



REINVENTING CIDA

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Reinventing CIDA

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EXECUTIVE SUMMARY

This report reviews the principal problems with the various approaches to development assistance and the operational shortcomings of the Canadian International Development Agency (CIDA), Canada's main mechanism for providing bilateral aid. Overall, the Canadian Government lacks a clear set of development assistance priorities. CIDA suffers from a range of institutional problems that constrain its ability to deliver aid effectively, flexibly, and in a focused manner. The report concludes that CIDA should adopt a number of new approaches focused on providing incentives to, and encouraging greater competition among, those organizations delivering assistance.

To provide a broader context for these suggestions for re-directing the thrust of Canadian development assistance policy, the report reviews recent research on the efficacy of the international effort in the development field (see Appendix 1). Negative appraisals of development assistance emerging from this research highlight:

- weaknesses in setting overall priorities (development vs. foreign policy vs. security vs. humanitarian assistance);
- inability to set development priorities (clean water, literacy, health, governance and institutional development, education or infrastructure);
- lack of concentration in key countries and in best performing multilateral agencies;
- proliferation of aid agencies, institutions and delivery vehicles;
- deficiencies in co-ordination with other donors;
- inadequate recipient country buy-in and "ownership";
- corruption in recipient countries;
- tied aid compromises effective delivery; and
- insufficient and non-credible performance measurement.

CIDA has suffered more reviews than any government endeavour, most of which confirm that the agency has too many masters and too many priorities (see Appendix 2). Nonetheless, each of a range of interest groups insists that their own priority should take precedence. Moreover, the government imposes multi-dimensional operational constraints on CIDA, resulting in a risk-averse culture with ever tighter controls, decreasing discretion and flexibility, and an increasingly onerous administrative and paper burden on CIDA officers.

Faced with these challenges, the report concludes that CIDA should be liberated and re-invented.

First, the government should task CIDA with developing strategic, focused objectives, e.g. poverty reduction through economic growth or effective and legitimate governance. Focus should not be defined in sectoral terms (trading-off health against education or gender against environment) or in terms of priority countries; instead, CIDA should have the flexibility to support the most promising ideas, regardless of sector, to reduce poverty and improve governance.

Second, the government should empower the "new" CIDA as a Crown Corporation with its own Act. To increase its effectiveness, it should be given the flexibility to allocate funding among the several delivery methods that emphasize incentives and competition. It should also announce a limited number of priorities for development assistance for the next three years, along with the criteria to determine spending allocations, and establish a separate budget and responsibility centre for humanitarian aid (as opposed to longer term development assistance).

Third, the government should empower CIDA to adopt new approaches, emphasizing the provision of incentives and greater competition amongst those delivering assistance. For example, transparent competitive grants where CIDA calls for proposals describing what it wants to accomplish, and outlining the verifiable results and outcomes it is willing to pay for. CIDA should become a competitive “wholesaler” providing financing on a competitive basis for executing agents with a proven capability, whether inside or outside government. Canadian government agencies, multilateral institutions, private voluntary and non-governmental organizations (NGOs) in Canada and other countries, universities, and cooperatives, among others, should be eligible to compete for CIDA projects.

CIDA could establish a mechanism similar to the U.S.’s Millennium Challenge Account. Other promising approaches adopted in other countries (see details in Chapter 3) include advanced market commitments (AMCs) and progress-based aid. The report also reviews such approaches as “prospective inter-jurisdictional competitions” and conditional cash transfers. Promising approaches in the areas of remittances, tax incentive programs, and microfinance are described. The report notes winning strategies - “best buys” - from the MIT Poverty Action Lab that focus on establishing incentives. To buttress public support, CIDA could encourage independent ratings of its own performance vis-à-vis other aid agencies.

Fourth, the report acknowledges that CIDA will face a number of inter-related obstacles to meaningful reform. These include:

- contractors and executing agents dependent on the continuation of current practice;
- Foreign Affairs opposing concentration and focus and insistence on remaining present in as many countries as possible;
- insistence by government central agencies on performance measurement in which results are inherently hard to measure;
- multi-year financial commitments which mean that any change in priority takes time to implement, but reaps immediate criticism and opposition; and
- the lack of a domestic constituency for effective aid.

Accordingly, the report concludes that reform will only be possible if CIDA develops a sophisticated, multi-audience, multi-media communications strategy to convince the main players (general public, government, contractors, NGOs) of the necessity for change.

SOMMAIRE

Ce rapport examine les principaux problèmes associés aux diverses façons d'aborder l'aide au développement et aux lacunes opérationnelles de l'Agence canadienne de développement international (ACDI), le principal mécanisme du Canada pour dispenser de l'aide bilatérale. Dans l'ensemble, le gouvernement canadien manque d'un ensemble clair de priorités en matière d'aide au développement. L'ACDI souffre d'une gamme de problèmes institutionnels qui restreignent sa capacité de dispenser l'aide de façon efficace, souple et focalisée. Le rapport conclut que l'ACDI devrait adopter un certain nombre d'approches qui focalisent sur des mesures incitatives accordées aux organismes dispensateurs de l'aide et qui encouragent un plus grande degré de concurrence entre ces organismes.

Pour élargir le contexte de ces suggestions visant à réorienter l'élan de la politique canadienne d'aide au développement, le rapport examine des recherches récentes sur l'efficacité de l'effort international dans le domaine du développement (voir Annexe 1). Les évaluations négatives de l'aide au développement qui émergent de cette recherche font ressortir :

- des faiblesses dans l'établissement des priorités d'ensemble (développement vs politique étrangère vs sécurité vs aide humanitaire) ;
- une incapacité d'établir des priorités de développement (eau propre, alphabétisation, santé, gouvernance et développement institutionnel, éducation ou infrastructure) ;
- manque de concentration sur des pays clés et sur les agences multilatérales qui ont la meilleure performance ;
- prolifération des agences, des institutions et des véhicules de prestation de l'aide ;
- déficiences dans la coordination avec d'autres donateurs ;
- adhésion et « appropriation » inadéquates de la part des pays récipiendaires ;
- corruption dans les pays récipiendaires ;
- l'aide conditionnelle compromet l'efficacité de la prestation ; et
- mesures du rendement insuffisantes et non crédibles.

L'ACDI a subi plus d'examens que n'importe quelle autre entreprise du gouvernement, dont la plupart confirment que l'agence a trop de maîtres et trop de priorités (voir Annexe 2). Néanmoins, chacun des nombreux groupes d'intérêts intéressés insiste pour que ses propres priorités aient préséance. En plus, le gouvernement impose à l'ACDI des contraintes opérationnelles multidimensionnelles, ce qui aboutit à une culture qui a horreur du risque, avec des contrôles de plus en plus stricts, ce qui diminue la capacité discrétionnaire et la souplesse et impose aux agents de l'ACDI un fardeau administratif et procédurier de plus en plus onéreux.

Devant ces défis, le rapport conclut qu'on devrait libérer et réinventer l'ACDI.

En premier lieu, le gouvernement devrait donner à l'ACDI la tâche d'élaborer des objectifs stratégiques et focalisés, par exemple sur la réduction de la pauvreté par le truchement de la croissance économique et d'une gouvernance efficace et légitime. Le point focal ne devrait pas être défini en termes sectoriels (marchandage de la santé contre l'éducation ou du genre contre l'environnement) ou en termes de pays prioritaires ; l'ACDI devrait plutôt avoir la souplesse d'appuyer les idées les plus prometteuses, quel que soit le secteur, afin de réduire la pauvreté et d'améliorer la gouvernance.

En deuxième lieu, le gouvernement devrait donner à une « nouvelle » ACDI les pouvoirs d'une société d'État dotée de sa propre Loi. Pour améliorer l'efficacité, elle devrait avoir la flexibilité

d'allouer le financement entre plusieurs méthodes de prestation qui mettent l'accent sur les mesures d'incitation et la concurrence. Elle devrait aussi annoncer un nombre limité de priorités d'aide au développement pour les trois prochaines années, parallèlement aux critères permettant de déterminer les allocations de dépenses, et établir un budget et une centre de responsabilité séparés pour l'aide humanitaire (par opposition à l'aide au développement à plus long terme).

Troisièmement, le gouvernement devrait donner à l'ACDI le pouvoir d'adopter de nouvelles approches, qui mettraient l'accent sur la l'instauration de mesures d'incitation et sur une plus grande concurrence entre les prestataires de l'aide. Par exemple, des subventions compétitives transparentes où l'ACDI lance des appels de propositions qui décrivent ce qu'elle souhaite accomplir et les résultats et produits vérifiables pour lesquels elle accepte de payer. L'ACDI devrait devenir un « grossiste » concurrentiel qui fournit du financement sur une base concurrentielle à des agents exécutants dont la capacité est éprouvée, à l'intérieur comme à l'extérieur du gouvernement. Les organismes gouvernementaux canadiens, les institutions multilatérales, les organisations bénévoles non gouvernementales (ONG) privées du Canada et d'autres pays, les universités et les coopératives, entre autres, devraient être admissibles à se faire concurrence pour des projets de l'ACDI.

L'ACDI pourrait établir un mécanisme semblable au *Millenium Challenge Account* des États-Unis. D'autres approches prometteuses adoptées dans d'autres pays (voir les détails au chapitre 3) comprennent des garanties d'achats futurs (*advanced market commitments AMC*) et de l'aide basée sur les progrès réalisés. Le rapport examine également des approches comme « les compétitions prospectives interjuridictionnelles » et les transferts d'argent conditionnels. Les approches prometteuses dans les domaines des remises, des programmes d'incitation fiscale et de microfinance y sont décrites. Le rapport notes des stratégies gagnantes – des « meilleurs achats » - du *MIT Poverty Action Lab* qui met l'accent sur la mise en place de mesures d'incitation. Pour se mériter l'appui du public, l'ACDI devrait encourager l'attribution de cotes indépendantes de son propre rendement vis-à-vis celui d'autres agences d'aide.

Quatrièmement, le rapport reconnaît que l'ACDI fait face à un certain nombre d'obstacles interreliés sur la voie d'une réforme signifiante. Se sont notamment :

- les contractuels et agents d'exécution, qui dépendent de la poursuite de la pratique courante ;
- les Affaires étrangères, qui s'opposent à la concentration et à la focalisation et qui insistent sur la volonté de rester présent dans le plus grand nombre de pays possible ;
- l'insistance, par les organismes centraux du gouvernement, sur la mesure du rendement dans laquelle les résultats sont par nature difficiles à mesurer ;
- des engagements financiers pluriannuels qui veulent dire que tout changement de priorités prend du temps à s'implanter mais qu'il récolte une critique et une opposition immédiates ; et
- le manque d'une structure de base intérieure qui fait que les programmes d'aide sont efficaces.

Suite à ces prolégomènes, le rapport conclut que qu'une réforme ne sera possible que si l'ACDI élabore une stratégie de communication sophistiquée, axée sur des auditoires multiples et faisant appel aux multimédias, pour convaincre les principaux acteurs (le grand public, le gouvernement, les contractants, les ONG) de la nécessité du changement.

Aid people Field
way assistance ones
institutions failed effects
little something discouraging
billion Africa DFID Eliminating
part problem pockets
World system wrong
income years incompetence malignant Now
know governance UNICEF aid engage
broken development Ottawa mistakes funds put
difference much results put engage
bureaucracy oil staffs somebody's costly
make Poverty gets country's great
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great
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situation
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working
triumph
sub-Saharan
demonstrable
people's
able
authority
charity

INTRODUCTION

This report begins by reviewing criticisms and failings of foreign aid programmes in general. It moves on to describe the principal problems with the Canadian aid system and makes recommendations flowing from an analysis of the problems. Three principal themes emerge.

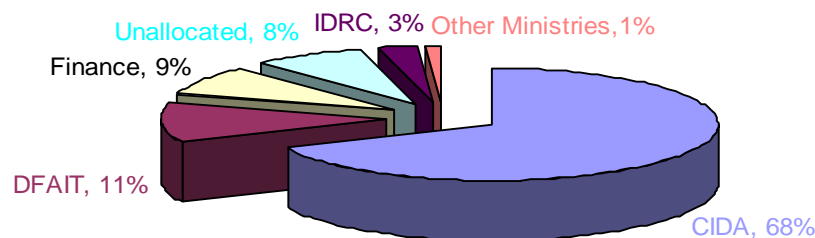
We don't know what we want to do: Canada lacks a clear set of priorities for our aid. A limited number of priorities are required both for programmatic consistency and effectiveness, and to make it possible to evaluate results, build on successes, and eliminate under-performing programs.

We don't have the right machine: The Canadian International Development Agency (CIDA) and the broader Canadian aid system suffer from several institutional problems that constrain the ability to deliver aid effectively, flexibly, and in a focused manner.

We aren't doing things the right way: After more than a half-century of efforts, we still have little knowledge about what types and modalities of aid assistance are most likely to produce positive, lasting results. There is a strong case for trying new approaches, including those focusing on provision of incentives and greater competition amongst those delivering assistance. These new approaches need to be designed so that lessons can be drawn from them.

The report provides a brief history of the discourse on aid effectiveness. Problems in development assistance are universal and extend to all official development agencies, not just CIDA. The report considers options to introduce incentives and competition into Canada's development assistance activities, run primarily by CIDA (see Figure 1 below). These complementary approaches are described, each of which provides the expectation of better performance on results and outcomes. The report proceeds with a review of the obstacles facing a departure from the status quo. Any significant change will encounter administrative, bureaucratic, and political impediments, all of which will require a sustained communications strategy to be overcome. The report concludes with suggestions both for specific administrative reforms and a related communications approach.

Figure 1. Canadian International Assistance Allocations by Department 2007-2008¹



This report is the product of the authors' decades of practical international experience; both have been Heads of Post abroad and senior officials at home in Ottawa. Not surprisingly, this report is operationally oriented and determinedly non-theoretical. That being said, the authors

¹ OECD, 2009, p. 20. <http://www.oecd.org/dataoecd/48/61/39515510.pdf>

recognize that well-meaning, well-informed observers and practitioners can confront the same situations and come up with significantly differing views.

A clear example can be seen in the contrasting reaction of two intelligent men to the current state of international development assistance policy.

David Brooks, the noted New York Times columnist, writes that it is time we faced a few difficult truths:

- We don't know how to use aid to reduce poverty;
- Micro-aid is vital but insufficient – even a blizzard of these efforts does not seem to add up to comprehensive change;
- It is time to address the thorny issue of culture. Haiti, like most of the world's poorest nations, suffers from a complex web of progress-resistant cultural influences; and
- Programs that really work involve intrusive paternalism; we must replace parts of the local culture with a highly demanding, highly intensive culture of achievement.²

By contrast, Paul Kagame, the President of Rwanda, is much less enamoured of direct foreign intervention.

Now, the question for our donors and partners: having spent so much money, what difference did it make? In the last 50 years, you've spent \$400 billion in aid to Africa. But what is there to show for it? And the donors should ask: what are we doing wrong, or, what are the people we are helping doing wrong? Obviously, somebody's not getting something right. Otherwise, you'd have something to show for your money. ...The donors have also made a lot of mistakes. Many times they have assumed they are the ones who know what countries in Africa need. They want to be the ones to choose where to put this money, to be the ones to run it, without any accountability. In other cases, they have simply associated with the wrong people and money gets lost and ends up in people's pockets. We should correct that. We should be working together, and agreeing where to put money, so that we know it will make a difference and are able to monitor that.³

The authors are acutely aware that in this field, as in most other aspects of international relations, where you stand depends crucially on where you sit.

² Brooks, 2010.

³ Perry, 2007. <http://www.time.com/time/magazine/article/0,9171,1666064,00.html>

CHAPTER ONE: STATING THE PROBLEM

AID DOESN'T WORK

"Aid has had no appreciable impact on development.... The problem is that aid is not benign – it's malignant. No longer part of the potential solution, it's part of the problem – in fact aid *is* the problem". Moyo, 2009, p. 44.

