while the business community, quite naturally, places a much greater emphasis on private sector initiatives and the need to harness the entrepreneurial and commercial capabilities of developing countries. Universities, for their part, emphasize human resource development through advanced education and training.

In the Committee's view, a pluralistic society must have a pluralistic aid program. The Canadian model of development is one that finds a place for all of these very different, at times competing, partners. The participation of Canadians in the aid program should always be judged by whether they contribute to the primary objective of ODA—helping the poorest people and countries in the world to help themselves. The real partnerships in development, it must always be remembered, are with the people of the Third World.

## **Non-Governmental Organizations**

The active participation of NGOs in Canada has long been a distinctive feature of the Canadian aid effort. From their origins as small community and church-based groups, devoted primarily to responding to emergencies with the provision of food aid, medical care and other forms of relief assistance, NGOs have blossomed and diversified into a dynamic network of full-fledged development partners, manifesting a long-term, sustained commitment to development in a wide range of economic and social sectors.

NGOs are particularly active in small-scale projects at the grass roots level in developing societies, and indeed their greatest strength lies in their capacity to respond directly to the basic needs of the poorest people, which is generally the most difficult population for official aid agencies to reach. As the Canadian Council for International Cooperation noted in its brief to the Committee, NGOs are especially skilled in small-scale undertakings; adapting appropriate, usually relatively simple, technologies to the local environment; and people-to-people projects that take social and environmental factors into account. In addition, the flexibility that most NGOs enjoy as a result of their size and direct presence in the field makes them well suited to experimentation and innovation.<sup>3</sup>

<sup>3</sup> Canadian Council for International Co-operation, Brief to the Committee, December 1986, pp. 7-8.

The Committee recognizes the tremendous role NGOs have played in the area of human resource development, particularly in primary education and basic health. Bill McNeill, Executive Director of the World University Service of Canada, calculates that "NGOs are responsible for 75 per cent of the long-term CIDA-supported technical cooperation personnel abroad" (and over 92 per cent if only women are included) and that 55 per cent of all CIDA-supported trainees are administered by NGOs (80 per cent of women trainees).<sup>4</sup> It is clear that if Canadian ODA is to place a much higher priority on human resource development in the coming years, as the Committee recommended in Chapter Two, support for NGOs must continue to be an instrumental part of Canada's aid program.

The NGO partnership operates primarily through various responsive programming channels administered by CIDA. The most important facility, in terms of funding as well as in the perception of most NGOs, is the NGO Division, housed in CIDA's Special Programs Branch, which provides matching contributions up to a ratio of 5:1. In fiscal year 1985-86, this program disbursed \$64.3 million in support of over 3,500 projects and programs.<sup>5</sup> In addition to support provided by the NGO Division, Canadian NGOs receive direct, responsive funding for overseas development activities through Partnership Africa Canada (PAC), a self-administered NGO matching program for development projects in Africa, which has been allocated \$75 million over the next five years. PAC's forerunner, the Special Fund for Africa, which was concerned primarily with emergency relief projects, disbursed \$19.5 million to Canadian NGOs in 1985-86.<sup>6</sup> Finally, CIDA matches food contributions from NGOs such as the Canadian Foodgrains Bank and supports other food projects like the NGO skim milk powder program. Total disbursements for Canadian NGO food aid in 1985-86 amounted to \$28.2 million.<sup>7</sup> Taking the NGO Program, the special Africa funds, and contributions in support of Canadian NGO food aid together, CIDA disbursed a total of \$112 million in 1985-86, or 5.2 per cent of ODA, to Canadian NGOs for responsive overseas development projects.<sup>8</sup>

During its hearings across Canada, the Committee received a substantial amount of testimony from Canadian NGOs addressing not only their specific involvement in development, but indeed all dimensions of the Canadian aid program. From the testimony, it is clear that NGOs are more preoccupied with preserving their operational independence from government than they are with the administrative aspects of their partnership with CIDA. Many NGOs expressed concern with what is perceived to be a growing tendency on the part of official aid managers to blur the distinction between bilateral and responsive programming. The central message was that although in some circumstances official and voluntary aid may be complementary, in general they should remain as operationally distinct as possible. The vast majority of NGO representatives urged CIDA to remain sensitive and responsive to their unique, individual attributes and identity. While some acknowledged the necessity of ensuring adequate financial accountability, most simply requested that they be given the widest possible latitude with respect to project identification and implementation. Many witnesses recommended that CIDA make long-term, sustained commitments to NGOs by providing more program support and block grants, as opposed to funding on a project-by-project basis.

<sup>4</sup> World University Service of Canada, Brief, March 4, 1987, p. 5.

<sup>5</sup> CIDA, *Annual Report 1985-86*, p. 56.

<sup>6</sup> *Ibid.*, p. 95 (footnote 3).

<sup>7</sup> *Ibid.*, p. 92.

<sup>8</sup> This percentage is considerably lower than the corresponding figure appearing in Table 9.1, despite the fact that it is for a later year. The OECD figure does not distinguish between NGOs and educational institutions, as we do throughout the chapter, and also includes financial support provided to international (i.e., non-Canadian) NGOs, as well as disbursements to Canadian NGOs from provincial governments, and through CIDA's Public Participation Program for domestic development education activities. Our figure in the text covers only funds provided by the federal government to Canadian NGOs for overseas development initiatives.

In order to enhance the capacity of NGOs for advanced planning, and thereby enable the selection of projects with maximum developmental impact, the Committee believes that NGOs with a proven track record at CIDA should be provided with more long-term funding commitments.

A few NGO representatives expressed reservations about their ability to rapidly absorb much larger amounts of matching funds. The Mennonite Central Committee (MCC) observed:

One of the things we have said very clearly is that too much money would be as problematic for us as not enough. ...We are grateful that the amount [for MCC] has increased but has done so gradually....We have not always taken as much from CIDA as we could have, but we believe the gradual increases of the past are a good basis for the future.<sup>9</sup>

Other NGOs were confident they could use very large increases in ODA responsibly and effectively. The Saskatchewan Council for International Cooperation, for example, recommended that responsive programming for NGOs reach 20 per cent of ODA by 1990 and that ODA reach 0.7 per cent of GNP by the same year.<sup>10</sup> This would imply that over the next three fiscal years, CIDA's matching contributions to NGOs would have to rise to approximately \$800 million per annum in real terms (i.e., net of inflation).

The Committee believes that it would be difficult for NGOs to make wise and efficient use of such staggering increases in funds over such a short period. During its Africa trip the Committee saw and heard evidence suggesting practical limitations on the ability of NGOs to absorb a rapid and major expansion in funding, owing to a lack of long-term presence and experience in Africa and a shortage of managerial and administrative resources. Acknowledging these limitations, one NGO representative commented that African NGOs need time more than money. On balance, the Committee feels that responsive funding for NGOs should continue to increase significantly, but gradually, over the next five to ten years.

Quite apart from the question of level of support for NGOs, many witnesses raised the issue of human rights as it applies to responsive programming. Some cautioned against NGO assistance in countries with extremely poor human rights records, but most NGO witnesses argued they should be allowed to operate with matching funds even where government-to-government assistance should be prohibited. For example, the Mennonite Central Committee urged that CIDA be allowed to match NGO projects in Vietnam, currently a category IV country ineligible for all forms of official development assistance.

We acknowledge that Vietnam's occupation force in Kampuchea and its human rights record are problems. But the people need help. Also they should have more opportunity for contact with the West.<sup>11</sup>

The Committee's view is that this is a decision best left to individual NGOs. They should be free to operate anywhere in the world, and projects designed specifically to assist the poor and/or victims of human rights abuses should be able to qualify for matching assistance from CIDA. The one important caveat is that when NGOs choose to venture into unstable countries where there is little or no official Canadian presence, they must recognize that it may not be possible for the Department of External Affairs to come to their assistance should events turn ugly. The Committee's basic message is this: go where your conscience takes you, but go fully aware of the risks.

<sup>9</sup> *Proceedings* 5:6, 5:13.

<sup>10</sup> *Proceedings* 4:7.

<sup>11</sup> *Proceedings* 5:7.

There is a closely related issue—the direct funding of Third World NGOs by CIDA. Voluntary organizations in Canada object to this practice on several grounds, but they are particularly concerned that it may compromise the independence and, in some circumstances, jeopardize the safety of private groups in developing countries. The Committee is not opposed to such funding in all cases, but we do agree that as a general rule CIDA should work through Canadian NGOs in providing support for non-governmental organizations in developing countries.

Apart from responsive programs, we noted earlier that NGOs also participate in the bilateral program through the country-focus mechanism. Disbursements for country-focus projects administered by the Special Programs Branch—most of which go to a relatively small number of large NGOs and institutions—climbed from \$31.9 million in 1983-84 to \$50.7 million in 1985-86.<sup>12</sup> On the whole, NGOs appearing before the Committee were divided and ambiguous about their involvement in these projects. Several NGOs were concerned about the danger of being seen as mere executing agents of government.

While it is difficult to pinpoint exactly when an organization loses its identity as an NGO, or when the parity is lost in its relationship with CIDA, it is clear when an NGO has become nothing more than a delivery mechanism, or a convenient banking facility in a program conceived and designed by CIDA.<sup>13</sup>

Other NGOs, however, saw this mechanism as a means of enhancing their participation in the Canadian aid program, and some found the country-focus program challenging and satisfying. For example, the Co-operative Union of Canada manages on behalf of CIDA a \$75 million project involving canola oil donated to Indian farmers through a co-operative, the National Dairy Development Board.<sup>14</sup> It found CIDA willing to apply flexible standards while maintaining effective control through monitoring and evaluation.

The Committee commends CIDA's policy of involving Canadians in the management of the bilateral aid program. The country-focus approach has been forced on the Agency by strict limits on hiring, but the practice has much to commend it in any case. It has opened up CIDA's bilateral program to outside thinking and greatly strengthened its managerial resources. At the same time, we would urge that the country-focus/bilateral approach not be viewed as a substitute for NGO responsive programming, the heart of which must remain independent initiatives from within the NGO community.

While concerned to maintain their own distance from CIDA, NGOs typically called for an expanded consultative and policy input role on virtually all matters pertaining to Canadian ODA. Although opinions varied as to how to achieve this, the most common proposal was to create an advisory board composed of members from the NGO community, as well as representatives from the other ODA partners. The Committee agrees, and recommended in Chapter Seven that such an Advisory Council be established.

**In summary, the Committee recommends:**

- 1. That Canadian NGOs continue to play an active and substantial role in Canada's overseas development efforts, with particular attention to strengthening the human resource development component of ODA;**

<sup>12</sup> CIDA, *Annual Report 1985-86*, p. 66 (footnote 6).

<sup>13</sup> Inter Pares, "Supplementary Information", Letter to the Committee, March 4, 1987, p. 1.

<sup>14</sup> Co-operative Union of Canada, Brief, December 1986, p. 1.

2. That responsive funding for NGOs continue to increase significantly, but in a responsible fashion so as to ensure that resources are used efficiently and the absorptive capacity of NGOs is not strained;
3. That NGOs be free to operate in any country of the world, and that projects aimed specifically at assisting the poor and/or victims of human rights abuses be eligible for matching assistance from CIDA. It should be understood that where Canada has no official presence, NGOs may be at their own risk;
4. That as a general rule, CIDA assist non-governmental organizations in developing countries through Canadian NGOs, not directly;
5. That country-focus projects involving NGOs be encouraged but not seen as a substitute for responsive programming.

## Universities and Colleges

Formal relationships between official development assistance programs and educational institutions in Canada date back to the mid-1960s when the Canadian External Aid Program was undergoing rapid expansion. The involvement of universities in overseas development initiatives was a natural and logical extension of what they had been doing domestically—developing the nation's human resources. The University of Guelph put it this way:

By definition, universities must be global and international in their perspective. Their own origins and development were directly related to assistance from other countries. Their early involvement in development assistance activities was inescapable since they not only had moral commitments but the knowledge and understanding needed to address development problems.<sup>15</sup>

The presence on Canadian campuses of a significant number of foreign students and a growing body of Canadian students interested in development issues further encouraged universities to seek practical experience and long-term linkages abroad. Their involvement in projects and programs in the field therefore promotes the development of Third World countries and also helps Canadian universities respond to the shifting demands of their student bodies back home.

The essential role of universities and colleges is in human resource development, or, to borrow a term coined by David Birch of the Massachusetts Institute of Technology, in providing the "thoughtware" of development.<sup>16</sup> Within this broad area of activity, the involvement of universities and other educational institutions takes many forms, including directly training and educating Third World students in Canada and abroad; professional development activities—"training the trainers";<sup>17</sup> institution and curriculum building; strengthening institutional linkages with their counterparts in the Third World; participating in practical research and technology transfer programs; and, more generally, carrying out development education activities and independent academic research into development issues in Canada, as well as participating in the Canadian aid policy dialogue.

Like NGOs, Canadian universities interact with the Canadian aid program both as executing agents of CIDA-inspired bilateral projects through the country-focus

<sup>15</sup> The University of Guelph, "The University of Guelph in International Development", Brief, December 1986, p. 1.

<sup>16</sup> Cited in Canadian Bureau for International Education, Brief, November 1986, pp. 9-10.

<sup>17</sup> The University of Calgary, Brief, December 1986, p. 2.

approach, and as autonomous agents carrying out independent initiatives with funding from responsive programming units within CIDA's Special Programs Branch. The most important of these is the Institutional Co-operation and Development Services (ICDS) Division, which in 1985-86 disbursed \$60.3 million for 508 development projects carried out by a diverse group of Canadian institutions.<sup>18</sup> That same year, institutions such as the Manitoba Institute of Management and Gestion Norsud of Montreal received a total of \$2.1 million for 61 projects through the Management for Change program, which "stimulates and supports innovative ways to help developing countries strengthen their managerial capabilities and adapt to changing conditions and needs."<sup>19</sup> Management for Change is also designed to promote regional co-operation "by bringing together senior executives [from abroad] with those from Canada to share experiences and explore new approaches to practical management problems."<sup>20</sup> Taken together, these two responsive programs disbursed \$62.4 million in 1985-86, or 2.9 per cent of ODA.

During its hearings, the Committee heard an almost universal appeal from academic witnesses across the country for human resource development to be made a central feature of Canadian ODA. In addition, most academics cited the economic, educational and cultural benefits to Canada of larger numbers of foreign students. They called for expanded scholarship funding and the removal of some or all of the provincial and federal government policies that discourage foreign students from attending Canadian universities. These are proposals the Committee endorsed earlier in the report. In addition, academics and universities made a number of recommendations to the Committee pertaining to post-secondary development education in Canada; these are taken up in the next chapter.

On the specific theme of partnership, the basic message from the Canadian academic community is that universities and colleges have a larger role to play in the aid program. There was agreement that the most effective role for Canadian universities is in human resource development, primarily through institutional linkage programs. In its Brief to the Committee, the University of Guelph observed:

[Institutional linkages] permit a relatively long time association with a university abroad. The Guelph/Ghana project, a major training in institutional building activity, continued for eight years with CIDA funding and is still in existence. A similar pattern, developed through the 1976/1980 institution building project with the Universiti Pertanian Malaysia, was responsible for much of the academic development of the Veterinary College of the Universiti Pertanian. The close professional and scientific relationship then established endures. A similar productive and long lasting pattern may well evolve through the present relationship with Beijing Agricultural University and with the University of the West Indies. The university, in short, is most effective and does its work best when working with another university in which there is a reasonable complementarity of values and goals.<sup>21</sup>

For these reasons, Canadian academics called for a considerable expansion of the Institutional Co-operation and Development Services program in CIDA. They further recommended that projects funded through ICDS cover not only direct costs but also overhead expenses associated with project delivery, as is the case when universities are engaged for bilateral projects. While ambiguous about country-focus programs, they,

<sup>18</sup> CIDA, *Annual Report 1985-86*, p. 54.

<sup>19</sup> *Ibid.*

<sup>20</sup> *Ibid.*

<sup>21</sup> The University of Guelph, "The University of Guelph in International Development", Brief, December 1986, p. 16.



like NGOs, called for a further, more rounded partnership with CIDA, which implies assuming a solid policy input role rather than just serving an executive function.

The Committee believes that to maximize the impact of a revitalized human resource development focus within the Canadian aid program, it will be necessary to devote more resources to projects and activities aimed at building and strengthening institutions within developing societies. We recognize that in many cases these initiatives may not have an immediate and tangible impact on the poorest people, but we are convinced nevertheless that if the poorest nations of the world are ever to move beyond acute poverty and foreign aid dependency, they will require educated leaders and administrators, as well as a secure institutional base upon which to build. Investing in a nation's capacity to sustain the development of its own human resources is a wise and farsighted use of ODA. The Committee is aware of the impact on Canadian universities of the prevailing fiscal climate in this country and therefore recognizes that their overseas initiatives will continue to require substantial support from CIDA.

