

# CANADA

## 1) QUANTITY OF AID

### 1.1. Current/Recent Quantity Performance:

Net ODA \$US\$m	4725
% of GNI	0.32%

Source: OECD/DAC, preliminary 2008 data.

Since 2001, Canadian ODA has increased rapidly in absolute amount (up from US\$1533m) and relative to GNI (up from 0.22%).

### 1.2. Future Quantity Intent

Canada has committed to double its 2001 ODA in nominal terms by 2010. The OECD/DAC estimates that this will equate to \$US4875m of Canadian aid by 2010 or 0.34% of GNI (DAC, 2009). It has also pledged to double aid to Africa between 2003-04 and 2008-09. Both commitments were made at the 2005 G8 summit in Gleneagles, see G8 (2005, final page).

## 2) KEY AGENCIES/MECHANISMS

### 2.1 Agencies and Structures

#### *Canadian International Development Agency (CIDA)*

CIDA is Canada's lead agency for development assistance, responsible for around 80% of Canada's ODA and virtually all of its non-debt relief bilateral aid. The remaining 20% is administered by the Department of Finance, Foreign Affairs Canada (DFAIT), and the International Development Research Centre (IDRC). In addition, certain provinces, notable Quebec, allocated their own respective aid budgets (CIDA 2008b). CIDA has a mandate to: "*support sustainable development in developing countries in order to reduce poverty and to contribute to a more secure, equitable, and prosperous world*" (CIDA, 2007b). In fiscal year 2005-2006, 78% of the total Canadian aid envelope was allocated by CIDA (CIDA, 2007c). CIDA has a particular focus on governance and democracy – its recently-created Office for Democratic Governance intends to both generate innovative governance programming for CIDA and act as a hub of expertise on governance issues for other donors (CIDA, 2007d). CIDA is a relatively centralised agency – most major programming decisions are made at headquarters level rather than by country offices. The agency plans to increase the use of locally-engaged staff, delegate greater authority to field offices, and provide field offices with greater resources (CIDA 2008a).

### 2.2 Key Policies and Documents

#### *Canada's International Policy Statement – Development (CIDA, 2005a)*

The International Policy Statement (IPS) sets out CIDA's approach to development through five priority sectors: (i) good governance, (ii) health (with a focus on

HIV/AIDS), (iii) basic education, (iv) private sector development, and (v) environmental sustainability — all to be implemented with gender equality as a crosscutting theme. The IPS also identifies areas where Canada will focus its efforts within these sectors, and details the decision to focus Canadian aid on fewer countries (see below).

### 3) RECIPIENT COUNTRIES AND ALLOCATION CRITERIA

#### 3.1. Recipient Countries

Top ten countries	% of total ODA gross disbursements	% of bilateral ODA gross disbursements	US\$m
Iraq	5.4%	7.5%	202
Cameroon	3.2%	4.4%	121
Afghanistan	3.1%	4.3%	115
Haiti	2.4%	3.3%	90
Indonesia	1.9%	2.6%	72
Ethiopia	1.7%	2.4%	64
Bangladesh	1.4%	1.9%	54
Ghana	1.4%	1.9%	53
Mozambique	1.4%	1.9%	53
Sudan	1.3%	1.8%	51

Source: OECD/DAC, 2005-2006 data.

Note: Iraq received uncharacteristically high levels of ODA in 2005-06 due to debt cancellation.

The top ten recipients listed above received 32% of bilateral ODA in 2005-06. As of 2006, Canada gives aid to more countries than any other donor – around 150 in total; however, it is aiming to see aid concentrated in fewer countries in the coming years (see below).

Distribution among different groups of recipients (% country allocated / region specified bilateral ODA disbursements):

Least Developed Countries	41.3%
Other Low Income Countries	20.8%
Sub-Saharan Africa	34.3%

Source: OECD/DAC, 2005-2006 data.

#### 3.2. Allocation Criteria

##### 3.2.1. *Pre-selection criteria*

Canada has no pre-selection criteria for countries to receive its aid.