The indictments of development assistance are fairly persuasive. William Easterley's views are typical of the genre:

The West spent \$2.3 trillion on foreign aid over the last five decades and still had not managed to get twelve-cent medicines to children to prevent half of all malaria deaths. The West spent \$2.3 trillion and still had not managed to get four-dollar bed nets to poor families. The West spent \$2.3 trillion and still had not managed to get three dollars to each new mother to prevent five million child deaths.⁴

Moreover, it is a fact that income per person in the poorest countries in Africa has fallen by a quarter in the past 20 years.⁵

In recent years, a rising tide of doubt has assailed the well-intentioned purveyors of assistance to developing countries. Appendix 1 "General Critiques of Development Assistance" contains a summary of the main areas of concern, whether addressed by Western commentators such as Easterley, Nancy Birdsall or Simon Maxwell, or more starkly by Africans themselves, such as Dambisa Moyo. Among the perennial targets are: the effect of corruption on development assistance; problems with "tying" aid; issues related to concentrating assistance on targeted countries or sectors; faulty or non-existent project or program evaluation; the impact of aid on developing country competitiveness; and the centrality of good governance to effective development. The common thread in these critiques is that the effort to improve the lot of the world's poorest people (and especially Paul Collier's "bottom billion") seems to be failing, especially in regions such as sub-Saharan Africa.⁶ Ironically, this has occurred at a time when globalization of trade and investment has undeniably lifted hundreds of millions up the poverty ladder in other regions, such as eastern and southern Asia.

To return to William Easterly:

Like the ancient questors, we economists have tried to find the precious object (sic), the key that would enable the poor tropics to become rich. We thought we

⁴ Easterly, 2006, p. 2.

⁵ Dowden, 2005. http://www.ezilon.com/information/article_5201.shtml

"Dambisa Moyo goes too far in blaming aid as the problem. \$2.3 trillion spent in foreign aid over 50 years, if a reliable figure, has to be seen against the fact that over the last 60 years, the world's population increased from 2.5 billion in 1950 to more than 6.6 billion today, the bulk of it in developing countries. It is very, very sad that among the poorest countries in Africa income per head has fallen by a quarter in the past 20 years. But, translating \$2.3 trillion into annual per capita figure results in about \$12 per capita per year. How can one expect that this would resolve the problems?" Malan, Personal Correspondence, 2009.

⁶ Collier, 2007.

had found the elixir many different times. The precious objects we offered ranged from foreign aid to investment in machines, from fostering education to controlling population growth, from giving loans conditional on reforms to giving debt relief conditional on reforms. None has delivered as promised. The poor countries that we treated with these remedies failed to achieve the growth we expected. The region we treated most intensively, sub-Saharan Africa, failed to grow at all.⁷

CIDA DOESN'T WORK

If the first element of the puzzle concerns the enterprise of development assistance as a whole, the second is specifically Canadian. Within the larger international context, Canada's contribution to poverty alleviation, and particularly its main institutional mechanism, CIDA, seems ineffective.

Appendix 2 gives an account of CIDA's experience, focused especially on the difficulty which it has had over the years establishing and maintaining useful priorities. The Appendix places this track record alongside those of sister agencies, the United States' USAID and Britain's DFID. Senator Segal's recent assessment strongly suggests that change at CIDA is overdue.

"the Canadian International Development Agency has failed to make a foreign aid difference in Africa. Since its inception in 1968, CIDA has spent \$12.4 billion in bilateral assistance to sub-Saharan Africa, with little in the way of demonstrable results. CIDA is ineffective, costly, and overly bureaucratic. Approximately 81% of CIDA's 1,500 employees are based at headquarters in Ottawa. Field staff has little authority to design and implement projects or to allocate funds. This top-heavy system has perpetuated a situation where our development assistance is slow, inflexible, and unresponsive to conditions on the ground in recipient countries." (Segal & Stollery, 2007, xi).

Pity CIDA's management and employees! CIDA has suffered more reviews than any government endeavour;⁸ it has operated in an environment of instability and vacillation.

⁷ Easterly, 2001, p. xi.

⁸ They include, among others :

- Pearson's Commission on International Development (1969)
- "International Development" (part of the foreign policy review -1970)
- Report of the House of Commons Subcommittee on International Development Assistance (chaired by Georges Lachance)
- "Strategy for International Development Cooperation 1975-80" (1975)
- Report of the House of Commons Subcommittee on International Development Assistance (chaired by Maurice Dupras)
- Report of the Special Joint Committee of the Senate and the House of Commons on Canada's International Relations (Hockin- Simard, 1986)
- "For Whose Benefit?" Report of the House of Commons Standing Committee on External Affairs and International Trade (Winegard, 1987)
- "Sharing Our Future" (1988)
- International Policy Update (1993)
- Report of the Special Joint Committee of the Senate and the House of Commons Reviewing Canadian Foreign Policy (MacEachen- Gauthier, 1994)
- "Canada in the World" (1995)
- Canadian International Development Assistance Policies: An Appraisal (Pratt, 1996)

Too Many Masters – Too Many Priorities

CIDA is victim of a system that has too many “masters” – on the one hand, a range of interest groups, each of which insists that their priority should take precedence, and on the other, a government that imposes multi-dimensional operational constraints on CIDA’s freedom of action.

The government setting is parlous. The minister responsible for CIDA is an oft-shuffled “junior” minister, usually with relatively little influence in cabinet. Until recently, the Finance and Foreign Affairs departments dictated policy with respect to the bulk of our multilateral funding. Today the Prime Minister’s Office and the Privy Council Office appear to have great influence. The Finance Department still holds the whip hand over Canadian contributions and policy advice to the multilateral development banks. Despite the fact that the World Bank is primarily a development institution, the Minister of Finance is the Canadian Governor on the Board, not the CIDA minister.⁹ The Minister of Foreign Affairs is the Canadian Governor on the Boards of the Asian Development Bank, the African Development Bank, and the Inter American Development Bank.

As described in Appendix 2, CIDA has had too many priorities. From just two lines of business in 1950 – Technical Assistance and the Colombo Plan scholarships – the scope of programming has exploded to multidimensional delivery vehicles, to an ever-expanding list of bilateral clients and through an increasing number of multilateral public (and recently private) agents. The most recent legislation is of no help in limiting the number of priorities. In 2008, Parliament adopted the Official Development Assistance Accountability Act, a private member’s bill. Section 2 of the Act requires (emphasis added):

that all Canadian official development assistance abroad is provided with a central focus on poverty reduction and in a manner that is consistent with Canadian values, Canadian foreign policy, the principles of the Paris Declaration on Aid Effectiveness of March 2, 2005, sustainable development and democracy promotion and that promotes international human rights standards.¹⁰

In other words, nothing is left out. Section 4 of the Act provides three unfocussed criteria for assistance: contribute to poverty reduction; take into account the perspectives of the poor; and be consistent with international human rights standards.

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- Strategies of Public Engagement: Shaping a Canadian Agenda for International Cooperation (Gilles, 1997)
 - Canada. Development Cooperation Review 1998 (OECD, 1998)
 - Canada Making a Difference in the World: Highlights of CIDA’s Performance 2001-2002 (CIDA, 2002)
 - DAC Peer Review, Canada (OECD, 2002)
 - Policy Statement on Strengthening Aid Effectiveness, (2002)
 - Renewing Canadian Aid Policy and Practice, (CCIC, 2004) see http://www.ccic.ca/e/007/archives_aid.shtml for all AID archives
 - *ODA: Options and Challenges for Canada* by Ian Smillie (March 2004) (part of CCIC series)
 - OECD: Paris Declaration on Aid Effectiveness 2005
 - *Canada’s International Policy Statement* (2005)
 - “Overcoming 40 Years of Failure: A New Roadmap for Sub-Saharan Africa”
 - Report of the Standing Senate Committee on Foreign Affairs and International Trade (Segal, 2007)
 - Donor Self-Assessment Report to the OECD September 2008.

David Morrison provides an exhaustive chronology and commentary from 1950 to 1996 in *Aid and Ebb Tide: A history of CIDA and Canadian Development Assistance*, Wilfrid Laurier University Press, 1998.

⁹ It doesn’t have to be that way. In the UK, the DFID Minister is the Governor.

¹⁰ <http://laws.justice.gc.ca/eng/O-2.8/20100121/page-0.html?rp2=SEARCH&rp3=SI&rp4=all&rp5=Official%20Development%20Assistance%20Accountability%20Act&rp9=cs&rp10=L&rp13=50#idhit1>

But defenders of the Act argue that a sensible Act must be broadly drawn, that legislation should have a long shelf life, and that it should be robust in terms of being able to incorporate changing priorities in a changing world. Indeed the 2008 Act, for the first time in the history of Canadian aid policy, sets out a clear framework and allows operational priorities such as health or education to be changed as necessary.

CIDA's Administrative Overload

Over the years, there has been a drumbeat of Auditor General findings about CIDA:

- 1988: "The Canadian International Development Agency (CIDA) has inadequate control over some of its spending."
- 1990: "CIDA financed an inefficient Pakistani coal-washing plant to the tune of \$2.3 million, without first completing a feasibility study."
- 2000: "CIDA grants a \$6.3-million contract to a company headed by a friend of Prime Minister Jean Chrétien."
- 2005: "CIDA can't monitor millions in handouts."
- 2009: "As a result of lack of clear direction and action plans, coupled with broadly defined and shifting priority sectors, CIDA is not realizing its goal of making a more meaningful Canadian contribution."

There have been disproportionate consequences for minor errors and screw-ups, inevitable in billion dollar programs with hundreds of employees. The result has been a risk averse culture with ever tighter controls, decreasing discretion and flexibility, and increasing paper burden. There are too many operational constraints. Procedural rectitude now trumps all and the priority is to never make a mistake. CIDA is notorious for the excessive weight and paperwork imposed on its grantees and executing agents. Many contractors, including the present authors, have sworn off working with CIDA because of unreasonable paper burden and unrealistic reporting requirements.

Good ideas such as "results based management" (RBM) have morphed into smothering bureaucratic nightmares. It is widely perceived that RBM has not been thoughtfully developed and sensibly applied to CIDA business. RBM has failed as an effective tool of impact evaluation: it does not produce cumulative, actionable knowledge that can be used to improve programming, yet it imposes immense burdens and undue constraints on CIDA officials. RBM can be helpful when applied at a strategic level of policy and focus because it can generate and discipline rational debate on the impact of Canadian aid; however, when unsophisticated auditors and accountants impose this flavor of the month at the project level, it becomes a ritualistic system without substantive impact.¹¹

Performance audits should rank a series of comparable projects. Attributing incremental results to programming requires *ex-post* analysis of the effects of the project on pre-specified variables, for an array of comparable projects, with an estimate of the counterfactual. To achieve better results and to build on successes (and eliminate underperforming programs), we still need impact evaluation. The "answer" to RBM's problems should be more effective methods of evaluating and learning from the impacts of these new methods.

¹¹ "In the real world of government, management is less a rational undertaking than a human skill adapted to the institutional context and the personalities at play. There is a fundamental tension between actually getting the job done and trying to demonstrate adherence to the precepts of utopian management frameworks....We believe that the extensive resources required to try to advance the requirements of a performance management framework would do little to improve management in a real department." Ian D. Clark and Harry Swain, 2005, p. 455-64.

Traditional approaches cannot work in a multi-master, over-constrained system ruled by ever-changing priorities. There are some necessary conditions for aid to be effective:

- CIDA must be liberated from the political constraints imposed by Ministers, and the government's superfluous administrative reporting requirements;
- CIDA must be tasked with a limited number of priorities; and
- CIDA must be free to select effective programming approaches most appropriate to the context.

Otherwise, talk of results-oriented activity or outcome-based aid will be a lot of hot air. CIDA cannot free itself; instead, the government must free it.

Recent CIDA "Priorities"

In 2008, CIDA's homepage indicated it had seven priorities: "poverty reduction, democratic governance,¹² private sector development, health, basic education, equality between women and men, and environmental sustainability."¹³ Seven broad priorities, combined with twenty-five development partner countries (selected in 2005), are too many if the goal is to maximize cost-effectiveness. There is a need to choose. Rather than bite the bullet when faced with explicit trade offs, CIDA in the past acted as if there were no trade-offs, trying to please the various government departments and the crowd of domestic interest groups.

In February 2009, the government committed to a new policy to focus 80% of its bilateral assistance in 20 high-priority countries.¹⁴ The list of countries attracted immediate criticism. Only seven sub-Saharan African countries are on this list, compared with 15 countries that were on the original list of 25 produced by the government in 2005. Critics complain that: "This new policy would have a detrimental impact on several African countries that rely on strong bilateral support from Canada."¹⁵ Spending to the top 20 priority countries increased to 68% of CIDA's bilateral aid allocated by country in 2005-06 compared to 60% in 1999-2000.¹⁶ This is similar to that of Norway (70%), Sweden (68%) and the Netherlands (70%).¹⁷ The UK figure is 80% of country specific bilateral aid spent in the top 20 recipient countries.¹⁸

Last spring (May 2009), Minister Beverley J. Oda announced CIDA would focus on food security, economic growth rates, and children and youth. CIDA, from that point forward, would focus on only these three "themes". Exactly what falls under those extremely broad headings has yet to be determined. Minister Oda went on to say: "So now we have to find the focus in the focus and make sure we have a clear understanding of what's effective, what the needs are, how we can do it, what are the best ways of achieving the ends.... Nobody can argue against those big broad things, so my next step, of course, is what I call the focus in the focus."¹⁹ The

¹² Ignoring the evidence that democracy is not a prerequisite for economic growth, but that economic growth is a prerequisite for democracy.

¹³ The CIDA priorities were a confused mixture – different levels of objective setting, rather than different "items" for programming. Better health is an outcome to be achieved, while gender equality is a design criterion for health programming, and private sector development may be seen as a way to afford, resource and sustain health systems. The trade-offs are not between the listed items but between different ways of working.

¹⁴ <http://www.one.org/international/datereport2009/canada.html>

¹⁵ <http://www.one.org/international/datereport2009/canada.html>

¹⁶ http://www.oecd.org/document/49/0,3343,en_33873108_33873277_39509628_1_1_1_1,00.html

¹⁷ http://www.ccic.ca/files/en/what_we_do/002_aid_2008-09_roa_canada.pdf

¹⁸ This figure is for 2009. www.dfid.gov.uk/Documents/publications/sid%202009/Table%209.xls

¹⁹ <http://www.embassymag.ca/page/view/cida-5-27-2009>

opposition to her announcement was dramatic and misleading. “Bono will not be applauding”,²⁰ was the headline: “Being poor doesn't cut it any more, despite CIDA's mandate being to support sustainable development in developing countries, in order to reduce poverty.”²¹

John McKay is the Liberal MP whose private member's bill, the Development Assistance Accountability Act, passed with unanimous consent; it set out a legislative mandate requiring development aid to be targeted at poverty alleviation. After reading Oda's speech, his exasperation was reported as follows:

What the hell did I just do for the last 2½ years? I'm looking for the phrase 'poverty alleviation' but I can't find it. [McKay wants aid directed to poor people, not to bolster Canada's defence or diplomatic interests]. This is 'if you vote for us, you get our money; if you trade with us, you get our money'... it is a worthwhile initiative to better focus aid but if you don't have moral clarity about the purpose of aid, then you are doomed to repeat the mistakes of the past.²²

Oda's response was to remind people that the focus remains on reducing poverty, but that the “new approach will be geared toward enabling people to become self-sufficient.” This response will not quiet the opposition.²³ There has always been vigorous opposition to any attempt to introduce focus or concentration.

Minister Oda reported the government intends to deploy an additional 15% of CIDA's staff to the field and increase their flexibility to do their work. In fact, CIDA is asked to decentralize, but without expending resources. With respect to presence in the field, CIDA notes, “Our system must attract, deploy and support the requisite CIDA skills, capacities and authorities where we do business. Greater focus will help ensure that overheads are kept reasonable.”²⁴ CIDA is directed to streamline operations, decrease overhead but still enhance accountability, and adhere to multiple over-bearing government contracting regulations. CIDA is expected to untie aid and contribute to multilateral delivery mechanisms (at the expense of bilateral aid), but to ensure access for Canadian expertise.

.....

Given this background, which combines systemic doubt about the general efficacy of foreign aid with the record of Canadian institutional incapacity, how should our development assistance effort be reformed?

²⁰ Ivison, 2009. <http://www.nationalpost.com/scripts/story.html?id=48a8f537-62e3-4b03-8f21-ee0e115824f3&k=48598>

²¹ Ibid.

²² Ibid.

²³ See <http://www.presbyterian.ca/pconnect/daily/4851>

²⁴ <http://www.acdi-cida.gc.ca/ips-development>

CHAPTER TWO: REFORMING DEVELOPMENT ASSISTANCE

Canadian aid is relatively ineffective. It lacks vision and focus and is inflexible in the face of a changing world of needs, expectations and obligations. It is tied to multiple Canadian interests. It does not enjoy political consensus, public understanding and support; nor does it deliver value for money from the perspective of most of its stakeholders. Furthermore, its policies are subject to divisive influences, its purpose and objectives are confused, and its operational modalities are cumbersome and inefficient. It needs a radical overhaul, and not just tweaking at the margins.