Like NGOs, academics were ambivalent about their participation in CIDA's bilateral projects through the country-focus mechanism. The Association of Universities and Colleges of Canada recommended that "in general, policy makers should consider making greater use of NGOs in the bilateral program",<sup>22</sup> but many academic witnesses who appeared as individuals or on behalf of a university argued that the least effective projects their universities had been involved with were those where they had acted simply as executing agents for CIDA.<sup>23</sup> The Committee notes the apprehension of some academics regarding their involvement in bilateral projects through the country-focus mechanism, but on balance we feel this approach, and the contributions of Canadian universities to the bilateral program, are too valuable to lose. We would prefer to see universities discuss their concerns with CIDA and their other ODA partners in an effort to develop mutually agreeable guidelines governing their participation in bilateral projects.

**Accordingly, the Committee recommends:**

- 1. That funding for the Institutional Co-operation and Development Services division be increased in parallel with responsive programming for NGOs;**
- 2. That projects funded through ICDS cover not only direct costs, but also overhead expenses that are clearly associated with project delivery;**
- 3. That universities and other institutions continue to be invited to participate in country-focus projects, and that representatives of the academic, NGO and business communities meet with CIDA officials in an effort to establish mutually acceptable guidelines pertaining to their respective responsibilities and roles within the country-focus/bilateral framework.**

## **Business**

In the Committee's view, the business community is the most underutilized resource in Canadian official development assistance. Generating local savings and investment and stimulating the spread and growth of successful, profit-oriented

<sup>22</sup> Association of Universities and Colleges of Canada, "Issues in Canada's Official Development Assistance Policies and Programs", Brief, December 1986.

<sup>23</sup> For example, Dr. Eugene Donefer, McGill University, *Proceedings* 3:65.

enterprises are vital for self-sustaining economic development. For industrialized countries wishing to encourage and facilitate this process within other societies—which is the avowed purpose and principle of Canada's aid program—the active participation of their own private sector is absolutely essential. The reasons have been stated succinctly by the Canadian Chamber of Commerce:

Investment in developing countries contributes to the creation of strong market-based economies in those countries. In addition, a strong and vital private sector is created which, in our view, is the basis of economic growth and social development. An examination of the development process in most of the world's newly industrialized countries would tend to support this view.<sup>24</sup>

The strong accent on private sector initiatives was not limited to the presentations from Canadian business; it was also the parting message left with the Committee during its visit to Tanzania. The Tanzanian government has recently undertaken a courageous attempt at policy reform aimed at bolstering the incipient private sector, and the Minister of Finance told the Committee that what is needed now more than ever is assistance from Canadian business, including training and technical expertise, managerial know-how, technology transfer and joint ventures. The task of transforming sluggish, overly bureaucratic economies—which are pervasive among Third World countries—into efficient, market-oriented production systems is daunting indeed and must be viewed from a long-term perspective. The local private sector base from which most of these countries must begin this process is exceedingly weak, and thus the greatest role that Canadian businesses can play is as a teaching resource.

Many of the developing country railways and telecommunications networks operate as civil service departments of their Governments, utilizing unwieldy, bureaucratic forms of organization and procedures that have remained virtually unchanged from their colonial origins. The will for change expressed by the more senior officers and politicians does not necessarily extend to the lower ranks. Introducing changes in managerial style and raising the level of supervisory skills constitutes a formidable consulting task in such an environment. Nevertheless, many foreign government officials and the senior management of these organizations see the outside consultant as a change agent and a necessary means of achieving workable solutions.<sup>25</sup>

At present, Canadian business relates to the aid program primarily as suppliers of goods and services for CIDA bilateral projects and for projects funded by the major multilateral aid agencies. In addition, Canadian business has access to a comparatively small responsive programming channel administered by CIDA's Business Co-operation Branch. At the heart of this branch is the Industrial Co-operation Division (INC), which was established in 1978 to stimulate increased participation by Canadian business in Third World industrial development. INC supports private sector initiatives aimed at establishing joint ventures or other forms of collaboration to encourage investment flows and technology transfer to developing countries. In 1985-86, CIDA-INC disbursed \$27.8 million, or 1.3 per cent of ODA, to 250 Canadian businesses in support of over 500 development projects.<sup>26</sup>

The Committee considers all these activities important but would especially like to encourage initiatives that involve a more lasting Canadian business commitment to developing countries. The Committee is deeply troubled by the apparent tendency on the part of some businesses to look upon CIDA as a convenient source of tied aid

<sup>24</sup> Canadian Chamber of Commerce, Brief, February 9, 1987, p. 11.

<sup>25</sup> Canadian Pacific Consulting Services Ltd., Brief, December 30, 1986, p. 2.

<sup>26</sup> CIDA, *Annual Report 1985-86*, pp. 53-61.

contracts where the partnership ends as soon as the money runs out. This is not good enough. We are also aware of, and concerned by, the fairly strong perception within the Canadian business community of being second-class citizens in the aid program.

Basically we are concerned about the inequality in the growth of funding for Canadian NGOs as compared with that for CIDA's Business Cooperation Program. We conclude that the rate of increase in funding for NGOs has been too large and that for the Business Cooperation Program has been too small.<sup>27</sup>

At the same time, we note that a rather substantial portion of the funds allocated to the Industrial Co-operation Program in 1985-86 was not used, and it looks as though disbursements in 1986-87 will also come in under budget. This would seem to suggest a more fundamental problem—that many Canadian businesses simply lack a Third World presence that would enable them to identify commercial opportunities in developing countries and take advantage of the responsive funding available through CIDA-INC.

The Conference Board of Canada, through its International Business Research Centre, is undertaking a major research program examining the private sector linkages between Canada and developing countries. It has found that while Canadians are well regarded in all parts of the Third World, Canadian business is well established only in Latin America. It has also found that Canadian government efforts to encourage business participation in the Third World have been well intentioned but of limited success.

It appears that the Canadian government's objective of achieving closer economic interaction with developing countries has not filtered down to Canadian companies. This divergence in perception is a major challenge facing Canadian policy makers, as they attempt to bring Canadian business closer to the development process of Third World countries.<sup>28</sup>

We believe that if the potential of Canadian business as a full ODA partner is to be realized, it must forge closer links with the Third World and establish a much greater commercial presence in developing countries. Furthermore, we consider the performance of Canadian business in the Industrial Co-operation Program to be the acid test of their willingness to become more committed ODA partners, because this program only responds to initiatives generated by the business community. Taking these points together, we put the following challenge to Canadian businesses, large and small: we are prepared to recommend a substantial increase in allocations for the Industrial Co-operation Program, to be phased in over five to ten years, so that the level of funds for this program more closely approximates those available to other ODA partners. Canadian businesses need only demonstrate their desire to participate more fully in development by submitting enough eligible proposals to absorb the expansion in funds.

The Committee recognizes it is unrealistic to expect small, or even medium-sized firms to plunge ahead with joint ventures or other investment initiatives abroad without having first developed an export market in those countries. This process should be viewed as a continuum, beginning with limited export transactions at one end and significant foreign investment decisions at the other. Activities such as joint ventures, small-scale technology transfers and various forms of licensee arrangements would fall somewhere in between. It is important to harmonize government policy with respect to

<sup>27</sup> Canadian Pacific Consulting Services Ltd., Brief, December 30, 1986, p. 16.

<sup>28</sup> Tancredi Zollo, Director, The Conference Board of Canada, Letter to Committee Chairman, March 10, 1987.

the different stages in this process. The Committee therefore urges that there be greater interdepartmental consultation and co-ordination linking the Department of External Affairs' trade development function to CIDA's Industrial Co-operation Program. It should also be understood that industrial development, as a rule, is a much longer-term activity than export transactions, thus CIDA-INC should not expect results to materialize over a short time frame.

A number of business witnesses who testified before the Committee believed that the greatest factor inhibiting the formation of joint enterprises and other investment-related commercial transactions is a lack of awareness and information among Canadian businesses. While the Committee sees primary responsibility for improving this situation lying with the business community itself, several steps can and should be taken by government to facilitate market and commercial awareness. The Committee believes that part of the function of the regional offices proposed in Chapter Eight should be to act as the eyes and ears for Canadian businesses, identifying investment opportunities with a clear, unambiguous development thrust. These offices should be well connected to the Business Co-operation Branch at headquarters and should also be plugged into the Department of External Affairs' computerized sourcing database, known as the World Information Network for Exports (WIN-Exports). In addition, it would be useful for CIDA to post young business executives to the proposed regional offices through the Public Service Commission's Interchange Canada Program. CIDA and the regional offices should also work closely with organizations such as Canadian Executive Services Overseas, with a view to linking the expertise of retired senior Canadian executives to practical human resource needs in the field.

Witnesses from the business community generally agreed that CIDA-INC programming should be as flexible as possible in order to expand the range of opportunities for private sector linkages between Canada and the Third World. Several witnesses, notably Michael Lubbock and Redma Consultants Ltd., specifically recommended that some form of equity instrument be established to enable the Canadian government to make a small, perhaps only symbolic, financial contribution to support a Canadian investor's first venture in the Third World.

Medium and small Canadian firms generally lack knowledge of other countries and of opportunities therein; are therefore apprehensive about venturing into unknown territory; and need many forms of help in order to do so. But their apprehensions will be most effectively allayed if they have, as partner in the joint ventures through a small equity investment, a strong Canadian institution to whom they can turn for advice and help when difficulties arise.<sup>29</sup>

The Committee regrets that it was not able to examine the legal and administrative implications of this proposal in great detail and thus cannot pass judgement. However, we do think the proposal has sufficient merit to recommend that CIDA subject it to such an analysis. The Committee believes that in general, CIDA-INC should strive to be as flexible a program as possible, but we insist that flexibility not be earned at the expense of developmental impact. The Industrial Co-operation Program, like all other ODA facilities, must remain true to ODA's first principles, as outlined in Chapter One.

Apart from the conviction that responsive program funding is unbalanced, the most frequent criticism raised by the business community is that the process through which bilateral projects are identified and implemented is too long, too cumbersome and generally inequitable in its demands when compared to the relatively simple

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<sup>29</sup> Michael Lubbock, "Proposal for a Canadian Industrial Cooperation Agency", Brief, October 1986, p. 1.

procedures used for NGO projects.<sup>30</sup> For example, the gestation period for bilateral projects, from project identification to the time a firm is in the field, can be as much as five years, and throughout this time businesses must cope with a bewildering decision-making process and unclear lines of authority at CIDA. A few witnesses also reported unwarranted delays in payments from CIDA or the Department of Supply and Services.

We share many of these concerns. It was precisely to expedite clear, effective decision making that we recommended substantial decentralization to the field. The implication of that recommendation for Canadian ODA partners should be recognized: they too must devote more efforts to establishing themselves in the Third World. At the same time, attention will have to be paid to building excellent lines of communication between regional offices, CIDA headquarters, and the Canadian business community. We have already made a number of suggestions for strengthening these linkages; we would also propose that CIDA regional officers participate in "Market Place", an External Affairs program that annually arranges for federal and provincial trade commissioners from posts all over the world to return to Canada for private one-on-one meetings with potential exporters in some 35 locations across the country. In this case, CIDA officers could meet with companies that have already established an export presence in a developing country to discuss opportunities for joint ventures and other forms of productive investment.

**To recap, the Committee recommends:**

- 1. That budgetary allocations for CIDA-INC be increased substantially over the next five to ten years, to a level that is sufficient to respond to genuine business development proposals;**
- 2. That Canadian businesses become much more aggressive in meeting the needs and responding to the commercial opportunities within developing countries, particularly in the area of technical co-operation;**
- 3. That there be closer interdepartmental consultation and cooperation between CIDA-INC and trade development officers at the Department of External Affairs;**
- 4. That CIDA-INC not expect or demand results from industrial co-operation activities in a short time frame;**
- 5. That CIDA pay great attention to the need for establishing good lines of communication between the proposed regional offices, CIDA headquarters and the Canadian business community;**
- 6. That CIDA-INC endeavour to respond to the initiatives of Canadian businesses in as dynamic and flexible a fashion as possible, but that it not sacrifice developmental criteria in the bargain;**
- 7. That CIDA undertake an in-depth analysis of the implications of establishing an equity instrument under the auspices of CIDA-INC, with a view to putting such a facility in place.**

## **Looking Ahead**

The Committee believes that each of the three ODA partners—NGOs, educational institutions and business—has a major contribution to make to Canada's development assistance efforts. Canadian businesses, as suppliers of goods and services and through

<sup>30</sup> For a detailed critique, see Canadian Export Association, Brief, December 1986, pp. 14-15.

independent initiatives with their private sector counterparts in developing societies, can harness local entrepreneurial strengths and fuel the engine of self-sustaining growth. NGOs marry practical, grass roots action to a powerful sense of social justice. Universities and colleges play a central role not only in direct education and training, but in strengthening the institutional capacity of Third World countries. Accordingly, the Committee has recommended that responsive program funding be increased significantly for each group.

### *Funding*

In 1985-86 Canadian NGOs received approximately \$112 million, or 5.2 per cent of ODA, in direct responsive programming for international development activities; Canadian universities, colleges and other institutions received \$62.4 million, or 2.9 per cent of ODA, through the ICDS Division and the Management for Change program; and Canadian businesses were allocated \$27.8 million, or roughly 1.3 per cent of ODA, through CIDA-INC. In total, CIDA disbursed \$202.2 million, or 9.3 per cent of ODA, to private Canadian organizations for independent, overseas initiatives. Looking ahead, we would see the total share for responsive programming in support of Canadian ODA partners rising to about 15 per cent of ODA. Assuming ODA has reached 0.6 per cent of GNP in 1995-96, which is current government policy, and assuming a steady 3 per cent real growth rate in GNP, this would translate into approximately \$588 million (in 1986 dollars) for the three partners. In other words, the real value of CIDA support would increase threefold over a period of eight years.

We would see the NGO share rising to between 6 per cent and 7 per cent of ODA, or between \$235 million and \$274 million in real dollars, which implies about 2 to 2½ times the 1985-86 level, and an average annual increase of between \$15 million and \$20 million in real terms. We would see the ICDS and Management for Change share rising to between 4 per cent and 5 per cent of ODA, or between \$157 million and \$196 million in real dollars, which is between 2½ and 3 times the 1985-86 level, and an average annual real increase of between \$12 million and \$17 million. Finally, we would envisage the maximum share for CIDA-INC in the neighbourhood of 4 per cent of ODA, or \$157 million, subject to the terms of the development challenge we issued earlier in this chapter. To the extent that the business community is unable or unwilling to use these large projected increases fully, the unspent portion should be split between NGOs and institutions, roughly in proportion to their current shares.

On balance, we believe that the funding increases we have proposed for responsive programming can be used effectively, but that 15 per cent of ODA should be viewed as the upper limit. At that point, private Canadian organizations will be receiving roughly half as much as will be spent on the country's entire government-to-government assistance effort. We are concerned that the effectiveness and integrity of the official government programs will be put in jeopardy if responsive funding is allowed to increase any further. It is, after all, in the bilateral aid program that Canada as a nation makes its distinctive contribution to development. We wish to ensure that Canada retains an aid program that is coherent and effective and one with which *all* Canadian citizens can proudly identify.

### *Organization*

The Committee received a number of proposals for transforming the organization of CIDA's responsive programs. In essence they called for the creation of specialized arm's-length agencies that would take over some or all of the functions now performed

by the NGO Division, the Institutional Co-operation and Development Services Division and the Business Co-operation programs of CIDA. Chris Bryant, executive director of CUSO, made the case for a body "like IDRC" to administer the funding of NGO international development activities;<sup>31</sup> several witnesses from the academic community proposed that ICDS be either supplemented with, or supplanted by, an institution modelled on the Netherlands University Foundation for International Cooperation with responsibility for planning and implementing the use of university resources in the ODA program;<sup>32</sup> and Michael Lubbock recommended the creation of a Canadian Industrial Co-operation Agency that in essence would take over many of the functions of the Business Co-operation Branch as well as some additional responsibilities.<sup>33</sup>

We believe there is a danger that the creation of separate, self-administered bodies would weaken the bonds that are forming slowly within and between the various communities, a process we want to encourage. Indeed, in the Committee's view, one of the most exciting recent developments in the Canadian aid program has been the formation of regionally focused coalitions of ODA partners, such as South Asia Partnership and Partnership Africa Canada. The National Secretary of Oxfam, Lawrence Cumming, offered this assessment of these experiments:

We have been favourably impressed with the fairness, the integrity and the rigour which have characterized the working of these mechanisms. In addition, these bodies provide excellent learning opportunities. One cannot participate without deepening one's awareness of what constitutes good development work or without being forced to confront issues with which other agencies are grappling but which may or may not be on the agenda of one's own organization.<sup>34</sup>

It is precisely these qualities—fairness, integrity, rigour and learning—that the aid program should encourage in its partners. Conceivably, other regionally oriented coalitions could be formed in the future—perhaps for Central America, the Sahel, or the Southern African Development Co-ordination Conference countries. Ideally, a burgeoning network of these bodies could blend with the model of decentralization we proposed in Chapter Eight. In the end, we think this is where the organization of responsive programming should be headed. To strengthen the links that have been established among ODA partners even further, we would also support the recommendation advanced by both the Mennonite Central Committee and the Canadian Catholic Organization for Development and Peace that CIDA avoid the proliferation of special funds for access by the ODA partners and consolidate some of the specialized programs that already exist.<sup>35</sup>

**In summary, the Committee recommends:**

- 1. That the share of ODA devoted to responsive programs supporting the international development initiatives of Canadian NGOs, institutions and businesses rise progressively to 15 per cent by 1995-96;**
- 2. That in any case this share not exceed an amount equal to one-half of government-to-government assistance;**

<sup>31</sup> Chris Bryant, Executive Director, Canadian University Service Overseas, Letter to Committee Chairman, February 12, 1986.

