

# Beyond Aid: A Plan for Canada's International Cooperation

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# Acronyms and Abbreviations

CIDA	Canadian International Development Agency
CSO	civil society organization
DCF	Development Cooperation Forum (United Nations)
DFAIT	Department of Foreign Affairs and International Trade Canada
DFATD	Department of Foreign Affairs, Trade and Development (Canada)
DFID	Department for International Development (United Kingdom)
ECOSOC	Economic and Social Council (United Nations)
HLF-4	Fourth High Level Forum on Aid Effectiveness
MDG	Millennium Development Goal
ODA	official development assistance
ODAAA	Official Development Assistance Accountability Act (Canada)
OECD	Organisation for Economic Co-operation and Development
DAC	Development Assistance Committee (OECD)
PCD	policy coherence for development
UN	United Nations
WGA	whole-of-government approach

# Executive Summary

Since the early 1990s, the Organization for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) has advocated for providers of official development assistance to take into consideration the impact of non-aid policies on development outcomes. This is because these policies, in areas such as trade, investment, security, and migration, can (and almost always do) have a greater developmental impact than aid. In recognition of this reality, policy-makers and development experts have called on OECD-DAC members to improve their policy coherence for development (PCD) to address the challenge of reducing global poverty and establish a global partnership for development. Proponents have advocated the creation of overarching policy frameworks and the establishment of coordination mechanisms to enhance understanding of and guide decision making on aid and non-aid flows to the developing world.

This paper examines Canada's approach to PCD. It makes the case that the current framework guiding foreign aid efforts—namely improving aid effectiveness and accountability—is insufficient as an overarching framework for guiding Canada's approach to development. This is because the focus on aid effectiveness captures only a small part of Canada's engagement with the developing world. A broader vision that includes aid and non-aid policies is needed for Canada to achieve better PCD and be an effective international development actor.

The time may be ripe for the creation of a policy framework in Canada. In the 2013 federal budget, the Canadian government announced the amalgamation of the Canadian International Development Agency with the Department of Foreign Affairs and International Trade Canada, creating the Department of Foreign Affairs, Trade and Development. The government cited improving policy coherence as an important reason for the change. While the specifics of the amalgamation have yet to be announced, the merger presents an opportunity for the Canadian government to establish an overarching framework for Canada's engagement with the developing world that clearly articulates the role of development in Canadian foreign policy.

# Introduction

Canada does not have an official development policy framework to guide its engagement with the developing world. Over the past decade, the Canadian government's various policy announcements emphasized its commitment to increase aid effectiveness by, *inter alia*, reducing the number of countries that it engages with and the number of areas in which it works, as well as committing to greater results and accountability.<sup>1</sup> While the government has an aid effectiveness action plan (see CIDA 2010b), statements regarding new development initiatives and programming have tended to be ad hoc in nature, made as part of ministerial speeches or announced in press releases.<sup>2</sup> Announcements of new policies and initiatives tend to be fragmented, since they are not derived from an overarching plan that has been formulated to provide long-term guidance and coherence. This means that new policy directions are not taken in the context of an official development policy framework that guides the Canadian International Development Agency (CIDA) and other government departments in their engagement with the developing world.

In the 2013 federal budget, the Canadian government announced the amalgamation of CIDA with the Department of Foreign Affairs and International Trade Canada (DFAIT), creating the Department of Foreign Affairs, Trade and Development (DFATD) (Canada 2013, 240–41). The government cited improving policy coherence as an important reason for the change. Yet, this shift was not accompanied by a Canadian foreign policy framework that clarifies development's role in foreign policy. As a result, members of the development community expressed concern that the merger may mean that development priorities will become increasingly subordinated to diplomatic and trade concerns (Smillie 2013; Brown 2013; CBC News 2013). Others, however, pointed out that the institutional change makes sense because it has the potential to bring the “development voice” to the proverbial table on questions relating to foreign policy and international trade and thus ensure greater policy coherence (Chapin 2013; Paris 2013; Westhead 2013).

This policy gap has implications for Canada's policy coherence for development (PCD) and the effectiveness of Canadian aid, regardless of institutional structures. It creates the potential for non-aid policies to undermine Canada's development efforts. Non-aid policies, such as trade, investment, and migration, can (and almost always do) have a greater developmental impact than aid. The absence of an overarching development

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<sup>1</sup> See Brown (2011) and CIDA (2010a, b, c; 2012a).

<sup>2</sup> See, for example, CIDA (2011a, b; 2012d).

policy framework creates uncertainty for how the Canadian government engages with domestic and international development partners, both in terms of the nature of that engagement and policy and programming priorities. It also suggests that the government lacks the ability, or at least the willingness, to formulate a coherent vision and framework for its development efforts. This reflects poorly on Canada and suggests that there is insufficient political commitment to development cooperation, particularly the establishment of Canada's overall objectives and articulation of how they will be achieved.

An overall policy framework for Canada's engagement with the developing world is needed. This framework would include Canadian aid and non-aid policies. On the aid side, the framework would set out the rationale for Canadian aid, explain different policies, such as those pertaining to thematic priorities and institutional partnerships, place them in context, and provide guidance for government officials and development partners. It would lend internal coherence to Canadian aid policy and provide a rationale and a coherent strategy for Canada's aid efforts to the public, which is important for public engagement and support for development. For non-aid policies, this framework would also serve as a starting point to improve Canada's PCD by recognizing the contribution of policies in areas such as trade, immigration, and security, indicating the role of various government departments in Canada's overall development strategy, and articulating lines of responsibility, coordination, and accountability.

A number of domestic factors hinder the establishment of a coherent development framework in Canada (see Chapnick 2012). Yet, the Canadian government's recent announcement, the changing international environment, and Canada's changing role in it may mean that the time is ripe for a new approach. The 2013 federal budget signalled that the government is concerned with ensuring "synergies" and greater policy coherence on aid, trade, and foreign affairs.

The changing international environment in particular may provide impetus for greater PCD. Notwithstanding recent unilateral actions (see Brown 2012), Canada's aid policies have historically been influenced by international trends in development cooperation, as Molly den Heyer shows in her examination of factors influencing Canadian aid policy in Tanzania (see den Heyer (2012)). Internationally, aid is decreasing in importance as a source of development finance. Private sources of financing, particularly trade, investment, and remittances, far outstrip aid flows. Contributions from private philanthropic organizations and aid from emerging economies such as Brazil and China are diminishing the relative importance of traditional donors' aid flows. This means that aid's importance as a tool of foreign policy is declining and suggests that traditional

donors like Canada need to think more strategically about how they engage with the developing world beyond the provision of aid.

This reality is already being felt across development institutions such as the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) and the United Nations (UN). For example, the latest round of OECD-DAC donor commitments on aid effectiveness included provisions regarding trade, investment, and illicit capital flight (HLF-4 2011). At the UN level, discussions on the post-2015 development framework refer to economic rules in areas such as intellectual property rights, taxation, trade, finance, subsidies, and pharmaceuticals—all issues that go beyond aid.

The developing world is rapidly changing. More countries have reached middle-income status than ever before, yet the bulk of the world's poor resides within middle-income countries' borders. Inequality is growing within and between countries, exacerbating old development challenges such as generating inclusive growth and reaching the poorest and most marginalized. Global challenges such as climate change and the food and financial crises, which affect developing countries disproportionately, remain pressing issues. This changing landscape, coupled with the relative decline in importance of aid, suggests that there is a need for Canada to examine the role of non-aid policies in exacerbating and mitigating these challenges and contributing to development efforts. A framework that articulates Canada's approach to PCD would help guide policy-makers in working with the developing world and could serve as the basis for Canadian engagement with emerging powers, whose rise necessitates a new approach.

This paper examines Canada's approach to aid and PCD. It makes the case that the current framework guiding foreign aid efforts—namely improving aid effectiveness and accountability—is insufficient as an overarching framework for Canada's approach to development. Despite CIDA's focus on aid effectiveness, the current framework does not fully capture Canada's international commitments to aid effectiveness and is insufficient as a basis and rationale for key policy changes in Canadian aid. Moreover, the focus on aid effectiveness only captures a small part of Canada's engagement with the developing world. A broader vision that includes aid and non-aid policies is needed for Canada to achieve better PCD and be an effective international development actor.

The next section provides a brief historic overview of the international PCD agenda. It outlines the positions taken by key drivers of the debate, such as the OECD-DAC and the UN Development Cooperation Forum (DCF). It then reviews the academic literature on PCD. The report then turns to examining Canada's track record on PCD.

# Policy Frameworks and Policy Coherence for Development

## Importance of policy coherence for development

Calls for greater PCD have stemmed from recognition that in a globalized world, non-aid policies in areas such as trade, investment, and migration have significant consequences for the achievement of global development goals, including poverty reduction (OECD 2009). Millennium Development Goal (MDG) 8—developing a global partnership for development, which involves trade, debt, and technology transfer, *inter alia*—is a reflection of this reality. Notably, it recognizes the importance of non-aid flows for development. For Guido Ashoff, this relates to the negative justification for PCD, which centres on the negative impacts of non-aid policies on development. Under this logic, non-aid policies' negative impacts on development should be addressed in order to achieve development goals. Ashoff also suggests that there is a substantive programmatic justification for PCD. Demands in global governance fora for sustainable development to be a guiding principle and recognition of shared responsibility, as seen in the Millennium Declaration, justify PCD. Within developed countries, movement toward greater PCD is a practical manifestation of global commitments to development (Ashoff 2005, 1–2).

From a donor perspective, PCD contributes to improving aid effectiveness by ensuring that non-aid policies do not undermine development objectives or, at the very least, by providing an opportunity to assess negative development impacts resulting from non-aid policies and mitigate their effects. Proponents of PCD recognize that reducing global poverty is one goal among many competing objectives, such as enhancing security and boosting national competitiveness (OECD 2009, 15; Ashoff 2005, 2). This means that different groups' interests must be balanced. This is a challenge, but the OECD (2009, 15) argues that incoherent policies, regardless of the policy domains involved, “are inefficient and ineffective no matter which objective takes priority.” Given the interconnected nature of the world, events in the developing world are felt by those in developed countries. The OECD (2009, 15) indicates that “neglecting the development dimension is short-sighted and will in time undermine the pursuit of other objectives.”