VALUES, STRATEGIC FOCUS AND GEOGRAPHIC PRIORITIES MUST BE CLARIFIED

First, the values that underpin Canadian aid should be made explicit: the purpose of Canadian aid should be to improve the lot of the poor and vulnerable. It is in the Canadian interest to help create a world that is less poor and less vulnerable. Reflecting these values, the proportions to be spent through multilateral channels and on humanitarian aid should be legislated.²⁵

Second, strategic focuses should be defined, e.g. poverty reduction through economic growth and effective and legitimate governance.²⁶ They should not be defined in sectoral terms (trading-off health against education or gender against environment). Instead, CIDA should have the flexibility to support the most promising approaches to meet the objectives, regardless of sector.

Third, geographic priorities must be long-term and not change with every new government according to the swings of political ideology. Concentration of effort should be defined by development objective, not by number of countries. The aid will go to wherever there is greatest prospective impact, in a few or many countries depending on the opportunities and the volume of aid resources Canada wishes to make available. This also has the advantage that poorer people in the better-off developing world (who can be as poor as the poor in the least developed world) can receive help.

Priority setting by country is a trap.²⁷ The problem with focusing on numbers of countries is that the list will change over time. As countries improve, they should graduate out of aid, but it will be politically difficult to walk away from them. Political realities mean that vested interests will continually lobby for this or that country, a divisive business, fracturing the aid constituency.

STRATEGIC FOCUS

Programmatic consistency and effectiveness require defining a limited number of focused, medium-term priorities. Without these priorities, even an aid system with well functioning machinery will fail to produce results. A sensible approach would be to define only two, apart

²⁵ There is no 'correct' proportion – this is an arbitrary political decision. Humanitarian aid could be brought closer to development aid and a benchmark proportion of at least 20% of humanitarian allocations spent on risk reduction (one could conceive a comparable 20% of humanitarian relief in conflict situations going towards peace making and peace building).

²⁶ Ideally the aid policy should also spell out the coherence among different instruments of Canadian international policy, e.g., trade, military, diplomacy, etc., so that one hand does not give and the other take away.

²⁷ If we were to insist on selecting countries, the only *moral* way to do it is by starting from the list of LDCs and working upwards from the bottom, based on the total budget and the minimum threshold amount per country. A pragmatic approach discussed below is the US Millennium Challenge Account.

from humanitarian assistance: poverty reduction through economic growth and effective and legitimate governance.

Poverty Reduction through Economic Growth

After decades of aid and research on aid, there is no consensus among experts that development aid has made a measurable difference in economic growth or poverty reduction in recipient countries. Given this uncertainty, there is a compelling argument to go “back to basics” and make poverty reduction the core objective of Canada’s aid program. Several promising approaches for achieving this core objective are discussed in Chapter 3. Concentrating on this core goal makes sense: poverty is the single underlying condition that impacts all the other goals in Canada’s proliferating aid objectives (literacy, children and youth, food, health, safe water, etc.). Pursuing other goals without making progress on poverty-reduction distracts attention away from the failure of our efforts to deal with the core problem of poverty.

Lasting poverty reduction requires sustainable economic growth within the recipient country, not permanent flows of external aid. Whatever poverty-reduction policies are pursued, therefore, should be oriented towards promoting economic growth.

Effective and Legitimate Governance

A second objective warrants being identified as a medium-term strategic focus for Canadian aid policy: the promotion of effective and legitimate governance. First of all, in the hypothesized conditions that make aid effective, it does appear that countries with “better quality policies”²⁸ are associated, on average, with higher rates of GDP growth.²⁹ Promoting good governance, therefore, represents a reasonable initial focus, given existing knowledge, for an aid policy that aims to reduce poverty through economic growth.

Robert Zoellick, President of the World Bank, has stated: “Fragile states are the toughest development challenge of our era.”³⁰ Apart from poverty and its related ills, arguably the greatest threat to the developing world’s well-being is the harm caused by civil conflicts and state failure, and the resulting humanitarian and developmental costs. Canada’s aid policy should be rooted in Canada’s larger international goals. Stabilizing fragile states and preventing violence from erupting and spilling over international boundaries are crucial international security concerns. Promoting effective and legitimate governance as a second objective of Canada’s aid policy would therefore serve both poverty-reduction and broader Canadian foreign policy objectives.³¹

MACHINERY

No aid strategy or priorities can be successfully implemented without suitable, effective machinery. CIDA must be transformed into an independent Crown Corporation with a strong board. It must be relieved of paperwork burden and unrealistic reporting requirements (“ever tighter controls” in which “procedural rectitude trumps all”). These changes are required regardless of the substance of Canada’s aid priorities. Legislation must provide a specific waiver from the phalanx of existing prudential, accounting and reporting requirements.

²⁸ Defined according to 16 criteria measured in the World Bank’s Country Policy and Institutional Assessment, which focus on economic management policies; structural policies; policies for social inclusion and equity; and public sector management and institutions

²⁹ <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,contentMDK:20941073~pagePK:51236175~piPK:437394~theSitePK:73154,00.html>

³⁰ World Bank, 2008.

³¹ The UK has identified climate change as one of its aid policy themes; fragile states/good governance is just as, if not more, compelling.

KNOWLEDGE AND METHODS

Functioning machinery and clear priorities are essential, but for Canadian aid to make a difference requires effective *methods* of aid delivery, based on knowledge and expertise. Chapter 1 highlighted, and Appendix 1 described in more detail, the lackluster record of previous aid-delivery techniques, and our lamentable lack of knowledge about what kinds of aid are most likely to succeed. There is a pressing need for Canada to change its approach to delivering aid, specifically by trying new approaches, including those focusing on the provision of incentives and greater competition amongst those delivering assistance.

Canadian programming should be focused on competition. CIDA should solicit proposals from NGOs in Canada and abroad, other national development assistance agencies, international organizations and developing country governments. All potential executing agents should be eligible to respond to a call for proposals. With Canadian aid 100% untied, the choice of delivery agencies should be based on cost effectiveness and track record in a particular sector or country.³²

.....

The next chapter provides a review of promising methods, including competitive grants, the US Millennium Challenge Account, advance market commitments, pay-for-performance and progress-based aid, inter-jurisdictional competitions, the newly announced Development Initiative Fund, and conditional transfers.

³² Track record could be on an open “Zagat” style rating system. See page 30 below.

CHAPTER THREE: INTRODUCING INCENTIVES AND COMPETITION

“Whenever any kind of institution is freed from the need to compete for revenues, the results we can expect are wholly undesirable: declining quality, increasing costs, irresponsible and high-handed management. Competition makes people feel insecure and that is a good thing. When people feel insecure, they strive to become more secure and that in turn causes them to do their utmost to serve those who patronize them. In the end, they reduce scarcity and lift society.” Leef, 1996.

What would a truly effective assistance program look like? There are five unpleasant facts of life that first must be addressed:

- Development assistance will be ineffective unless it is managed as a bottom-line business. This entails that expected outcomes must be clearly defined. Desired results must be specified with performance and verifiable outcome measures. Open “progress-based” international tenders should be called where donors enter a contract with the recipient to pay a specific amount for a specific bit of progress achieved above a baseline.
- Development is a long-term process. The donor should commit to a decade long process at a minimum, otherwise the development of local institutions, which requires sustained effort by insiders, cannot occur. The idea of capacity building must be combined with institution building.
- Local institutions will not develop unless sufficiently formed, trained, competent, and motivated public servants are adequately paid. Nancy Birdsall has observed that Paying public servants is a taboo among donors, but no donor has an actual policy against it.³³ Donors and donor-funded NGOs poach public servants from governments to run projects.³⁴
- When countries are selected, the first criterion should be the prospects of good governance and a credible commitment to development.³⁵
- There have been inadequate and ineffective investments in publicizing aid effectiveness success stories; this is essential to public support.

Aid donors suffer from pervasive schizophrenia. All their policy reviews, White Papers and press releases are chock-a-block with references to outcomes and results. “Results Based Management” is the new religion, but this has been overlaid with continual shuffling of priorities and reorganizations, plus extra process conditions and reporting dimensions in the name of auditing and accountability. How can CIDA square this circle?

CIDA must introduce proper incentives and the use of competition for scarce resources. Promising approaches must capitalize on competition and “smart conditionality” to provide effective incentives. A selection of these new ways of doing business follows.

³³ Woods, 2007, p.6.

³⁴ “the same spirit makes paying NGOs’ overheads a taboo amongst the public. And as far as poaching goes, donors and donor-funded NGOs poach from local NGOs, too. And if we don’t pay public servants or local NGOs well, of course they will leave their current employers for more money, or be more likely to succumb to the temptations of corruption.” Morley, Personal Correspondence, 2009.

³⁵ Sewell, 2005.

COMPETITIVE GRANTS – A NEW COMPETITION FUND

CIDA is no stranger to competitive grants.³⁶ Transparent competitive grants would provide an invaluable discipline. The government would have to clearly describe what it wants to accomplish – what are the verifiable processes, results and outcomes it is willing to pay for? This is not a new idea. In 1993, John Sewell proposed a new mechanism that would increase the effectiveness of bilateral aid by setting achievable goals and introducing competition into the allocation of U.S. bilateral aid resources. He proposed the creation of a Sustainable Development Fund (SDF) to replace USAID as the centerpiece of U.S. bilateral development cooperation, introducing competition among the many competent public and private development agencies; this was expected to lead to more efficient and effective development programs.³⁷

A new Canada Competition Fund could focus on a limited set of high-priority achievable development challenges, agreed on by Cabinet and endorsed by Parliament.

- ***The fund could be a competitive “wholesaler” of development assistance resources.*** It would provide financing on a competitive basis for executing agents with a proven capability: Canadian government agencies, multilateral institutions, private firms and NGOs in Canada and abroad, universities, and cooperatives, among others. The tenders would be open to all bidders. The process should involve a greater variety of for-profit and nonprofit organizations in both developed and developing countries.³⁸ This would allow CIDA to cooperate with a wider range of institutions across the world.
- ***It would stop the bleeding by delivering concentration on a limited set of development priorities.*** It would focus on a limited number of global problems, (e.g. “poverty reduction through economic growth, and effective and legitimate governance”) explicitly emphasizing the needs of the poor. Once priorities were agreed, grants would be confined to these subjects until the list was revised by further legislation. Appropriations would be allocated to these priority areas, leaving CIDA substantial discretion in the implementation of programs.
- ***The Fund’s activities would be targeted on achievable results.*** The Canada Competition Fund would have a long-term focus, not looking for immediate solutions or making allocations to particular countries based on the foreign policy need of the moment; it could fund critical needs that are currently under-funded and for which necessary knowledge and technologies already exist.
- ***It would be responsive to developing countries’ own perceptions of their priorities and needs.*** Those who respond to CIDA’s requests for proposals would be required to demonstrate the active support of relevant national, provincial, and/or local governments

³⁶ Bilateral service contracts posted on MERX (open bidding) were 4.3% of total Bilateral Aid value and 4.1% of total Bilateral Aid numbers for contracts and agreements signed in FY 0809

FY 08/09	\$2,027,950,248.29	526
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MERX	\$87,910,000.00	22
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Data obtained from correspondence with CIDA.

³⁷ Sewell and Storm, 1992.

³⁸ One of the chief problems with a competitive approach like MERX is that the group which wins the bid may be the group best able to write a bid – not the group best able to implement. Large consulting firms with deep pockets can invest the time and resources needed to succeed at a bid, even if they do not always have the most relevant in-country experience. To help level the playing field between smaller Canadian private-sector consultancies, NGOs, and transnational consultants, CIDA could fund the program development and bidding stage to a short-list of potential implementers.

and non-governmental organizations, and means by which the intended beneficiaries would express their needs and aspirations.³⁹

- ***The Canada Competition Fund would be flexible and responsive.*** Legislation would provide that it be free of the mind-boggling thicket of rules, regulations, earmarks, and other impediments to effective programming, unlike those imposed on Canadian bilateral assistance by Parliament, the Treasury Board and the auditing fraternities over the years.
- ***Expected results and monitoring methods would be specified at the proposal stage.*** Proposals would detail how activities and results, both short and long term, would be verified.⁴⁰

Message to the skeptical reader: Given all the pressures for careful contracting and oversight, why should we expect that such a fund will be free of the kind of burdensome paperwork requirements that currently afflict the contracting process with every other branch of the federal government? The answer is that the Government could sell the idea as an experiment. Reports would be demanded only on results—not on input controls.

MILLENNIUM CHALLENGE ACCOUNT

Performance-based aid moves from old-style *ex-ante* conditionality aimed at ‘buying reforms’ to a new focus on *ex-post* verification, ‘rewarding reforms’. The hypothesis is that *ex-post* conditionality linked to policy-based lending, effectively designed and deployed, can be a powerful incentive for reform in recipient countries, and that donors can indeed influence the policy agenda and the development policies adopted by recipient governments by linking their support to specific outcomes.

The 2007 Canadian Senate Report “Overcoming 40 Years of Failure” conclusion was:

International donors should only give development assistance to countries that are aggressively undertaking real reforms in economic and political governance, and that are instilling a business environment within their country that ensures economic growth, employment-creation and investment...Any country that does not satisfy these criteria... should receive zero official development assistance from Canada.⁴¹

³⁹ The question arises: What if government civil society and other actors disagree on priorities? Or, if they agree on priorities, and they disagree on tactics? One of the components of a successful design would have to be the process by which the local government and civil society, as appropriate, came up with the needs definition. If they agree on the problem, but disagree on the tactics there would be an interesting discussion in which CIDA could find itself facilitating an honest debate on tactics and a better program could be the result.

⁴⁰ There will have to be independent audits to ensure there are changes on the ground, and not just in the reports received by donors. There is an excellent vignette in *The White Tiger* of an impoverished village where donors believed their money was buying education and health, but in reality, despite the government statistics, the district has no decent school and no clinic. See Adiga, 2008.

⁴¹ Segal & Stollery, 2007; and http://www.macleans.ca/homepage/features/article.jsp?content=20070221_0_94836_1644. The counterpoint is the risk of punishing entire societies by withholding aid because of the sins of the government. The quote from the Senate Report uses the word “countries” when the word “governments” would be more appropriate. But nevertheless, while the notion of boycotting certain governments sounds good (for conditionality of aid as proposed here is a boycott) we need to have a better assessment of the impact of Canadian boycotts before we support this step. That being said, if local civil society can still receive funding when the local government cannot because they could push the government. In any case, the strictness of the criterion focusing on

The clearest working example of this approach is the Millennium Challenge Account. The Millennium Challenge Corporation (MCC) is a United States Government corporation established in 2004, based on the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people.⁴² The MCC model demands that recipient governments be held accountable for results and make serious, sustained efforts to combat corruption.

The MCC works only with “well performing” countries that satisfy a series of minimum standards in three areas: ruling justly; investing in people; and economic freedom. These are measured using publicly available and widely accepted indicators.⁴³ The indicators:

- are developed by an independent third party;⁴⁴
- use an analytically rigorous methodology;
- utilize objective and high quality data;
- are publicly available;
- have broad country coverage among MCC candidate countries and are comparable across countries;
- have a clear theoretical or empirical link to economic growth and poverty reduction;
- are policy-linked, i.e. measures factors that governments can influence within a two to three year horizon; and
- have broad consistency in results from year to year.

MCC has identified corruption as a critical indicator, noting that “because corruption undermines every aspect of sustainable development, MCC has made fighting it one of its highest priorities.”⁴⁵

The indicators for “well performing” can be refined. One suggestion is that performance should be assessed on the extent of changes, and not absolute levels (to take account of different starting positions), and should be linked to moving averages rather than yearly values (to take account of possible shocks). Ravi Kanbur believes this “would allow governments to adopt any policy that best allows them to maximize performance, and therefore increase policy space and results-orientation.”⁴⁶

Once countries pass the test, they negotiate a “compact” with the MCC where resources are made available for areas in which government has a clear interest, therefore promoting country ownership:

A Compact is a multi-year agreement between the Millennium Challenge Corporation and an eligible country to fund specific programs targeted at reducing poverty and stimulating economic growth. These programs must be developed in consultation with a country's citizens – including women, non-

countries with good governance should be tempered – the evidence that good governance is a precondition for aid to be effective is still inconclusive. “Aid orphans”, countries that have poor governance or that are at risk of failure, might become tomorrow’s “failed states” which will end up, whether we like it or not, sucking up huge amounts of our aid budgets. There are reasons to suspect that investments in countries with good governance are more likely to produce more substantial poverty reducing effects.