<sup>32</sup> *Proceedings* 6:81.

<sup>33</sup> Michael Lubbock, Brief, p. 2.

<sup>34</sup> Lawrence Cumming, Letter to Committee Chairman, March 18, 1987.

<sup>35</sup> *Proceedings* 5:7; Canadian Catholic Organization for Development and Peace, "Executive Summary", Brief, p. 4.

3. That the 15-per cent share be allocated roughly as follows: 6 to 7 per cent for NGOs; 4 to 5 per cent for institutions; and up to 4 per cent for Canadian business;
4. That separate, self-administering funding councils for ODA partners *not* be established, but rather that CIDA continue to encourage the formation and growth of regionally oriented coalitions of ODA partners, particularly those involving cross-linkages between NGOs, universities and business;
5. That CIDA avoid the proliferation of specialized responsive programs for access by Canadian ODA partners and instead consolidate the existing channels.







# CHAPTER TEN

## Public Support

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In its July 1986 Discussion Paper, the Committee observed:

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.

During the past ten months, we have found there is strong public support for Canada's ODA program. The extraordinary response of Canadians to the African famine was a vivid expression of enduring Canadian values.

Strong support does not mean uncritical support. In our cross-Canada hearings we met representatives of many non-governmental organizations, who form a network of development communities across the country. Their commitment to development was apparent, as were their criticisms and recommendations for improving the aid program. Each of the other important aid constituencies has its own perspective on ODA and its own list of shortcomings. As for the general public, Members of Parliament are well aware that support for aid is mixed liberally with doubts about its effectiveness. A February 1986 Decima Research poll found that Canadians were acutely conscious of world hunger and poverty, strongly supportive of Canadian aid directed to the alleviation of these problems *and* uncertain as to the effectiveness of aid.<sup>1</sup> The study also found a direct link between perceived effectiveness and support for a larger aid budget.

In seeking to maintain and strengthen public support for development assistance, the first requirement is to ensure the greatest possible aid effectiveness. We stress 'greatest possible' because aid is an inherently risky business. While some Canadians might prefer that we put our aid money only on sure bets in development, most support a strong commitment to the poorest countries and people in the world. Confidence in the aid program must therefore rest on candor and a willingness to acknowledge and learn from our mistakes. Evaluations of aid programs, warts included, should form an essential part of any program to build public support for the aid program.

Public support means far more than approval for CIDA's aid programs. The Saskatchewan Council for International Cooperation observed that "an informed, active and supportive Canadian public is essential to promote genuine development

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<sup>1</sup> Decima Research Ltd., *Canadians and Africa: What Was Said*. A Report for the Hon. David MacDonald, Canadian Emergency Co-ordinator/African Famine, February 1986. In response to the question, "How effective do you believe Canadian aid has been over the years at resolving the problems of poorer countries?", 9 per cent said very effective, 58 per cent somewhat effective and 34 per cent said not too/not at all effective.

within a global context".<sup>2</sup> Public support in this broader sense comes about through a process of development education that links Canadians to the world. Education is a collaborative process, involving dialogue between Canadians and their Third World partners and among Canadians themselves. It is constantly reaching out to involve more people in an understanding of development. Above all, it looks beyond the horizon of immediate concerns to prepare the next generation for their responsibilities.

## CIDA Programs

In its December 1980 report, the Parliamentary Task Force on North South Relations stressed the importance of public support and recommended that the government allocate one per cent of ODA to encourage the awareness and involvement of Canadians in North-South concerns.<sup>3</sup> At today's level of expenditure, that would amount to some \$25 million a year. While CIDA is well short of the one-per cent target, its development education programming has expanded considerably over the years.

CIDA's public education activities are of two distinct types. On the one hand, the *Public Affairs Branch* is responsible for getting out the Agency's corporate message through reports, speaking engagements, participation in seminars and conferences and so on. Although considerable effort is put into these activities and they are done professionally, the Committee believes there is an appalling lack of awareness among Canadians of what CIDA is doing around the world. The Halifax-Dartmouth Inter Church Committee for World Development observed flatly that "CIDA has not been effective in informing the public about our aid programs".<sup>4</sup> Witnesses in western Canada were especially critical of CIDA's perceived indifference to involving them in its programs.

The *Public Participation Program* (PPP) is the other, quite different side of CIDA's support for development education, one based on matching the projects of private Canadian organizations. The program was originally approved in 1971 with a mandate that incorporates three broad objectives:

1. to activate a more informed Canadian public awareness of development issues and problems;
2. to encourage a greater public interest and involvement in international development; and
3. to stimulate increased flows of development assistance from the Canadian public.

It was only in fiscal year 1984-85 that PPP became a distinct responsibility unit within CIDA's Special Programs Branch. Since that time the budget has risen from \$7.8 million to a projected \$9.6 million in 1986-87, hovering at about 0.4 per cent of ODA. During the 1985-86 fiscal year, the PPP disbursed approximately \$9.1 million in support of 400 projects mounted by 150 different Canadian organizations. Overall, disbursements were split roughly equally between national organizations (such as UNICEF, the Red Cross, YMCA and CUSO) and provincial and community-based agencies across the country. Many of the organizations distribute funds to provincial program committees, while others prepare information resources, school curriculum materials,

<sup>2</sup> *Proceedings* 4:6.

<sup>3</sup> Canada, House of Commons, Parliamentary Task Force on North-South Relations, *Report to the House of Commons on Relations Between Developed and Developing Countries*, (Ottawa: Supply and Services, 1980), p. 21.

<sup>4</sup> *Proceedings* 2:56.

audio-visual resources and workshops. It is estimated that approximately 36 per cent of the 1985-86 disbursements went directly to programs and education resources for the formal school system.<sup>5</sup>

A recent study found that Canada ranked second out of 14 OECD member countries in its level of annual funding for development education and fourth on a per capita basis.<sup>6</sup> Notwithstanding this comparatively strong performance, the Committee heard many members of the NGO community recommend a substantial increase in PPP funding, some citing the one-per cent target referred to earlier. These witnesses frequently went on to argue that they, the NGOs, were best equipped and best placed to deliver the development education message. For example, the representative of the Saskatchewan World Food Day Committee declared:

It is absolutely essential...that most of the education done in Canada be done at a local level. There is no point in aiming a mass project over people's heads or dealing with the subject so lightly that it really does not grip people. Most effective is to work with small groups to give them a chance to deal in depth with the subject.<sup>7</sup>

The Committee has a high regard for the contribution of some private groups to development education in Canada, but we also have doubts about whether the future should be just more of the same. There is, first of all, a matter of principle, namely whether the government of Canada should be in the business of funding the messages of private groups. While the PPP has guidelines for project approval, these can be applied only cursorily by a small staff to a large number of projects. Who is being funded, who ignored? The concern has also been raised that the message of development education is sometimes far removed from the medium of development and is based more on ideology than practical experience. Finally, while there have been few evaluations of these development education activities, such evidence as does exist from internal CIDA reviews suggests that the effectiveness of many private development education initiatives is open to some question. In addition, Tim Brodhead, who is conducting an in-depth study of the NGO community, including development education activities, has written:

The three essential tools of development education are research, information and communication. In all three we are weak. Most of us are trying in a variety of ways to educate sectors of the public, yet we lack the most basic tool, a reliable base line of public opinion which would enable us to plan coherent, focused programs and measure their effectiveness.<sup>8</sup>

It is the need for coherent, focused programs that concerns us most. Development education is a vital part of Canada's ODA program. That being so, far more thought and effort should go into devising a dynamic development education strategy.

## **Towards a Development Education Strategy**

Canadians should be made aware that development assistance is a living, breathing and highly practical expression of their concern for the well-being of people around the world. For a brief period in 1985-86, Canadians came together in a great national

<sup>5</sup> Canadian International Development Agency, "Public Participation Program", Background paper prepared for the Committee, August 1986.

<sup>6</sup> Michael Spencer "Government Funding of Development Education: A Summary of Europe and North America" (London, England: Centre for World Development Education, 1986), p. 2.

<sup>7</sup> *Proceedings* 4:65.

<sup>8</sup> Tim Brodhead, "NGOs: The Next 25 Years", *CUSO Journal* (1986), pp. 21-33.

cause—providing desperately needed help to the famine-stricken people of Africa. The starting point in devising truly effective development education in Canada is learning and applying the lessons of that experience.

The first lesson is that television is now central to any endeavour to reach people's heads and hearts. The Decima Research poll showed that television coverage of the famine was the single greatest factor affecting Canadian attitudes toward the crisis in Africa. Lesson number two, closely related to the first, is that young people in particular were reached by participation in the famine relief effort of rock musicians and other celebrities not usually associated with Third World development. The third lesson is that mobilizing Canadian support was a collaborative effort, involving networks of voluntary groups and organizations across Canada and the government of Canada through the office of the Canadian Emergency Co-ordinator/African Famine. That effort culminated in Forum Africa, a national conference linking discussion groups across Canada through teleconferencing, community cablevision and other techniques. A senior official of UNICEF, an organization with an outstanding record in reaching the general public, praised Forum Africa as a "model" of development education.

It is one thing to learn these lessons and quite another to apply them. Now that the worst of the crisis in Africa has abated, development education in Canada appears to have returned to business as usual. Having challenged the Canadian people, the development community has now left them hanging with no clear sense of direction. This is potentially tragic for, as the Committee saw in Africa, the challenge of long-term development has just begun.

It is time that CIDA and its ODA partners decided on a coherent strategy for development education in Canada. The Committee recommends that the following four elements be integral parts of that strategy.

### *A Media Co-op Program*

The first priority is for CIDA to develop dynamic media information programs in co-operation with its ODA partners. CIDA has a film library and a vast collection of written material, but we are concerned that much of it sits on the shelf unused. The objective should be to get this material to the community for use in church basements and community halls, service clubs and schools. This means plugging CIDA's resources into development networks across the country, pushing the product rather than waiting for people to call.

Drawing on the lessons of the African Famine, a media co-op program must develop new approaches to television and radio. Thirty-second and one-minute clips should be developed, showing CIDA and the non-governmental organizations in action in the Third World. The UNICEF device of employing celebrity ambassadors of development could be copied, with messages being brought to young Canadians by sports stars, musicians and writers. The image of development as something boring or remote from everyday interests should be challenged and changed. Canadians who spend years of their lives working in the Third World should be profiled and presented as heroes to be emulated.

The development of television and radio programs is constrained by their tremendous production costs. Father Bob Ogle is striving to overcome these obstacles with "Broadcasting for International Understanding", a small organization dedicated to providing popular television programming on North-South relations. We strongly

encourage CIDA to pursue and support this type of initiative. Apart from commercial networks, we believe there is tremendous untapped potential for reaching Canadians through cable and public television outlets across the country. It should be a priority of the media co-op to produce lively and challenging development programming to be fed into these networks. Where possible, CIDA and the ODA partners should also seek avenues for collaboration with international television and radio networks.

Getting the message out is only half the job: the other half is getting the message from the Canadian people back to CIDA. Canadians will be receptive to development education only if they see that those responsible for the aid program are aware of and responsive to their concerns. To that end we would urge that the media co-op establish the reliable base line of public opinion to which we referred earlier and develop the capacity to track Canadian public opinion on development issues. The data should be used in turn to design development education programming that addresses the attitudes and concerns of Canadians.

### *Dialogue*

The accent in the media co-op program should be on close collaboration between CIDA and its Canadian development partners. The Public Participation Program is founded on a different principle—that of matching the development education initiatives brought forward by a host of voluntary organizations across Canada. We have expressed reservations about some aspects of this programming, but we accept the importance of encouraging independent, pluralistic dialogue. We see a place for responsive development education programming but recommend that its current share of the ODA budget, quite generous by OECD standards, remain steady. We also urge that CIDA, in co-operation with the NGO, university and business communities, develop appropriate standards so as to differentiate clearly between education and legitimate debate on the one hand and propaganda on the other. The former should be supported, the latter not. Priority should be given to funding for groups with a demonstrated track record of successful professional development education activities.

### *Development Research*

A third priority of a development education strategy is to strengthen international development research and teaching at the post-secondary level. Without that solid analytical foundation, development education will remain haphazard and shallow. In its brief to the Committee, the AUCC observed that despite Canada's strong commitment to development and its impressive academic resources, "it is curious that we have not yet developed truly effective research institutions in the sphere of Development Studies and related inter-disciplinary concerns".<sup>9</sup> The AUCC goes on to suggest several positive initiatives, including an Institute of Development Studies and the creation of university chairs to stimulate teaching and inquiry and strengthen community outreach activities in the sphere of development education.

The Committee's approach is to encourage the development of centres of excellence or specialization in development studies. This should be done not by creating new centres but by providing stronger support for excellence where it already exists or has begun to develop. Support should take the form of medium-to long-term commitments of financial support for a limited number of centres, each receiving on the

<sup>9</sup> Association of Universities and Colleges of Canada; "Issues in Canada's Official Development Assistance Policies and Programs", Brief, December 1986, p. 41.

order of \$1 million per year for 5 to 10 years, to develop research staff, library and other information resources, publications and teaching. The primary aim of the program should be to help develop several world-class development research centres, with emphasis on priority areas of development such as human resources and agriculture, and on the main regions of the Third World—Asia, Africa and Latin America. Attention should also be given to using these centres for development education activities in the wider community. Although there is no obvious existing facility within CIDA to carry out this task, we think it falls most logically under the auspices of the Institutional Co-operation and Development Services (ICDS) Division in CIDA's Special Programs Branch; the budget increases we proposed earlier for ICDS are more than adequate to absorb this added responsibility.

### *Reports From the Front Lines*

As a final element in a development education strategy, we want to strengthen the tenuous links between the process of development in the Third World and development education in Canada. We propose to accomplish this in two ways. First, we want to encourage the various ODA partners—NGOs, universities, business and others—to share their direct, hands-on experience of development with their fellow Canadians. This could be accomplished by building into all matching grants or CIDA bilateral contracts a small portion to be used to report to Canadians on the results of their activities. Second, Third World student and trainee programs in Canada should be used, where possible, as development education resources. We were impressed, for example, with the educational benefits to Canada of the Canada-China Human Development Training Program. An official of the Royal Bank remarked on the personal and community benefits of having trainees live with Canadian families.<sup>10</sup>

To summarize, **the Committee recommends that CIDA and its ODA partners develop a dynamic strategy for development education in Canada. The strategy should consist of four principal elements:**

- 1. developing a media co-op program that: plugs CIDA's information resources into development networks across the country; produces short radio and television clips showing CIDA and the ODA partners in action in the Third World; develops lively and challenging programming to be fed into the cable television network in Canada; and establishes a reliable base line of public opinion and a capacity to track the attitudes and concerns of Canadians on development issues;**
- 2. maintaining Public Participation Program funding at the current share of the ODA budget;**
- 3. encouraging centres of excellence in development studies at the post-secondary level by providing medium-to long-term commitments of financial support. It is anticipated that such an initiative would cost between \$4 million and \$6 million annually, which should be financed from an enlarged ICDS budget, as recommended in Chapter Nine; and**
- 4. strengthening the links between the doing of development and development education by allowing a small fraction of matching grants or CIDA bilateral contracts to be used for development education and by encouraging the use of Third World students and trainees as development education resources in Canada.**

<sup>10</sup> SCEAIT, Briefing on CIDA Programs in China and Haiti, June 17, 1986.



## CHAPTER ELEVEN

### Evaluating Aid Effectiveness

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There continues to be a wide base of goodwill for the aid program—the Committee's public hearings confirmed that. With few exceptions, Canadians do not want to see any diminution of their government's involvement in international development. Many seek expanded opportunities for participation and are able to point to the strong growth in funds raised by the voluntary sector. They want to see more resources devoted to this activity. But as expenditures mount, the issue of effectiveness also becomes more crucial. The aid program is already large and complex. Without evidence that the existing configuration of ODA is working well, broad public and political support will falter. Aid agencies that do not live up to their objectives will also suffer from serious morale problems. A failure of evaluation can cheat taxpayers, executors and recipients of the satisfactions and benefits of long-term development assistance.