## Policy coherence for development as an international agenda

Since the early 1990s, the OECD-DAC has advocated for greater PCD,<sup>3</sup> which it defines as “taking account of the needs and interests of developing countries in the evolution of the global economy” (OECD 2003, 2). To meet the challenge of reducing global poverty, it argues that donor countries should ensure that their non-aid related policies, such as trade and investment, support, or at the very least do not undermine, development efforts (OECD 2009, 9).<sup>4</sup> PCD is one of the criteria against which the OECD-DAC peer review process measures DAC donors’ performance. The OECD-DAC has played a key role in contributing research and analysis to the PCD debate and promotes its “building blocks” approach to achieve greater coherence (OECD 2008c).

The UN system has also contributed to the PCD debate. The 2002 Monterrey Consensus committed signatories to a broad agenda for development financing that moved past aid to include areas such as debt, trade, and the mobilization of international resources for development. The DCF<sup>5</sup> has the achievement of greater PCD by donors and recipients as a key priority for its work (ECOSOC 2008, 2010). According to the DCF, development cooperation alone is not enough to meet global development challenges (ECOSOC 2010, 6). The DCF’s June 2010 Secretary-General’s report called for developed countries to ensure that policies across sectors support internationally agreed development goals and for recipient countries to better engage with issues beyond aid (ECOSOC 2010, 6).

In their latest commitments on PCD, OECD-DAC donors—Canada included—signed the OECD 2008 Ministerial Declaration on Policy Coherence for Development, which committed OECD members to consider development impacts when establishing, inter alia, migration, environmental, trade, and economic policies (OECD 2008b). More recently, at the Fourth High Level Forum on Aid Effectiveness (HLF-4) held in Busan, South Korea, in 2011, donors, developing countries, and civil society organizations (CSOs) broadened the aid effectiveness agenda to focus on effective development, recognizing that “aid is only part of the solution to development” (HLF-4 2011). Participants agreed to support South–South and triangular cooperation, engage with the private sector and promote aid for trade, combat corruption and illicit flows, and promote

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<sup>3</sup> The OECD held its first official high-level meeting on PCD in 1991 (Carbone 2008, 329).

<sup>4</sup> More recently, the OECD released *Better Policies for Development*, in which it outlined how its future work will ensure that a development perspective is taken across its various committees and areas of work (OECD 2011).

<sup>5</sup> The DCF provides a space within the UN system for various development actors to come together and discuss development issues of common concern. It held its first meeting in June 2008 and has met biennially since.

coherence between climate change finance and broader development cooperation financing.

Despite consensus on the need for greater PCD, OECD-DAC peer reviews continue to reveal “considerable variation in the extent of members’ political commitments to [PCD]” (OECD 2009, 10). Difficulties in implementing PCD exist since the agenda is not straightforward. PCD can refer to several different forms of coherence, and challenges exist in the formulation, implementation, and evaluation of coherent policies. Moreover, due to PCD being multidimensional in nature, establishing a tangible approach to implement PCD can be difficult in practice.

## Forms of policy coherence

Academics identify several types of policy coherence. According to Paul Hoebink (2005, 37–38), when understood narrowly, policy coherence means that “objectives of policy in a particular field may not be undermined or obstructed by actions or activities in [another] field.” A broader understanding includes the interaction within and between policy fields. In practice, PCD is multifaceted in nature and dependent on the policies of both donors and recipients (Oyejide 2007).

Academics generally point to four types of policy coherence that reflect broad and narrower understandings:

- 1) *internal or vertical coherence* between a donor’s aid policies, goals, modalities, and implementing agencies;
- 2) *intra-country or horizontal coherence* between various policies toward the South, taking into account the impacts of non-aid policies on development;
- 3) *inter-donor coherence* between developed countries’ policies *vis-à-vis* developing countries, also referred to as “harmonization” in aid effectiveness terms;<sup>6</sup> and
- 4) *donor-recipient coherence* between donor and developing country policies, referred to as “alignment” in aid effectiveness terms (Hoebink 2005; Carbone 2008; Forster and Stokke 1999b; Picciotto 2005b).<sup>7</sup>

The types of policy coherence are illustrated in Figure 1.<sup>8</sup>

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<sup>6</sup> See OECD (2005) for the full Paris Declaration on Aid Effectiveness.

<sup>7</sup> The DCF covers these forms of policy coherence, as well as the coherence between policies within developing countries (see ECOSOC 2010). Another form of coherence is multilateral, which refers to coherence between multilateral organizations (Carbone 2008, 326).

<sup>8</sup> Adapted and expanded from Hoebink (2005, 38).

**Figure 1. Forms of policy coherence**

*Inter-donor coherence* and *donor-recipient coherence* determined by extent to which policies are informed by a donor's comparative advantage or policies of other donors and developing country priorities.

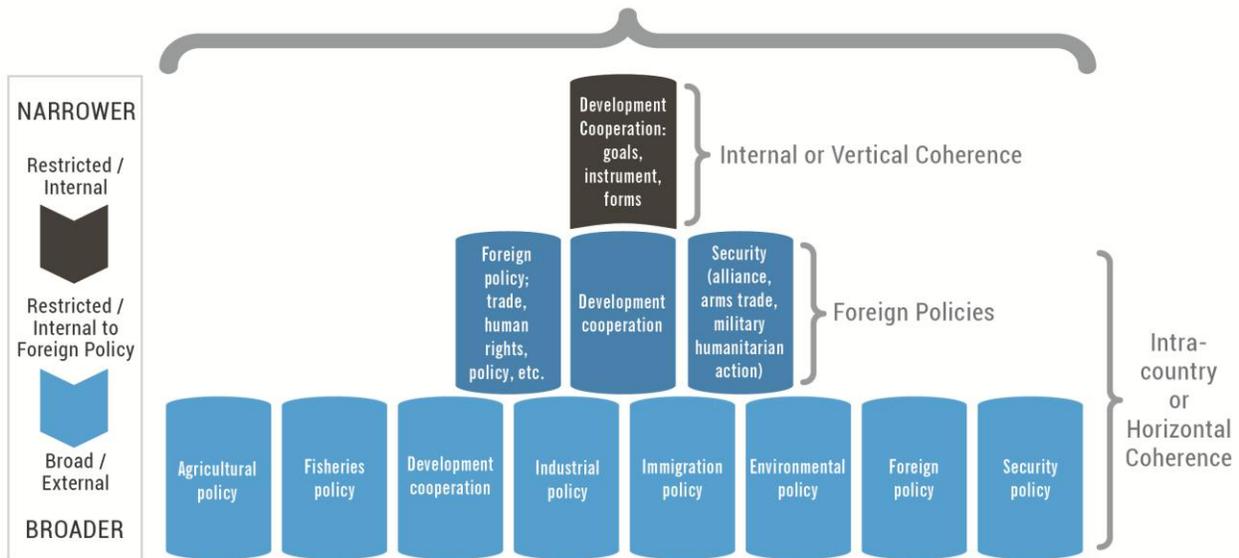


Figure 1 shows different forms of donors' policy coherence ranging from narrow to broad. At the narrowest level, policy coherence is about ensuring internal coherence of aid policies and programming. This means ensuring that the goals, objectives, programming, implementation, and results of aid are coherent. At the next level, which captures foreign policies broadly, coherence moves beyond aid to include foreign policy objectives, namely security, trade, and humanitarian action. Whole-of-government approaches (WGAs) to development, typically including ministries responsible for foreign affairs, aid, and defence, in conflict-affected states such as Afghanistan are an example of this level of coherence. While WGAs tend to be initiative- or intervention-driven for a specific country or situation, they represent a broader form of coherence than internal coherence of aid policies and programming.

Figure 1 also depicts the broadest form of PCD for donor countries—intra-country or horizontal coherence. At this level, ministries responsible for domestic policies in areas such as agriculture, fisheries, environment, and industry contribute to PCD by taking into consideration the international development impacts of their respective domestic policies. PCD at this level moves beyond foreign policies to consider policies in areas that, while impacting development outcomes globally, are often seen largely as areas of domestic concern. For example, in the area of agriculture, many developed country governments continue to provide subsidies to their farmers, which serves to undermine the competitiveness of farmers in developing countries. Through aid, however, these governments invest in farmers in developing countries to improve their competitiveness

in international markets. In this example, the incoherence exists between developed countries' goals of supporting farmers at home and in the developing world. PCD is evidently complicated by the realities of competing domestic and international goals. Nevertheless, intra-country or horizontal coherence involves identifying where such discrepancies exist and devising strategies to mitigate the negative impacts while enhancing the positive ones.

This report is primarily concerned with internal and intra-country coherence when it comes to the need for a policy framework that guides Canadian aid policy (internal coherence) and Canada's broader approach to the developing world (intra-country coherence). While not the main focus of this report, donor-recipient coherence and inter-donor coherence still matter in this context and should shape how internal coherence and intra-country coherence are carried out to ensure that Canadian efforts align with developing countries' priorities and involve a division of labour within the donor community. Through their international commitments on aid effectiveness, donors are committed to country ownership and alignment, factors which, if taken seriously, influence the articulation of development policy frameworks.

## Sources of policy incoherence

PCD can be described as weak or strong depending on the amount of effort that governments take to achieve it. Weak coherence occurs when governments attempt to mitigate their policies' negative impacts on development, while strong coherence means seeking to enhance the positive externalities that may result from policies (Mendoza 2007, 30; Hoebink 2005). For example, if a government was updating immigration policies, strong coherence would mean looking at how potential changes might benefit developing countries.

According to Robert Picciotto (2005a, 11–12), “coherence of outcomes cannot be guaranteed ex post even when it has been secured ex ante: sound policy design does not necessarily lead to coherent implementation since in the real world a variety of obstacles may stand in the way of achieving results.”<sup>9</sup> Indeed, a number of obstacles to achieving greater policy coherence exist. Hoebink points to several types of incoherence: 1) intended and unintended incoherence; 2) structural, fictive, or temporary incoherence; and 3) institutional or political incoherence (Hoebink 2004).