⁴² www.mcc.gov

⁴³ The MCC's 17 indicators are available at <http://www.mcc.gov/mcc/selection/indicators/index.shtml>

⁴⁴ <http://www.mcc.gov/mcc/selection/indicators/index.shtml>

⁴⁵ Roberts, 2009. For latest developments see <http://blogs.cgdev.org/mca-monitor/>

⁴⁶ Woods, 2007, p.10.

governmental organizations, and the private sector; able to measure both economic growth and poverty reduction; and implemented, managed and maintained by the country.⁴⁷

The country then drafts a Compact Proposal outlining the specifics of the programs to reduce poverty and stimulate economic growth: "MCC asks eligible countries to consult broadly with its citizens throughout the development, implementation, and evaluation of a Compact and as part of its own due-diligence procedures, MCC examines the extent to which a country has conducted a consultative process that reflects real effort to incorporate domestic civic, private-sector, and political institutions."⁴⁸

"MCC works with the country to ensure the proposed programs are reasonable, measurable, and attainable."⁴⁹ Separately, the MCC funds a 'threshold programme' for countries that are close to reaching the minimum standards, in order to help them qualify. "Threshold" countries do not yet meet the criteria for Compact eligibility, but are close and have demonstrated a commitment to improving policy performance. The purpose of a two to three year Threshold program is to address the policy indicators that are currently precluding compact eligibility. For example, a country that fails the Control of Corruption Indicator would focus its Threshold Program on combating corruption. The Dominican Republic, El Salvador and Yemen are examples of countries that made clear efforts to improve their systems in order to "graduate" into the pool of eligible countries.⁵⁰

"The main complaints about the MCC are that it has disbursed only a small fraction of the funds appropriated to it by the Congress, and it has not yet produced any measurable results. These are not real problems. They reflect unrealistic expectations. The biggest problem we see is risk aversion. Under pressure to prove it is not wasting taxpayer monies, the MCC has opted to use familiar techniques and partners, and to push for early results. These choices could ultimately doom the concept. Development is a messy process. Impatience is the chief enemy of effective development assistance. ...it is especially unhelpful to expect developing countries to achieve quick and efficient results." Rieffel and Fox, 2008.

The MCC concept is not a silver bullet. Potential partner countries' systems and mentalities are not always supportive of results-orientation. A difficult question is: "What is the appropriate action when a partner compact country's performance on the agreed indicators deteriorates?" So far, the MCC has decided to continue supporting them. There is a need to develop exit strategies for countries that backslide on performance criteria.

As of November 2008, Congress had appropriated \$7.5 billion to the MCC, of which approximately \$6.5 billion had been budgeted for 18 country "compacts." The MCC funds are designated as "no-year," meaning that they will not expire and the MCC does not have to spend them until it can be certain that the funds will not be wasted. By comparison, during the same period (FY 2004-2008), Congress appropriated \$52 billion to USAID funds that do expire,

⁴⁷ <http://www.mcc.gov/mcc/panda/programs/compacts/index.shtml>

⁴⁸ Mandaville, 2007, p. 11; and Malan, Personal Correspondence, 2009.

⁴⁹ <http://www.mcc.gov/mcc/panda/programs/compacts/index.shtml>

⁵⁰ Maureen Harrington in Woods, Ibid.

usually within two years, leading to sometimes rash, reckless, and hurried spending. Sustainable economic growth requires more than a two-year horizon.

ADVANCED MARKET COMMITMENTS (AMC)

An AMC is “a legally-binding agreement for an amount of funds to subsidize the purchase, at a given price, of an as yet unavailable vaccine against a specific disease causing high morbidity and mortality in developing countries.”⁵¹ Millions of people die each year from infectious diseases in developing countries. The pharmaceutical industry does not develop vaccines against such diseases due to the high cost of research and the concern that developing countries will not be able to pay the vaccine prices required to offset development costs. The Center for Global Development publicized the idea of AMC s in 2005:

Making a commitment in advance to buy vaccines if and when they are developed would create incentives for industry to increase investment in research and development. New commercial investment would complement funding of research and development (R&D) by public and charitable bodies, accelerating the development of vital new vaccines for the developing world.⁵²

According to the GAVI Alliance, “Donors would subsidize the purchase of vaccines by developing countries, up to a fixed number of sales or a fixed total amount.”⁵³ Vaccines are bought only if they meet pre-determined standards of efficacy and safety, and if developing countries ask for them⁵⁴: “Once this fixed number of sales or total amount has been reached, manufacturers having benefited from the subsidy would be contractually obliged to either sell to developing countries at a price affordable over the long term or to license their technology to other manufacturers.”⁵⁵

The World Health Organization facilitates the establishment of the target product profile and assesses the quality, safety and effectiveness of AMC vaccines. The GAVI Alliance and the World Bank will be responsible for supporting the programmatic and financial functions of the AMC: “Among the challenges of operationalizing the AMCs, is the development of independent, transparent and accountable public financial management and procurement systems.”⁵⁶

WHO is supporting the implementation of pilot programmes for a limited number of vaccines to determine the effectiveness of the AMC concept. WHO proposes taking responsibility for: 1) establishing the criteria with which vaccines would need to comply in order to be funded through the AMC mechanism (accomplished through a transparent process of consultation, which includes developing countries); and 2) verification prior to sale that candidate products meet these pre-established criteria.

In February 2007, Canada announced a US\$200 million contribution for the AMC to create a pneumococcal vaccine.⁵⁷ The World Bank, Jordan, Canada, Italy, Norway, Russia, and the United Kingdom announced the pilot AMC, which will test a new model for spurring development of vaccines, specifically those that prevent disease strains prevalent in developing

⁵¹ <http://www.who.int/immunization/newsroom/amcs/en/print.html>

⁵² <http://www.cgdev.org/content/publications/detail/2869>

⁵³ <http://www.who.int/immunization/newsroom/amcs/en/index.html>

⁵⁴ <http://vaccineamc.org/progress.html>

⁵⁵ <http://www.who.int/immunization/newsroom/amcs/en/index.html>

⁵⁶ <http://www.who.int/immunization/newsroom/amcs/en/print.html>

⁵⁷ Government of Canada, 2009.

countries. The pilot will provide 7 to 10 years of funding to support the development of future vaccines against pneumococcal disease and will include provisions to assure the long term sustainable supply and price for the poorest countries. Italy and the UK have committed US\$635 and \$450 million, respectively, to the AMC pilot.

The establishment of AMCs should encourage the development of future generations of vaccines and, in particular, accelerate the development and availability of priority new vaccines to developing countries.

PROGRESS-BASED AID

Progress-based aid is an approach in which the donor contracts with the recipient government to pay a fixed amount for a specified result above a baseline. It is appropriate when success requires a change in household or program provider behaviour or action.

The money given does not have to be spent in the sector where the behaviour change is desired. For example, progress in education may be measured through a test for students. If a recipient government is successful, the money awarded may be used on infrastructure.

Donors can rarely identify the optimal use of funds in each country to best achieve desired outcomes. Spending funds outside recipient budget and procurement systems can hinder the long run development of country capacity and institutions. To finesse this problem, under “cash on delivery” aid, donors would commit *ex-ante* to pay a specific amount for a specific measure of progress. In education, for example, donors could promise to pay \$100 for each additional child who completes primary school and takes a standardized competency test. A credible baseline survey would be conducted, the country would publish completion numbers and test scores, and then the donor would pay for an independent audit to verify the numbers.

The Center for Global Development is designing a pilot of “cash on delivery” aid, and a research program to accompany the pilot. The intent is to enhance understanding of how aid can strengthen local institutions and provide insights about institutional change and good practices in different settings:

The payment would be made upon a successful audit. Payments would be “cash on delivery” – made only after measurable progress, only for as much as is verifiably achieved, and without prescribing the policy or means to achieve progress. The country could then choose to use the new funds for any purpose: to build schools, train teachers, partner with the private sector on education, pay for conditional cash transfers, or for that matter build roads or implement early nutrition programs. This innovative approach would place full decision-making about the use of funds in the hands of developing country governments, letting them determine the best way to achieve the outcome recipient and donor both want: a quality education for all.⁵⁸

⁵⁸ <http://www.cgdev.org/section/initiatives/active/codaaid> Owen Barder argues that if donors no longer need to show to their taxpayers how money has been used, they will no longer focus on inputs and micromanage how aid is spent, with all the obvious consequences for transactions costs, poor alignment with developing countries systems and priorities and lack of harmonization. If taxpayers are shown results, donors will be freed from many of the political pressures they currently face to deliver aid poorly.

“In the health sector, donors have traditionally paid for inputs – doctors’ salaries, medical equipment – in the hope that they would lead to better health. Performance incentives turn the equation on its head.”⁵⁹ The new approach to health funding involves the transfer of money or goods to patients or providers when they take health-related actions or achieve performance targets. Fundamentally different from many traditional approaches to improving the delivery of health services, performance incentives are about establishing what the results should be and then letting the key actors – the patients, the providers – figure out how to achieve them. Along the way, learning and fine-tuning are part and parcel of the process: “They start with the result – more children immunized, for example – and let health workers and managers on the ground decide how to achieve them.”⁶⁰ Eichler & Levine point out, “The question is not whether performance incentives can – under the right circumstances – change behaviour and improve service outcomes. It is: What are the right circumstances?”⁶¹

They lay out a very practical approach: “Each step in the process must be informed by what is feasible, and making incentives work is iterative rather than linear.” They list the various steps required. One challenge is to sort out the problems with performance and what is causing them:

If they are the result of provider or patient behavior, then performance incentives can affect results. If they are tied to organization and management, incentives can motivate institutions to change the approaches to care management and the systems and structures that support service delivery. If they are not related to behavior or systems, however, performance-based payments will not help. For example, providers will not be able to increase immunization coverage if they have no access to vaccines and no way to influence that supply. Demand-side incentives will contribute to results only if the supply exists or can be influenced by demand.⁶²

There is an administrative burden in performance-based incentive programs. They can “break down if not enough attention is paid to how they are managed. Compared to more traditional input-based or fee-for service approaches, performance incentives require more monitoring and data quality assurance but less attention to accounting for spending on inputs.”⁶³

Eichler & Levine conclude that:

Design must be informed both by what is feasible as well as by what is most likely on purely technical grounds to achieve results. Consulting with stakeholders to identify obstacles to good performance, identify solutions, and generate buy-in is a critical element of successful programs. If stakeholders are not consulted, the chosen design may not change behaviors and thus lead to failure. The steps outlined – from consulting stakeholders to deciding on recipients, payment methods, indicators, targets, and how to verify results – all take considerable effort. However, they may take no more effort than the alternative approach of pre specifying the inputs and actions required for the delivery of health services, which more health for the money are likely best known by those on the front line.⁶⁴

⁵⁹ <http://www.cgdev.org/content/publications/detail/1422178>

⁶⁰ Ibid.

⁶¹ Eichler and Levine, 2009, p. 51.

⁶² Ibid p. 53.

⁶³ Ibid p. 67.

⁶⁴ Ibid p. 22.

The concept is not new. In 1999, USAID introduced performance-based contracting in Haiti.⁶⁵ The goal was to improve the effectiveness provision of basic health services, such as immunization and prenatal and maternal care. The NGO providers had been operating under a payment system that reimbursed their expenses up to a ceiling. “The new system set performance targets and withheld a portion of their historical budget, allowing them to earn back the withheld amount plus a bonus if they met the targets. A one-year pilot involving three providers showed some marked improvements in performance.”⁶⁶

The Australian government has invested close to \$200 million between 2007 and 2009 in its “Performance Incentives initiative” that:

Aims to encourage sustainable reforms and improved services to citizens by providing additional resources to partner governments and service providers linked to pre-agreed performance criteria and milestones being met. Performance incentive payments will be directed towards agreed development priorities such as infrastructure, health and education.⁶⁷

Activities are planned in Vietnam, Papua New Guinea, the Philippines and Indonesia.

The Novartis Foundation has embraced “pay for performance”. They argue this creates the right incentives, increases effectiveness and puts the emphasis on accountability:

If money is paid out not for activities and inputs, but for concrete outcomes (or impacts), governments and other providers in developing countries have a greater incentive to achieve faster and better progress for their citizens. The capital made available is spent on key services which lead to the desired results instead of on side-issues that serve more to satisfy particular interests than to bring about the intended reduction in poverty.⁶⁸

They report successes in projects in South Africa, Tanzania and Mali.⁶⁹

PROSPECTIVE INTER-JURISDICTIONAL COMPETITION

The concept of “prospective inter-jurisdictional competition” (PIJC) is an innovative new mechanism of development assistance, directed at local authorities. It is derived from the premise that “development interventions can only be successful and sustainable if they are accepted by stakeholders and implemented in accordance with local institutions, culture and norms.”⁷⁰

The idea is to establish a “tournament” – the competitors being representatives of the local authorities. The donor convenes a conference with representatives of all the “teams” to explain:

⁶⁵ Eichler, Auxila, and Pollock, 2001.

⁶⁶ Ibid.

⁶⁷ http://www.usaid.gov/au/budget/budget07/budget_incentives.pdf

⁶⁸ <http://www.novartisfoundation.org/platform/apps/Publication/getfile.asp?id=614&el=1382&se=21887043&doc=118&dse=3>

⁶⁹ “The idea of paying a commission for improved results (for that is what this is) will only work in societies where corruption is under control. But for it to work properly the outcomes need to be better understood and measured, which would demand more of universities and evaluators. Perhaps money currently paid to auditors to ensure accountability could be spent to ensure proper data gathering and monitoring results.” Morley, Personal Correspondence, 2009.

⁷⁰ Zinnes, 2009, p.2.

- the objectives (e.g. budget transparency, or consolidation of extra budgetary funds);
- the tasks that might contribute to the objective;
- a quantifiable actionable indicator and weight to each objective (e.g. off-budget funding reduced); and
- the rewards for the “winning teams”.

Incentives can be directed at inputs or outputs as long as they can be measured. They can target for a specified level of performance or an improvement in the current level. Winners receive, in addition to the reward such as a grant, the inherent benefit of achieving the goal and the potential indirect benefit of the signal to investors.

The intent is that competition between bidding teams stimulates cooperation within teams to improve performance, resulting in a “race to the top”: “The lure of sponsor aid encourages interests within each beneficiary group to form a team – often including the private sector, civil society and government – to work cooperatively.”⁷¹

Examples provided by Clifford Zinnes include a World Bank project in Russia with eighty-nine regions competing for budget support, and a USAID project focused on reducing local government red tape in Romania. The largest experiment he reports is the World Bank’s Kecamatan Development Program (KDP) in which districts receive a block grant to distribute among villages, and an inter-village meeting decides which projects proposed by villages are to be funded. Zinnes reports that over \$1 billion dollars was disbursed to the poorest 34,233 villages in Indonesia, and that the government took over funding when the Bank’s funding was ended. Skeptics note the approach seems highly dependent on local conditions and what Thaler and Sunstein, in their book, *NUDGE*, call “the design of the choice architecture”.⁷² It is worth trying on a pilot basis where it is likely to be promising.

CONDITIONAL CASH TRANSFERS

Conditional Cash transfers (CCTs) are programs that transfer cash, generally to poor households, on the condition that those households make pre-specified investments in the human capital of their children.⁷³ CCT programs offer qualifying families cash in exchange for commitments such as taking babies to health clinics regularly or sending children to school. These are cash payments (in a sense, bonuses) made to give the poor an incentive to perform tasks that could help them escape poverty (for example, good school attendance, working a certain number of hours, improving test scores, seeing a doctor). The idea of conditional cash transfers has met with success in developing countries such as Brazil, Mexico, Nicaragua, and Peru.⁷⁴

The Cardoso Administration started conditional cash transfers in Brazil ten years ago. Initially it was focused on the poorest of the poor. There were several programs: cash transfers for education (against the obligation of school attendance by the children of the household); transfers for health (against the obligation of taking all the vaccinations at a local health post for the mother and the children); transfers for subsidizing cooking-gas; and transfers to make children leave child-labor and go to school. The current administration lumped them all in one

⁷¹ Zinnes, 2009, p. 3.

⁷² Thaler & Sunstein, 2008, p.11.