#### **Better Aid: Inside the System**

The ability to learn from past mistakes is essential to improved performance. CIDA has been criticized extensively in the past for shallow corporate memory and inadequate accountability systems. During the 1970s the Agency was stung by harsh criticism from the Auditor General. The media focused on horror stories of poorly conceived projects and misspent funds. In response, the bureaucratic regime at CIDA has been tightened and a multiplicity of auditing and management procedures added. In addition, in keeping with the value-for-money approach promoted by successive Auditors General, CIDA has also poured more funds into program evaluation. Most of the evaluations are still done at the initiative of individual project and program managers. But an increasing number of more policy-oriented evaluations have been done at the corporate level for whole channels and sectors. CIDA has a Program Evaluation Division and has developed a Bilateral Information Feedback System (BIFS) containing data on over 5,000 projects, including those of other donors. Feedback mechanisms have been introduced into the project planning cycle and the evaluation process itself. Evaluation summaries are also being prepared for wide dissemination within the Agency.

The Committee applauds these efforts, but we note that management and information services are only a supporting aspect of quality control. The front line of development is not at corporate headquarters; it is in the field. This is where the aid relationship succeeds or fails. We note that CIDA has suffered traditionally from high staff turnover and that its structure has not generally facilitated broad exposure to the lessons learned in the field. Ways must be found for the weight of cumulative

experience and expert professional judgement to be brought to bear more systematically on ODA planning and programming. Elsewhere in this report we recommended an organizational field structure that would allow CIDA officers the opportunity to pursue long-term careers in development working overseas. The bureaucratic machinery of evaluation by itself will not do much for improving effectiveness unless CIDA is able to build an experienced cadre of specialized professional development officers who can apply the lessons directly.

The observation that learning must first take place in the field and then be transmitted to other parts of the ODA system leads also to a fuller recognition of the role of local and non-governmental partners in the evaluation process. Their experience and understanding of the problems of development should be considered a primary resource to be tapped by CIDA's field intelligence and feedback networks. Every project and program should have a learning component that is open to this sort of participation. At present, as noted in CUSO's brief to the Committee, CIDA does not have enough staff time to monitor projects in this sense. Project approval documents must often be contracted out to consultants because CIDA faces the constraint of disbursing more funds with fewer person years. "The pressure is on to spend and to do so with as little administrative cost as possible." The CUSO brief goes on to state:

...there is an urgent need to allow CIDA project officers more time to learn from their projects and to reflect on the larger development process and its implications for the administrative side of their work. We believe that the project evaluation process is inadequately used in many cases, losing its potential to educate as well as to ensure accountability for CIDA expenditures. New evaluation methods have been used in several of our projects. These methods not only collect the information necessary to compare objectives with results and to measure cost effectiveness, but also allow open reflection on the strengths and weaknesses of the process by all parties.

This further empowers our local partners by including them in the evaluation process. It increases their input and responsibility for success, takes advantage of their intimate understanding of local problems and conditions, and provides them and us with training in project management. We therefore recommend that funds be allocated within project budgets for this type of reflection in the project evaluation. Our experience has been that such allocations are minimal in relation to overall project costs, add only marginally to evaluation costs, yet reap significant benefits for training and replication of successful experiences. Additional funds spent on this kind of applied research and dissemination of findings, when included in the monitoring and evaluation of projects, can reap benefits well beyond the investment.<sup>1</sup>

As well, a bottom-up rather than a top-down approach to evaluation is much more likely to create solid partnerships and, over time, to achieve effectiveness in reaching the poorest people. In this way, the internal evaluation process is never simply an 'ex post facto' academic exercise. Rather, it is built right into the aid activity as one of its central objectives. **Therefore, the Committee recommends:**

1. That CIDA be given sufficient resources in the field to be able to do ongoing evaluation of projects and programs in co-operation with locally based partners;
2. That CIDA make continuing efforts to keep headquarters staff in touch with what is being learned in the field, and that this decentralized approach to evaluation be reflected in the preparation of internal planning and programming review documents.

<sup>1</sup> Canadian University Service Overseas, Brief, December 1986, pp. 7, 10.

## Better Aid: Opening Up the System

CIDA must not only satisfy itself that it can learn from experience and that its evaluation procedures are working; it must also tell Canadians what it has learned about the developmental effect of its programs. We realize that there is a danger in creating expectations by inviting greater scrutiny. It can lead to an emphasis on quick, visible results and to an Agency strategy of risk-avoidance. We would not want CIDA to shy away from difficult undertakings for fear of making a mistake. CIDA is correct in pointing out that in delivering its programs it must contend with an environment that is fundamentally more hazardous than the environment for domestic programs:

- development projects are implemented in a sovereign foreign country and therefore are never under CIDA's exclusive control;
- the constraints that create the need for development assistance also create problems in delivering that assistance, e.g., inadequate physical and administrative infrastructure;
- development projects are implemented in fragile economies and often unpredictable political circumstances, requiring flexibility and adaptability; and
- geographic distance and cultural and linguistic differences complicate the administration of aid projects.<sup>2</sup>

Moreover, evaluating developmental effectiveness is not an objective science. CIDA identifies these complicating factors:

- Official Development Assistance represents only a modest source of the funding of the average Third World country's economic and social development activity. Most developing countries generate the bulk of their funds from domestic savings and investment and from private sector foreign investment. Canada's ODA program represents an even smaller percentage of total capital flows to developing countries. Consequently, it is difficult to estimate the impact of Canada as a donor in any one country.<sup>3</sup>
- Development is a long-term, high-risk process involving changes in the foundations of a society. Many ODA-financed projects require more than a decade of involvement and investment to achieve the desired economic and/or social objectives.<sup>4</sup>

Beyond these factors, determining whether ODA has worked in a particular case involves value judgements about the nature of development and who should be the prime beneficiaries. The attempt at qualitative evaluation in this sense must be made notwithstanding the difficulty of quantifying many ODA effects, especially non-economic ones. This does not mean that evaluation should be a subjective exercise aimed only at satisfying internal Agency objectives. During the 1980s, the DAC members have become more conscious of the need to pool their efforts and to cooperate on finding comparative techniques and indicators of effectiveness. There is a DAC Expert Group on Aid Evaluation, and a continuing work program on methodology has been established. The results of this activity are described in the OECD publication, *Evaluation Methods and Procedures: A Compendium of Donor Practice and Experience*.

A better understanding of the nature of the evaluation problem is developing, even if answers remain elusive. As a recent OECD report notes, virtually all donors now attempt explicitly to look at the effects of aid after the aid agency has left. "The

<sup>2</sup> Canadian International Development Agency, *Main Estimates 1987-88*, Part III, Expenditure Plan, p. 27.

<sup>3</sup> For example, in 1983, aid from CIDA was equal to 0.25 per cent of total investment in Peru, 0.51 per cent in Cameroon, 0.69 per cent in India, 1.9 per cent in Jamaica and 2.2 per cent in Tanzania.

<sup>4</sup> CIDA, *Main Estimates 1987-88*, Part III, Expenditure Plan, p. 28.

general trend is to look at these effects in a longer perspective, with a growing emphasis on what evaluators call 'impact evaluation'.<sup>5</sup> Throughout this report the Committee has argued that aid should be an investment in the poor and that human development is what counts. Evaluations, therefore, should never be merely mechanical reviews of operations or one-shot report cards to be filed away once the activity is over. From the beginning, each project and/or program should have built into it explicit impact targets against which results can be measured over time. Using evaluations, one should be able to chart the contribution of aid to the progress of the recipient in achieving economic and social justice and self-reliance. All such evaluations should ask the following basic questions:

- How much better off are the poor as a result of this project/program?
- Has this project/program improved the capacity of the people to be self-reliant?
- Does this project/program improve the condition of women?
- More generally, does this project/program improve the quality of human resources in the society and does it strengthen local institutional capacity?
- How environmentally sound is this project/program?
- Does this project/program respect and promote human rights, especially of the poorest people?

These questions can be posed directly for bilateral evaluations. In the case of multilateral programs, Canada must depend on documentation supplied by institutions such as the World Bank. This does not, however, mean abdicating our responsibilities for the activities of these institutions financed in part by our contributions. We should forcefully express a Canadian ODA philosophy in their governing bodies, and we should work closely with other donors to ensure that adequate project monitoring and evaluation procedures are in place. Canada should press for access to relevant documentation on request, or at least be given a satisfactory explanation in cases where there is a compelling reason for denying access. No ODA activity that receives Canadian tax dollars should be considered immune from public review of its merits within Canada. The government should ensure that non-bilateral agencies understand the importance of accountability in maintaining support for future funding. As a further step, CIDA should choose at least one multilateral project each year and subject it to the same thorough criteria that should be applied rigorously to all bilateral projects. In this way, each multilateral agency or program could be reviewed in turn. In this way, too, it should be possible to undertake comparative evaluations of all the various ODA channels—CIDA and non-CIDA, direct country assistance, multilateral and responsive programs. Under what circumstances has each proved to be the most appropriate form of aid? When and where does Canada receive the best value for its aid dollar? We see a role for this Committee in selecting parts of the aid program to be subject to precisely this kind of analysis, also on a regular cycle.

Finally, the Committee believes that all these evaluations (including CIDA's internal evaluations, such as those recently completed on food aid and the NGO program), country program reviews, and other ODA studies financed by taxpayers should be exposed much more to independent public review. Access to basic information about aid projects and to evaluation documents should not normally be considered off limits, and it should not entail a lengthy or costly struggle. We can understand why sensitive information might be withheld, but we believe that a general

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<sup>5</sup> Organization for Economic Co-operation and Development, *Twenty-Five Years of Development Co-operation* (Paris: 1986), p. 193; also Part XI, "Aid Effectiveness: The Evidence of the Historical Record".

policy of insularity would not serve the purpose of making ODA more effective, much less build public confidence in the program. The excellent co-operation the Committee received from CIDA at every stage of this study should stand as a model for the future. We see the International Development Advisory Council proposed in Chapter Seven as having an important role in raising matters of evaluation policy and bringing public concerns about aid effectiveness to the attention of the government and senior management.

Learning cannot take place in a closed system. As the brief of the Association of Universities and Colleges of Canada put it:

What is needed is wise spending, and that is unlikely to come from a continued emphasis on the confidential, in-house reviews and evaluations CIDA now undertakes. Much better and more helpful in illuminating means of improving performance are independent, arm's length studies of the sort suggested by Robert Cassen and his associates in *Does Aid Work?* (cited on p. 5 of the Discussion Paper). We have already seen very good evaluative work emerging from publications of the North-South Institute; IDRC has sponsored some important studies as well.

Canadian ODA would benefit from more commissioned evaluations and more self-initiated reviews of official and NGO projects that could draw upon a variety of resources including professors, graduate students, other independent scholars and professional policy consultants.<sup>6</sup>

ODA decision makers in general and CIDA in particular should pursue a more targeted and transparent open-door policy with respect to evaluations and learning. **Specifically, the Committee recommends:**

- 1. That ODA planning and project approval documents include long-range targets against which the effectiveness of results can be measured;**
- 2. That all evaluations and country program reviews refer back to these targets by attempting explicitly to assess the effect of the aid activity on the poor, women, the environment, human resource development and local self-reliance;**
- 3. That the results of major program evaluations and of core country reviews be made available in a digestible form to Parliament and exposed to independent public review;**
- 4. That CIDA co-operate closely with other donor agencies, research institutions and the non-governmental sector in strengthening its evaluation processes.**
- 5. That there be comparative evaluations of ODA channels, with this Committee and the International Development Advisory Council playing an active role in the selective review of programs.**

We recommend further that Canada work with other donors on better ways to monitor the activities of the multilateral development agencies to which we contribute. Canada should press for access to relevant project documents and evaluations prepared for these agencies and insist on a full explanation in writing when a request is not granted. Their effectiveness should also be reviewed on a rotational basis, by CIDA selecting at least one multilateral aid activity each year to be subject to rigorous evaluation on the same basis as bilateral projects and programs.

<sup>6</sup> Association of Universities and Colleges of Canada, Brief, December 1986, p. 23.



## CHAPTER TWELVE

### Funding

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Much of this report has been concerned with the need to improve the effectiveness of Canadian ODA, by clarifying of objectives, developing coherent policies, and strengthening aid organization and delivery. We are convinced these changes will increase the value obtained for the money spent on Canadian development assistance. But what amount of assistance should Canada provide?

It is clear to us that the need for official development assistance continues to exceed the supply. A Joint Ministerial Committee of the World Bank and the International Monetary Fund identified four key areas where concessional assistance is urgently needed.

1. To tackle the fundamental problems of poverty, particularly in the poorest countries. These problems are especially persistent in, for example, many African countries; real incomes and food production per capita have been falling and, owing in part to the surge in debt-servicing requirements, net inflows of resources have been severely eroded during the past three years and have turned negative in many countries.
2. To help a variety of developing countries complete needed structural adjustments. Many countries have shown courage in pursuing difficult policy changes in recent years. To keep the pain of these adjustments within politically tolerable levels and to restore development momentum, these countries, in particular the low-income countries, need additional amounts of ODA.
3. To sustain investment and growth in low-income countries that pursue effective policies and succeed in establishing some development momentum. Development efforts and policies are not concerned solely with avoiding disaster. Some poor countries, including the two largest, China and India, have made outstanding economic progress in the past few years by combining effective policies and concessional assistance with the application of human energies. Further concessional flows to them now, in addition to being justified on humanitarian grounds, are good investments and can assist these countries in moving to a position of self-sustaining growth.

4. To respond to emergencies in developing countries—both natural and man-made disasters of short duration and the more enduring crises currently afflicting many of the poorest countries.<sup>1</sup>

The ministerial study carefully reviewed alternatives to increased ODA, including enhanced effectiveness, increased aid concentration and expanded private investment, but concluded that for the poorest developing countries in particular, development prospects will depend critically on increased ODA. We note the positive relationship that was identified between increased aid effectiveness and increased aid volume. While warning of the dangers in some circumstances of too much aid, the Ministerial Committee observed that vitally needed policy and institutional reform is more likely to go forward and succeed if funded adequately. It concludes: "Since there is no escaping the need for predominant reliance on traditional, appropriated concessional assistance, donor governments should exert redoubled efforts to increase the supply of ODA as a matter of urgency".<sup>2</sup>

Broadly speaking, our own study supports that conclusion. We saw considerable evidence in Africa of worsening conditions and growing hardship. While we are convinced that these problems are partially rooted in wrongheaded policies, it is equally clear that reform needs outside support. If this is not forthcoming, we fear that it is the poorest people in Africa, and in many other parts of the Third World, who will suffer most. In our view these considerations justify significant increases in aid volume. At the same time, it is imperative that aid budgets be affordable and not increase so rapidly as to undermine the quality of assistance.

Canada's performance in providing concessional assistance continues to be significantly above the average for OECD donor countries. In fiscal year 1984-85, Canada's ODA as a percentage of GNP was 0.49 per cent, compared with the average for all OECD countries of 0.36 per cent.<sup>3</sup> Six out of 18 countries ranked ahead of Canada. Using a different measure of commitment, Canadian ODA as a percentage of central government expenditures has averaged 2.1 per cent over the period 1970-85, compared to the OECD average of 1.8 per cent. Finally, the real growth rate in Canadian aid averaged 4.2 per cent during the first half of the 1980s, compared with 3.6 per cent for other industrialized country donors. Taking all these indicators together, the Development Assistance Committee of the OECD concludes that over the past 15 years Canada has been one of six countries that made "significant contributions" to the growth of ODA.<sup>4</sup>

Our conclusion is that while Canada can and should be proud of its record, we must not be complacent. We are particularly concerned that the rate of growth in global ODA volume has dropped sharply in recent years. Canada should continue to play a leading role in improving the quality and increasing the quantity of assistance. In the latter connection, the Committee believes that further progress can be made in a number of areas.

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<sup>1</sup> Joint Ministerial Committee of the Board of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries, *Report of the Task Force on Concessional Flows* (Washington: 1985), pp. 10-11.

<sup>2</sup> *Ibid.*, p. 11.

<sup>3</sup> Canadian International Development Agency, *Annual Report 1985-86*, p. 67 for the CIDA figure; Organization for Economic Co-operation and Development, *Development Co-operation: 1986 Report* (Paris: 1987), Table II-2, p. 49, for the DAC average.

<sup>4</sup> OECD, *Development Co-operation: 1986 Report*, p. 51. The other countries were the United States, Japan, France, Italy and Germany. While none of these countries has the highest ODA/GNP ratio, they have contributed most to increasing aid volume.



## Targets

The final question asked in the Committee's Discussion Paper was "Should we pursue targets?". Our answer is yes we should, steadily and responsibly.