Intended incoherence occurs when governments are aware that a conflict exists between competing objectives and make a conscious decision to pursue a policy that

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<sup>9</sup> See also Hilker (2004) and CONCORD (2011).

may be inconsistent with achieving multiple objectives. In this case, governments accept that incoherence exists (Hilker 2004, 4). Unintended incoherence occurs when an inconsistency between policies exists and remains unnoticed by policy-makers. In this case, incoherence may result from a lack of information or analysis on and between policy areas. In the development context, Frank Barry, Michael King, and Alan Matthews (2010) highlight that intended incoherence and unintended incoherence result from conflicting domestic objectives and international development goals, conflicts between development goals, and conflicts with developing country policies.

Structural, fictive, or temporary incoherence results when different interest groups stand to gain or lose from a given range of policies (Hoebink 2004, 42). For example, opening markets may benefit consumers who have access to cheaper goods but hurt producers facing greater competition, a result that may also be temporary in nature as various groups adjust to new economic circumstances.

Within pluralist societies, conflicting values and interests are a main cause of incoherence (Forster and Stokke 1999a, 24). Institutional or political incoherence results from inter-institutional competition or political-economic contradictions, which are related to different organizational cultures and ideologies within departments and the inward-looking nature of bureaucracies (Hoebink 2004, 42).

Ashoff (2005) explains that PCD is difficult to achieve because of the complexity of development and knowledge and conceptual gaps in the field. PCD requires an incredible amount of information and analysis to ensure that coherent policies benefit developing countries and meet their stated purposes. Even within discussions on PCD, there are gaps in terms of the perspectives of developing countries (Mendoza 2007). For example, a policy that provides preferential trade access to one group of developing countries could divert trade away from another, leading to the question of who benefits from PCD. Not all developing countries necessarily gain from PCD and coherent policies' impacts can differ between and within countries, given the heterogeneous nature of developing countries. These issues create a challenge for policy-makers as it can be difficult to generate consensus in analyses of incoherence and on courses of action required (Picciotto 2005a, 12; Barry, King, and Matthews 2010).

## Realizing policy coherence for development

Despite these challenges, academics and policy-makers have sought to better understand the various tools, processes, and dynamics that contribute to greater PCD. Michael King and Alan Matthews (2012) created a methodology, including indicators

that measure policy inputs, outputs, and outcomes, to systematically assess developed countries' PCD. Each year, the Center for Global Development releases its Commitment to Development Index, which also seeks to assess developed countries' progress toward improving the development impacts of non-aid policies in areas such as trade, investment, the environment, immigration, and security, inter alia.<sup>10</sup> In addition to creating tools for measuring progress on PCD, academics have sought to understand the political dynamics that underlie the successful adoption of PCD in developed countries.

According to Jacques Forster and Olav Stokke (1999b), coherence depends on commitment at the highest political and administrative levels (see also McGill 2012; Gulrajani 2012). In a study of European countries' experiences with PCD, Ashoff (2005) found that countries are less likely to obtain coherence when strategies and goals are unclear. He found that efforts by the United Kingdom, Sweden, and the Netherlands— notable leaders on PCD—shared several features in common. Each of these countries had:

- high-level political commitment to coherence on the part of ministers responsible for development policy;
- cabinet ranking of development policy;
- strategic competence in terms of a detailed rationale for greater coherence and steps to achieve this in specific policy areas;
- limited concern between departments on division of labour;
- proactive work on coherence by those responsible for development policy;
- networking and joint analysis between departments; and
- intense research, analysis, and dissemination of information (Ashoff 2005, 4).

The OECD-DAC's approach to PCD reflects these lessons learned. According to the OECD-DAC, PCD essentially entails three phases or "building blocks." The first is setting policy objectives, which means determining which policies take priority and where incompatibilities exist between policies and development goals. In this respect, setting policy objectives can "provide a framework within which competing short-term pressures can be dealt with so as to not put at risk the long-term interest in sustainable, effective international development" (McGill 2012, 28). This phase requires strong political commitment expressed at the highest level and must be backed by policies to turn rhetoric into action. The OECD-DAC suggested that civil society can play an important role in raising public awareness and garnering support for a PCD agenda

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<sup>10</sup> See CGD (2013).

(OECD 2008c, 3). The second phase entails policy coordination, which involves designing how policies will be implemented to maximize development synergies and minimize the harm of policies unfriendly to development. The coordination process is meant to help resolve conflict and provide an evidence base for well-informed policy-making and accountability. The final phase entails monitoring, analysis, and reporting, aimed at knowing the impact of various policies and providing a feedback loop for accountability and well-informed policy-making.

While there tends to be agreement in the literature that a high level of political commitment is needed to achieve PCD, approaches are context-specific and there is no one-size-fits-all solution. For example, Sweden's commitment to PCD is codified by law, while the United Kingdom uses a White Paper approach to announce its vision for development, both of which serve as a framework for their respective approaches to development. In the case of Canada, its entry point is phase one in the OECD-DAC's building block approach. Consensus exists across the literature that PCD requires a careful delineation of goals and objectives otherwise implementation is difficult, given the nature of how departments operate differently, based on different ideologies and through various attitudes and interpretations of goals (Hoebink 2005, 38).

Over the remainder of the report, Canada's internal and intra-country policy coherence are examined and a case for a development framework is made.

## Policy Coherence for Development in Canada

From a Canadian perspective, there are a number of reasons why PCD is important. Canada has made international commitments to support global poverty reduction and pursue a global partnership for development. Fulfilling these commitments means looking past aid.

From the perspective of national interests, PCD offers a comprehensive way for Canada to engage with the developing world and on issues relating to global governance. In a globalized world, challenges such as growing inequality, climate change, and food and financial crises inevitably impact Canada. As its domestic policies become increasingly internationalized in a bid to address these challenges, Canada will need to examine the role of non-aid policies in exacerbating and mitigating global challenges and contributing to development efforts.

As a foreign policy tool, aid is becoming less and less relevant as a basis for relationships with developing countries. Middle-income countries are more interested in

engaging Canada on trade and investment issues than on aid. At the same time, the bulk of the world's poor resides within these countries' borders, which suggests that there is still a role for Canadian aid to play. Canada has made it clear that aid is an important tool to pursue foreign policy interests (CIDA 2012c, 1), but what role aid plays in this context and how it is coordinated with other policies is unclear. This has implications for the effectiveness of Canadian foreign policies, including aid, in achieving the government's objectives.

## Internal Coherence: Canadian Aid over the Past Decade

While Canada has legislation—the Official Development Assistance Accountability Act (ODAAA)<sup>11</sup>—that articulates key principles for the delivery of Canadian aid, historically Canada has not had overarching governing legislation that defines the role and mandate of CIDA. According to the auditor general of Canada, this has meant that Canada's aid priorities are determined by other “Government of Canada policy objectives, the priorities of the Minister of International Cooperation, and CIDA's own operational policies and strategies” (Office of the Auditor General of Canada 2009, 7; see also den Heyer 2012). The 2013 federal budget, however, promises to codify the role of Canada's minister for development and humanitarian assistance through legislation going forward. It also states that poverty alleviation, development and humanitarian assistance will remain goals of DFATD.

The ODAAA says that Canadian aid must focus on poverty reduction, take into consideration the perspectives of the poor, and align with international human rights standards. The act requires that all departments report back to Parliament on aid spending, making aid spending more accountable and transparent (OECD 2012, 9). It has led to standardized reporting by DFAIT and the Department of Finance Canada, which alongside CIDA administer aid funds. While the act has the potential to be a starting point for a Canadian development framework (Morton 2009), it has not featured prominently in foreign aid priorities. CIDA claims that its work already meets the requirements of the act but it has yet to develop mechanisms to evaluate the act's implementation or translate the components of the act into its core practices (Reilly-King 2012; Brown 2012, 97–98). Rather than the ODAAA, what dominates Canada's approach to development is the theme of aid effectiveness.

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<sup>11</sup> See Official Development Assistance Accountability Act, S.C. 2008, c.17 (2008).

## Aid effectiveness as the basis for Canadian aid

With the exception of the Liberal government's Canada's International Policy Statement, published in 2005 but never implemented owing to the Conservative government coming to power in 2006, a Canadian government has not released an official document outlining its approach to foreign aid over the past decade. Key shifts in Canada's foreign aid priorities have been justified by the international aid effectiveness agenda. Indeed, as pointed out by Stephen Brown, "virtually every time the Canadian government announces changes in aid policy, it evokes the need for aid to have greater impact, regardless of who is in power" (Brown 2012, 81). Without a formal development framework, policy shifts—made in announcements and through press releases—appear to be ad hoc. This has contributed to a lack of policy continuity in Canadian aid and growing criticism about the transparency of decision making on Canada's approach to aid and development.

While aid effectiveness should be both an underlying rationale and a goal for Canadian aid, it is insufficient as a framework to guide Canada's efforts. It does not provide a substantive basis for establishing objectives and priorities and for selecting partners. In other words, aid effectiveness may help to do things right—in other words, to improve efficiency—but it does not tell policy-makers if they are doing the right things. Without an overarching framework to guide Canada's development efforts, aid effectiveness tends to have a hollow ring—anything can be said to improve effectiveness, especially in a context where a clear indication of how priorities, policies, and programs interact is missing.

## International and national trends on aid effectiveness

Canada's emphasis on aid effectiveness can be understood in relation to international trends (Brown 2012). Over the past two decades, academics and aid officials alike have become increasingly concerned with the effectiveness of aid in achieving development goals (see, for example, Burnside and Dollar 2000; Munro 2005; Celasun and Walliser 2008; Easterly and Pfutze 2008). CIDA has come under pressure by successive Canadian governments to produce quick and visible development results, while maintaining the quality of its aid (Brown 2011, 480). This pressure has translated into various commitments made to boost results, including focusing on aid effectiveness, limiting thematic priorities and countries of focus, and establishing new criteria and approaches for CIDA's partnerships with civil society and the private sector.