##### 3.2.2. *Allocation criteria:*

CIDA is currently reviewing its geographic concentration. Some changes already feature in CIDA (2008a), which organizes Canadian aid allocation into 4 constituents: (i) Countries of concentration, (ii) Fragile States and countries in crisis, (iii) Selected Countries and Regions, (iv) Multilateral, International and Canadian institutions.

By 2010, Canada will concentrate at least two thirds of its bilateral development assistance on 25 development partner countries (called countries of concentration in

CIDA, 2007a 2008a), 14 of which are in Africa. As of May 2007, Canada's partner countries are: Benin, Burkina Faso, Cameroon, Ethiopia, Ghana, Kenya, Malawi, Mali, Mozambique, Niger, Rwanda, Senegal, Tanzania, Zambia, Bolivia, Guyana, Honduras, Nicaragua, Bangladesh, Cambodia, Indonesia, Pakistan, Sri Lanka, Vietnam, and Ukraine (this list is taken from CIDA, 2007f).

Partners are selected on the basis of three criteria:

- Level of poverty. Only countries with below US\$1,000 in average per-capita annual income will be considered for designation as Development Partners. Human development indicators will also be considered.
- Ability to use aid effectively. Criteria for assessment include economic management, structural policies, policies for social inclusion and equity, and public sector management and institutions. Countries ranking at the bottom of the World Bank's Country Policy and Institutional Assessment or CPIA (1 on a scale of 1-5) will not normally be considered as Development Partners.
- Sufficient Canadian presence to add value. Preference will be given to countries where Canada has a strong enough current presence to add value to policy dialogues and delivery. Canada aims to be among the five largest donors in "core countries of interest" (CIDA 2008a).

Secondly, Canada allocates ODA to Fragile States and Countries in Crisis. CIDA (2008a, p26-29) singles out Afghanistan, Haiti, and countries affected by the 2004 tsunami, namely India, Sri Lanka, and Indonesia. Remaining tsunami funds will be disbursed by March 31, 2009. Canada has committed USD1.1 billion to Afghanistan through 2011.

The third group of countries/institutions receiving Canadian ODA is called "Selected Countries and Regions". This group encompasses programmes in all countries and regional institutions not included in the other three groupings but with which Canada has political, economic, or social linkages. Examples include capacity building in the Caribbean through the Caribbean Community and Common Market (CARICOM), supporting South Africa's National Strategic Plan on HIV/AIDS, and strengthening Africa's regional and sub-regional organizations by supporting institutional capacity.

The fourth group is named "Multilateral, International and Canadian Institutions". This includes support to multilateral institutions (both global and regional), as well as partnership programming with Civil Society Organisations and Private Sector Organisations. For more information see section 4.3 below.

Canadian aid programmes in middle income countries will be phased out in the coming years.

#### **4) AID POLICIES**

##### **4.1. Concessional**

Canada does not disburse loans, as it disburses all of its aid in the form of grants. All Canadian aid is in the form of grants.

## 4.2. Types of Assistance

Breakdown of different types of ODA (commitments unless otherwise stated):

	\$USm	% of gross bilateral ODA disbursements
Stand-alone technical cooperation (disbursements)	500.1	30.0%
General budget support	17.6	0.9%
Sectoral projects and programmes (including some technical cooperation)	157.4	8.2%
Action related to debt	305.1	18.3%
Developmental food aid	5.3	0.3%
Other commodity assistance	-	-
Emergency and distress (disbursements)	93.9	4.9%

Source: OECD/DAC, 2006 data; CIDA, 2006 data

Note: The breakdown into different types of assistance shown in the table is taken from different OECD/DAC data sources. As such, the final column does not add to 100%.

Canada has not announced an explicit policy favoring either programme, project, or general budget support.

CIDA looks at both external and CIDA-specific considerations necessary to judge the appropriateness of undertaking General Budget Support (GBS) in a specific country. These typically include: (i) the extent of country ownership and commitment; (ii) the probability for effective donor harmonization; (iii) the extent of CIDA's internal capacity to manage its participation using such funding (CIDA, 2005b, p5).