The Commission on International Development, chaired by former Prime Minister Lester Pearson, first proposed that all developed countries should increase their ODA as a percentage of GNP to 0.7 per cent "by 1975 or shortly thereafter, but in no case later than 1980".<sup>5</sup> Needless to say, the deadline has passed without full compliance. Five OECD countries have reached the target. Many of the rest, Canada included, have accepted 0.7 per cent as a medium to long-term goal. Notwithstanding this commitment in principle there has been persistent debate within donor governments about targets. Ministries of finance, in particular, tend not to like the rigidity of commitment or formula funding that targets entail. We acknowledge there are costs associated with targets, but we believe they are far outweighed by the benefits for development. The historical record reveals that ODA performance does reflect, albeit imperfectly, the commitment to targets. A related consideration is that targets provide a measure of financial dependability to developing countries whose economic lives are otherwise beset by frequent shocks and wild fluctuations.

Current Canadian government policy is to maintain the 0.5 per cent target until 1990 and then move to 0.6 per cent by 1995. Earlier commitments to reach the 0.7 per cent target have been postponed because of the government's commitment to reducing the large federal deficit. Official development assistance continues to grow at a rate faster than almost all other federal expenditures, but it too has been subject to some overall fiscal discipline. Many witnesses complained of this and urged that the 0.7 per cent target be restored, some arguing for its achievement by 1990. Experience has shown, however, that very rapid increases in volume can seriously distort aid objectives and compromise quality. As Table 12.1 indicates, Canadian ODA would have to increase by an average of \$455 million in real terms each year to reach 0.7 per cent of GNP by 1990-91. A majority of the Committee prefers a more moderate approach, consisting of two elements:

### *A Secure Floor*

Canada's ODA as a percentage of GNP peaked at 0.53 per cent in the mid-1970s, then began a decline to 0.4 in fiscal year 1980-81. Over the next several years, the target resumed an upward climb, reaching 0.49 per cent in 1984-85. Although the government has indicated its commitment to reaching and maintaining the 0.5 per cent level for the balance of the 1980s, we are concerned that slippage could occur once again. We note, for example, that while the projected level for 1985-86 was 0.48 per cent, CIDA has reported that the net volume disbursed amounted to 0.46 per cent.<sup>6</sup> We believe the time has come to provide a secure floor beneath Canadian ODA. Accordingly, **we recommend that as part of legislation establishing CIDA and the ODA charter, the Government declare its commitment to 0.5 per cent as the minimum level of official development assistance Canada will provide annually.**

### *Steady Progress*

With such a floor securely in place, we believe Canada should make steady progress towards higher aid targets. We doubt that the current plan to hold the ratio steady at 0.5 per cent until 1990 and then increase it sharply to 0.6 per cent in the following five years is realistic, particularly considering that we are now at a level

<sup>5</sup> The Commission on International Development, *Partners in Development* (New York: Praeger Publishers Inc., 1969), p. 152.

<sup>6</sup> CIDA, *Annual Report, 1985-86*, p. 67.

Table 12.1

**GNP and ODA Projections**  
(millions of real 1986-87 dollars)

	(assumed 3% real growth per annum)	ODA		
		0.5%	0.6%	0.7%
1986-87	500,000*	2,500	3,000	3,500
1987-88	515,000	2,575	3,090	3,605
1988-89	530,450	2,652	3,183	3,713
1989-90	546,364	2,732	3,278	3,825
1990-91	562,754	2,814	3,377	3,939
1991-92	579,637	2,898	3,478	4,057
1992-93	597,026	2,985	3,582	4,179
1993-94	614,937	3,075	3,690	4,305
1994-95	633,385	3,167	3,800	4,434
1995-96	652,387	3,262	3,914	4,567
1996-97	671,958	3,360	4,032	4,704
1997-98	692,117	3,461	4,153	4,845
1998-99	712,880	3,564	4,277	4,990
1999-2000	734,267	3,671	4,406	5,140
2000-2001	756,295	3,781	4,538	5,294

**Average Annual Increments to ODA  
Under Various Scenarios**  
(starting at \$2,575 million in 1987-88)  
(millions of real 1986-87 dollars)

ODA/GNP	1990-91 (3 years)	1995-96 (8 years)	2000-01 (13 years)
0.5	80	86	93
0.6	267	167	151
0.7	455	249	209

\* The 500,000 million starting point is based on a rough average of various estimates provided by the Department of External Affairs and the Department of Finance, which have ranged from 495,000 million to 505,000 million. Actual figures for 1986-87 will not be available until June 1987.

slightly below 0.5 per cent. We are concerned that Canada may find itself once more in the position of abandoning its commitments. In the Committee's view, a plan is needed that would take us to the 0.6 per cent level in 1995-96 by steady, achievable annual increments. **Accordingly, the Committee recommends that progress towards achieving the 0.6 per cent target in 1995-96 should begin in the 1988-1989 fiscal year, rather than the current plan of fiscal year 1990-91, and proceed by steady annual increases. We estimate that would bring the ODA/GNP ratio to 0.53 per cent in fiscal year 1990-91.**

### Lapsing Authority

Whatever the target, Canadian ODA is projected to grow substantially in the next decade. We are concerned to minimize the pressures to disburse that such growth brings with it. Until 1976-77, CIDA could carry over from year to year the unspent portion of its funds. However money in the pipeline accumulated rapidly, to the point where appropriations and disbursements became quite dissimilar. As a result the authority to carry over funds was removed, and since 1978 all money not spent in the fiscal year reverts to the treasury or 'lapses'.

In the first years following removal of carry-over authority, CIDA had an annual spring flood of spending just before the end of the fiscal year. We were assured by officials of the Department of Finance that CIDA has now adjusted well to the lapsing rule. However we received other evidence that pressures to disburse before year-end still exist and are expected to worsen as the budget grows. Moreover, we are concerned that the management of these pressures results in a bias towards rigidly planned infrastructure projects, the disbursements for which are predictable. While this form of assistance will remain an important element in Canadian ODA, we have recommended that the trend towards human resource development should be accelerated. Projects in that area typically entail long-term and flexible commitments, requirements that may not fit too well with CIDA's present management style.

Fidelity to a pre-established schedule tends to preclude any major adjustment of operations. From being a management tool for ODA, the project ends up becoming primarily a system for disbursement. In the extreme, for the reasons just put forth, a project which "disburses well" is more popular than a project which, while "disbursing poorly", seems well on its way to achieving the foreseen objectives. Notwithstanding policy or other reasons, the same logic makes the Agency reluctant to stop a project which experiences major implementation problems.<sup>7</sup>

**In order to diminish disbursement pressures, facilitate the shift in priorities towards human resource development, and strengthen the Agency's managerial responsiveness, we recommend that authority to carry over unspent funds from year to year be restored to CIDA. This authority should be accompanied by appropriate limits to prevent the accumulation of very large unspent reserves.**

## Smoke and Mirrors

Public finance is an unavoidably complex business, involving huge amounts of money and a maze of rules, regulations, conventions and definitions. There have been times, however, in dealing with the financial aspects of Canadian aid when we felt complexity had become an end in itself and one that was beginning to overwhelm even the expert practitioners. On occasion we wondered, doesn't anybody here know what is going on?

The estimates that are tabled annually in Parliament are a case in point—virtually impenetrable even to those who compile and use them. There are enough minor discrepancies between the estimates and other versions of planned expenditures as to raise doubts about the whole process. The supplementary explanations of the Main Estimates, known as 'Part IIIs', were introduced a number of years ago to shed light on these matters, but they seem to have succumbed to the darkness too. Each year they become thicker and more complex, defeating the very purpose for which they were created.

The Committee has no magic wand to clear the smoke and remove the mirrors. Nonetheless, we are convinced that parliamentary and public confidence in the aid program is undermined by the impenetrable complexity and mind-boggling inconsistencies of aid budgeting. **We therefore recommend that CIDA's Comptroller's Office and Public Affairs Branch jointly take steps to ensure that the Estimates contain a clear, lucid account of what the ODA budget means.**

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<sup>7</sup> Task Force on Canada's Official Development Assistance Program, *Study of the Policy and Organization of Canada's Official Development Aid: Report to the Minister of External Relations* (August 1986), p. 59.



# EPILOGUE

## List of Recommendations

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In this report, the Committee has concentrated on recommendations to improve the quality of Canada's aid program so that the Canadian people can be confident that their dollars are on target in developing countries, working as they should for our ultimate mutual benefit. We have also made the case for a substantial increase in the volume of funding. ODA typically takes on a critical role in situations of economic precariousness where the risks are too high to justify other forms of investment. For example, private flows to Sub-Saharan Africa actually turned negative in 1984. ODA and other forms of official development finance have not risen fast enough to offset the adverse economic trends in many parts of the Third World. The OECD publication, *Development Co-operation: 1986 Report*, notes the result that "total net resource flows to developing countries are now lower in real terms than ten years ago."<sup>1</sup> In the foreseeable future, there is no denying the need for more and better aid.

We do not think Canada's role in international development stops there. Far from it. In particular, we urge the government to exercise leadership in searching for multilateral solutions to the debt problem that is strangling prospects for economic recovery in so many countries. The total of the Third World's external public debt is now well in excess of one trillion U.S. dollars, with almost no new commercial lending to compensate for large paybacks of principal plus interest. Canadian banks alone have approximately \$25 billion in loans outstanding to developing countries considered to be problem debtors by the Inspector General of Banks—which is ten times Canada's annual ODA allocation. Unless the spiral of international debt can be arrested, it has the potential to swallow up any gains in the aid field, or worse, to cancel out past achievements.

We note the finding of the recent report of the Senate Committee on Foreign Affairs: "Canada has a very substantial stake in the good management and ultimate resolution of the Third World debt problem, [but] in the past Canada has had too low a profile." The report urges "the Canadian government to take a leading role in efforts to build a consensus" on long-term solutions to the debt crisis.<sup>2</sup> This was also a loud and clear message that emerged over the course of our own study. We conclude that to consider aid in isolation from the impact of other external factors on development would be to deceive ourselves. The challenges of global poverty and adjustment engage the whole of our foreign policy, and they can be met only by the ingenuity and goodwill of nations acting in concert. Since Canada by itself cannot resolve these problems, our voice must be strong and clear internationally in pointing to a collective way ahead.

<sup>1</sup> OECD, *1986 Report*, Part III, "Recent Aid Trends and Issues in Perspective," p. 47; on Sub-Saharan Africa see also The World Bank, *World Development Report 1986*, pp. 52-53.

<sup>2</sup> Senate, Standing Committee on Foreign Affairs, *Canada, the International Financial Institutions and the Debt Problem of Developing Countries* (Ottawa: Supply and Services, 1987), p. 111.



## List of Recommendations

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### CHAPTER ONE: For Whose Benefit?

- 1.1 We endorse emphatically the recommendation of the Special Joint Committee on Canada's International Relations that "meeting the needs of the poorest countries and people should remain the primary and overriding objective of the Canadian aid program". We welcome the Government's acceptance of this recommendation as clearly reflecting the imperatives of development and the values of the Canadian people. (page 10)
- 1.2 We recommend that the Government adopt a Development Assistance Charter as part of a legislative mandate for Canada's development assistance program. The Charter should contain the following principles:
- i) The primary purpose of Canadian official development assistance is to help the poorest countries and people in the world.
  - ii) Canadian development assistance should work always to strengthen the human and institutional capacity of developing countries to solve their own problems in harmony with the natural environment.
  - iii) Development priorities should always prevail in setting objectives for the ODA program. Where development objectives would not be compromised, complementarity should be sought between the objectives of the aid program and other important foreign policy objectives. (page 12)

### CHAPTER TWO: Human Development

- 2.1 We recommend that CIDA provide capital and infrastructure assistance in the future only when there are built-in training and technical assistance programs designed to ensure the long-term maintenance and good management of the facilities. Thinking "Human Resource Development" in everything we do should become a trademark of Canadian aid. We would further recommend a substantial shift in priorities and expenditures in CIDA, from large-scale capital projects to human resource development programs. (page 15)
- 2.2 Recognizing the vital contribution of women, we recommend that a substantially larger part of ODA be channelled to projects that are developed by, and directed at, women, particularly at the grass roots level. The aim should be to improve the situation of women and further promote their participation in the wider development process. (page 16)

- 2.3 We recommend that over the next few years, CIDA substantially increase support for primary health care as a proportion of bilateral program disbursements. Assistance should be concentrated on the development of health care delivery systems that benefit the poorest people. (page 17)
- 2.4 We recommend:
- i) That CIDA substantially increase bilateral assistance for education at the primary level and, in particular, for literacy programs;
  - ii) That, within the education sector, CIDA pay special attention to support for Third World institutions providing occupational and technical training;
  - iii) That CIDA establish an additional 1,000 open scholarships for core countries over and above the educational and training awards currently provided;
  - iv) That the Government of Canada seek waiver agreements with all provinces that apply differential fees to ODA-sponsored students;
  - v) That training programs using Canadian business as a teaching resource be expanded substantially;
  - vi) That the visa and other restrictions that prevent foreign students from gaining work experience in Canada be lifted for ODA-sponsored students and trainees. (page 19)
- 2.5 We recommend that CIDA and IDRC establish a staff exchange program and make greater efforts to use IDRC research in CIDA's human resource development projects. We further recommend that IDRC follow up actively with CIDA, NGOs and other development agents to ensure the practical application of its research. We would hope to see joint IDRC/CIDA projects in the years ahead. (page 20)

## **CHAPTER THREE: Linking Aid and Human Rights**

### **3.1 The Committee recommends:**

- i) That emergency humanitarian aid continue to be given on compassionate grounds without preconditions, but that it be monitored closely to prevent abuses;
- ii) That the victims of human rights violations not be forgotten when decisions are taken to reduce or deny long-term development aid to governments;
- iii) That human rights criteria be developed coherently as part of overall Canadian foreign policy, and that these be applied in a universal, consistent and transparent manner;
- iv) That such criteria, embracing both individual, civil and political rights and socio-economic and cultural rights, be derived from established standards of international human rights law and convention;
- v) That verifiable reports of violations, not ideology or strategic interest, be the basis for unfavourable assessments of human rights observance;
- vi) That, more generally, progress on human rights be considered part of development, with assessments of the human rights situation in a given country being related to the overall record of development, particularly from the vantage point of the poorest people. (pages 26-27)



3.2 The Committee recommends:

- i) That a Human Rights Unit be established in the Policy Branch of CIDA to conduct training courses for development officers and to co-ordinate human rights policies and programs with the Department of External Affairs;
- ii) That CIDA begin immediately to elaborate a Human Rights in Development policy framework, with an appropriate country classification grid, such as the country classification system suggested in Chapter Three of this Report, to be included in its annual report to Parliament;
- iii) That CIDA collaborate further with the Department of External Affairs in the preparation of an annual ODA-Human Rights Review to be tabled in Parliament and referred to this Committee and to the Standing Committee on Human Rights. (pages 29-30)

3.3 The Committee recommends:

- i) That countries deemed to be 'human rights negative' be automatically declared ineligible to receive direct government-to-government assistance;
- ii) That all CIDA country program reviews and project approval documents include a section evaluating human rights according to explicit criteria as laid down in the policy framework;
- iii) That in making human rights evaluations, aid officials at all levels consult closely with Canadian NGOs with an established presence in the field;
- iv) That Canada work for changes to allow human rights concerns to be put openly on the agendas of the international financial institutions and, in addition, examine very critically multilateral loans to countries deemed 'human rights negative' or 'human rights watch'. (page 30)

3.4 The Committee recommends that the International Institute of Human Rights and Democratic Development carry out its distinct mandate as an independent, free-standing body working closely with Canadian human rights groups and non-governmental organizations. (pages 30-31)

3.5 The Committee recommends that military exports from Canada be prohibited under the *Export and Import Permits Act* to any country that has been declared ineligible for government-to-government aid on human rights grounds. (page 31)

## CHAPTER FOUR: Linking Aid and Trade

4.1 The Committee recommends:

- i) That as a general principle of bilateral aid, Canadian goods and services that, having regard to all relevant circumstances, are competitive and appropriate be purchased in preference to those of any other industrial country supplier;
- ii) That with regard to tied aid CIDA move expeditiously to implement the guidelines on good procurement practices for official development assistance adopted at the high-level DAC meeting in 1986;
- iii) That the current 80-per cent rule be relaxed in order to increase flexibility in the field for local-cost and developing country procurement, with CIDA's untied spending authority being raised gradually to up to 50 per cent of the bilateral government-to-government budget. (page 39)

4.2 The Committee recommends further:

- i) That CIDA be able to waive tying requirements for some LLDCs in Sub-Saharan Africa;
- ii) That untying be allowed in the case of food aid to the extent of permitting third-country purchases in situations where a neighbouring developing country has an exportable surplus of food. (page 39)