The 1996 OECD-DAC publication *Shaping the 21st Century* (see DAC 1996) laid down the basis for the MDGs and the international aid effectiveness agenda, articulating key priorities for development cooperation and how to improve its effectiveness (Stern et al. 2008). The Liberal government of Jean Chrétien released *Canada Making a Difference in the World: A Policy Statement on Strengthening Aid Effectiveness in 2002* (see CIDA 2002). The statement promoted OECD principles of effective development, namely local ownership, donor coordination, stronger partnerships, results-based approaches, and greater PCD. CIDA committed to promoting good governance, investing in capacity building, and engaging civil society. Other commitments, reflecting a move from project-level approaches to program- and country-level work, included prioritization of country partners (with a focus on Africa) and sectors, reduction of tied aid, transformation of CIDA into a knowledge-based institution, decentralization of CIDA, and adoption of results measurement systems.

In 2005, the Paris Declaration on Aid Effectiveness was endorsed by over 100 countries, including Canada at the Second High Level Forum on Aid Effectiveness.<sup>12</sup> Representing a major step toward generating agreement on aid effectiveness among donors and recipients, it outlined key principles for aid effectiveness: ownership, alignment, harmonization, mutual accountability, and management for results.<sup>13</sup> The focus of the declaration was largely on processes that would—in theory—improve the efficiency of aid. The declaration emphasized the form that development cooperation should take, rather than its substance (Brown 2012, 7), which had already been largely articulated in the MDGs. At the 2008 Third High Level Forum on Aid Effectiveness, the Accra Agenda for Action, the successor to the Paris Declaration, reaffirmed commitments from 2005 and made new commitments on predictability, aid untying, inclusive partnerships, and better use of country systems.<sup>14</sup> At HLF-4 in 2011, members of the international development community agreed to the Busan Partnership for Effective Development Co-operation (see HLF-4 2011), which expanded and deepened previous commitments to improving developing country ownership over development priorities and focusing on results. As mentioned, it also included commitments on a range of development issues such as corruption, illicit capital flight, aid for trade, engagement with the private sector, and climate finance.

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<sup>12</sup> See Kindornay and Samy (2012) for an overview of the history of the international aid effectiveness agenda.

<sup>13</sup> More specifically, donors and recipients agreed that recipients would set their own strategies, improve institutions, and tackle corruption. Donors would then align with these strategies and make greater use of country systems. Donors also agreed to coordinate with each other, simplify procedures, and share information. Both donors and recipients would focus on measuring development results and being accountable to one another for outcomes (OECD 2005).

<sup>14</sup> See OECD (2008a) for the full Accra Agenda for Action.

Following Accra, CIDA released its 2009–12 Aid Effectiveness Action Plan. The plan committed to improvements in the efficiency of Canadian aid dollars, stating that Canada would do its part to achieve results by reinvigorating action (CIDA 2010d, 1). It builds on previous domestic aid effectiveness commitments, many of which were reminiscent of the 2002 policy statement, and indicates that CIDA has made effectiveness and accountability for development results the centre of its performance agenda (CIDA 2010d, 1). It sets out a number of actions and targets, including:

- focusing geographic and thematic priorities;
- improving efficiency by untying aid, increasing field presence, and improving coordination with other donors;
- applying an “aid effectiveness lens” to policies and procedures;
- improving accountability through better monitoring, evaluation, and reporting;
- improving predictability of aid;
- alignment with country program strategies;
- engaging in and supporting inclusive multi-stakeholder partnerships; and
- implementing integrated strategies in fragile states that take into consideration peace building, state building, and poverty reduction and support joint funding mechanisms that bridge short-term humanitarian concerns with longer-term development (CIDA 2010d, 1–6).

In 2010, then minister of international cooperation Beverly J. Oda announced that the Canadian government and CIDA need to work together more effectively by improving transparency and strengthening their partnerships with national and international development agencies and organizations as well as the public (CIDA 2010e). This announcement coincided with international trends that increasingly emphasized the need for greater transparency in development cooperation as a means to improve accountability. At HLF-4, Canada announced that it would join the International Aid Transparency Initiative, which aims to make information on foreign assistance more accessible.<sup>15</sup> Transparency, which was not originally a key part of the 2009–12 Aid Effectiveness Action Plan, became a major part of Canada’s aid effectiveness strategy. The focus on transparency was articulated via press releases, speeches, and policy statements (CIDA 2012b).

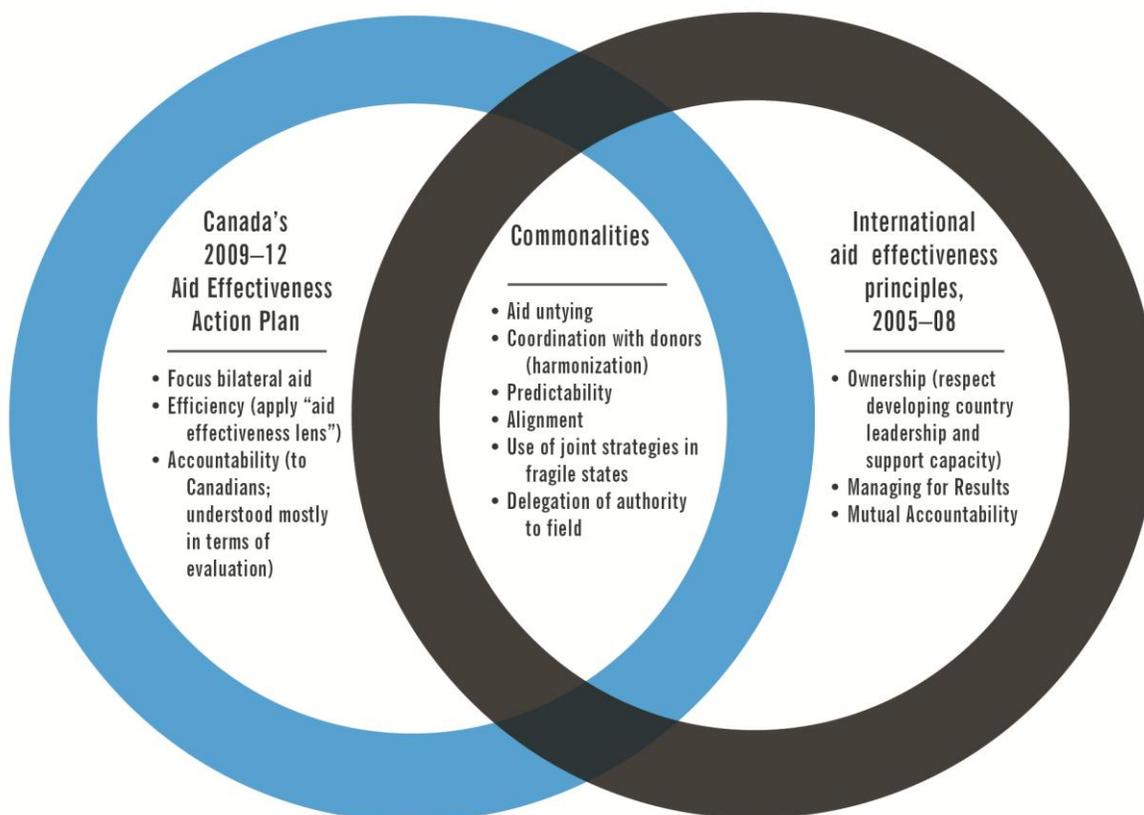
The OECD-DAC has commended Canada on its efforts to improve effectiveness. However, it points out that Canada’s aid effectiveness plan does not fully reflect Canada’s international aid effectiveness commitments. Figure 2 compares the

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<sup>15</sup> See IATI (2012) for more information on the initiative. See Bhushan and Higgins (2012) for a full review of Canada’s various transparency initiatives.

international aid effectiveness agenda with Canada’s 2009–12 Aid Effectiveness Action Plan.<sup>16</sup> It shows areas of convergence and divergence.

**Figure 2. Aid effectiveness: Canadian and international approaches**



*Source: Compiled by authors from CIDA (2010d) and OECD (2005; 2008a)*

The OECD-DAC pointed out that a weakness in Canada’s approach to aid effectiveness is that it “does not focus exclusively on implementing the Paris Declaration principles,” which has given rise to two major weaknesses. First, Canada’s action plan focuses on CIDA, rather than all ministries responsible for delivering Canadian aid. In 2011, CIDA delivered 68 per cent of Canada’s total official development assistance (ODA) (OECD 2012, 17). Second, it combines organizational efficiency—or what Nilima Gulrajani (2012, 57) refers to as donor effectiveness—and domestic accountability with the Paris principles to the detriment of the latter. It includes issues outside of the Paris Declaration that are believed to improve organizational effectiveness, such as improving efficiency and focusing bilateral aid. According to the OECD-DAC, Canada is lagging behind in the implementation of international aid effectiveness principles (although this

<sup>16</sup> It compares Canada’s agenda with the 2005 Paris Declaration and the 2008 Accra Agenda for Action, since the action plan predates HLF-4, held in 2011.

is the case for most donors), particularly on predictability. The OECD-DAC has claimed that this jeopardizes Canada's ability to align with partner countries (OECD 2012, 17–18).

## Progress on aid effectiveness

In areas for action identified by Canada's overall aid effectiveness approach, the OECD-DAC found that Canada has made progress on using joint strategies, untying aid, and improving transparency. Regarding improving CIDA's efficiency, it commended Canada on its streamlining of project approval procedures but called for further action on decentralization, arguing that more progress is needed on delegating authority to the field level. It recommended that Canada revise its 2009–12 Aid Effectiveness Action Plan to focus greater attention on international aid effectiveness principles, apply the action plan to all departments delivering Canadian aid, and ensure that any action plan that follows fully reflects commitments made at HLF-4 (OECD 2012).