⁷³ http://siteresources.worldbank.org/INTCCT/Resources/5757608-1234228266004/001-028_PRR-CCT_overview.pdf

⁷⁴ Johannsen, Tejerina and Glassman, 2009, p. 33 (Appendix 2); even Dambisa Moyo notes “some notable success” (Moyo, 2009, p. 151).

single federal program (Bolsa Familia) and enlarged its scope for all the “poor”, reaching today 12.5 million families (at near 4 per family, nearly 50 million people benefit). An interesting example is a World Bank pilot program paying young people to stay HIV negative.⁷⁵

CCt programs are now found in over two dozen countries. In response to the food and financial crises, the World Bank expects to lend about \$2.4 billion in 2009 to start or expand CCts in Bangladesh, Colombia, Kenya, Macedonia, Pakistan, and the Philippines.⁷⁶

The Harvey et al review of recent experience in development and rehabilitation contexts suggests a larger niche for cash transfers instead of ‘in-kind’ transfers. While it would be inappropriate for relief or development policy to be entirely driven by a ‘give them cash’ rhetoric, they concluded that “Cash transfer programmes can deliver measurable welfare benefits and stimulate economic growth, both through investment in the ‘supply side’ and through stronger, steadier demand for agricultural produce.”⁷⁷ They acknowledge that development policy must “remove the structural and administrative constraints facing the poor, which a little extra spending power alone cannot do.”⁷⁸ They note that “cash schemes have the potential to be less corruptible than in-kind transfers, and will almost certainly cost less to administer. Despite some danger of inflationary pressure, they are likely to stimulate local food markets, whereas food transfers may damage them.”⁷⁹ They recommend transparent targeting criteria, automatic delivery mechanisms and transparency about people’s entitlements.

Harvey et al summarize the advantages claimed for conditional cash transfers:

- Cost efficiency – lower costs of distributing cash than commodities.
- Choice – cash allows recipients to decide what they should spend the money on.
- Multiplier effects – distributing cash can stimulate production and trade in agriculture, for example.
- Avoids disincentive effects – unlike commodities (food, shelter), cash is unlikely to discourage local trade or production.
- Fewer costs for recipients – cash costs less than food to transport from the distribution site to recipients’ homes.

They also tabulated the disadvantages of cash-based approaches:

- Inflationary risks – if an injection of cash causes prices for key goods to rise, then recipients will get less for their money and non-recipients will be worse off.
- Anti-social use – cash can be used to buy anything, including alcohol, for example.
- Security risks – moving cash around may be risky for implementing staff and for the recipients.
- More difficult to target – even the wealthy will want to be included, whereas they may not in food transfers.
- More prone to diversion – cash may be more easily diverted where corruption is high and prone to seizure by armed groups in conflicts.

⁷⁵ http://www.ft.com/cms/s/c391a1ce-12ee-11dd-8d91-0000779fd2ac,Authorised=false.html?_i_location=http%3A%2F%2Fwww.ft.com%2Fcms%2Fs%2F0%2Fc391a1ce-12ee-11dd-8d91-0000779fd2ac.html&_i_referer=http%3A%2F%2Fwww.wisdomofwhores.com%2F2008%2F04%2F26%2Fthe-world-bank-bribes-tanzanians-to-stay-hiv-negative%2F

⁷⁶ <http://siteresources.worldbank.org/INTCCT/Resources/5757608-1234200665701/iframe1.htm>

⁷⁷ <http://www.odi.org.uk/resources/download/1039.pdf>

⁷⁸ Ibid.

⁷⁹ Ibid.

- Disadvantages women – women may be less able to keep control of cash than food. (This supposed disadvantage has not been found to apply to the general experience in micro-finance.)

There are skeptics. A recent article had the provocative title “Cash transfers – mere ‘Gadaffi syndrome’, or serious potential for rural rehabilitation and development?”⁸⁰ An article in the “Institute of Development Studies Bulletin” refers to CCTs as “superfluous, pernicious, atrocious and abominable.”⁸¹ Nicholas Freeland argued that they represent an impractical way to improve the use of social services (particularly in low-income countries) and are immoral because they may deprive the neediest people of the assistance they deserve.⁸² The IDS Bulletin is clearly overstating the case. There are, however, genuine challenges:

- ensuring that the conditions for the cash transfers are being met;
- constantly eliminating people from the list who should not have been there from the very beginning because they have income levels above the threshold; and
- most important, keeping in mind that this is not supposed to be a permanent entitlement, nor constantly broadened to include higher income level people.

It is crucial to have exit strategies to avoid long term, permanent dependence on assistance. Education conditionality is a critical factor. The disadvantages have been dealt with, without major problems in several countries.⁸³

Another study concluded that successes to date are limited. “There are positive effects on schooling and some aspects of health and nutrition in poor households, but weak effects on alleviating poverty in the short term. There are uncertain effects on educational aspects of human capital formation and poverty reduction in the long term.”⁸⁴

In sum, cash transfers can work. There may be a greater security risk in cash transfers, but it is a great deal cheaper to deliver cash transfers than it is to deliver, say cattle. Even though it may be ‘misused’ it also empowers. It can also be targeted to women who can find ways to spend it quickly, especially as mobile phone technology means that money can be banked more easily and need not be in bank notes. ODI has done good research on this approach.⁸⁵ The key is solving the tradeoffs inherent in targeting: the more programme implementers spend on improving targeting to ensure that cash transfers reach only eligible households, the less cash they have available to transfer to beneficiaries; and maximizing the number of poor people that are included in programmes and minimizing the number of non-poor people that are included.⁸⁶ Nancy Birdsall, of the Center for Global Development, states CCTs are “as close as you can come to a magic bullet in development.... They’re creating an incentive for families to invest in

⁸⁰ Harvey, Slater, and Farrington, 2005. <http://www.odi.org.uk/resources/download/1039.pdf>

⁸¹ Freeland, 2007. <http://www3.interscience.wiley.com/cgi-bin/fulltext/121649621/PDFSTART>

⁸² Ibid.

⁸³ The inflationary risks were not an issue in Brazil, Mexico, Peru. Antisocial use is reduced by having the plastic cards (used in ATM machines all over the country) given to women rather than to men. There is no movement of huge amounts of cash, therefore no cash to be diverted, robbed or appropriated in bulk form. Malan, Personal Correspondence, 2009.

⁸⁴ Lomeli, 2008. <http://arjournals.annualreviews.org/doi/abs/10.1146/annurev.soc.34.040507.134537>

⁸⁵ ODI, 2009. <http://www.odi.org.uk/resources/download/3476-briefing-paper-english.pdf>

⁸⁶ Rachel Slater and John Farrington <http://www.isn.ethz.ch/isn/Current-Affairs/Policy-Briefs/Detail/?Ing=en&id=110039>

their own children's futures. Every decade or so, we see something that can really make a difference, and this is one of those things.”⁸⁷

REMITTANCES

“If the World Bank ratio of remittances to foreign aid were applied to Canada, official remittances from Canada would be over C\$10 billion. Remittances through informal channels would be about C\$5 billion more, for a total of C\$15 billion in 2005, compared with official aid of about \$4 billion.”⁸⁸ The high cost of sending money through formal channels means less money actually gets to developing countries, and it is sent there less frequently. It also means that migrants will be inclined to send money through informal channels, which may reduce the transaction’s security for the migrant and lump legitimate remittances together with funds used for criminal activities. It also represents a loss for public revenues and lost opportunities for Canada’s financial services sector.

The International Fund for Agricultural Development, a UN specialized agency, is taking a lead in this area and has hosted a conference on remittances to, and within, Africa.⁸⁹ CIDA could raise the profile of this issue and lead a campaign to reduce barriers to formal remittances. Publicity and moral suasion could bring down costs and increase the volume of remittances that actually reach the poor people who are the intended beneficiaries. CIDA could work to identify and remove regulatory and other impediments to entry while remaining in business for remittance service providers and potential providers, including secure on-line providers. Banks could be encouraged to provide migrants with access to bank cards and the formal banking sector so they could use on-line transfer services.

These changes would significantly lower fees and increase remittance amounts through formal channels. CIDA could promote the idea that countries of origin should ensure that migrants have transparent, accurate data on remittance options by requiring remittance providers to list, in a transparent fashion, exchange rate costs in addition to transfer costs. CIDA could work with the World Council of Credit Union’s international remittance network to counter exorbitant fees.

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⁸⁷ Dugger, Celia W. 2004. “To Help Poor Be Pupils, Not Wage Earners, Brazil Pays Parents.” *The New York Times*. <http://query.nytimes.com/gst/fullpage.html?res=9D02E7DA1731F930A35752C0A9629C8B63&sec=health>

⁸⁸ Danielle Goldfarb, *Effective Aid and Beyond: How Canada Can Help Poor Countries*, 2006 <http://www.cdfai.org/PDF/Effective%20Aid%20and%20Beyond.pdf>. p8.

See <http://www.oecd.org/dataoecd/61/46/38840502.pdf> for OECD statistics.

⁸⁹ October 2009 in Tunis, Tunisia. See <http://www.ifad.org/events/remittances/index.htm>

⁹⁰ <http://www.woccu.org/involved/remittances>

Table 2 Comparison of Remittance Fees from Various Countries⁹¹

Bank Transferred Remittances: Average Percent Markup on \$200 (USD)					
	India	Vietnam	Jamaica	Haiti	
Canada	11.82	12.62	15.49	16.10	
France	12.35	11.95		16.10	
Germany	13.2	-	-	-	
UK	10.0	-	15.8	-	
USA	3.46	3.67	-	-	
Money Transfer Operator (MTO)^A Transferred Remittances: Average Percent Markup on \$200					
	India	Vietnam	Jamaica	Haiti	
Canada	9.97	6.35	8.87	9.55	
USA	5.05	4.46	6.19	6.83	
^A E.g. Money Gram and Western Union					

The Table above indicates that Canadian transaction costs are excessive.

TAX INCENTIVE PROGRAMS

Governments can provide indirect incentives, through corporate tax breaks, to facilitate the provision and transfer of useful products to developing countries. The Government of Canada amended its Income Tax Act in 2008 to encourage private corporations to participate in programs distributing medicines to developing countries. In a public-private partnership, corporations receive a tax credit if they donate drugs (from excess inventory) to a registered Canadian charity, pre-approved by CIDA.⁹²

CIDA's Donations of Medicines Eligibility Program, aided by the charity Health Partners International of Canada (HPIC), enabled more than \$36 million worth of medicines, vaccines and medical supplies from Canadian health-care companies to be donated and delivered to the developing world in 2008.⁹³ On January 30, 2010 in response to the Haitian earthquake, HPIC delivered medicines donated by Canadian pharmaceutical companies, capable of treating 24,000 people, to partner NGOs working on the ground in Haiti.⁹⁴

The United States also provides tax incentives to corporations donating gifts-in-kind to qualified organizations. Eligible donations entitle corporations to a tax deduction "up to twice the cost of the donated inventory" as specified under the Internal Revenue Code Section 170(e)(3).⁹⁵ Several American NGOs deliver supplies and necessities donated from private companies to Americans in need and to people in developing countries. World Vision (WV) encourages

⁹¹ <http://remittanceprices.worldbank.org/RemittanceCosts/?from=35&to=0> Data from the third quarter of 2009.

⁹² The tax credit allows the corporation "to claim a special additional deduction equal to the lesser of 50 percent of the amount, if any, by which the fair market value of the donated medicine exceeds its cost; and the cost of the donated medicine. <http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/JUD-625104542-KBM>

⁹³ http://www.hpicanada.ca/pdfs/HPIC_YIR_2008.pdf

⁹⁴ http://www.hpicanada.ca/news_release.cfm?nwsrlsID=162

⁹⁵ http://www.law.cornell.edu/uscode/uscode26/usc_sec_26_00000170----000-.html

donations through the *product donation* section of its website;⁹⁶ WV outlines benefits to private corporations and highlights past efforts delivering supplies after Hurricane Katrina. In 2009, Medical Teams International sent more than \$110 million worth of medical supplies donated from pharmaceutical companies to those in need around the world.⁹⁷

Tax incentive programs, enticing corporations to donate supplies, may be a cost-effective way of augmenting international assistance. The Honorable Jake Epp, former minister of National Health and Welfare Canada, and Chairman of the Board of Directors of HPIC, stated in 2007 that such a program would “benefit the Canadian government by increasing the volume of humanitarian aid at a far lesser cost than if the necessary medicines and medical supplies were purchased by Ottawa. In fact, studies indicate that about \$20 in product would be generated for every dollar of tax incentive, based on wholesale values.”⁹⁸

MICROFINANCE

“Microfinance refers to the provision of a range of small loans and financial services to poor women and men – otherwise excluded from conventional banking services – to enable them to increase their incomes, build assets, and reduce their vulnerability to unforeseen events or external shocks. Microfinance includes microcredit, savings, micro insurance, money transfers, and other basic financial services.”⁹⁹ Microfinance is a mature development strategy with significant potential for poverty alleviation and economic empowerment. With thirty years of experience behind it, the industry has spawned a range of innovative models for providing quality savings and loan services to the poor in both urban and the most isolated rural settings:

Over time, exemplary programs in Bangladesh, Bolivia, and the Philippines, among others, have proven that the poor, including the poorest, are reliable borrowers and a safe credit risk. They have enabled great numbers of impoverished people – and women in particular – to establish small enterprises, accumulate savings, and secure necessities like running water, food, shelter, and education. In Indonesia, which has the largest financially self-sustaining microfinance industry in the world, microfinance initiatives are recognized as having played a key role in the country’s declining poverty rate.¹⁰⁰

CIDA’s existing microfinance program targets “economically active poor and low-income individuals” with a specific focus on women. CIDA supports formal microfinance institutions including: NGOs; financial cooperatives; credit unions; and saving institutions.¹⁰¹ Between FY 02/03 and 07/08, annual expenditures by CIDA in microfinance averaged approximately \$44.18 million per fiscal year.¹⁰²

⁹⁶ <http://www.worldvision.org/content.nsf/give/gik-intro>

⁹⁷ http://www.medicalteams.org/sf/donate/non_cash_gifts.aspx

⁹⁸ http://www.hpicanada.ca/articles_speeches_quotes.cfm

⁹⁹ CIDA’s Microfinance Guidelines: Supporting the Development of Inclusive Financial Systems. Available at:

<http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/NAT-83013420-N29>

¹⁰⁰ CFGS Policy Brief: The Need for a Global Microfinance Facility retrieved from

<http://www.globalcentres.org/programs/globalgov/postseattle/Policy%20%20Brief.pdf>

¹⁰¹ Commercial banks should be encouraged to downscale and engage in microfinance, but they are not currently in CIDA’s focus group.

¹⁰² CIDA, 2007. This report only has numbers until 2005. These expenditures were calculated by data provided by CIDA in September 2009.

“Microfinance recognizes that poor people are remarkable reservoirs of energy and knowledge. And while the lack of financial services is a sign of poverty, today it is also understood as an untapped opportunity to create markets, bring people in from the margins and give them the tools with which to help themselves.” *Kofi Annan*

“When combined with information and communication technologies, microcredit can unleash new opportunities for the world's poorest entrepreneurs and thereby revitalize the village economies they serve.” *Madeleine K. Albright*

“Microfinance stands as one of the most promising and cost-effective tools in the fight against global poverty.” *Jonathan Morduch, Chair, UN Expert Group on Poverty Statistics*

“This is not charity. This is business: business with a social objective, which is to help people get out of poverty.” *Muhammad Yunus*

“Microloans enable the poor to lift themselves out of poverty through entrepreneurship.” *Pierre Omidyar*

Betterworld, 2009.

There is scope for improvement and expansion. The Consultative Group to Assist the Poorest (CGAP) concludes that developing country governments do a poor job of delivering microfinance. They acknowledge there are a number of successful government MFIs, for example, the Indonesia's Bank Rakyat; however, “the vast majority of government microfinance programs do a poor job of delivering retail credit. Such programs are usually subject to political influence, high default, continuing drain on national treasuries, and sometimes lending based more on the borrowers' influence than their actual qualifications... only 1/8 of clients are being served sustainably.”¹⁰³ CGAP highlights structural dynamics that run counter to politicians' practical incentives and imperatives: “Sound credit administration requires screening out borrowers who are not likely to repay, charging interest rates high enough to cover costs, and responding vigorously to late payments.”¹⁰⁴ The government-run MFIs that deliver good microcredit tend to be insulated from politics, managed by technocrats, and strongly and explicitly focus on sustainability.