4.3 The Committee recommends:

- i) That the Government strongly support efforts within the OECD to restrict mixed credits competition by increasing the costs to donors and by strengthening discipline and transparency in the reporting of ODA;
- ii) That the Government ensure that no part of any Canadian concessional export financing package is counted as ODA unless it meets CIDA's development criteria as defined in the ODA charter;
- iii) That efforts be made to improve Canada's export position in developing countries that do not compromise the integrity of the aid program. (page 42)

4.4 The Committee recommends:

- i) That import promotion be a declared objective of ODA policy, particularly in the case of CIDA's core program countries;
- ii) That the Government seek to avoid conflicts between ODA objectives and trade policies towards those countries;
- iii) That, as part of a long-term strategy of trade liberalization and adjustment, the Government work out a realistic agenda for reducing protectionist barriers to developing country imports and for implementing the necessary restructuring programs for those affected by increased competition. (page 44)

## CHAPTER FIVE: Aid and Policy Dialogue

5.1 The Committee recommends:

- i) That CIDA evaluate the long-term economic and environmental sustainability of existing capital projects and either reorient or phase out those that are unlikely to contribute to self-reliant development in harmony with the natural environment;
- ii) That CIDA, before considering new capital projects, place a high priority on the maintenance or rehabilitation of projects that can meet the tests set out above;
- iii) That in the most seriously affected countries, CIDA support the development of projects that explicitly address the balance of payments situation;
- iv) That in these countries CIDA also give high priority to the increased use of flexible program-type assistance;
- v) That in its economic policy discussions with the recipients of such program transfers, CIDA ensure that the structural adjustment or other reforms it is proposing reinforce, or at least are consistent with, the basic objectives of the Canadian ODA program. (page 47)

5.2 The Committee recommends:

- i) That the Canadian representatives on the governing boards of the international financial institutions promote approaches to structural adjustment lending in developing countries that fully address the effect of economic policy conditionality on the poorest people;
- ii) That Canada in its bilateral program support investments in social and human development as a concomitant to macro-economic adjustment, so that the burden of policy reform falls least heavily on the poor;
- iii) That Canada agree to specific structural adjustment packages, provided they meet the test set out above, are adequately funded and sufficiently long-term. (page 49)

5.3 The Committee recommends that CIDA's approach to policy co-ordination stress co-operation with the recipient country and with other like-minded donors on strengthening the capacity of local government institutions to co-ordinate aid and to integrate it with coherent development plans. (page 51)

5.4 The Committee commends the Government for its initial five-year moratorium on ODA debt for Sub-Saharan African countries announced at the May 1986 United Nations Special Session, and we would urge further remedial action, such as the extension of the moratorium to other official debt in cases where there is critical need and the recipient government has committed itself to a program of recovery. We believe that Canada should urge the donor community to adopt similar measures and, in deserving cases, to consider additional steps such as partial debt forgiveness, interest rate reductions, or the conversion of loans to grants (in the case of the World Bank, the conversion of harder-term loans to IDA credits). (pages 51-52)

5.5 On trade, the Committee notes that the seventh session of UNCTAD will take place in July 1987 and that many developing countries will be participants in the Uruguay Round of the Multilateral Trade Negotiations under the General Agreement on Tariffs and Trade launched last September. We therefore urge the Government to use these negotiating forums actively to pursue ways of aiding the trade prospects of low-income countries. (page 52)

## **CHAPTER SIX: Aid Allocations: Channels, Sectors and Countries**

6.1 The Committee recommends that the 2-per cent figure for international humanitarian assistance be regarded as a base minimum, and that supplementary funding be available during the fiscal year through special allocations of up to 1 per cent of the ODA budget in order to match the voluntary relief contributions of Canadians. These allocations would represent an additional amount from general revenues and would not be taken from existing programs within the ODA budget. With respect to aid to refugees, the Committee recommends further that more attention be given within CIDA's bilateral regional branches to the funding of multi-year relief and resettlement projects that specifically address the long-term needs of refugees not currently being met through the country program structure. Where possible, such projects should be integrated with existing country programs. (page 56)

6.2 The Committee recommends that non-emergency food aid not exceed 10 per cent of the ODA budget, and that where it does not meet the conditions described on pages 57-58, the funds be reallocated within the agricultural sector. (page 58)

- 6.3 The Committee recommends that contributions to multilateral programs be maintained at an average level equal to approximately one-third of the ODA budget. In particular, the Committee recommends that Canada strongly support the work of the Consultative Group on International Agricultural Research, and that the International Fund for Agricultural Development receive high priority within multilateral funding allocations. Canada should increase its contribution to the IFAD replenishment and should also make a significant commitment to the special facility for Sub-Saharan Africa. CIDA should be encouraged to explore the possibilities for joint projects with IFAD. (page 60)
- 6.4 The Committee recommends:
- i) That the distribution of bilateral ODA among CIDA's regional branches maintain roughly its current balance;
  - ii) That the strong concentration of CIDA's bilateral aid on low-income countries be maintained;
  - iii) That there be increased funding for responsive and non-CIDA bilateral programs but that the direct government-to-government portion of overall bilateral assistance not fall below one-third of total ODA. (pages 61-62)
- 6.5 The Committee recommends:
- i) That a basic-needs human development element be strongly integrated into all bilateral country programming;
  - ii) That human resource development, especially that of benefit to the poorest people, particularly women, be considered a criterion of all bilateral aid rather than only a single sectoral concentration;
  - iii) That further allocations by sector be specific to a regional or country program, that is, not determined according to any general formula;
  - iv) That in maintaining agriculture and food production as a priority of the aid program, Canada impress on recipient governments the importance of policies that provide incentives to small farmers;
  - v) That CIDA also direct much more attention to developing projects and programs that respond to the realities of Third World urbanization and attempt to meet the basic needs of the swelling ranks of urban poor;
  - vi) That CIDA, as part of the implementation of its new policy on the environment and development, consult closely with NGOs and environmental groups in ensuring that appropriate procedures of social and environmental impact assessment are carried out for large capital projects, especially those in the energy and forestry sectors. (page 64)
- 6.6 The Committee recommends:
- i) That the existing system of country categories be abolished;
  - ii) That within each region of CIDA activity, the eligibility of countries for core programming status be based on development criteria, in particular:
    - the absolute need of the recipient country;
    - Canada's experience with the country as an aid partner;
    - the compatibility of the country's development priorities with those of Canada;

- the demonstrated capacity of the recipient to use aid wisely in ways that promote human resource development and are of direct benefit to the poor; and
  - the respect shown for human rights in the broadest sense;
- iii) That the total number of core program countries (excluding regional groupings) not exceed 30;
- iv) That as a general guideline these countries receive at least 80 per cent of direct bilateral aid, the remaining 20 per cent of funds to be allocated on a project-by-project basis among all other developing countries. (pages 66-67)

## **CHAPTER SEVEN: Strengthening Policy Structures**

- 7.1 The Committee recommends that CIDA be given a clear parliamentary mandate spelling out the principles of a Development Charter. The position of Minister for External Relations should be replaced with a Minister for International Development, responsible for CIDA and under the general authority of the Secretary of State for External Affairs. The responsibilities of the Minister's role for overseeing the operations of CIDA and developing policy should be spelled out carefully in the legislation. To buttress the Minister's role, the Committee recommends the creation of an International Development Advisory Council, to include representatives of important ODA partners in Canada such as NGOs, academics and business, as well as other distinguished Canadians. (page 75)
- 7.2 We recommend that the Department of Finance retain final responsibility for Canada's participation in the World Bank and the International Monetary Fund, but that Canadian policy be developed in close, continuous consultation with CIDA. We recommend further that the two departments prepare a joint statement on their respective responsibilities for the Bank and the Fund and on procedures for consultation. (page 76)
- 7.3 We recommend that Petro-Canada International Assistance Corporation report to Parliament through the Minister of International Development, rather than jointly through the Minister of Energy, Mines and Resources and the Secretary of State for External Affairs as is now the case. (page 77)
- 7.4 We recommend that International Centre for Ocean Development report to Parliament through the Minister of International Development. (page 77)
- 7.5 We recommend that IDRC's special, autonomous status within Canada's ODA system be maintained and that it continue to report to Parliament through the Secretary of State for External Affairs. To ensure that IDRC remains an innovative and dynamic organization, we recommend that substantial decision-making authority be transferred from headquarters to its well established system of field offices. (page 78)

## **CHAPTER EIGHT: Improving Aid Delivery through Decentralization to the Field**

- 8.1 We recommend that Mission Administered Funds be increased gradually in line with the ability of Canadian Missions to select and support small projects that

are effective, innovative and of genuine benefit to the poorest people and communities. (page 85)

8.2 We recommend:

- i) That substantial decentralization to the field be an essential priority of CIDA;
- ii) That decentralization be undertaken comprehensively and involve the transfer of significant numbers of senior officials and decision-making authority from headquarters to the field;
- iii) That Canada Partnership Centres, or regional offices headed by senior officials at the vice presidential or director general level with corresponding project approval authority, be the principal method of decentralization. (page 90)

## **CHAPTER NINE: Building Partnerships**

9.1 The Committee recommends:

- i) That Canadian NGOs continue to play an active and substantial role in Canada's overseas development efforts, with particular attention to strengthening the human resource development component of ODA;
- ii) That responsive funding for NGOs continue to increase significantly, but in a responsible fashion so as to ensure that resources are used efficiently and the absorptive capacity of NGOs is not strained;
- iii) That NGOs be free to operate in any country of the world, and that projects aimed specifically at assisting the poor and/or victims of human rights abuses be eligible for matching assistance from CIDA. It should be understood that where Canada has no official presence, NGOs may be at their own risk;
- iv) That as a general rule, CIDA assist non-governmental organizations in developing countries through Canadian NGOs, not directly;
- v) That country-focus projects involving NGOs be encouraged, but not seen as a substitute for responsive programming. (pages 96-97)

9.2 The Committee recommends:

- i) That funding for the Institutional Co-operation and Development Services division be increased in parallel with responsive programming for NGOs;
- ii) That projects funded through ICDS cover not only direct costs, but also overhead expenses that are clearly associated with project delivery;
- iii) That universities and other institutions continue to be invited to participate in country-focus projects, and that representatives of the academic, NGO and business communities meet with CIDA officials in an effort to establish mutually acceptable guidelines pertaining to their respective responsibilities and roles within the country-focus/bilateral framework. (page 99)

9.3 The Committee recommends:

- i) That budgetary allocations for CIDA-INC be increased substantially over the next five to ten years, to a level that is sufficient to respond to genuine business development proposals;

- ii) That Canadian businesses become much more aggressive in meeting the needs and responding to the commercial opportunities within developing countries, particularly in the area of technical co-operation;
- iii) That there be closer interdepartmental consultation and co-operation between CIDA-INC and trade development officers at the Department of External Affairs;
- iv) That CIDA-INC not expect or demand results from industrial co-operation activities in a short time frame;
- v) That CIDA pay great attention to the need for establishing good lines of communication between the proposed regional offices, CIDA headquarters and the Canadian business community;
- vi) That CIDA-INC endeavour to respond to the initiatives of Canadian businesses in as dynamic and flexible a fashion as possible, but that it not sacrifice developmental criteria in the bargain;
- vii) That CIDA undertake an in-depth analysis of the implications of establishing an equity instrument under the auspices of CIDA-INC, with a view to putting such a facility in place. (page 103)

#### 9.4 The Committee recommends:

- i) That the share of ODA devoted to responsive programs supporting the international development initiatives of Canadian NGOs, institutions and businesses rise progressively to 15 per cent by 1995-96;
- ii) That in any case this share not exceed an amount equal to one-half of government-to-government assistance;
- iii) That the 15-per cent share be allocated roughly as follows: 6 to 7 per cent for NGOs; 4 to 5 per cent for institutions; and up to 4 per cent for Canadian business;
- iv) That separate, self-administering funding councils for ODA partners *not* be established, but rather that CIDA continue to encourage the formation and growth of regionally oriented coalitions of ODA partners, particularly those involving cross-linkages between NGOs, universities and business;
- v) That CIDA avoid the proliferation of specialized responsive programs for access by Canadian ODA partners and instead consolidate the existing channels. (pages 105-106)

## CHAPTER TEN: Public Support

10.1 The Committee recommends that CIDA and its ODA partners develop a dynamic strategy for development education in Canada. The strategy should consist of four principal elements:

- i) developing a media co-op program that: plugs CIDA's information resources into development networks across the country; produces short radio and television clips showing CIDA and the ODA partners in action in the Third World; develops lively and challenging programming to be fed into the cable television network in Canada; and establishes a reliable base line of public opinion and a capacity to track the attitudes and concerns of Canadians on development issues;

- ii) maintaining Public Participation Program funding at the current share of the ODA budget;
- iii) encouraging centres of excellence in development studies at the post-secondary level by providing medium to long term commitments of financial support. It is anticipated that such an initiative would cost between \$4 million and \$6 million per annum, which should be financed from an enlarged ICDS budget, as recommended in Chapter Nine;
- iv) strengthening the links between the doing of development and development education by allowing a small fraction of matching grants or CIDA bilateral contracts to be used for development education and by encouraging the use of Third World students and trainees as development education resources in Canada. (page 114)

## **CHAPTER ELEVEN: Evaluating Aid Effectiveness**

### 11.1 The Committee recommends:

- i) That CIDA be given sufficient resources in the field to be able to do ongoing evaluation of projects and programs in co-operation with locally-based partners;
- ii) That CIDA make continuing efforts to keep headquarters staff in touch with what is being learned in the field, and that this decentralized approach to evaluation be reflected in the preparation of internal planning and programming review documents. (page 116)

### 11.2 The Committee recommends:

- i) That ODA planning and project approval documents include long-range targets against which the effectiveness of results can be measured;
- ii) That all evaluations and country program reviews refer back to these targets by attempting explicitly to assess the effect of the aid activity on the poor, women, the environment, human resource development and local self-reliance;
- iii) That the results of major program evaluations and of core country reviews be made available in a digestible form to Parliament and exposed to independent public review;
- iv) That CIDA co-operate closely with other donor agencies, research institutions and the non-governmental sector in strengthening its evaluation processes.
- v) That there be comparative evaluations of ODA channels, with this Committee and the International Development Advisory Council playing an active role in the selective review of programs. (page 119)

11.3 We recommend further that Canada work with other donors on better ways to monitor the activities of the multilateral development agencies to which we contribute. Canada should press for access to relevant project documents and evaluations prepared for these agencies and insist on a full explanation in writing when a request is not granted. Their effectiveness should also be reviewed on a rotational basis, by CIDA selecting at least one multilateral aid activity each year to be subject to rigorous evaluation on the same basis as bilateral projects and programs. (page 119)



## CHAPTER TWELVE: Funding

- 12.1 We recommend that as part of legislation establishing CIDA and the ODA charter, the Government declare its commitment to 0.5 per cent as the minimum level of official development assistance Canada will provide annually. (page 123)
- 12.2 The Committee recommends that progress towards achieving the 0.6-per cent target in 1995-96 should begin in the 1988-89 fiscal year, rather than the current plan of fiscal year 1990-91, and proceed by steady annual increases. We estimate that would bring the ODA/GNP ratio to 0.53 per cent in fiscal year 1990-91. (page 124)
- 12.3 In order to diminish disbursement pressures, facilitate the shift in priorities towards human resource development, and strengthen the Agency's managerial responsiveness, we recommend that authority to carry over unspent funds from year to year be restored to CIDA. This authority should be accompanied by appropriate limits to prevent the accumulation of very large unspent reserves. (page 125)
- 12.4 We recommend that CIDA's Comptroller's Office and Public Affairs Branch jointly take steps to ensure that the Estimates contain a clear, lucid account of what the ODA budget means. (page 125)



## APPENDIX B

### Proposed ODA Funding Shares

In several chapters of this report the Committee made specific recommendations with regard to the funding allocations for the various channels and programs of Canadian ODA. The following table gives an approximate breakdown of the average expenditure shares that would result if all our recommendations were implemented.

Funding Destination	Proposed average percentage of total ODA	Change from percentage of actual disbursements in 1985-86	Change from percentage of forecast spending in 1987-88
Multilateral Development Banks	18.0	-7.1	+1.0
Multilateral Technical Co-operation (including IFAD)	8.0	+0.9	+2.0
Multilateral Food Aid	6.0 or less	-0.9	-1.0
<b>TOTAL MULTILATERAL PROGRAMS<sup>1</sup></b>	<b>32.0</b>	<b>-7.1</b>	<b>+2.0</b>
International Humanitarian Assistance	2.0	+0.1	no change
International Development Research Centre	4.0	+0.2	+0.1
Responsive Programs, of which:	15.0	+5.7	+5.1
- Canadian NGOs	6.5	+1.3	+1.4
- Institutional Co-operation	4.5	+1.6	+1.7
- Business Co-operation	up to 4.0	+2.7 or less	+2.0 or less
Direct Country Assistance (CIDA Bilateral), of which:	36.0	-1.5	-8.0
- Food Aid	6.0 or less	-1.5	-2.0
Administration	6.0	+1.0	+2.0
Other <sup>2</sup>	5.0	+2.0	+1.0
<b>TOTAL BILATERAL PROGRAMS</b>	<b>66.0</b>	<b>+7.0</b>	<b>-2.0</b>

<sup>1</sup> The total multilateral share as calculated for DAC reporting purposes would be somewhat higher because it would include a portion of International Humanitarian Assistance.