While CIDA's Development for Results 2010-2011 report highlighted the increasing effectiveness of Canadian aid and concrete quantifiable examples of CIDA's outputs (CIDA 2012e), comparative evaluations suggest that Canada is falling behind. William Easterly and Tobias Pfutze's 2008 study "Where Does the Money Go? Best and Worst Practices in Foreign Aid" compared how aid is distributed by 48 aid agencies, based on aspects such as transparency, fragmentation, selectivity, and ineffective aid channels.<sup>17</sup> Canada scored above average on transparency but was named one of the "most fragmented donors" (Easterly and Pfutze 2008, 40). Overall, Canada came in at the middle of the pack in terms of best aid practices (Easterly and Pfutze 2008).

The 2010 Quality of Official Development Assistance Assessment (QuODA)<sup>18</sup> produced jointly by the Center for Global Development and Brookings Institution, however, referred to Canada as a "less well-performing" country. Canada was ranked as a bottom performer in the areas of fostering institutions and transparency and learning (Birdsall and Kharas 2010, 3). But in 2011, Canada improved its quality of aid along all four dimensions assessed by the QuODA study (Birdsall, Kharas, and Perakis 2012).

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<sup>17</sup> Transparency refers to being able to follow how aid is being allocated, fragmentation measures to what extent aid is too dispersed, selectivity refers to the degree aid is directed to certain countries/projects and not to others, and ineffective aid channels measure to what extent "aid is tied to political objectives or flows to food aid or technical assistance" (Easterly and Pfutze 2008, 2).

<sup>18</sup> The QuODA ranks the aid quality of 23 donor countries, using 31 indicators on four dimensions, which are maximizing efficiency, fostering institutions, reducing burden, and transparency and learning (CGD 2012).

The World Bank's 2010 Aid Quality and Donor Rankings<sup>19</sup> ranked Canada 29th out of 38 bilateral and multilateral donors in terms of the quality of aid delivered<sup>20</sup> (Knack, Rogers, and Eubank 2010). Two recent qualitative comparative analyses comparing Canada with other donors, namely the United Kingdom, Ireland, and Norway, also revealed that Canada falls short when compared to its peers (McGill 2012; Gulrajani 2012).

Despite progress on improving aid effectiveness, studies continue to suggest that Canada has much work ahead to improve effectiveness and ensure that its approach to aid effectiveness reflects its international commitments. This is evidence that the 2009–12 Aid Effectiveness Action Plan is sub-optimal as an overarching framework for Canadian aid and suggests that further use of this action plan is inappropriate as a basis for Canada's aid efforts.

## Policy continuity and shifting priorities

Over the past decade, Canada's foreign aid programming has been characterized by shifting priorities, which contribute to a lack of policy continuity that jeopardizes internal coherence and aid effectiveness. Policy shifts have been the result of frequent turnovers in government and ministers, each with their own agenda framed as contributing to aid effectiveness. As pointed out by Brown (2012, 81), the concept of effectiveness is malleable enough to be used as justification for any new initiative: "Effectiveness' becomes a substitute for 'good policy,' which in turn is really the government's preferred policy, but with an aura of supposed objectivity and benevolence underpinned by cost-effectiveness and international legitimacy." Despite such framing, newly announced policies, many of which have been announced as part of press releases rather than in new policy documents, do not correspond to Canada's 2009–12 Aid Effectiveness Action Plan. These policies reflect the agendas of various governments and ministers rather than the rationale of a broader development vision.

Between 1995 and 2009, CIDA's priority themes changed six times (see Table 1). Between 2003 and 2007, Canada had four different governments, each with its own set of priorities. Over this period, CIDA saw changes to its substantive focus, which

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<sup>19</sup> This ranking index is concerned with measuring the quality of aid delivered by donors, based on donor performance indicators such as performance in the alignment, harmonization, and coordination of aid. The aim of the index is to increase the effectiveness and efficiency of aid, with donors being able to see how they perform in comparison to other countries (Knack, Rogers, and Eubank 2010).

<sup>20</sup> Canada scored lowest in the harmonization and alignment of aid, ranking 29th and 26th, respectively, but performed slightly better in the areas of selectivity and specialization, ranking 23th and 21th, respectively (Knack, Rogers, and Eubank 2010).

reflected a lack of policy continuity both across and within governments. Over the 2000–09 period, CIDA had five different ministers of international cooperation. Under the Liberal governments of Chrétien and Paul Martin between 2000 and 2006, the minister changed three times. Some continuity, however, did occur under the Conservative government of Stephen Harper (2006–present). Over the 2007–12 period, Oda became one of Canada’s longest-serving ministers of international cooperation. Julian Fantino, the current minister, took office in July 2012, when Oda announced that she was retiring. While a degree of continuity has persisted at the top levels over the past five years, including with CIDA President Margaret Biggs, there has still been a high rate of turnover in other senior positions, such as vice-presidents, chief financial officers, directors general, and directors, which has constrained progress on implementing reforms (OECD 2012, 16; Office of the Auditor General of Canada 2009, 7).

**Table 1. CIDA's priorities over time**<sup>21</sup>

YEAR	SOURCE DOCUMENT	PRIORITIES
1995	Canada in the World: Canadian Foreign Policy Review 1995	<ul style="list-style-type: none"> <li>• Basic human needs: primary health care, basic education, family planning, nutrition, water and sanitation, and shelter</li> <li>• Women in development</li> <li>• Infrastructure</li> <li>• Human rights, democracy, and good governance</li> <li>• Private sector development</li> <li>• Environment</li> </ul>
2000	CIDA's Social Development Priorities: A Framework for Action	<ul style="list-style-type: none"> <li>• Health and nutrition</li> <li>• Basic education</li> <li>• HIV/AIDS</li> <li>• Child protection</li> </ul>
2002	Canada Making a Difference in the World: A Policy Statement on Strengthening Aid Effectiveness	<ul style="list-style-type: none"> <li>• Four social development priorities: health and nutrition, HIV/AIDS, basic education, and child protection</li> <li>• Agriculture and rural development</li> <li>• Private sector development</li> <li>• Cross-cutting theme: gender equality</li> </ul>
2003	Promoting Sustainable Rural Development Through Agriculture	<ul style="list-style-type: none"> <li>• National capacity</li> <li>• Knowledge for development</li> <li>• Food security, agricultural productivity, and income</li> <li>• Agricultural sustainability and natural resource management</li> <li>• Well-functioning markets</li> </ul>
2005	Canada's International Policy Statement; A Role of Pride and Influence in the World: Development	<ul style="list-style-type: none"> <li>• Governance</li> <li>• Health (focus on HIV/AIDS)</li> <li>• Basic education</li> <li>• Private sector development</li> <li>• Environmental sustainability</li> <li>• Cross-cutting theme: gender equity</li> </ul>
2009	CIDA news release: "Canada Introduces a New Effective Approach to Canadian Aid to Its International Assistance" <sup>22</sup>	<ul style="list-style-type: none"> <li>• Food security</li> <li>• Sustainable economic growth</li> <li>• Children and youth</li> <li>• Cross-cutting themes: environmental sustainability, gender equality, governance</li> </ul>
2010	Prime minister's news release: "Canada's G8 Priorities" <sup>23</sup>	<ul style="list-style-type: none"> <li>• Maternal, newborn, and child health added to the 2009 priorities</li> </ul>

<sup>21</sup> Adapted from Office of the Auditor General of Canada (2009).

<sup>22</sup> DFAIT is responsible for two other themes: promoting democracy and ensuring security and stability.

<sup>23</sup> See Canada (2010). The prime minister also wrote an op-ed on the priorities; see Harper (2010).

CIDA's most recent change in priorities, which occurred in 2009, was framed as part of CIDA's new approach to aid effectiveness. Again, new priorities were articulated through a press release, rather than the publication of a coherent policy framework.

According to the OECD-DAC and Auditor General of Canada, shifting priorities have been a long-standing weakness of Canada's aid (OECD 2012, 25; Office of the Auditor General of Canada 2009; see also Brown 2012). There are a number of reasons why shifting priorities are problematic.

First, properly designing and implementing projects can take years. According to the OECD-DAC, "CIDA's country desks and programme managers have been constrained by the short life-spans of Canada's various aid policies and priorities" (OECD 2012, 25). CIDA employees working in Tanzania, for instance, have reported such difficulties (den Heyer 2012). When new policies are announced, programming must be realigned. The impact of new priority announcements is minimal in the short term, especially for projects already underway. Rather than change projects, staff re-frame projects that are already underway to fit with new priorities (Office of the Auditor General of Canada 2009, 21).

Second, frequent shifts in priority themes challenge a development agency's ability to develop expertise, build on past accomplishments, and learn from mistakes, which decreases the likelihood of achieving long-lasting development results. The push to increase aid effectiveness and value for money tends to exacerbate this challenge since governments focus on short-term results in a bid to demonstrate their successes to taxpayers. In addition, frequent changes create uncertainty for development partners at home and abroad (Office of the Auditor General of Canada 2009).

Third, priorities tend to be broadly defined and lack clear direction and accompanying action plans (Office of the Auditor General of Canada 2009; OECD 2012, 25; Brown 2012, 91), which negatively affects the internal coherence of Canadian aid. As the Auditor General of Canada points out, broadly defined themes can "encompass a wide range of and overlapping programming areas . . . It is difficult to see how any greater focus can result from sectors as broadly defined as these" (Office of the Auditor General of Canada 2009, 21). For example, for a theme like private sector development, more than 100 different programming areas exist. The OECD-DAC called for a set of guiding documents, not only for CIDA's priority themes, but also the two themes under DFAIT—promoting democracy and ensuring security and stability (OECD 2012, 25). This lack of clarity and direction, which could be addressed through an overarching development

framework, not only affects CIDA but has cross-departmental consequences, resulting in policy incoherence and hindering the effectiveness of Canada's development efforts.