Microfinance programs have been praised for helping recipients reduce poverty, decrease dependence on charity and other aid forms, and empower women, but they are not a panacea. Critics argue the focus on economic integration is at the expense of other development priorities – food security, education, health, and gender equality – and for shifting NGO funding away from traditional social safety nets in favor of economic development. In some cases, microcredit has further marginalized women – coerced by men to obtain loans and left with the debt burden.¹⁰⁵ Microcredit boasts high repayment rates (the world's largest NGO, BRAC, formerly the Bangladesh Rural Advancement Committee, has more than \$2bn in microcredit loans

¹⁰³ CGAP's Microfinance Gateway, <http://www.microfinancegateway.org/p/site/m/template.rc/1.26.9183/>, questions 13 and 14.

¹⁰⁴ Ibid.

¹⁰⁵ <http://www.bath.ac.uk/ifipa/bbcid/prog11v3.htm>

disbursed, and a 98% repayment rate),¹⁰⁶ but there is danger in measuring microcredit's success solely on repayment ability. In some cases loan payments are met by taking out additional loans. Field officers have also been charged with exploiting clients and the unauthorized repossession of assets: "Even among the 'beneficiaries' of the Grameen Bank, 55 percent of those people who have received loans still cannot meet their most basic nutritional needs."¹⁰⁷

CIDA can increase the scope and effectiveness of microfinance by working with developing country governments to provide the appropriate policy framework and instruments. CGAP's list of desired initiatives includes:

- "Avoiding interest rate ceilings – when governments set interest rate limits, political factors usually result in limits that are too low to permit sustainable delivery of credit that involves high administrative costs – such as tiny loans for poor people. Such ceilings often have the announced intention of protecting the poor, but are more likely to choke off the supply of credit;
- Adjusting bank regulation to facilitate deposit taking by solid MFIs, once the country has experience with sustainable microfinance delivery;
- Creating government wholesale funds to support retail MFIs."¹⁰⁸

INNOVATIVE PERIPHERAL INDUCEMENTS

MIT's Poverty Action Lab uses randomized evaluations to help identify promising strategies, providing rigorous evidence on the effectiveness of an intervention in a specific context. The same program is evaluated across multiple contexts, or similar program mechanisms are tested and compared across different settings.

Their "best buys" include:

- "Doing away with small user fees on bednets to make them available for free to pregnant women and mothers in health clinics. This costs less than \$5 per net and can increase uptake by 75 percent. Women who receive free bednets are as likely to use them as those who pay for them. Free provision does not increase wastage. It does, however, make the benefits of bednets accessible to many more mothers and young children."
- "Smart subsidies to farmers boost technology adoption, farm productivity and income. Time-limited offers to purchase fertilizers in the harvesting season, with free delivery in the planting season, can massively increase uptake and usage of fertilizers."
- "Small incentives can be a minor additional price to pay to get children immunized. Vaccines are highly cost effective and are provided for free in many countries. Yet there are areas where coverage is low. Small incentives – such as a bag of lentils per shot – if offered to households can massively boost uptake in low take-up regions."¹⁰⁹

Provision of free products or services, avoiding small user charges, makes a difference. Inexpensive, but carefully designed incentives, can be the key to success.

¹⁰⁶ International Year of MicroCredit http://www.yearofmicrocredit.org/pages/reslib/reslib_inthenews_feb05.asp

¹⁰⁷ <http://www.coha.org/2007/09/is-microcredit-the-answer-or-an-answer-for-latin-america/>

¹⁰⁸ <http://www.microfinancegateway.org/p/site/m/template.rc/1.26.9183/>, question 14.

¹⁰⁹ <http://www.povertyactionlab.org/MDG/>

OTHER THINKING ON POVERTY ALLEVIATION

Foreign development assistance is a minor element in the larger scheme of things. There is widespread consensus that developed countries' domestic and export subsidies are extremely counter-productive. It is well understood that Canadian and developed countries trade policies are damaging to developing countries, especially in agriculture.

There is other thinking on funding and on policy instruments. Some suggestions regarding policy instruments are listed above: attacking corruption; expanding financial intermediation and microfinance; and decreasing the cost of remittances. Other suggestions include:

- Annually inhibit and reverse capital flight of \$90 billion from Africa alone;
- Facilitate investment – cut red tape. Create conditions that will attract new capital, domestic capital markets, and international capital markets; and
- Get serious about girl's education – make it THE precondition.

Dambisa Moyo urges additional approaches: developing country governments should access the bond market directly; the De Soto idea of providing legal title;¹¹⁰ and encouraging Chinese large-scale direct investment in infrastructure.

With respect to financing, several European governments have created a new International Finance Facility for Immunization that will use government pledges of financing to raise private funds from capital markets for immediate use by national immunization programs. The Presidents of France and Brazil have led the way in setting up UNITAID to provide long-term sustainable funding for medicines and health care programs in developing countries. Fourteen countries have now pledged to levy a tax on international airline tickets to fund this effort. Others have proposed using a new issuance of the IMF's Special Drawing Rights, a type of international monetary reserve currency, to bankroll development programs.

RATING AID AGENCIES

CIDA could encourage independent ratings of its own performance vis-à-vis other aid agencies. This would parallel CIDA's new commitment to rigorously test its own new programming efforts. Transparent comparative reporting on effectiveness and quality of service of development agencies is in its infancy. "Accountability for development agencies requires that they publish what they can demonstrate they have achieved plus what their primary constituents (those meant to benefit from their work) have to say about those achievements. In so doing, they create a public, self-correcting reflexive learning, validation, and social auditing process."¹¹¹

While they do not deal with aid effectiveness, William Easterly and Tobias Pfutze describe best practices in how aid is given.¹¹² They rate agencies by combining rankings in five categories:

- Transparency - based on donor reports to the OECD;

¹¹⁰ Hernando De Soto's idea is widely commended, but he did not promote it as a silver bullet. In the *Journal of Economic Literature*, Christopher Woodruff suggests that land titling by itself is not likely to have much effect. Titling must be accompanied by a series of politically challenging steps: improving the efficiency of judicial systems; rewriting bankruptcy codes; restructuring financial market regulations; and other similar reforms.

¹¹¹ David Bonbright, founder of Keystone, says they are "designing core principles for a yet-to-be-determined 'validated impact reporting' methodology to give the most weight to the opinions of those most affected."

http://www.idrc.ca/en/ev-125019-201-1-DO_TOPIC.html

¹¹² Easterly and Pfutze, 2008.

- Fragmentation – measured three ways: aid agencies' share of all net assistance; share of aid spent by country; and share of aid spent by sector (according to the OECD classification);
- Selectivity - how much aid goes to corrupt countries;
- Ineffective aid channels - tied aid, food aid, and technical assistance;
- Overhead cost – the ratio of costs to official development financing and official development financing per employee.

The Centre for Global Development provides a valuable service ranking overall country effort in the development area. It publishes a Commitment to Development Index to rate rich countries based on how much development in poorer countries is facilitated by policies on aid, trade, investment, migration, environment, security and technology transfer.¹¹³ The rating does not, however, include measures of results or perceptions and reactions of the intended beneficiaries.

Donors and organizations that deliver development assistance would benefit from feedback from the intended beneficiaries; however, there is little incentive to generate the feedback. It would be ideal if a comparative constituency feedback mechanism let NGOs and development agencies benchmark themselves against their peers based on the views of their constituents: "It is one thing to say that one's constituents rate us at 5.8 on a 7-point scale, but quite another to realize that that 5.8 is only at the 52nd percentile in the peer cohort!"¹¹⁴

At the International Health Partnership and Related Initiative (IHP+) Ministerial Meeting in Geneva in 2009, IHP+ partners reiterated their commitment to "explore mechanisms for providing ongoing in-country feedback to development partners to accelerate the achievement of commitments" enshrined in a Global Compact signed in 2007.¹¹⁵ They established a slick web site, but it has no content or submissions.

A "state of the humanitarian system" review is being led by the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP), a UK-based network. The research was to include a survey of aid worker perceptions of the performance of humanitarian aid, and a synthesis of issues and findings from recent evaluations and other humanitarian literature.¹¹⁶

There are web sites like Amazon book reviews or consumer review sites (Epinions, Yelp, etc.) for reviews and ratings posted by people who have volunteered for, donated to, or who have received services from nonprofits.¹¹⁷ CIDA could promote a global effort, administered by an independent think tank or research institution, to allow both beneficiaries and executing agents to post reviews, with rights of reply and commentary by others. Such an initiative would have the overall effect of raising standards and effectiveness overall.¹¹⁸

¹¹³ Roodman, 2008, for details on the components, definitions, assumptions and weights.

¹¹⁴ IDRC, 2008.

¹¹⁵ <http://www.ethicaleconomy.com/ihp/>. We look forward to seeing the results.

¹¹⁶ Aid worker were to contribute to the survey online at <http://www.zoomerang.com/Survey/survey-intro.zgi?p=WEB229CU7Y4RJA> (the survey is no longer available but view site to see survey set up and other sample surveys).

¹¹⁷ <http://greatnonprofits.org/>

¹¹⁸ Maney, 2009. <http://www.theatlantic.com/doc/200907/ratings>

This chapter has canvassed a number of the most promising techniques which aid agencies around the world have brought to bear. The next chapter takes a hard look at some of the main obstacles which stand in the way of applying some of these approaches in the Canadian context.

CHAPTER FOUR: OBSTACLES, VESTED INTERESTS AND CHANGE

“Donors have an aid industry to feed, farmers to placate (vulnerable when trade barriers are removed), liberal constituencies with “altruistic” intentions to allay.” Moyo, 2009, p. 146.

“After more than fifty years experience, I have had plenty of opportunity to observe first hand the frustration of good intentions – seemingly endless debates among states, too much narrow self interest, missed opportunities, corruption and grand vision lost amid political impasse and administrative ineptitude.” Paul Volcker in Meyer and Califano, 2006, p.vii-iii.

OBSTACLES

If it is true that multiple opportunities exist for applying innovative approaches to the challenges of development assistance, it is also true that managing change in this field is bound to be difficult. Among the obstacles to reform are the following:

- The community that is financially dependent on the continuation of current practices – contractors and executing agents – will oppose change.
- Foreign Affairs personnel tend to be opponents of concentration and focus, insisting on Canada remaining “present” in as many countries as possible.
- Emphasis on performance measurement may handicap initiatives in sectors where results are hard to measure.
- Broader national interests may trump altruism.
- Existing multi-year financial commitments mean that any change in priorities takes time to implement, but reap immediate criticism and opposition.
- Canada lacks an influential domestic constituency for effective aid.

“It should be possible to overcome the obstacles, if Canadians realized that what they have at their disposal to allocate is a rather limited volume of resources, which strengthens enormously the case for using them efficiently and focus on incentives and competition to leverage the relatively limited resources available.” Malan, Personal Correspondence, 2009.

Any approach to open delivery of CIDA's programs to executing agents on a worldwide basis will be criticized as “less Canadian”.¹¹⁹ Among the criticisms from vested interests foreseen would be claims that: change will result in aid being more difficult to measure, monitor or audit; innovative approaches offer less accountability; competition would prevent Canadian organizations from applying their expertise; issuing tenders that allow foreign competition would decrease Canadians' chances of subsequently winning contracts abroad; and untying aid from Canadian delivery would weaken the support of Canadian taxpayers.

¹¹⁹ Aid Effectiveness Discussion Forum, 2005.

VESTED INTERESTS

Vested interests include the full spectrum of Canadian organizations that benefit from CIDA contracts, as well as the international organizations in which Canadians have an interest. Vested interests depend on continued allocation of funds from the government; the reality is that there are no orphans in the budget – every budget line has a mother, father and an uncle. These include, for example, NGOs such as CARE and the Canadian Council on Africa, professional associations such as the Association of Consulting Engineers of Canada and the Canadian Bar Association, businesses such as those represented by the Geomatics Industry Association of Canada and the Canadian Manufacturers & Exporters Association, as well as the Association of Canadian Community Colleges. Along with the Canadian Council on International Cooperation, representing about 100 Canadian voluntary sector organizations, these umbrella groups will, in the name of “aid effectiveness”, bring political pressure to bear to oppose change that decreases the flow of funds that covers their overhead and operating costs.

“The opposition parties and the NGO community will find a natural ally in the CIDA bureaucracy, which famously views any alternative perspective to its own as ‘anti-aid.’ Implementing the new policy in the face of such opposition will be like drawing a knife through a bowl of marbles.” Ivison, 2009a.

Foreign Affairs personnel will argue that Canada cannot afford to ignore any part of the world.¹²⁰ They will maintain that Canada must provide for unforeseen humanitarian emergencies and at the same time protect commitments for activities requiring continued multi-year investments. The consequence is that budgeting becomes a zero sum game with no room for experimenting with unconventional approaches or alternative models.

Canada provides perhaps only 1% or 2% of world development assistance. Conversely, the average African country has programs with 33 bilateral donors and 100 NGOs, pre-empting any chance of local “ownership” or coordination. It is very taxing to deal with the huge army of well-intentioned donors. To be effective, the proposed new approach will require concentration in a small number of countries or on a small number of themes. But concentration is problematic; it means that in many poor countries, Canada would not have any initiatives. Concentration will be attacked as a scurrilous abandonment of the poor and of Canadian values.

Dribbling out small sums of money in a very large number of programs in a very large number of countries (with associated excessive overhead costs) demonstrably produces ineffective results; however, Foreign Affairs personnel will emphasize a collateral benefit. They will suggest that prospects for Canadian success in such international “contests” as, for example, candidacy for a Security Council seat, are improved by having a modest aid program in each of the 53 African countries which might be voting – and they may be right. Close to home, CIDA staff may very well oppose reforms if they feel they are inimical to their own careers or job security.

¹²⁰ There would be less resistance to thematic concentration, particularly if the thematic priorities were poverty reduction and good governance. Poverty reduction is hard to argue against and good governance/fragile states responds to broader foreign policy concerns.

CHANGE

Clever metrics are not an end in themselves. The link between aid and development outcomes is not straightforward; correlation does not imply causality, and attribution is highly problematic. Potential pitfalls of investing too much in measurement include:

- causing distortions by the faulty choice of outcome indicator;
- retreating to activities that are easily measurable – the trendy and politically correct emphasis on metrics and performance measurement will militate against essential activities such as conflict prevention and corruption prevention; and
- penalizing activities for which it is difficult to specify a counterfactual.

The fact that current Results Based Management efforts are deeply flawed does not mean that systematically evaluating the effects of aid is impossible. The problem is that much of the aid community has never embraced the methods of controlled comparison. Too often, evaluation is done on individual programs, without having collected baseline data before the program, and without designing programs with the need for control cases and systematic evaluation in mind. The result is a sloppy scramble for “indicators” of impact that undermines the credibility of the evaluations.

There needs to be a culture shift in the practice of aid evaluation such that building knowledge about what works and what doesn’t becomes one of the primary goals of the aid mission itself, given the existing dearth of knowledge. In other words, evaluation needs to be more, not less, important, and not dismissed because there has been a chronic tendency to fall back on shoddy forms of “box-checking” evaluation.

The current debate is whether aid should be addressed to “enabling factors” (root causes) such as democracy and peace or “direct factors” (consequences) such as good health and universal education. While it is still controversial, there is increasing acceptance within the development community of moving away from pure poverty alleviation into governance and conflict prevention; however, governance and conflict prevention are not susceptible to simplistic metrics and easy measurement.¹²¹ It would be unfortunate if programming retreated to poverty alleviation activities just because poverty reduction is more easily measured. The challenge is to defend investment in the more valuable priority activities despite the difficulty of ascribing values and measuring impacts. While there are priority activities for which it is difficult to ascribe value, attempts at monitoring must be made.

Some elements simply cannot be easily measured, especially results of investments in conflict prevention and corruption prevention. On the other hand, one cannot manage, explain or improve things that cannot be evaluated in some way; i.e. without a degree of measurement, managers are working in the dark. Experience suggests that agreement can be reached on meaningful indicators for even the most intangible of objectives. The point is to insist, from the beginning of an activity, on maintaining as much discipline as possible on specifying what is to be accomplished. Properly defined, qualitative indicators can be assessed, even in the absence of numeric equivalents. The call for tenders will have to specify clearly what the intended consequences of the investment are and how results will be estimated. Bidders will have to

¹²¹ There is promising research underway. See the Carleton Country Indicators for Foreign Policy project http://www.carleton.ca/cifp/gdp_indicator_descriptions.htm; “World Bank Policy Research Working Paper No. 4978” http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1424591

consent to these evaluation criteria or specify others if they believe there are more reliable indicators.