<sup>2</sup> Includes PCIAC, ICOD, MAF, the Public Participation Program, contributions to international NGOs and other miscellaneous programs. This residual figure is approximate only. Totals may not add to exactly 100.



## APPENDIX C

### Committee Witnesses

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Witnesses who appeared before the Committee are listed in alphabetical order. The issue number of the Minutes of Proceedings and Evidence is indicated in parentheses. No issue number indicates that the witness testified *in camera*.

Abonyi, George, Professor, Faculty of Administration, University of Ottawa  
Aga Khan Foundation Canada (Issue 11)  
Agriculture Canada  
Amnesty International (Issue 9)  
Anti-Apartheid Network (Issue 7)  
Archbishop Oscar A. Romero Central American Refugee Committee (Issue 4)  
Arusha International Development Resource Centre (Issue 8)  
Association of Universities and Colleges of Canada (Issue 16)  
Association québécoise des organismes de coopération internationale (Issue 3)  
Bank of Montreal  
Brecher, Irving, Emeritus Professor of Economics, McGill University (Issue 3)  
Brière, Elaine (Issue 7)  
Canadian Africa Network (Issue 7)  
Canadian Bankers' Association (Issue 13)  
Canadian Bureau for International Education (Issue 16)  
Canadian Catholic Organization for Development and Peace (Issue 3)  
Canadian Chamber of Commerce (Issue 8)  
Canadian Council for International Co-operation, British Columbia Regional  
Committee (Issue 7)  
Canadian Council for International Co-operation (Issue 9)  
Canadian Council of Churches (Issue 14)  
Canadian Exporters' Association (Issue 13)  
Canadian Foodgrains Bank (Issue 5)  
Canadian Foreign Aid Dialogue (Issue 2)  
Canadian International Development Agency  
Canadian Manufacturers' Association (Issue 13)  
Canadian Pacific Consulting Services Ltd. (Issue 14)  
Canadian Rotary Committee for International Development (Issue 6)  
Canadian Save the Children Fund (Issue 9)  
Canadian University Service Overseas (Issue 11)  
Champion Road Machinery (Issue 8)  
Change for Children (Issue 8)  
Christian Farmers Federation (Issue 8)  
Christian Task Force on Central America - British Columbia (Issue 7)

Citizens for Foreign Aid Reform Inc. (Issue 14)  
 Connaught Laboratories Limited (Issue 12)  
 Co-operative Union of Canada (Issue 8)  
 CSP Foods (Issue 4)  
 Dalhousie University - Lester Pearson Institute for International Development (Issue 2)  
 Delcanda International Ltd. (Issue 14)  
 Department of External Affairs  
 Department of Finance  
 Desmarais, Jean-Claude, Executive Director, Task Force on Canada's ODA Program  
 Developing Countries Farm Radio Network (Issue 6)  
 Development Education Coordinating Council of Alberta (Issue 8)  
 Doble, Jim (Issue 6)  
 Donefer, Eugene, Director, McGill International (Issue 3)  
*École nationale d'administration publique*  
 Econosult (Issue 3)  
 Edmonton Citizens Committee on ODA (Issue 8)  
 Energy Probe (Issue 12)  
 Environment Canada  
 Federation of Canadian Municipalities (Issue 8)  
 Global Village - Nanaimo (Issue 7)  
 Guelph African Famine Relief Network (Issue 6)  
 Halifax Dartmouth Committee for Inter-Church Development Education (Issue 2)  
 Houston, Jim (Issue 2)  
 Inter-Church Committee on Human Rights in Latin America (Issue 14)  
 Inter Pares (Issue 11)  
 International Development Research Centre  
 Jules and Paul-Emile Leger Foundation  
 Kitchener-Waterloo Inter-Church Committee of Ten Days for World Development  
 (Issue 6)  
 Landry, Hon. Monique, Minister for External Relations (Issue 1)  
 Legal Working Group on Central America Nicaraguan Solidarity Society of British  
 Columbia (Issue 7)  
 MacDonald, Hon. David, Former Canadian Emergency Coordinator, African Famine  
 Manitoba Council for International Cooperation (Issue 5)  
 Massé, Marcel  
 MATCH (Issue 2)  
 Mennonite Central Committee Canada (Issue 5)  
 Middleton, Mel (Issue 6)  
 North-South Institute  
 Nova Scotia East Timor Group (Issue 2)  
 Okuda, Kenji, Department of Economics, Simon Fraser University (Issue 7)  
 Operation Eyesight Universal (Issue 8)  
*Organisation canadienne pour la solidarité et le développement* (Issue 3)  
 OXFAM-Canada (Issue 11)  
 OXFAM-Canada — Vancouver (Issue 7)  
 OXFAM-Canada West (Issue 4)  
 Petro-Canada International Assistance Corporation (Issue 12)  
 Polypus International Construction Limited (Issue 3)  
 Prince Albert Diocesan Council for Development and Peace (Issue 4)  
 Project Ploughshares (Issue 4)  
 Redma Consultants Limited (Issue 14)  
 Renaud, André (Issue 4)  
 Saskatchewan Coordinating Committee of the World Food Day Association of Canada  
 (Issue 4)

Saskatchewan Council for International Cooperation (Issue 4)  
 Saskatoon Nicaragua Support Committee (Issue 4)  
 Social Engineering Associates  
*Société de développement international Desjardins* (Issue 8)  
 South Asia Partnership — Canada (Issue 8)  
 Ten Days for World Development — British Columbia (Issue 7)  
 Tools for Peace — British Columbia (Issue 7)  
 Tools for Peace — Saskatoon (Issue 4)  
 Tools for Peace — Winnipeg (Issue 5)  
 United Church of Canada, International Affairs Committee, Montreal Presbytery  
 (Issue 8)  
*Université de Montréal, Institut d'urbanisme* (Issue 8)  
 University of Alberta, International Affairs (Issue 8)  
 University of Calgary, Centre for International Education and Business (Issue 8)  
 University of Guelph (Issue 6)  
 University of Regina, Group for International Development (Issue 4)  
 Victoria International Development Education Association (Issue 7)  
 Warley, T.K., Professor of Agriculture, Economics and Business, University of Guelph  
 (Issue 6)  
 Willis, T., Agricultural specialist (retired)  
 Witness for Peace (Issue 5)  
 World University Service of Canada  
 Wright, Art (Issue 8)  
 YMCA International Vancouver (Issue 7)  
 York University, Faculty of Environmental Studies (Issue 16)  
 Zurbrigg, Sheila (Issue 2)





### Submissions Received

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The Committee received written material (articles, briefs, reports or letters) from the following groups and individuals. The Chairman and Committee members have received and continue to receive many letters on the general subject of development aid. Although too numerous to itemize individually, the ideas expressed in these letters were taken into account in the writing of the report.

Africonsult Canada International  
Calgary, Alberta

Aga Khan Foundation Canada  
Toronto, Ontario

Agricultural Institute of Canada  
Ottawa, Ontario

Aitken, Neil  
Ladysmith, British Columbia

Alberta Teachers' Association  
Edmonton, Alberta

Alcuitas, Ted  
Winnipeg, Manitoba

Amnesty International, Canadian Section  
Ottawa, Ontario

Anglican Diocese of Ontario, World Development Committee of the Mission Board  
Kingston, Ontario

Anti-Apartheid Network  
Vancouver, British Columbia

Antigua and Barbuda Union of Teachers  
St. John's, Antigua, W.I.

Archbishop Oscar A. Romero Central American Refugee Committee  
Saskatoon, Saskatchewan

- Arnal, Oscar L.  
Kitchener, Ontario
- Arpane, J.  
Winnipeg, Manitoba
- Arusha International Development Resource Centre  
Calgary, Alberta
- Association of Consulting Engineers of Canada  
Ottawa, Ontario
- Association of Universities and Colleges of Canada  
Ottawa, Ontario
- 
- Association québécoise des organismes de coopération internationale*  
Montreal, Quebec
- Babineau, Paul-Émile  
New Brunswick, Canada
- Batler, Emanuel  
Toronto, Ontario
- Belisle, Rose-Aimée  
Winnipeg, Manitoba
- Bhatti, A. Sattar  
Gloucester, Ontario
- Biales, Helen  
Windsor, Ontario
- Blackwood, T.A.  
Victoria, British Columbia
- Bradley, Holly  
Montreal, Quebec
- Brière, Elaine  
Ladysmith, British Columbia
- CANACT  
Managua, Nicaragua
- Canadian Association for Ethiopian Jews  
Toronto, Ontario
- Canadian Bankers' Association  
Toronto, Ontario
- Canadian Bureau for International Education  
Ottawa, Ontario
- Canadian Catholic Organization for Development and Peace  
Montreal, Quebec

- Canadian Catholic Organization for Development and Peace Montreal Diocesan Council — English Sector  
Montreal, Quebec
- Canadian Chamber of Commerce  
Ottawa, Ontario
- Canadian Construction Association  
Ottawa, Ontario
- Canadian Council for International Co-operation  
Ottawa, Ontario
- Canadian Council for International Co-operation, B.C. Regional Committee  
Victoria, British Columbia
- Canadian Council of Churches  
Toronto, Ontario
- Canadian Crafts Council  
Ottawa, Ontario
- Canadian Exporters' Association  
Ottawa, Ontario
- Canadian Foodgrains Bank  
Winnipeg, Manitoba
- Canadian Foreign Aid Dialogue  
Halifax, Nova Scotia
- Canadian Friends Service Committee  
Toronto, Ontario
- Canadian Importers Association Inc.  
Toronto, Ontario
- Canadian Manufacturers' Association  
Toronto, Ontario
- Canadian National Committee on Pacific Economic Cooperation  
Vancouver, British Columbia
- Canadian Pacific Consulting Services Ltd.  
Montreal, Quebec
- Canadian Red Cross Society  
Toronto, Ontario
- Canadian Religious Conference, Ontario Social Action Committee  
Toronto, Ontario
- Canadian Rotary Committee for International Development  
Guelph, Ontario

- Canadian Save the Children Fund  
Toronto, Ontario
- Canadian Society for Tropical Medicine and International Health  
Ottawa, Ontario
- Canadian University Service Overseas  
Ottawa, Ontario
- Canedex  
Scarborough, Ontario
- Carter, Marjorie  
Ridgetown, Ontario
- Catholic Women's League of Labrador City  
Labrador City, Newfoundland
- Central America Solidarity Network  
Toronto, Ontario
- Central American Support Committee  
Grand Forks, British Columbia
- Chamberlin, John  
Waterloo, Ontario
- Change for Children  
Edmonton, Alberta
- Chapman, Jack A.  
Sault Ste. Marie, Ontario
- Chouinard, Raymond  
Deux-Montagnes, Quebec
- Christian Farmers Federation of Alberta  
Edmonton, Alberta
- Christian Task Force on Central America  
Vancouver, British Columbia
- Church in Society Committee of St. Thomas  
Saskatoon, Saskatchewan
- Church, Veronica  
Carleton Place, Ontario
- Cinis, Verners  
Toronto, Ontario
- Citizens for Foreign Aid Reform Inc.  
Rexdale, Ontario
- Confédération des caisses populaires et d'économie Desjardins du Québec*  
Lévis, Quebec

Congregation of the Resurrection — Justice and Peace Committee  
 Weston, Ontario

Connaught Laboratories Ltd.  
 Willowdale, Ontario

Cook, Dora Bea  
 Kitchener, Ontario

Co-operative Union of Canada  
 Ottawa, Ontario

Council of Muslim Communities of Canada  
 Hamilton, Ontario

Cressman, Nancy  
 Waterloo, Ontario

CSP Foods  
 Saskatoon, Saskatchewan

CUSO  
 Ottawa, Ontario

CUSO — Saskatchewan Regional Executive Committee  
 Regina, Saskatchewan

Dalhousie University — Centre for African Studies  
 Halifax, Nova Scotia

Dalhousie University — Lester Pearson Institute for International Development  
 Halifax, Nova Scotia

Dawson, John E.  
 Ottawa, Ontario

Dean, J.M.  
 Willowdale, Ontario

Delcanda International Ltd.  
 Ottawa, Ontario

Delion, Gladys  
 Elmira, Ontario

DePratto, Raymond L.  
 Pembroke, Ontario

Developing Countries Farm Radio Network  
 Guelph, Ontario

Development Education Coordinating Council of Alberta  
 Calgary, Alberta

Dillon Consulting Engineers and Planners  
 Willowdale, Ontario

Dingman, Frank S.  
Surrey, British Columbia

Doble, Jim  
Newmarket, Ontario

Donelson, Mike  
Scarborough, Ontario

Dufort, Phil  
St. Norbert, Manitoba

Dwyer, Elizabeth M.  
Stratford, Ontario

EASE (Environmental Application of Science and Engineering)  
Ottawa, Ontario

Eastham, Diane  
Kitchener, Ontario

Edmonton Citizens Committee on Official Development Assistance  
Edmonton, Alberta

Elgie, Kae for the Post-Nairobi Conference  
Waterloo, Ontario

Energy Probe  
Toronto, Ontario

Espey, R.G.  
Flesherton, Ontario

Federation of Canadian Municipalities  
Ottawa, Ontario

Forum for International Activities  
Ottawa, Ontario

Ghana National Association of Teachers  
Accra, Ghana

Gibson, M.S.  
St. Catharines, Ontario

Global Village — Nanaimo  
Nanaimo, British Columbia

Globalwide Trading Inc.  
Scarborough, Ontario

Godderis, Anne  
Castlegar, British Columbia

Govier, Trudy  
Calgary, Alberta

Guelph African Famine Relief Network  
Guelph, Ontario

Haartman, L.  
Hamilton, Ontario

Hampton Peace and Development Group  
Hampton, New Brunswick

Hart, John  
Napanee, Ontario

Haussler, Carole  
Ottawa, Ontario

Heinbuck, Marjorie  
Waterloo, Ontario

Horman, Magdalene  
Waterloo, Ontario

Houston, Jim  
Halifax, Nova Scotia

Inspectra Limited  
Montreal, Quebec

Inter Pares  
Ottawa, Ontario

Inter-Church Women's Group  
Smiths Falls, Ontario

International Defence and Aid Fund for Southern Africa  
Ottawa, Ontario

Jardine, Alex E.  
Don Mills, Ontario

Jenkins, Irene  
Kingston, Ontario

Justice and Peace Study Group of Fort St. James  
Fort St. James, British Columbia

Kambeitz, Teresita  
Toronto, Ontario

Keyes, Gordon L.  
Thornbury, Ontario

Kingston, Lorna  
Ottawa, Ontario

- Knowles, Elizabeth  
Ottawa, Ontario
- Korab-Kucharski, J.  
Agincourt, Ontario
- Kreiner, Monica  
Edmonton, Alberta
- Lackenbauer, Marie  
Kitchener, Ontario
- Law, Anthony  
Scotsburn, Nova Scotia
- LeBlanc, Clarence  
Sackville, New Brunswick
- LeBlanc, Mary  
Gloucester, Ontario
- Leeds County Conserver Society  
Athens, Ontario
- Legal Working Group on Central America  
Vancouver, British Columbia
- Lipka, Charlene  
Winnipeg, Manitoba
- Littlefield, Angie  
West Hill, Ontario
- Lubbock, Michael  
Ottawa, Ontario
- MacBride, Richard P.  
Waterloo, Ontario
- MacDonald, James H.  
Charlottetown, Prince Edward Island
- MacEachern, Mary A.  
Peterborough, Ontario
- Maison d'Afrique*  
Outremont, Quebec
- Manitoba Council for International Cooperation  
Winnipeg, Manitoba
- Markham, Christine  
Hamilton, Ontario
- Markvort, John  
Kitchener, Ontario