## Changing countries of focus

Like many donors, CIDA has limited its bilateral relations to a number of “countries of focus,” which the agency claims will maximize the value and impact of Canada's development assistance (CIDA 2012e). The increasing geographic focus of Canadian aid has been promoted by successive Canadian governments, prompted by OECD-DAC reviews that pointed to the very high fragmentation of Canada's country programs (DAC 2002; OECD 2007; Brown 2012, 90–91). Under the Liberal governments of Chrétien and Martin, countries in Africa, Asia, and Latin America were made priorities, whereas under Harper's Conservative government, Canada's development presence in Africa has declined while the focus on Latin American and Asian countries has been renewed (Brown, 2008, 95; CIDA 2002; Canada 2009; Crane 2012).

In 2005, following the publication of Canada's International Policy Statement, CIDA announced that the bulk of its bilateral assistance would concentrate on 25 developing countries, of which more than half were in Africa. The Liberal government indicated that countries were selected based on their level of poverty, ability to use aid effectively, and the extent to which Canadian presence would add value (Canada 2005).

In 2009, Oda announced in a media scrum that CIDA would be reducing its number of focus countries but did not specify any details (CBC News 2009). This is another example of a major policy shift being made in what appears to be an ad hoc manner. CIDA later released details about Canada's plan to focus on 20 countries, which would receive 80 per cent of Canada's bilateral assistance (CIDA 2009). Twelve countries from the 2005 focus countries group remained priorities in 2009. Neither CIDA nor the Conservative government indicated how countries were selected at the time, however. The lack of transparency on the selection process and absence of an adequate rationale for why certain countries were selected drew criticisms from members of the Canadian development community.<sup>24</sup>

CIDA's *Development for Results 2010-2011* report later explained that countries were selected based on need, capacity to manage development programs, and alignment with Canadian foreign policy priorities (CIDA 2012e). Yet, the absence of an adequate rationale for cutting the number of focus countries suggests that decisions were not based on a clear, long-term vision for development. While the report was an attempt to

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<sup>24</sup> For a critique of both the 2005 and 2009 selections, see Tomlinson (2009).

illustrate the government's development strategy, it does not replace the need for an overarching development framework.

Using “increased aid effectiveness” as a justification for reducing the number of focus countries falls short. There is no proof that reducing the number of countries will improve aid effectiveness and frequent changes make aid more volatile, leading to risks like creating aid orphans (Brown 2011, 477; see also Munroe 2005). In addition, the lack of clear and transparent criteria for the selection of focus countries has sparked public debates in the media and among members of the Canadian development community about how countries are selected and changes communicated. Members of the Canadian development community have argued that selection was driven by trade and strategic reasons, rather than based on needs. Especially in light of Canada's reduced support to African countries, critics have questioned Canadian support to middle-income focus countries such as Colombia, Peru, and the Ukraine, where Canada has trade interests. The new list reduced the number of African focus countries from 14 to seven, which some observers interpreted as Canada abandoning the African continent, where development challenges are the greatest (Lupick 2009; Cayo 2009). Pressure on CIDA to deliver quick and visible results was also a likely deciding factor why some African countries disappeared from the priority list (see Brown 2012).

While commending Canada on doubling aid to Africa over the 2007–12 period, the OECD-DAC recommended that Canada prioritize sub-Saharan African countries, where needs are greatest. It also stated that this approach should be elaborated in a development cooperation strategy that is placed in context of Canada's foreign policy (OECD 2012, 10).

## Partnerships for development: CIDA's new approach

In line with CIDA's aid effectiveness agenda, the Conservative government has announced a number of changes to how the agency engages with civil society and private sector partners. Again, these announcements were made in the absence of an overall plan or rationale for the decisions beyond improving aid effectiveness.

In July 2010, Oda announced that CIDA would be overhauling its Canadian Partnerships Branch—renamed Partnerships with Canadians Branch—by establishing new funding guidelines for Canadian CSOs in a bid to streamline application processes and reduce administrative burdens for project applications on CSOs (CIDA 2010e). The announcement led to a move from a more responsive funding mechanism to a competitive process based on calls for proposals. In order to target Canada's

development efforts, the Partnerships with Canadians Branch would ensure that half of partnership funding went to the 20 focus countries and 80 per cent of partnership investments aligned with CIDA's priorities. Oda explained that "by introducing more transparency, timeliness, and predictability in partnership funding . . . [Canada's] efforts will have greater impact and sustainable results" (CIDA 2010e). The alignment of CSO funding with CIDA's priorities was a deliberate measure aimed at improving aid effectiveness.

In addition to changes in CSO partnerships, CIDA has looked at the potential of the private sector to contribute to addressing development challenges in the areas of sustainable economic growth, food security, and children and youth (CIDA 2012f). While it has a Policy on Private Sector Development that focuses on developing countries' private sectors (see CIDA 2003), the agency began developing a private sector strategy to articulate how it intends to harness the private sector in its approach to development (though, in light of the CIDA-DFAIT amalgamation, it is unclear if and how such a strategy will be carried forward). Despite the lack of a formal strategy, CIDA announced a number of partnerships with the private sector based on the rationale that greater partnership with the private sector will improve aid effectiveness.

In 2011, as part of CIDA's Sustainable Economic Growth Strategy and the government's Corporate Social Responsibility Strategy, Oda announced that CIDA would be partnering with non-governmental organizations and mining companies—spending \$26.7 million—to support projects that are directed toward reducing poverty in Columbia, Peru, Bolivia, Ghana, and Burkina Faso (CIDA 2011b).<sup>25</sup> These projects involve non-governmental organizations Plan Canada, World University Services of Canada, and World Vision Canada, which are partnering with mining companies IAMGOLD, Rio Tinto Alcan, and Barrick Gold, respectively (CIDA 2011b). While the government supports many private sector-led initiatives,<sup>26</sup> CIDA's support for corporate social responsibility initiatives, particularly those involving companies in the extractive sector, has led to a sustained public debate on the nature of how contracts have been awarded and the role of an aid agency in supporting corporate social responsibility work. The lack of transparency on how and who CIDA engages with, as well as clear policy and processes for selecting partners, has been a major target of criticism (CBC News 2012). The OECD-DAC stated that Canada needs to ensure that development objectives and developing country ownership are reflected in the activities that CIDA takes on with the private sector (OECD 2012, 11).

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<sup>25</sup> See Blackwood and Stewart (2012) for a critical review of CIDA's work with the mining sector.

<sup>26</sup> See Reilly-King (2012) for a list of initiatives.

A key challenge for CIDA's partnerships is that the Canadian government not only lacks an overarching development strategy that articulates a vision for development (and the role of partners therein), but also a policy for partnerships more generally. Although new initiatives and mechanisms have been announced to improve the effectiveness of Canadian aid through partnerships, there is no overarching framework that would serve as a foundation to tie the mechanisms together and ensure coherence across partnership modalities, priorities, and goals. As a result, CIDA's approach to partnerships seems ad hoc, lacking in transparency and a clear rationale behind decision-making processes. What is needed is a clear development framework that is established in consultation with Canada's partners. This framework should outline how the new DFATD will engage with partners, both at home and abroad, and under what circumstances. Such a framework would have the potential to ensure internal coherence in Canada's development programming.

## Articulating a coherent, transparent story

The theme of aid effectiveness serves as the underlying narrative and rationale for key policy shifts and directions in Canada's approach to foreign aid. However, the lack of a clear, overarching policy framework that guides Canada's development efforts has meant that policy shifts appear to be ad hoc and not transparent. The absence of such a framework hinders the government's and CIDA's abilities to effectively communicate their development vision to the public. Indeed, the OECD-DAC recommended that CIDA "be more open, using regular dialogue and communication to keep employees and partners informed of changes and reforms" and develop guidelines on policy consultation (OECD 2012, 16, 31).

Canada's aid efforts would benefit from the creation of an overarching development framework that serves as a long-term approach to development. Such a framework would help to place Canada's aid policy in its broader foreign policy context and provide continuity to major policy announcements. A development framework could also contribute to improving the transparency of decision-making processes by offering a rationale for priorities and articulating how CIDA's policies, programs, and partnerships work together. This would also contribute to improving the internal coherence of Canadian aid by demonstrating how goals, objectives, programs, monitoring, and reporting function together. The current approach that defines Canadian aid, namely a series of ad hoc attempts to improve aid effectiveness, is not sufficient to meet these ends. The focus on aid effectiveness only captures a small part of Canada's engagement with the developing world. A broader vision that includes aid and non-aid

policies is needed for Canada to achieve better PCD and be an effective international development actor.

## Intra-Country Coherence: Canada's Commitment to Policy Coherence for Development

Over the past decade, various CIDA reports and statements recognized that for development to be effective, a long-term, stable development strategy needs to be in place. The unimplemented Canada's International Policy Statement emphasized the importance of making "the Government's aid and non-aid policies" more coherent (Canada 2005). The statement, which was based on extensive consultations with CSOs and inter-ministerial discussions (Hunter 2012, 28), advocated that Canada: (1) must place stronger attention on interactions between Canada's international agenda and its development goals; (2) needs to employ a stronger WGA; and (3) needs to have a better and more integrative approach toward policy research (Canada 2005). More recently, Oda said that she does not see a difference between Canada's trade and foreign policy interests and Canadian development goals (Payne 2012). The 2013 federal budget clearly signalled greater alignment between Canadian foreign policy and development goals through the creation of DFATD, though what this will look like in practice is unclear.

While Canada does not have a development policy framework, some examples of horizontal coherence across government departments exist. Historically, Canada has framed its PCD efforts in terms of the WGA that it takes in priority fragile states, such as Afghanistan and Haiti (rather than its broad approach to engagement with fragile states in general). The WGA—a form of intended coherence—usually focuses primarily on coordinating departments in a specific country context and toward a specific end. It is not a broader system of coherence and coordination that can be or has been applied to all developing countries that Canada engages with. This section outlines Canada's WGA and makes the case that PCD must move past this approach and be guided by a framework that considers the impacts of non-aid policies on development more broadly.