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If these are some of the obstacles facing the virtuous reformer in this field, there are ways of circumventing these barriers to change. And paramount among these is the knowledge of the key groups and individuals, inside and outside government, who are potential allies – the next chapter explores who they are, and how they might help.

CHAPTER FIVE: ENGAGING THE PEOPLE WHO CAN MAKE CHANGE HAPPEN

There is no doubt Canada's approach to development assistance needs major change. Giving CIDA a strong mandate and allowing it to implement its strategic plan, avoiding micro-management, would require an unprecedented degree of political discipline in Canada. There will be resistance to any attempt to bring about that change. CIDA does not have a domestic constituency for effective aid. We will not get one until we have a clear focus on what Canada wants to do, where to do it, and when it is time to exit. There is a tendency for projects and policies to self-perpetuate. Any reorientation or rededication for CIDA will be dependent on political will and public support.

Powerful vested interests are a reality. The vested interests in the field of development are no different than most. Any change in CIDA's operations will have negative effects on some groups and current beneficiaries. Any change in policy will gore somebody's ox. Notwithstanding increased effectiveness, no matter how appropriate, the vested interests will attack, asserting a higher morality and altruism. Promoting reforms must be done in a highly sophisticated way – the opponents of change will not “fight fairly”. Custom tailored strategies are required for each of four separate audiences: the general public, the Cabinet, CIDA officials, and development NGOs¹²². While the substantive content is the same, each strategy should employ different vocabulary, different “messengers” and use different media.

Environics' (a Canadian polling group) prescription for an effective marketing campaign is to focus on a number of key messages – in this case: effectiveness; how much is spent to assist developing countries; and how the aid program addresses global issues that affect people in all countries, poor and rich alike.¹²³ Polling results suggest that a serious attempt must be made to communicate better successes in foreign aid. This will not be simple – bad news sells and good news sinks under the weight of its own lack of creative tension (which is why the devil has all the best tales). To be compelling, information must be provided in the form of stories, not statistics. People tell stories. Unreadable Poverty Reduction Strategy Papers do not.

A communications campaign must exploit the phenomenon in charity called the “identifiable victim” effect: the most effective stimulus to charitable giving is to focus on the one person who is going to benefit, not on a large group. A personal story, which focuses exclusively on a single individual's plight and not that of other victims, is much more likely to generate charitable donations than more dispassionate descriptions of unnamed statistical victims. Interestingly, “if people are presented with a personal case of an identifiable victim along with statistical data about similar victims caught up in a larger pattern of illness, hunger or neglect, overall donations actually decline”.¹²⁴ The message is clear: focus on single, named individuals; avoid aggregate statistics and slick annual reports.

Individual stories could be supplemented with a narrative such as:

The purpose of Canada's new aid policy is to deliver results. We will reduce the bureaucratic waste and paperwork, try new approaches where old ones have failed, and rigorously evaluate results so that we can learn more about what works and what doesn't. Canada can and will be a global leader in the

¹²² Purists would suggest adding a fifth: academics and newspaper columnists.

¹²³ Environics, 2004, p.6.

¹²⁴ Small, Loewenstein and Slovic, 2007.

development of innovative new aid policies – so that we can focus more effectively on reducing poverty through economic growth.

THE PUBLIC

A communications strategy must be based on the understanding that, while public overall support for development assistance is high (78%), there is a lack of knowledge of Canada's aid program. Further, according to a 2007 CDFAI poll, Canadians are divided on whether we should focus on countries with the greatest need (49%) or those that embrace important Canadian values, such as free elections, a market economy, and a willingness to curb corruption in government (45%).¹²⁵ The balance between rewarding good performance and addressing the greatest need is a political decision, without any "right" answer.

Environics conducted an extensive survey of Canadian public opinion in 2004.¹²⁶ Its paradoxical highlights are as follows:

- Support levels for Canada's aid program are high – about 75%;
- Canadians substantially overestimate how much Canada now spends. When told the correct level, Canadians are split as to whether spending should be increased or decreased;
- When compared to other spending areas, aid is not seen as a priority, indeed the contrary;
- Twice as many people see aid as a moral obligation as distinct from a national interest;
- An overwhelming majority (82%) believes much of the aid never gets to the people who need it;
- Four times as many Canadians believe giving money to Canadian or international organizations is more effective than providing money to governments or organizations in poor countries; and
- A majority of Canadians do not consider themselves well informed about aid.

"For better or for worse, ODA is often perceived by the public as a luxury, to be spent when other priorities, such as education and health, have been adequately financed. Studies over the last twenty years have shown that Canadians are also largely unaware of where their official development dollars are being directed."¹²⁷ Of course, polling is an art – results depend on the way questions are phrased.

THE GOVERNMENT

The government will be uninterested unless it is clear that there will be substantial general public support. The principal communication strategy "message" to the government should be that the public will support the idea of finally making sure the aid will get to the people who need it. We will no longer ignore corruption. Cabinet would be applauded for finally presenting a clear focus on priorities and intended results. The common theme of the proposals is the promotion of incentives and competition. The current government, with its general belief that competition brings out the best in people, is likely to embrace the theme.¹²⁸

¹²⁵ <http://www.cdfai.org/PDF/Poll%20on%20Foreign%20Aid.pdf>

¹²⁶ Environics, 2004.

¹²⁷ Chapnick, 2008.

¹²⁸ Of course, the message must be calibrated. Several global problems must be addressed through cooperation to promote the common interest rather than competition to promote self-interest.

Foreign reaction is also likely to be positive. The evaluation of the Implementation of the Paris Declaration on Aid Effectiveness, for example, is quite candid in its overall conclusion that OECD governments should explain to their publics that the current system is broken and primarily serves parochial domestic vested interests.¹²⁹ The OECD Secretariat will likely support the change. CIDA will be characterized as an exemplary organization and Canada's aid program will be recognized as the most effective in the world. Overall, Canada has the opportunity to be seen as an intellectual leader.

NON-GOVERNMENTAL ORGANIZATIONS

NGO objections would be reduced to the extent that a new approach can be shown as being less bureaucratic, and if it is clear that resources are being provided from the multilateral branch, as well as from bilateral and partnership branches. We suggest Canada start with a small fund (taken from the multilateral side, perhaps) that could grow if and as it is shown to be effective. Opposition would be lessened if such a fund had a number of parameters:

- After an initial short-listing, 'finalists' would be funded for program development;
- No matching funds or in-kind requirements apply;
- Year-end funds can be rolled over;
- Flexibility in the program is encouraged – searching as well as planning; and
- Less bureaucracy is involved in reporting.

A small innovative fund like this would be welcomed, not opposed, by implementing NGOs. Then, once some bids were won in this way, it would become increasingly popular, and accepted. A truly less bureaucratic system, making for positive change in the world, could galvanize the many grass-root supporters who believe that Canada has a moral role in the world, and perhaps gain the approval of advocacy NGOs.

If Canada organizes an advisory group of some of the world's best aid experts and practitioners to advise on Canada's new "experimental" and "knowledge-building" approach to aid, that group can be used to provide independent expert commentary on the value of pursuing these new approaches to aid delivery. This would partially neutralize claims from vested interests that the proposed changes would be "bad aid policy."

CIVIL SOCIETY

Civil society will complain that their desire to make the world a better place is being frustrated, but they will support elements of the proposal. The communication strategy "message" should focus on the altruistic dimension: truly effective aid, free from patronage, getting to the people who need it. The emphasis should be the liberation from paper burden and on the ability to use the appropriate programming instruments. With respect to NGOs that are primarily advocates, the emphasis should be on untying aid and on raising CIDA's stature and independence. Implementing NGOs will have less paper burden and a fair playing field, with less budgetary uncertainty.

¹²⁹ Wood, Kabell, Muwanga, & Sagasti, 2008, VIII.

BENEFICIARIES

What will the intended beneficiaries think of more innovative Canadian aid, designed to focus on competition and incentives? Presumably they will like it, but only if it is given in a way that is respectful of their dignity and if they are not made to swallow Canadian values (and trade).

CHAPTER SIX: SUMMARY CONCLUSIONS

A PRACTICAL APPROACH

Assume a clean slate. How would government, starting over at Square One, reconcile the priorities of all the competing interest groups and still satisfy the roughly three quarters of Canadians who support an altruistic approach to humanitarian and development assistance?¹³⁰ The answer lies in establishing: (1) a clear set of priorities; (2) a nimble machinery to determine and deliver assistance; and (3) a more flexible approach to trying new modalities of aid delivery, aimed at building knowledge of what works and what does not work. This report argues the government should:

- Announce a limited number of key priorities for development assistance for the next three years, along with the criteria to determine allocations;
- Establish a separate budget and responsibility centre for humanitarian assistance;
- Transform CIDA into a Crown Corporation with its own act,¹³¹
- Empower the new CIDA with the autonomy, authority, and flexibility to allocate funding among several methods that emphasize incentives and competition:
 - Competitive tender-based grants;
 - A challenge account that pre-qualifies countries based on good Governance criteria;¹³²
 - Advanced market commitments;¹³³
 - Performance-based or progress-based aid;
 - Competition between similar jurisdictions;
 - Conditional cash transfers;
 - Remittances;
 - Tax incentive programs;
 - Micro-finance; and
 - Innovative peripheral inducements.

If CIDA is not invigorated along these lines, the sad history of debilitating newspaper stories about the \$3.7 billion aid budget, and the endless parade of “fundamental” reviews and “new” policy statements, will continue.¹³⁴

To achieve this transformation, the government should first establish a process to catalyze the tough choices on development assistance priorities and outcome measures. Then CIDA should

¹³⁰ “A majority of Canadians (78%) currently support Canada’s aid program (2004 data). Support dropped considerably in September 2004 (59%) but then returned to 2002 (83%) and 1998 (75%) levels”. See Environics, 2004. The CDFAI poll in 2007 found “Seven-in-ten (70%) Canadians agree that Canada has a moral obligation to help poor countries.” <http://www.cdfai.org/PDF/Poll%20on%20Foreign%20Aid.pdf>.

¹³¹ The recent Senate Report recommended that “If CIDA is to be retained, it should be given a stand-alone statutory mandate incorporating clear objectives against which the performance of the agency can be monitored by the Parliament of Canada” (p. 97). <http://www.parl.gc.ca/39/1/parlbus/commbus/senate/Com-e/fore-e/rep-e/repafriFeb07-e.htm>. We disagree with the view that we should end the long struggle for supremacy between CIDA and DFAIT by bringing CIDA under DFAIT. This view is that rather than Canadian foreign aid becoming “contaminated” by being directly influenced by Canadian foreign policy, CIDA might be a Trojan Horse with a greater influence on Canadian foreign policy instead of vice versa.

¹³² Incorporating lessons from experience of the American Millennium Challenge Account. More details in Chapter 3.

¹³³ The Development Initiative Fund (announced in the 2008 and 2009 federal budget) is a form of advance market commitments.

¹³⁴ <http://www.acdi-cida.gc.ca/ips-development>

be liberated organizationally and permitted to choose the most promising approaches to achieve results. Multilateral institutions and other bilateral donor agencies, foundations, NGOs and private corporations would all be eligible to become executing agents.¹³⁵ Bids would be required to detail measurable objectives, monitoring and performance requirements and means to secure recipient country buy-in. Contracts would provide for holdbacks for inadequate performance.

PERSUADING THE DOUBTERS

This report has focused on the advantages of introducing incentives and more competition into the design and delivery of assistance (see Chapter 3 for specific options). Persuading people of this approach will be difficult within the traditional aid community, including public servants working in the area. Governments at the political level will only be moved to act if they believe there is public support. If the only voices heard are opposed to change, change will not happen.

What is necessary is to stir up those willing to advocate the need for change, which might or might not be associated with simply providing more money. We should build on the stark numbers of people who believe that aid is an obligation, but that currently it is not reaching the poor. “We can do better” should be the message. The public must be reminded that “development assistance is not about helping Canadian businesses, consultants, NGOs or public servants”. The work of these groups is a possible means to an end, but helping the groups themselves is not an end in itself.

The objective is greater effectiveness: Canada can make a difference and this message must be consistently communicated by those (including the authors of this report) who believe that development is a matter of Canadian national interest.

A sophisticated effort must be made to convey the message that development assistance can be effective and can make a difference. Social networking with Web 2.0 software can help in this regard. Television and the print media are controlled by their managers. The Internet is not. The use of blogs,¹³⁶ YouTube, and Twitter has enormous potential for communicating successes, including interaction with those directly affected. Imagine the power of a few YouTube videos¹³⁷ or Twitter¹³⁸ messages, short though they are, on Canadians. In fact, short is better. It would provide an unparalleled opportunity to see, and almost feel, results. A competition amongst projects could serve to generate heightened public interest. A system of ratings of donors and providers could provide a focal point.

CIDA officials will support several elements of reform, notably those focused on independence, flexibility and featuring incentives and competition:

- Establishing CIDA as an independent Crown Corporation with its own Act;
- Securing the budget by moving from an annual appropriation cycle to a five-year allotment;
- Liberating the “new” CIDA from the excessive reporting constraints of the Treasury Board and the Auditor General; and

¹³⁵ CIDA has extensive experience in cooperating with agencies in the Netherlands, UK, Switzerland and Germany, which act as CIDA’s executing agent: See CIDA, 2010, *Project Browser*.

¹³⁶ As an example, see: <http://www.microcapital.org/>

¹³⁷ Use a Google search on “microcredit” to see thousands of film clips.

¹³⁸ See <http://twitter.com/MicroCredSummit/status/2498484261> as an example of how Twitter can be used as a mobilization tool.

- Establishing clarity and stability on priorities, with the development budget separated and protected from the shorter term demands of humanitarian programming.¹³⁹

The communication strategy “message” should be that CIDA will now have the stature, independence and flexibility it requires (and deserves) to be a world class organization. It will have access to the full spectrum of potential instruments and the freedom to apply the appropriate interventions, freed from the accountants’ micro-managing and political patronage. The messengers should primarily be highly respected former CIDA officials.

The world today is composed of 192 legally sovereign countries with UN membership. The many so-called “Fragile States”, the politically correct name for failed states defined as backward-moving states, war-torn states, and post-conflict societies. Most of them need some form of external aid to get out of their predicament. Such aid could be delivered bilaterally, regionally or multilaterally. This report deals essentially with Canadian bilateral aid, but in the proposed “we can do better” and “Canada can make a difference” approach, the role that Canada’s aid agency could play in regional and multilateral organizations can be highlighted as well. Canadians, like the Australians, Nordics, and Dutch, are natural bridge-builders. Our collective influence could be much more than the sum of bilateral aid budgets if we work together and elicit the support of others, including involving emerging markets through sharing some of their own successful experiences.

CIDA must be freed from undue government micromanaging and extraneous foreign policy objectives so that resources flow to those most able to use them effectively. Bilateral assistance should not be tied to specific reciprocal conditionality (e.g., a favourable vote for a donor country candidacy), nor should it require the purchase of donor country material or resource if a cheaper, more efficient alternative is available elsewhere. Projects should be evaluated on a continuing basis, and reoriented or terminated if necessary.

.....

As long ago as 1991, Monique Landry (a former minister for international cooperation) characterized CIDA as “a giant in chains, struggling to reconcile its sweeping mandate with constrained resources, cumbersome procedures and rigid controls designed to reassure taxpayers on questions of prudence and probity.”¹⁴⁰ The time has finally come to strike off those chains and set CIDA free to do the good which Canadians expect it to accomplish.

¹³⁹ The counterpoint here is that current thinking on humanitarian aid takes cognizance of risk and vulnerability reduction. One estimate is that 10-15% of aid is spent on such reduction with the proportion rising in part due to climate change related disasters.

¹⁴⁰ Morrison, 1998.

APPENDIX

In recent years, a virtual industry has grown up criticizing the concepts, policies and delivery of development and humanitarian assistance. Recent critiques by the Senate of Canada, William Easterly, Paul Collier, and Nancy Birdsall are only the tip of the iceberg.

Negative appraisals of development assistance highlight:

- Weaknesses in setting priorities (development vs. foreign policy vs. security vs. humanitarian assistance);
- Inability to set development priorities (clean water, literacy, health, governance and institutional development, education or infrastructure);
- Lack of concentration in key countries and best performing multilateral agencies;
- Proliferation of aid agencies, institutions and delivery vehicles;
- Deficiencies in co-ordination with other donors;
- Inadequate recipient country buy-in and “ownership”;
- Corruption in recipient countries;
- Tying of aid that compromises effective delivery; and
- Insufficient performance measurement.