MATCH International Centre  
Ottawa, Ontario

Matuszewski, T.  
Sainte-Foy, Quebec

Mayhew, Logan  
Victoria, British Columbia

McCrea, Doris  
Pembroke, Ontario

McGill University — Department of Economics  
Montreal, Quebec

McGill University — McGill International  
Montreal, Quebec

McGrey, Maureen  
Kitchener, Ontario

Media Centre  
Bhopal, India

Mennonite Central Committee Canada  
Ottawa, Ontario

Middleton, Mel  
Stouffville, Ontario

Miller, Marsha  
Quesnel, British Columbia

Mission for Peace  
Toronto, Ontario

Mulamouttil, George  
Waterloo, Ontario

Munro, David and Dorothy  
Innisfail, Alberta

Munro, R.T.  
100 Mile House, British Columbia

Murray, Lou  
Kitchener, Ontario

Nally, Margaret  
Waterloo, Ontario

Nova Scotia East Timor Group  
Head Chezzetcook, Nova Scotia

Onken, Lynda  
Hamilton, Ontario

- Ontario Teachers' Federation  
Toronto, Ontario
- Operation Eyesight Universal  
Calgary, Alberta
- Orchard, Terry  
Ottawa, Ontario
- Organisation canadienne pour la solidarité et le développement*  
Montreal, Quebec
- OXFAM — Canada  
Ottawa, Ontario
- OXFAM — Canada West  
Saskatoon, Saskatchewan
- Pacific Basin Economic Council  
Ottawa, Ontario
- Pacific Economic Co-operation Conference Task Force on Fisheries Development and  
Co-operation  
Vancouver, British Columbia
- Panetta, Harolyn M.  
Don Mills, Ontario
- Parry, John  
Maple Ridge, British Columbia
- Pautler, Mary Rose  
Hamilton, Ontario
- Peach, Nora and Fred  
Otterburn, Quebec
- Pelley, Thelma  
Stratford, Ontario
- Petro-Canada International Assistance Corporation  
Ottawa, Ontario
- Phalen, Marjorie  
Ottawa, Ontario
- Pharmel Incorporated  
Scarborough, Ontario
- Piva, Jo-Ann  
Tillbury, Ontario
- Polypus International Construction Ltd.  
Brossard, Quebec

Presbyterian Church in Canada, Board of World Mission  
Don Mills, Ontario

Probe  
Toronto, Ontario

Project Peacemakers  
Winnipeg, Manitoba

Project Ploughshares — Saskatoon  
Saskatoon, Saskatchewan

Project Ploughshares — Vancouver  
Vancouver, British Columbia

Projecto International Inc.  
Montreal, Quebec

Provincial Association of Protestant Teachers of Quebec  
Dollard des Ormeaux, Quebec

Redma Consultants Limited  
Toronto, Ontario

Reilly, Mary  
Vancouver, British Columbia

Reinsdorf, Janet M.  
Quesnel, British Columbia

Renaud, André  
Saskatoon, Saskatchewan

Ridge, Gerald F.  
Willowdale, Ontario

Riesberry, J.C.  
Athens, Ontario

Robinson, Winifred  
Kincardine, Ontario

Rooke, M. Jean  
Eston, Saskatchewan

Salmond, Eric  
Willowdale, Ontario

Sandeman, Eric M.E.  
Mission, British Columbia

Saskatchewan Council for International Cooperation  
Regina, Saskatchewan

Saskatchewan Teachers' Federation  
Saskatoon, Saskatchewan

- Saskatchewan World Food Day Committee  
Saskatoon, Saskatchewan
- Saskatoon Nicaragua Support Committee  
Saskatoon, Saskatchewan
- Schmidt, Norma  
Kitchener, Ontario
- Schneider, Germaine  
Kitchener, Ontario
- Schuldes, Wulf K.F.  
Victoria, British Columbia
- Share Agriculture Foundation  
Milton, Ontario
- Shorthouse, Anne  
Vancouver, British Columbia
- Simmons, Glenn  
Timmins, Ontario
- Simon Fraser University — Department of Communication  
Burnaby, British Columbia
- Simon Fraser University — Department of Economics  
Burnaby, British Columbia
- Slotnick, Bernice  
Toronto, Ontario
- Smith, Hazel  
Guelph, Ontario
- Smith, Ronald G.  
Sackville, New Brunswick
- South Asia Partnership — Canada  
Ottawa, Ontario
- Spencer, T.R.  
Medicine Hat, Alberta
- Steinman, Myron  
Waterloo, Ontario
- Superannuated Teachers of Ontario  
Toronto, Ontario
- Swift Current Social Justice Co-ordinating Committee  
Swift Current, Saskatchewan
- Syndicat national de l'éducation et de la culture  
Bamako, Republic of Mali

- Ten Days for World Development — British Columbia  
Ganges, British Columbia
- Ten Days for World Development — Brockville  
Brockville, Ontario
- Ten Days for World Development — Central Butte  
Central Butte, Saskatchewan
- Ten Days for World Development — Fergus/Elora  
Fergus, Ontario
- Ten Days for World Development — Fort Qu'Appelle  
Fort Qu'Appelle, Saskatchewan
- Ten Days for World Development — Fredericton  
Fredericton, New Brunswick
- Ten Days for World Development — Halifax Dartmouth  
Halifax, Nova Scotia
- Ten Days for World Development — Kelowna  
Kelowna, British Columbia
- Ten Days for World Development — King City  
King City, Ontario
- Ten Days For World Development — Kings County  
Kentville, Nova Scotia
- Ten Days for World Development — Kitchener — Waterloo  
Waterloo, Ontario
- Ten Days for World Development — North Battleford  
North Battleford, Saskatchewan
- Ten Days for World Development — North Burnaby  
Coquitlam, British Columbia
- Ten Days for World Development — Norval  
Norval, Ontario
- Ten Days for World Development — Ottawa  
Ottawa, Ontario
- Ten Days for World Development — St. Catharines  
St. Catharines, Ontario
- Ten Days for World Development — Tofield  
Tofield, Alberta
- Ten Days for World Development — Toronto East  
Toronto, Ontario
- Ten Days for World Development — Vancouver  
Vancouver, British Columbia

- Ten Days for World Development — Victoria  
Victoria, British Columbia
- Third World Resource Center  
Windsor, Ontario
- Thomas, F.R.  
Quetta, Pakistan
- Tobin, Peter  
Ottawa, Ontario
- Tools for Peace — Halifax  
Halifax, Nova Scotia
- Tools for Peace — Kelowna  
Kelowna, British Columbia
- Tools for Peace — National Office  
Toronto, Ontario
- Tools for Peace — Ottawa  
Ottawa, Ontario
- Tools for Peace — Saskatoon  
Saskatoon, Saskatchewan
- Tools for Peace — Toronto  
Toronto, Ontario
- Tools for Peace — Vancouver  
Vancouver, British Columbia
- Tools for Peace — Winnipeg  
Winnipeg, Manitoba
- Trzyna, J.A.  
Scarborough, Ontario
- United Church of Canada, Montreal Presbytery  
Montreal, Quebec
- United Church of Canada, Prince Edward Island Presbytery  
Charlottetown, Prince Edward Island
- United Church of Canada, South Burnaby  
South Burnaby, British Columbia
- Université de Montréal — Institut d'urbanisme*  
Montreal, Quebec
- University of Alberta, Office of the Associate Vice-President  
(International Affairs) Edmonton, Alberta
- University of Calgary — Division of International Development  
Calgary, Alberta

University of Guelph  
Guelph, Ontario

University of Regina — Bilingual Studies Centre and Presidents' Advisory Group on  
International Development  
Regina, Saskatchewan

University of Saskatchewan — Sub-Committee on International Affairs  
Saskatoon, Saskatchewan

Verduijn, Arie and Wendy  
Burlington, Ontario

Victoria High School  
Victoria, British Columbia

Victoria International Development Education Association  
Victoria, British Columbia

Vincec, Stephanie  
Hamilton, Ontario

Walsh, D.  
North Bay, Ontario

Warley, T.K.  
Guelph, Ontario

Wilkinson, Peter  
Olds, Alberta

Wilson, Ken  
Malton, Ontario

Witmer, Evelyn  
Kitchener, Ontario

Witness for Peace  
Winnipeg, Manitoba

Women in Development Working Group  
Waterloo, Ontario

World Confederation of Organizations of the Teaching Profession  
Miami, Florida

World University Service of Canada  
Ottawa, Ontario

World Vision Canada  
Mississauga, Ontario

Wright, Art  
Banff, Alberta

Wyatt, Judith  
Kingston, Ontario

Wylie, Frank  
Banff, Alberta

YMCA International Vancouver  
Vancouver, British Columbia

York University — Faculty of Environmental Studies  
North York, Ontario

Zelmer, Amy M.  
Edmonton, Alberta

Zuck, Victor  
Regina, Saskatchewan

Zurbrigg, Sheila  
Halifax, Nova Scotia

Pursuant to Standing Order 99(2) the Committee requests that the Government table a comprehensive response to the Report within one hundred and twenty (120) days.

A copy of the relevant minutes of Proceedings and Evidence of the Committee (Issues 9, 10, 11, 12 of the First Session, Thirty-third Parliament and Issues 1 to 8, 10 to 14, 16, 18, 19, 20 and 26 which includes this Report, of the Second Session, Thirty-third Parliament) is tabled.

Respectfully submitted,

William C. Winegard, M.P.  
Chairman



## Minutes of Proceedings

Thursday, April 30, 1987  
(41)

The Standing Committee on External Affairs and International Trade met *in camera* at 11:08 o'clock a.m., this day, in Room 306, West Block, the Chairman, William C. Winegard, presiding.

*Members of the Committee present:* Bob Corbett, Steven Langdon, Nic Leblanc, Bill Lesick, Don Ravis, John Reimer, William C. Winegard.

*Acting Member present:* Jim Manly for Pauline Jewett.

*Other Member present:* Roland de Corneille.

*In attendance:* Ian Burney, Researcher; Bob Miller, Research Advisor; Gerry Schmitz, Research Advisor.

Pursuant to S.O. 96(2), the Committee resumed consideration of Canada's Official Development Assistance policies and programs.

The Committee began consideration of a draft report.

It was agreed, — That pursuant to the authority granted by S.O. 97(1), the Committee agree to retain the services of the Parliamentary Centre for Foreign Affairs and Foreign Trade, specifically Mr. Bob Miller for the period of April 1, 1987 to June 30, 1987 according to the terms of a contract to be negotiated by the Chairman.

It was agreed, — That pursuant to the authority granted by S.O. 97(1), the Committee agree to retain the services of the Parliamentary Centre for Foreign Affairs and Foreign Trade specifically Messrs. Ian Burney, Roger Hill and Greg Wirick for the period of April 1, 1987 to March 31, 1988 according to the terms of a contract to be negotiated by the Chairman.

It was agreed, — That the Committee hold an *in camera* working session to consider the draft ODA report at Willson House, Meech Lake on Thursday, May 7 from 9:00 a.m. to 1:30 p.m. and that the Committee pay for any expenses incurred such as transportation, working lunch, miscellaneous.

It was agreed, — That, pursuant to the authority granted by S.O. 97(1), the Committee agree to retain the services of an editor to revise the translation of the ODA report, according to the terms of a contract to be negotiated by the Chairman.

At 12:35 o'clock p.m., the Committee adjourned to the call of the Chair.

Tuesday, May 5, 1987  
(42)

The Standing Committee on External Affairs and International Trade met *in camera* at 9:15 o'clock a.m., this day, in Room 701, Promenade Building, the Chairman, William C. Winegard, presiding.

*Members of the Committee present:* Bob Corbett, Benno Friesen, Donald Johnston, Steven Langdon, Nic Leblanc, Don Ravis, John Reimer, William C. Winegard.

*Acting Members present:* Roland de Corneille for Lloyd Axworthy, Jim Manly for Pauline Jewett.

*Other Member present:* Girve Fretz.

*In attendance:* Ian Burney, Researcher; Bob Miller, Research Advisor; Gerry Schmitz, Research Advisor.

Pursuant to S.O. 96(2), the Committee resumed consideration of Canada's Official Development Assistance policies and programs.

The Committee resumed consideration of the draft report.

At 1:00 o'clock p.m., the Committee adjourned to the call of the Chair.

Thursday, May 7, 1987  
(43)

The Standing Committee on External Affairs and International Trade met *in camera* at 9:12 o'clock a.m., this day, at Willson House, Meech Lake, the Chairman, William C. Winegard, presiding.

*Members of the Committee present:* Bob Corbett, Benno Friesen, Nic Leblanc, Bill Lesick, John Reimer, William C. Winegard.

*Other Members present:* Roland de Corneille, Girve Fretz.

*In attendance:* Ian Burney, Researcher; Bob Miller, Research Advisor; Gerry Schmitz, Research Advisor.

Pursuant to S.O. 96(2), the Committee resumed consideration of Canada's Official Development Assistance policies and programs.

The Committee resumed consideration of the draft report.

At 12:47 o'clock p.m., the Committee adjourned to the call of the Chair.

Tuesday, May 12, 1987  
(44)

The Standing Committee on External Affairs and International Trade met *in camera* at 9:12 o'clock a.m., this day, in Room 705, Promenade Building, the Chairman, William C. Winegard, presiding.

*Members of the Committee present:* Benno Friesen, Donald Johnston, John Reimer, William C. Winegard.

*Acting Members present:* Warren Allmand for Donald Johnston, Girve Fretz for Bill Lesick, Jim Manly for Pauline Jewett.

*In attendance:* Ian Burney, Researcher; Bob Miller, Research Advisor; Gerry Schmitz, Research Advisor.

Pursuant to S.O. 96(2), the Committee resumed consideration of Canada's Official Development Assistance policies and programs.

The Committee resumed consideration of the draft report.

At 12:53 o'clock p.m., the Committee adjourned to the call of the Chair.

Wednesday, May 13, 1987  
(45)

The Standing Committee on External Affairs and International Trade met *in camera* at 3:40 o'clock p.m., this day, in Room 705, Promenade Building, the Chairman, William C. Winegard, presiding.

*Members of the Committee present:* Benno Friesen, Donald Johnston, Nic Leblanc, Bill Lesick, John Reimer, William C. Winegard.

*Acting Member present:* Jim Manly for Pauline Jewett.

*Other Member present:* Roland de Corneille.

*In attendance:* Ian Burney, Researcher; Bob Miller, Research Advisor; Gerry Schmitz, Research Advisor.

Pursuant to S.O. 96(2), the Committee resumed consideration of Canada's Official Development Assistance policies and programs.

The Committee resumed consideration of the draft report.

At 5:55 o'clock p.m., the Committee adjourned to the call of the Chair.

Thursday, May 14, 1987  
(46)

The Standing Committee on External Affairs and International Trade met *in camera* at 9:08 o'clock a.m., this day, in Room 705, Promenade Building, the Chairman, William C. Winegard, presiding.

*Members of the Committee present:* Benno Friesen, Bill Lesick, John Reimer, William C. Winegard.

*Acting Members present:* Roland de Corneille for Lloyd Axworthy, Jim Manly for Pauline Jewett.

*In attendance:* Ian Burney, Researcher; Bob Miller, Research Advisor; Gerry Schmitz, Research Advisor.

Pursuant to S.O. 96(2), the Committee resumed consideration of Canada's Official Development Assistance policies and programs.

The Committee resumed consideration of the draft report.

At 11:50 o'clock a.m., the Committee adjourned to the call of the Chair.

Wednesday, May 20, 1987  
(47)

The Standing Committee on External Affairs and International Trade met *in camera* at 3:45 o'clock p.m., this day, in Room 307, West Block, the Chairman, William C. Winegard, presiding.

*Members of the Committee present:* Benno Friesen, Donald Johnston, Nic Leblanc, Bill Lesick, Don Ravis, John Reimer, William C. Winegard.

*Acting Members present:* Warren Allmand for Lloyd Axworthy, Jim Manly for Pauline Jewett.

*Other Member present:* Roland de Corneille.

*In attendance:* Ian Burney, Researcher; Bob Miller, Research Advisor; Gerry Schmitz, Research Advisor.

Pursuant to S.O. 96(2), the Committee resumed consideration of Canada's Official Development Assistance policies and programs.

The Committee resumed consideration of the draft report.

At 6:05 o'clock p.m., by unanimous consent, the Committee proceeded to sit in public session.

By unanimous consent, it was agreed, - That the draft report, as amended, on Canada's Official Development Assistance policies and programs, be adopted as the First Report to the House with the exception of the acceptance in Chapter 12 (Funding) of the ODA target of .6% of GNP by 1995-96 which was not agreed to by Warren Allmand, Donald Johnston and Jim Manly.

At 6:07 o'clock p.m., the Committee resumed sitting *in camera*.

It was agreed, — That the Chairman be authorized to make such typographical and editorial changes as may be necessary without changing the substance of the draft report to the House.

It was agreed, — That for the purposes of tabling in the House and initial distribution, the report be photocopied in 1,000 copies (800 English; 200 French) and that 10,000 copies be subsequently printed as Issue No. 26 in tumble format with a glossy white cover with green lettering.

It was agreed, — That the Chairman be instructed to table the photocopied version of the Report, in both official languages, in the House on Thursday, May 28, 1987.

It was agreed, — That pursuant to the authority granted by S.O. 97(1) and according to the terms of a contract to be negotiated with the Chairman, the

Committee agree to retain the services of the Humphreys Public Affairs Group Inc. to assist with media arrangements for the release of the ODA report.

It was agreed, — That the Committee hold a press conference in the National Press Theatre, at an appropriate time, on the day that the report is tabled in the House.

At 6:25 o'clock p.m., the Committee adjourned to the call of the Chair.

Maija Adamsons  
*Clerk of the Committee.*