### A whole-of-government approach

According to the OECD (2006, 64), in comparison to other donor countries, Canada occupies a middle ground when it comes to progress toward establishing policy

coordination mechanisms, with one mechanism being a WGA. The 2006 OECD report *Whole of Government Approaches to Fragile States* emphasizes that in order for donors to work effectively across “political, security, economic, and administrative domains,” a WGA is required (OECD 2006), since it facilitates intra-country coherence. In the Canadian context, the WGA includes three dimensions: foreign policy, the promotion of peace and security, and sustainable development (OECD 2007, 64). Canada’s first WGA was introduced in 2005 during its mission in Afghanistan and in the larger context of fragile states and countries in crisis, such as Haiti and Sudan (OECD 2007). In Afghanistan, the government saw Canadian assistance as contributing to poverty reduction and fighting extremism, which in turn contribute to Canada’s national security (OECD 2007, 30).<sup>27</sup>

In 2010, Canada announced new commitments. Canada’s efforts in Afghanistan after the 2011–14 period would focus on four areas: health and education of children and youth, advancement of security and law, regional diplomacy, and humanitarian assistance (DFAIT 2010; Canada 2012). However, critics have argued that the Conservative government’s focus on military spending has raised questions about Canada’s actual priorities in Afghanistan (Crane 2012; McLeod Group 2012), especially in light of cuts to Canada’s international assistance to Afghanistan in 2012 (Berthiaume 2012).

Various government departments acknowledge a lack of cross-departmental communication and that more coherence is needed across “economic, social, political and environmental policies” (OECD 2007, 13). At the same time, the OECD-DAC has seen Canada’s WGA as having contributed to cross-departmental coherence and policy coherence (OECD 2007, 23, 31, 64; OECD 2012). In its examination of Canada’s coordination during humanitarian emergencies, for which Canada takes a WGA, the OECD-DAC commended the government on its cross-departmental coordination and extensive rapid response tool box (OECD 2012, 19).<sup>28</sup>

While the WGA may lead to greater coherence, it should not be seen as a substitute for an overarching development framework. As previously mentioned, a WGA is primarily applied to specific country contexts. A development framework is concerned with the impacts of all policies on development (see Figure 1), allocates general roles and

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<sup>27</sup> In the context of fragile states and conflict-affected countries, the WGA brings together DFAIT, the Department of National Defence, and CIDA (OECD 2007).

<sup>28</sup> However, the OECD-DAC critiqued Canada on the issue of its need for a clear, strategic vision that applies humanitarian principles and provides transparent accountability in humanitarian programming. It also called for a more focused and transparent program to improve the predictability of Canada’s funding for humanitarian emergencies, especially in the context of schemes whereby the government promises to match public fundraising efforts (OECD 2012, 19).

responsibilities to various departments, and provides information on the overall approach to development.

## Beyond a whole-of-government approach: policy coherence for development

The absence of a clear development framework, which could be used to improve PCD, hinders Canada's contribution to development through foreign aid and the Canadian government as a whole (OECD, 2007, 31; Rae and Johnston 2010, 6). In 1995, Chrétien's Liberal government published *Canada in the World*, a review of Canadian foreign policy that had the aim of reaching foreign policy objectives more efficiently and cost-effectively through increased international cooperation and mutually supportive domestic and international economic policies. In the review, the government emphasized the need for a consistent direction for Canada's international role. Moreover, the review indicated that Canadians want an active foreign policy and understand that a "strong, united Canada" is essential in order to achieve Canada's objectives in the world (DFAIT 1995).

In 2002, under the leadership of then minister of international cooperation, CIDA committed to improve policy coherence toward developing countries within the Canadian government and made policy coherence a key component of its development cooperation (CIDA 2002). At the 2002 Kananaskis Group of Eight summit, Canada committed to focus on global economic growth, support the New Economic Partnership for Africa's Development, combat terrorism, and liberalize trade to benefit the least developed countries (Martin, Lavallee, and Ben-Aron 2002). Under the duty-free, quota-free trade initiative that emerged from Kananaskis, least developed countries were offered favourable access to Canadian markets. The OECD-DAC highlighted this initiative as a positive example of PCD on trade policy (OECD 2012, 12).

In Canada's International Policy Statement, the government promised coherence between aid and non-aid policies (Canada 2005; Goldfarb and Tapp 2006, 13). It took various steps to bring expertise together across departments, agencies, and independent bodies to improve its PCD. For example, a framework agreement was signed by CIDA and the Office of the Auditor General of Canada (OECD 2007, 32). This resulted in CIDA annually reporting to Parliament on the government's ODA contribution.<sup>29</sup> Although CIDA states that it has signed administrative arrangements with

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<sup>29</sup> See, for instance, CIDA (2012c).

a number of departments (CIDA 2004; CIDA 2006; CIDA 2008), there is no detailed public information available about which departments are involved.

The OECD-DAC has recognized that Canada has made some progress on PCD, but more work needs to be done. Notably, it shows that Canada has made little progress on articulating a clear overarching development framework and only some progress on policy coordination mechanisms and monitoring, analysis, and reporting systems. It points out that, while a number of coordination mechanisms exist, CIDA has had difficulty “developing a set of issues for action,” which is hampered by the lack of a development framework. In terms of monitoring, analysis, and reporting systems, the OECD-DAC cited the inclusion of an indicator on policy coherence in CIDA’s 2010–11 report to Parliament as a measure of some progress (OECD 2012, 36).

## Challenges to policy coherence in Canada

Canada faces a number of challenges in improving PCD. These include institutional and political incoherence and intended and unintended incoherence resulting from conflicting domestic objectives and international development goals. A historical study by The North-South Institute reveals some insights into these challenges (see NSI 2003).

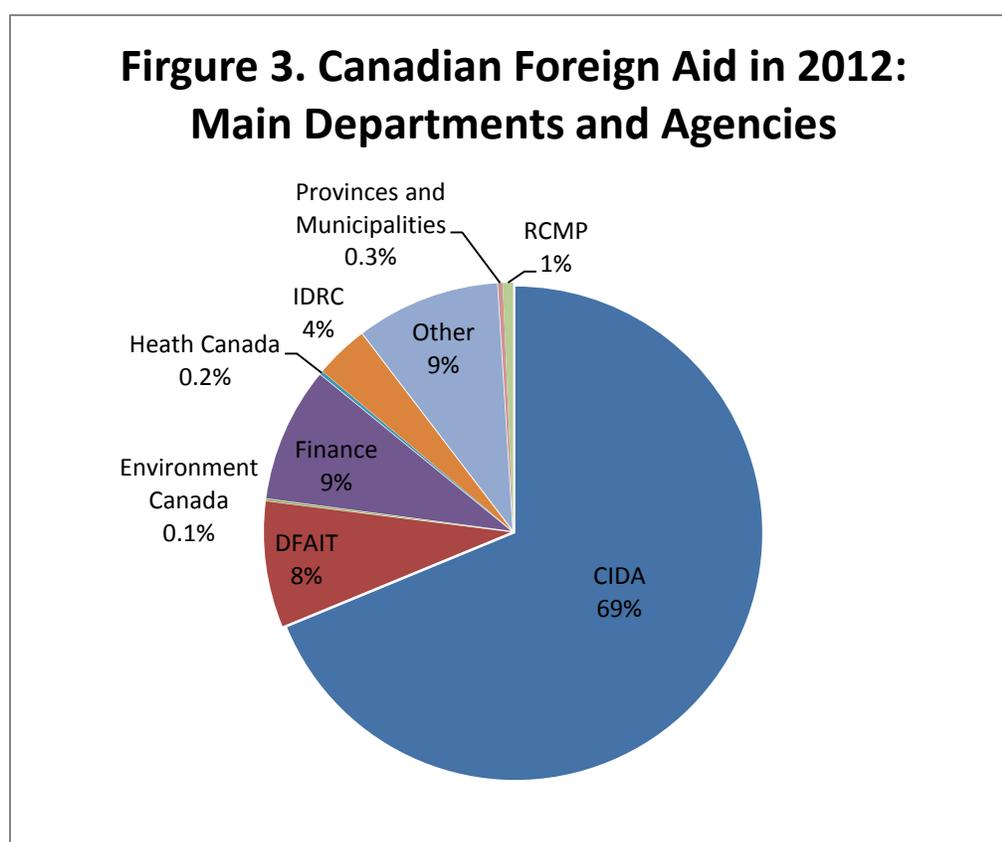
From a formal standpoint, the power to improve policy coherence lies within central government institutions (the Office of the Prime Minister, Privy Council Office [PCO], and Cabinet)<sup>30</sup> and different departments and agencies, which have diverse resources, decision-making functions, and levels of capacity (Weston and Pierre-Antoine 2003, 36). In the past, the complex institutional structure of the government did little to facilitate coherence and coordination, with CIDA’s minister reporting directly to Parliament and not to the minister of foreign affairs (Goldfarb and Tapp 2006, 14). The OECD-DAC pointed out that while CIDA was responsible for facilitating PCD, it did not have a strong enough mandate or the necessary leverage and capacity to achieve better coherence (OECD 2012, 38). Bill Morton (2009, 6) adds that there is a lack of communication between CIDA and the government as a whole, which contributes to a lack of policy coherence. Departments seem to make contradictory statements, which may be due to the changing political priorities. Policies are not resilient to such change

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<sup>30</sup> The Office of the Prime Minister puts forward suggestions for the staffing of important government positions to the governor general of Canada. In addition, it handles press and public relations, such as speaking engagements (Hodgetts n.d.). The role of the Privy Council Office is to provide advice and support to the prime minister and Cabinet (PCO 2012). The role of the Cabinet is to formulate government policies and priorities (Hodgetts n.d.). Each body is a vital component of the government’s overall decision-making process that can influence how decisions lead to policy development and are communicated.

(OECD 2007, 30). The OECD-DAC recommended that Canada ensure procedures are in place for effective inter-departmental cooperation (OECD 2012, 39).

Although the majority of Canada's aid budget has historically been managed by CIDA, the Department of Finance Canada and DFAIT are also involved in delivering international assistance. The interests of other departments, such as Industry Canada, Health Canada, the Department of National Defence, and Natural Resources Canada, have also come into play during budgeting (Goldfarb and Tapp 2006, 5). Figure 3 shows the government departments that were involved in the delivery of Canadian ODA during the 2010–11 fiscal year.