CIDA also has financing from the "Canadian Local Initiatives Fund", managed by the Canadian Embassy in the relevant country. This Fund is used to finance small projects submitted by local groups (CIDA, 2007g).

Paris indicator 9, which measures the percentage of programme based arrangements (PBA's) in a donor's total aid portfolio, reports best practice in Ghana (81%), Tanzania (77%) and Ethiopia (76%). HIPCs also indicate a high proportion of programme support in Mali and Senegal, but varying levels elsewhere.

HIPCs also indicate considerable variation in the degree to which Technical Assistance is coordinated by Government and builds capacity, with Guyana suggesting strong performance. Paris Declaration indicator 4 shows best practice in Nigeria, Mali and Morocco, where 100% of TA are coordinated with Government strategies.

## 4.3. Channels of Assistance

Canada allocates around 27% of its ODA via multilateral organisations, of which 39% goes to UN agencies and 24% to the World Bank. Approximately 14% of CIDA's ODA is allocated to NGOs and private sector organisations (Source: OECD/DAC, 2004 data CIDA, 2006 data).

In 2005-06, around USD1.2bn of Canadian bilateral assistance was allocated in geographic government-to-government programmes, which is the equivalent of 54% of CIDA's ODA (Source: OECD/DAC, 2006 data).

There is considerable variation in whether Canadian ODA is on-budget. In terms of best practice, one HIPC, (Mali) out of 15 indicates that almost all aid is on-budget, and one (Senegal) indicates that around 75% is on-budget.

#### 4.4. Sectors and Projects

Sector	% of bilateral ODA (commitments)
Social and Administrative Infrastructure	37.0%
Of which: Education	7.8%
Health	7.7%
Population	2.9%
Water supply and sanitation	2.0%
Government and civil society	14.8%
Economic Infrastructure	3.2%
Of which: Transport and communications	0.8%
Energy	0.5%
Production	6.1%
Of which: Agriculture	3.9%
Industry, mining, construction	1.4%
Trade and tourism	0.5%
Multi-sector	4.8%
Programme Assistance	1.0%
Action relating to debt	18.3%
Emergency aid	9.1%
Administrative expenses	7.5%
Unspecified	3.6%

Source: CIDA, 2006 data.

In 2007, Canada announced a new set of priorities. Prime among them is CIDA and DFAIT support for reconstruction and poverty reduction in Afghanistan. Other priorities include engagement in the Americas, doubling aid to Africa by 2008-09, a focus on democratic development, and technical assistance for public sector reforms in developing countries (CIDA 2008a).

Canada has been one of the first donors (before even the Rome declaration on aid effectiveness in 2003) to take country ownership into account when determining programming priorities: *“In keeping with the principles of local ownership and donor coordination, CIDA will also firmly situate its country programming orientations within the locally owned frameworks identified by developing countries, particularly through the PRSP process where CIDA is satisfied that this process involves a legitimate participatory approach (CIDA, 2002, p8).*

Among HIPCs, Ethiopia, Mali, Guyana and Sierra Leone all consider that 100% of Canadian aid is aligned to priority PRSP sectors and projects.

#### 4.5. Flexibility

Canada does not often finance a partner country's needs in terms of combating against shocks, or filling budget gaps. All of its aid is programmed at the start of each year. Hence the relevant HIPC-CBP indicator has only 1 country (Guyana) indicating that Canadian aid is highly flexible, though Bolivia and Ghana suggest some flexibility.

#### **4.6. Predictability**

Canada is aiming to reach consensus on its geographic concentration (see section 3.2 above) in the near future, to allow for long(er)-term predictable financial commitments in its partner countries (CIDA, 2008a).

Five HIPCs (Bolivia, Guyana, Honduras, Mozambique and Nicaragua) indicate that Canada provides more than 75% of its aid in a multi-year framework though; once again, assessments are highly variable. However, Canada's disbursement record appears to be good: among HIPCs, Mali indicates that disbursements are close to 100% of plans, but almost all recipients of Canadian aid indicate that more than 75% of aid is disbursed in the intended fiscal year. This is confirmed by the Paris survey (indicator 7), which finds high levels of disbursements especially in Ethiopia (95 %), Ghana (96 %) and Zambia (97%).

#### **4.7. Conditionality**

CIDA (2005b, Annex B) goes into quite some detail about the issues that need to be taken into consideration before considering GBS and pooled funding (see also section 4.2.): *“There are four factors that should be considered when decisions regarding direct budget support are being made: (i) The degree of consensus that exists between the host-country government and donors on policies and priorities, with regard to the budget and on broader aspects of the policy environment for poverty reduction, (ii) the net benefits of engaging at one level over another, (iii) the capacity of local institutions to deliver results, and (iv) the accountability of local institutions to their constituents”*. One can derive from those statements the type of conditionalities that the Canadian cooperation would attach to GBS/pooled funding.

According to HIPCs, Canadian conditionality varies considerably in its strictness (both in terms of enforcement and the disbursement delays it causes). Bolivia, Guyana Malawi and Nicaragua see it as less onerous than other countries.

#### **4.8. Policy Dialogue**

Canada engages in concerted policy dialogue with government and other donors, especially where it is providing budget support. According to HIPCs, Canada's engagement in support of government policies and programmes is generally high, especially in Mozambique, Mali and Guyana.

In terms of links to BWI disbursements, Canada does not formally tie its funding to an IMF programme. However, CIDA 2005b distinguishes between GBS supporting a macro-economic reform programme and GBS supporting a government owned poverty reduction strategy (PRS): the former would be more closely linked to an IMF programme. HIPCs indicate that Canadian budget support is extremely closely tied to BWI disbursement decisions, except in Mali.

### **5) AID PROCEDURES**

#### **5.1 Conditions precedent**

CIDA (2006, pp.8-9) gives a good overview of procedural conditions: *“As a norm, a Memorandum of Understanding (MOU) or an Exchange of Letters (EOL) covering the project may be required to be negotiated and signed by CIDA and the recipient*

*country. In all cases, CIDA and the proponent will sign a Contribution Agreement (also known as sharing arrangement), not a contract, detailing the project description and scope, expected results, detailed budget (split by sources of funding), project activity schedules, responsibilities of the proponent and the recipient country partner including their financial contributions to the project, etc. The agreement will authorize CIDA to undertake audits, operational reviews, monitoring and/or evaluations. The Contribution Agreement will include a detailed basis of payment and a provision that no profit (or surplus) can be associated with the Contribution Agreement.”*

Proposals submitted by eligible applicants must necessarily fulfill the following five basic criteria (CIDA, 2005, appendix A):

- Primacy should be on the project’s impact on development;
- The project must conform to the country-programming framework (CPF);
- The project must conform to CIDA’s strategic country/region-programme framework, where one exists;
- No profit should be associated with the sharing Arrangement;
- In general, a maximum threshold of 5 million dollars per contribution shall be applied. The applicant who requests from CIDA a contribution of more than five million dollars must clearly state the reason why the financing requested exceeds the global ceiling; and
- In the approval process, account must be taken of cost-sharing and capital leverage (applicants are encouraged to illustrate and highlight all costs in their proposals in order to increase the chances for their projects to be accepted under the reactive bilateral Mechanism).

According to the Paris survey indicator 6, Canada still used many PIUs in 2007, with the exception of Afghanistan, Bangladesh, Central African Republic, Colombia, Ethiopia, Ghana, Kenya and Mozambique, where it had none .

According to HIPC’s, Canada has very variable types and numbers of conditions precedent, but in several countries requires only a legal opinion. HIPC’s also indicate that demands for counterpart funding vary but, in Guyana, Malawi and Sierra Leone, Canada demands no counterpart funds at all.

## **5.2 Disbursement Methods**

The Canadian fiscal year starts on April 1. The country operates by a system of tranching advances, disbursed on the basis of project reports and results. There is no requirement to open a special account, because disbursements are made directly from Canada straight into the Embassy accounts.