Source: NSI (2013)

This arrangement means that bodies, such as DFAIT, the Department of Finance Canada, and the Office of the Prime Minister, are influential decision makers when it comes to aid spending, which observers argue has hindered CIDA's ability to function freely (Johnston 2010, 49; Carin and Smith 2010, v). Indeed, as Brown (2011, 478–79) points out, PCD is not inherently positive—it depends on the priorities of central government institutions and the interests of various departments and agencies.

Some critics claim that Canadian aid policies, despite their stated purpose of supporting poverty reduction, largely serve “Canadian security, foreign policy, and economic interests” (Swiss 2010, 2). Incoherence in this case can be intended or unintended. While Canadian aid focuses on long-term development with the primary goal of poverty reduction, it is influenced by political interests and domestic commercial motives (Goldfarb and Tapp 2006, 2). Until recently, the lack of transparency around government priorities has raised questions about strategies that appear coherent but are not necessarily seen as having a strong development objective.

For example, a number of CIDA’s countries of focus are new or emerging trade partners for Canada, many of which have achieved middle-income status. The Canada–Colombia Free Trade Agreement was signed in 2008. In 2009, Colombia was announced as one of CIDA’s focus countries. Similarly, the Canada–Peru Free Trade Agreement came into effect in 2009. Peru is also a focus country. While development challenges remain in these middle-income countries, critics have argued that the government was using foreign aid to bolster trade relationships in what appeared to be a coherent strategy. Due to the absence of a policy framework, the government has been criticized for what appears to be a coherent strategy that serves Canadian commercial interests. Critics see the creation of a clear development framework as one way to mitigate the influence of political interests in Canada’s approach to development (Gulrajani 2010, 41; Brown 2011, 480).

More recently, the government has provided greater clarity on the role of aid in Canadian foreign policy. As part of the implementation of the ODAAA, the minister of international cooperation must present a report to Parliament on Canada’s ODA. Unlike previous reports that focused largely on the results of ODA without placing it within the broader foreign policy context, the 2011–12 report stated that:

Canada’s official development assistance advances Canada’s foreign policy objectives: 1) increasing economic opportunity through international engagement; 2) mitigating security risks; and 3) promoting Canadian principles and values such as freedom, democracy, human rights and the rule of law. Within the context of these foreign policy priorities, and with an overarching goal of reducing poverty, Canadian assistance focuses on five thematic priorities [food security, sustainable economic growth, children and youth, advancing democracy, and security and stability]. (CIDA 2012c, 1)

While the report makes clear that aid aligns with Canada’s foreign policy objectives, it does not unpack the relationship between aid objectives—namely reducing poverty—and Canada’s foreign policy goals more broadly, such as pursuing economic opportunities. Nevertheless, the report provides a clear signal that the Canadian government sees aid as a tool for pursuing national interests.

Another issue relates to incoherence arising from conceptual gaps (see Picciotto 2005a, 12; Barry, King, and Matthews 2010). In its review of Canada’s development cooperation, the OECD-DAC found that Canadian policy-makers have two interpretations of PCD. The first is that development cooperation is coherent with foreign policy. Under this interpretation, the emphasis is on the impact that development policies can have on foreign policies, rather than the other way around (OECD 2007, 13). In the second interpretation, policy-makers emphasize internal coherence as a mechanism to improve aid effectiveness (OECD 2007, 31). This involves CIDA improving coherence “between its partnership and bilateral programmes” (OECD, 2007, 31). In order to improve understanding and awareness of PCD across the government, the OECD-DAC called for (1) high-level political commitment to PCD, including requirements for all departments and agencies; (2) the creation of strategic cross-government objectives; and (3) enhanced development-related understanding across key government departments and capacity to facilitate greater PCD (OECD 2012, 37).

The extent to which the creation of DFATD will address the main sources of incoherence in Canada—namely those that lead to political, institutional, intended, and unintended incoherence—remains to be seen. The announcement of the amalgamation of CIDA with DFAIT did not include mention of an accompanying policy framework. The past is rife with an apparent lack of political commitment to establish such a framework. As pointed out by Adam Chapnick, there is a lack of political incentive in Canada to make development and, as such, the articulation of an overarching development framework a priority. He points out that the development assistance portfolio has never been a priority for any government over the past two decades, unlike in other countries, such as the United Kingdom, where support for development tends to run across political parties. Furthermore, the politicization of Canadian aid mitigates against long-term strategic planning (Chapnick 2012, 307–315).

## Institutional solutions for improving policy coherence for development

Critics have suggested a number of ways to improve Canada's PCD, largely centred on the institutional structure of the government and how it could better address coherence and coordination issues. Suggested solutions have included folding CIDA into DFAIT to ensure better coherence, clarifying the division of labour between DFAIT and CIDA, and establishing a more autonomous aid agency, similar to the International Development Research Centre<sup>31</sup> (Weston and Pierre-Antoine 2003; Canada 2007; Gulrajani 2010, 44; Carin and Smith 2010, 10–11; Johnston 2010; Brown 2011, 473; Greenspon 2010, 83).

While many critics agree that Canada's approach to and institutions responsible for development need to change, it will take a number of years before DFATD is established and fully functioning. While DFATD may have the potential to improve policy coherence, institutional composition is only one way by which greater PCD can be achieved. Other factors are critical. Indeed, as Gulrajani (2012, 55–56) points out in her comparative analysis of Canadian, Norwegian, and British aid, leadership, cross-party political support, and a coherent vision for progressive international development may be more important factors. In the absence of an overarching development framework that prioritizes development, there is also no guarantee that merging CIDA with DFAIT will lead to greater PCD. Some critiques suggest that the merger will lead to the prioritization of national policy objectives that hinder development policies (Gulrajani 2010, 43; Smillie 2004, 19).

## A Coherent Vision: Improving Internal and Intra-Country Coherence

An overarching development framework has the potential to articulate a long-term vision for Canada's role in international development, clarify who is responsible and accountable for what across government departments and agencies, and promote internal and horizontal coherence. Such a framework would provide the government and the public with a clear indication of Canada's approach to development, its partnerships, and its contributions. Its production would require the government to dedicate the time and resources to actually think through and formulate the why, what, and how of its engagement with the developing world.

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<sup>31</sup> The International Development Research Centre is an arms-length Crown corporation.

A development policy framework would provide a basis to improve CIDA's internal coherence, aid effectiveness, and transparency. A framework that establishes the substantive basis for long-term priorities and planning would provide the necessary predictability and consistency for government departments and agencies that deliver aid to build expertise, determine lessons learned, and ultimately improve aid effectiveness. Although the government would have to dedicate time and resources to this endeavour, as pointed out by the OECD-DAC, there is a need for it to articulate how priorities, partnerships, procedures, programs, and projects work together in a coherent fashion to enable Canada to reach its development goals. An overarching development framework could clarify how these pieces fit together and serve as a critical mechanism to improve coherence. Finally, such a framework would improve the transparency of Canadian aid priorities and become a tool for public engagement.

A development policy framework would also assist the government in moving past its focus on the WGA concept. PCD is, at least in part, about the systematic assessment of how non-aid policies impact development outcomes (OECD 2012, 11). At this point, Canada has no formalized means for conducting such an assessment. A development framework would provide a starting point. If constructed in partnership with and applied to other departments and agencies, an overarching development framework would provide the basis for articulating lines of responsibility and accountability for Canada's overall engagement with the developing world. It would also contribute to alleviating misconceptions about the roles of various government departments and agencies in Canadian aid delivery and, more broadly, Canada's relationship with developing countries. A collaborative approach to the production of the framework is critical not only to ensure buy-in across the government but also to begin the process of developing in-house expertise on development across departments and agencies. Indeed, one of the OECD-DAC's recommendations from its 2012 Peer Review was for Canada to build capacity for analysis on how domestic policies affect developing countries (OECD 2012, 11). A collaborative approach would also contribute to building working relationships on shared goals among everyone involved.

## Conclusion: Which Vision?

While consensus that an overarching framework is needed exists among academics and policy analysts, views differ on what it should entail. Barry Carin and Gordon Smith (2010, 9) suggest that Canadian values should be openly expressed in Canada's aid policy, which should reflect a degree of coherence between the policies of various departments, especially DFATD and the Department of National Defence. Liam Swiss, on the other hand, calls for a more ambitious "National Project" for development cooperation that aligns with innovative donors. In addition to including shared Canadian values, he argues for features such as cross-government engagement on development, embracement of multilateralism, and more political will and public support (Swiss 2010, 6–7).

Recognizing that strengthening Canada's development cooperation ultimately means strengthening the policies and programming of the government as a whole, Morton (2009, 1, 6–7) suggests the 2008 ODAAA may serve as a useful starting point for an overarching development policy framework. However, Brown (2011, 481) cautions that the act lacks substance. Moreover, it does not provide a legal mandate for CIDA or any government department in the same way that legislation in other countries has done so (Gulrajani 2010, 45). This is because the ODAAA defines development spending in regards to ODA and natural disaster spending; not all the activities carried out by CIDA are classified as ODA. For the 2009–10 fiscal year, the ODAAA covered 90.2 per cent of Canada's flows to the developing world (CIDA 2013).

This report does not offer a substantive vision for Canada's development framework, although the authors presume that such a vision would make reference to Canada's international and domestic development cooperation commitments, such as the international aid effectiveness agenda and the ODAAA. Regardless of the form it takes, an overarching policy framework for Canada's engagement with the developing world is needed. The key components needed in this framework are the rationale and vision for Canada's aid and engagement with the developing world, clarification on the role of different policies and partners, and guidance for the Canadian government as a whole. Such a framework could provide an effective way for Canada to demonstrate its commitment to global development and provide a basis for its relationships with developing countries.

PCD is a complex issue and a number of challenges remain. For nearly a decade, the Canadian government gave no indication that it was willing and able to allocate the

required time and resources to improving PCD and establishing an initial framework to this end. The amalgamation of CIDA with DFAIT presents an opportunity for change. As the government moves forward with legislation to govern DFADT, questions relating to PCD are likely to feature prominently.

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