According to HIPC’s, disbursement methods vary, with only Ghana reporting 100% cash advances to Government, and other countries indicating reimbursements or payments direct to suppliers. Delays caused by disbursement methods are reasonably low (under 3 months in Sierra Leone, and 6 months in Ghana, Guyana and Malawi).

## **5.3 Disbursement Procedures**

According to HIPC’s, the number of additional (to beneficiary government) disbursement procedures demanded by Canada varies, with only legal opinions asked in Malawi, Rwanda and Sierra Leone. Paris Indicator 5a, which measures how much

of Canadian aid uses local public financial management (PFM) systems, reports best practice in Afghanistan (100%), Ethiopia (100%) and Nicaragua (99%). Further details of Canadian disbursement procedures are still being collected.

#### 5.4 Procurement Procedures

Canada still ties a significant proportion of its aid, but is committed to the OECD/DAC agreement which requires the untying of all aid to LDCs. 50% of food aid remains tied to Canadian providers (CIDA, 2008a). In 2006, the DAC estimated that Canada tied 37% of its aid (excluding Technical Assistance).

The Canadian approach to procurement combines two aspects:

- For food aid, it authorizes CIDA in emergency cases and other special circumstances, to purchase foodstuffs and other food items in other countries, provided total purchases do not exceed 10% of the annual food aid budget. Only 40% to 60% of the remaining budget will be used to purchase Canadian food items, since the remainder will be used for transport fare within Canada or between Canada and developing countries. The in-Canada component of the international transport costs is often quite small. Thus, the percentage of the budget that is linked to the purchase of Canadian goods and services is lower than 90%.
- For non food aid, Canadian policy varies depending on the aid mechanism used. The Directorate General of Canadian Partnership provides aid only to Canadian institutions or organizations. In accordance with a policy defined in 1987, ceilings defined for untied aid provided by bilateral mechanisms are respectively 50% for sub-Saharan and least developed countries and 1/3 for all other developing countries. This untying sought mainly to make it easier to finance local costs. Under this policy, up to 10% of funds for a project could be used to obtain supplies directly from other industrialized countries, but only if it is impossible to procure regional, local or Canadian substitutes of goods and services or where the latter are unsuitable.

CIDA's procurement process rests on the pre-selection of suppliers through a tender service, a national electronic information system on markets compliant with federal policy and the Canadian domestic trade agreement. It takes into consideration the contribution of CIDA's partners and aims to increase effectiveness, openness and equity, as well as competition among Canadian suppliers. For contracts over \$100,000, CIDA applies three methods while for contracts under \$100,000, CIDA continues to resort to consultants through standing offers and to invite suppliers to submit summary proposals. The award of contracts is subject to an independent disputes settlement mechanism. In this regard, the government is aware that it needs to ensure that Canadian goods and services meet the specified needs and that their prices are competitive (CIDA, 2007h).

HIPCs indicate that delays in Canadian aid projects and programmes caused by procurement vary considerably, but are kept under 3 months in Malawi and Sierra Leone. Paris Indicator 5b, which measures how much aid uses local procurement systems, reports best practice in Senegal (100%), Vietnam (100%), Zambia (100%), Jordan (100%), Nicaragua (99%), Tanzania (97%), Kenya (94%) and, Mozambique (93%).

### 5.5 Coordination

Canada is committed to the Paris Declaration on Aid Effectiveness and to improving its coordination with other donors. It was one of the first donors to make serious efforts on aid effectiveness through its 2002 Policy Statement “Canada Making a Difference in the World” (CIDA, 2002). It is working to implement the Paris Declaration domestically by 2010 (CIDA, 2008a).

For example, CIDA is assisting coordination and harmonization efforts to support national development or poverty reduction plans in countries such as Ghana, Mozambique, and the Ukraine.

According to the Paris survey (indicator 10a), Canada conducts few of its missions jointly with other donors. Best practice can be found in Colombia (81% joint) and Honduras (67%). All analytical work Canada carries out (Paris indicator 10b) is done jointly with other donors in Bangladesh, Ghana and Tanzania.

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