Aid disbursed on the ground is criticized for poor implementation, high administrative costs, and ignoring relevance to local context with recipients being coerced to do donors’ bidding. Criticisms are not limited to Canada – these shortcomings plague development and humanitarian assistance worldwide.

“You ask for 5 year strategic plans to develop 3 year projects with annual business plans and quarterly payments based on results – for a problem that is 500 years old.”
Morley, Personal Correspondence, 2009.

It is difficult to measure the effectiveness of aid. There are six main challenges to demonstrate convincing results:¹⁴¹

- It is difficult to assess impacts on sector wide strategies and budget support mechanisms;
- It is easier to measure outputs (was the school built?) than outcomes (did the quality of education improve?);
- Outcomes in governance and capacity building are intrinsically more difficult to define and measure than outcomes in education and health;
- Statistical data are poor in many developing countries, while most projects continue to operate without good base-line data or on-going monitoring;
- The attribution problem arises because development is a multi-dimensional process. Many other factors beside aid enter into the equation, making it difficult to separate out the discrete impact of aid; and
- The counterfactual problem relates to the difficulty of comparing the impact of aid with what would have happened had no aid been provided. Finding, developing or constructing such counterfactuals is virtually impossible (there is no reliable statistical

¹⁴¹ Roger Riddell, summarized by Brown & Jackson, http://www.caide-ccdi.ca/forum/replies.cfm?itemID= 1_93

method to quantify what might have happened within a state had aid not been provided¹⁴²).

In addition, all the benefits of development assistance projects may not be visible until well after the end of the project. Lack of immediate results provides an easy target for critics and reduces political will to stay the course.

William Easterly writes that national and international bureaucracies:

- Define their output as money disbursed rather than service delivered;
- Produce many low-return observable outputs like glossy reports and “frameworks” and few high-return less observable activities like *ex-post* evaluation;
- Engage in obfuscation, spin control, and amnesia (like always describing aid efforts as “new and improved”); and
- Put enormous demands on scarce administrative skills in poor countries.¹⁴³

Senegal’s President Abdoulaye Wade on May 4, 2008, has denounced most of the United Nations’ system of aid, all of the top humanitarian relief nongovernmental organizations (NGOs), and specifically called for the demolition of the Food and Agriculture Organization (FAO), which he described as a “bottomless pit of money largely spent on its own functioning with very little effective operations on the ground. Food policy – in which ‘food’ is a nice word for ‘charity’ – is outdated. It should be progressively abandoned in favor of a ‘help to stand up’ policy, of help for self assistance,” Wade continued. “Instead of food handouts...Africa needs fertilizers, pesticides, irrigation equipment, tractors, technology, and access to the global marketplace, on equal standing, for sale of its products. We must halt this scenario which exploits the North’s altruistic character and the theme of poverty in the South, where titled distributors of aid, or improvised figures recruited to the cause ... have managed to insert themselves between the resources and their destination and start off by largely helping themselves.” Goodo, 2008; AFP, 2008.

Nancy Birdsall recounts the “seven deadly sins” of donors that compromise the quality of development assistance:

- Impatience (with institution building);
- Envy (collusion and coordination failure);
- Ignorance (failure to evaluate);
- Pride (failure to exit);
- Sloth (pretending participation is sufficient for ownership);
- Greed (unreliable as well as stingy transfers); and
- Foolishness (under funding of global and regional public goods).¹⁴⁴

¹⁴² While there is no reliable statistical method to quantify what might have happened within a state, had aid not been provided, Save the Children and Johns Hopkins have been doing some statistical work on ‘deaths averted’ by certain interventions. They analyze the impact of aid by looking at the outputs (vaccinations, health workers trained etc) and then the interventions they will have produced, and then estimate the number of children’s lives saved by this much coverage. <http://www.separated-children-europe-programme.org/alliance/media/newsdesk/2009-02-13.html>

¹⁴³ Easterly, 2002.

¹⁴⁴ Birdsall, 2004.

Simon Maxwell points to the “need to get a grip on the proliferation in the aid architecture. There is a passion for earmarking and new initiatives. Every new announcement multiplies aid agencies, targets and initiatives, making aid unmanageable. The costs of the aid industry that donors impose on recipients and themselves are huge... New donors are entering the scene, and as aid increases, it is becoming less multilateral and more bilateral.”¹⁴⁵

Commentators provide other reasons to rethink aid. The promised scaling up of aid is a two-edged sword for aid-dependent countries already receiving aid that accounts for a large proportion of their budgets. When aid is so significant to governments, how can one ensure that governments are accountable to citizens, rather than donors?¹⁴⁶ In addition, the number of donors has proliferated. There are new foundations, and multilateral aid is decreasing. There is an aid-institutions paradox for aid dependent countries: it is very difficult to develop the local institutions of the state, political development that makes politicians accountable to citizens, when most of the resources come from elsewhere. More aid, even through general budget support,¹⁴⁷ may not deal with that paradox.¹⁴⁸

CORRUPTION AND DEVELOPMENT ASSISTANCE

An Environics poll of Canadians’ impressions of the aid program found that “an overwhelming majority (82%) agrees that much of the aid given to poor countries never gets to the people who need it most.”¹⁴⁹ Corruption plagues the delivery of development assistance.

The Corruption Perception Index¹⁵⁰ is considered the most comprehensive index of perceptions of corruption, ranking 180 countries by their perceived levels of corruption, as determined by



Kjell Nilsson-Maki www.cartoonstock.com

¹⁴⁵ Woods, 2007, p.5.

¹⁴⁶ According to the UN 2008 World Development Indicators, this is true of several of CIDA's countries of focus. Aid was 21.2% of central government expenditures in Bolivia in 2006, 30.3% in Honduras and 89.7% in Mali. Data is not available for Haiti and Afghanistan.

¹⁴⁷ General budget support is not a popular policy. Seventy-seven percent of Canadians feel that giving money to international or Canadian organizations working in poor countries are the most effective ways for Canada to help people in poor countries. Only 17 percent believe that giving money directly to governments or organizations in poor countries would be effective. <http://www.oecd.org/dataoecd/46/9/39436670.pdf>

¹⁴⁸ See Nancy Birdsall's comments Woods, 2007.

¹⁴⁹ Environics, 2004, p.4.

¹⁵⁰ http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table

expert assessments and opinion surveys – the higher the number, the worse the corruption. The Table below reports results for the top 10 recipients of Canadian aid from the Corruption Perceptions Index (CPI).

Table 1. Top Ten Recipients of Canadian ODA (07/08) and their Corruption Ranking (2009)

Recipient Country	Corruption Perceptions Index (2009)
Afghanistan (\$224m) (2009)	179
Ethiopia (\$132.17m)	120
Haiti (\$107.32)	168
Mozambique (\$97.35m)	130
Mali (\$89.46m)	111
Bangladesh (\$86.1m)	139
Indonesia (\$85.3m)	111
Ghana (\$77.05)	69
Sudan (\$71.4m)	176
Pakistan (\$64.58m)	139

Current Canadian policy has concentrated most aid in three failed states, rather than investing in countries at the point of take-off. The numbers of failed (forget the term “fragile states,” they are “failed”) and backward moving states are increasing. There is no exit strategy for Haiti. The situation in several African countries is nightmarish.

Afghanistan is the top recipient of Canadian aid. There is only one country ranked higher on the corruption index and thus considered more corrupt than Afghanistan: Somalia. Nine of Canada’s top ten recipients are among the countries judged most corrupt, the exception being Ghana.¹⁵¹ In August 2009, CIDA announced an additional \$25 million for Pakistan, number 139 on the CPI list, worse than Indonesia.

Civil society and non-governmental organizations that deliver assistance confront corruption as a matter of course. Mark Steyn’s article on Sri Lankan corruption in the wake of the tsunami is a case in point. He reported that Oxfam had paid the best part of a million dollars to Sri Lankan customs officials for the privilege of having 25 four-wheel-drive vehicles allowed into the country to get aid out to remote villages on washed-out roads hit by the Boxing Day tsunami. The Indian-made Mahindras stood idle on the dock in Colombo for a month as Oxfam’s representatives were buried under a tsunami of paperwork. Aside from the ‘tax’, they were charged £2,750 ‘demurrage’ for every day the vehicles sat in port. In Steyn’s judgment: “This was merely the latest instalment in what’s becoming a vast ongoing ‘Tsunami Tshakedown of the Day’ retrospective. If you really wanted to make an effective donation to a humanitarian organization, you’d send your cheque to the Pentagon or the Royal Australian Navy. Multilateral institutions need to become more results-oriented.”¹⁵²

¹⁵¹ Ghana, the relatively least corrupt country on Canada’s list, is the only one of the ten recipient countries making significant progress on the MDG s. See: <http://www.acdi-cida.gc.ca/cidaweb/acdicida/nsf/EnJ UD-8291 01441-JQC>. These conclusions are reinforced by the Carleton Country Indicators for Foreign Policy project: http://www.carleton.ca/cifp/gdp_indicator_descriptions.htm.

¹⁵² Steyne, 2005.

PROBLEMS WITH TIED AID

In addition to the problem of corruption, aid faces serious challenges when it is tied: "Donor money that comes with strings attached cuts the value of aid to recipient countries 25-40 percent, because it obliges them to purchase uncompetitive priced imports from the richer nations, says a new UN study on African economies."¹⁵³ The recent UK White Paper estimate is an overall average cost penalty of 30%.¹⁵⁴ For example, with respect to U.S. assistance to Africa for HIV/AIDS, abortion counselling was prohibited, and Washington insisted that governments purchase anti-AIDS drugs from the United States instead of buying cheaper generic products from South Africa, India or Brazil. U.S. brand name drugs can cost up to \$15,000 a year compared with \$350 annually for generics.¹⁵⁵

The other approach to "tying aid" is to insist on control over how the assistance is spent, otherwise known as "conditionality". Much of donor aid to Africa remains highly conditional on African governments acquiescing to donor policy prescriptions and terms that undermine these governments' accountability to their citizens. The UK-sponsored Commission for Africa noted that aid to Africa "is accompanied by many onerous conditions that are often of dubious value," which have increased under IMF-World Bank approved Poverty Reduction Strategy Plans.¹⁵⁶ There is ample evidence showing how conditionality weakens the effectiveness of foreign aid: "Conditionality defeats the objectives of development cooperation because it enhances the inequality in the aid relationship. In many cases, it is contrary to the objectives of development for the recipient country and it abets the lack of accountability, undemocratic governance, and even corruption."¹⁵⁷ Of course some forms of conditionality are positive, e.g., to prevent corruption. Consider the problem of multilateral aid involving the designated agents of the recipient government. For example, the World Food Program reports \$130 million transportation costs for its emergency assistance to North Korea for food costing \$297 million.¹⁵⁸ This outlandish cost of transport is alleged to be due to excessive rates for the last leg of journey, from China to North Korea.¹⁵⁹

¹⁵³ <http://ipsnews.net/interna.asp?idnews=24509>

¹⁵⁴ DFID, 2009 <http://www.dfid.gov.uk/Documents/whitepaper/building-our-common-future.pdf>

¹⁵⁵ Njoki Njoroge Njehu, director of 50 Years is Enough, a coalition of over 200 grassroots non-governmental organizations (NGOs). <http://ipsnews.net/interna.asp?idnews=24509>

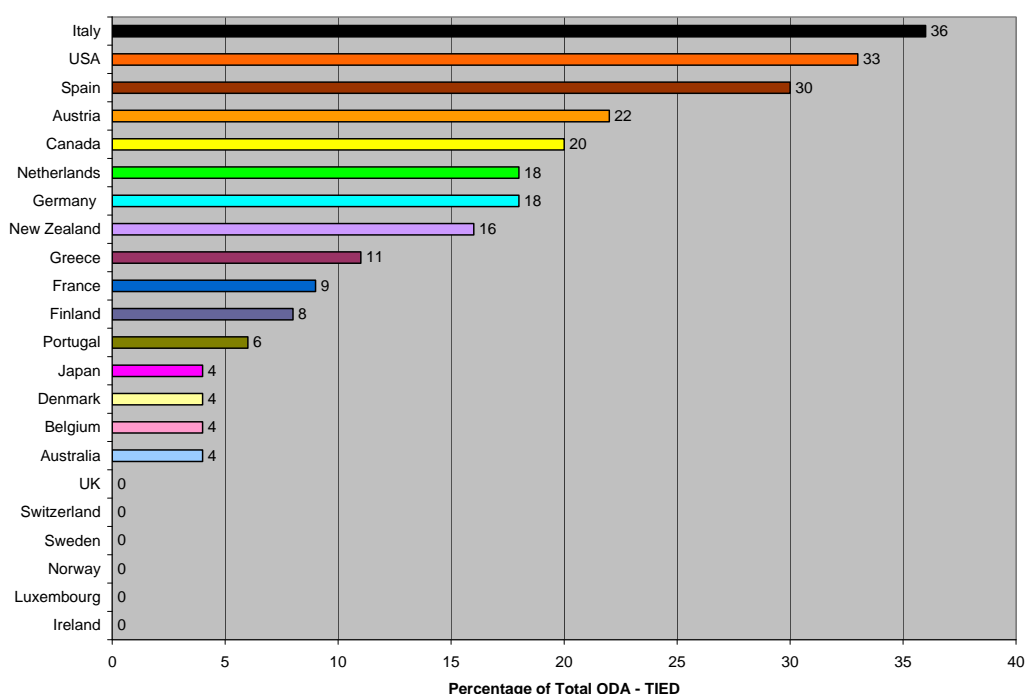
¹⁵⁶ <http://www.stwr.org/aid-debt-development/key-facts.html>

¹⁵⁷ Reality of Aid 2002 Report, <http://www.stwr.org/aid-debt-development/key-facts.html>

¹⁵⁸ WFP, 2009, p.16. http://one.wfp.org/operations/current_operations/project_docs/107570.pdf. The shipping costs were \$206/metric ton compared to the normal figure of \$35-\$40/metric ton.

¹⁵⁹ The allegation is that a North Korean government firm creams off the excessive rates. <http://www.foxnews.com/story/0,2933,534965,00.html>. Canada provided \$215 million to the WFP in 2009 (Reported in December of 2009). From: http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/NA_D-12214434-R5G

Figure 2. Tied Aid as a Percentage of Total ODA for OECD Countries 2007¹⁶⁰



Tying aid to specific commodities and services, or to procurement in a specific country or region, can increase development project costs by as much as 20 to 30 per cent.¹⁶¹ Tied aid damages local production in recipient countries.¹⁶² In 2002/2003 food aid donors over-reacted to a projected 600,000 metric tonne food deficit in Malawi, causing a severe decline in cereal prices and hurting local producers.¹⁶³

One objective of “tied aid” appears to be to advance Canadian know-how. Many projects require being twinned with Canadian experts and institutions, but it appears to recipients that Canadians were the main beneficiaries. If encumbered by Canadian experts and goods siphoning off large percentages of the project resources, branding and advertising aid as “Canadian” could be perceived as arrogant and patronizing on the ground. On the other hand, some argue that tied aid should not be so quickly jettisoned, in that Canadian technical assistance also builds a constituency for ODA in Canada.

DISPERSION AND MULTIPLICATION

Dispersion and multiplication are a problem. Donor countries want to get the biggest ‘bang for their buck’ and as a result prefer to spread resources over as wide a spectrum of sectors and projects in recipient countries as possible. This leads to shallow funding for many, and little depth for each. Recipients then try to add resources from other sponsors in order to create more viable, long-term projects. The result can lead to recipients having hundreds of small

¹⁶⁰ From May 2009, consolidated OECD data <http://www.oecd.org/dataoecd/21/42/43596009.pdf>

NB. CIDA reported in 2009, 9% of ODA was tied according to correspondence with a CIDA official.

¹⁶¹ Jepma, 1991. <http://www.oecd.org/dataoecd/16/56/29412505.pdf>

¹⁶² Reducing transportation costs would feed hundreds of thousands more people, the GAO report states: “At current U.S. food aid budget levels, every \$10 per metric ton reduction in freight rates could feed almost 850,000 more people during an average hungry season.” <http://www.gao.gov/new.items/d07560.pdf>

¹⁶³ Oxfam, 2005. http://www.oxfam.org.uk/resources/policy/trade/downloads/bp71_food_aid.pdf

development projects vying for foreign aid, rather than a few larger ones that will produce better, and more significant, results.

FAULTY EVALUATION

Another recurring theme is shoddy evaluation of development projects and programs. The long-time senior official in the Mexican Government, Andrés Rozental, characterizes the problem as follows.

“There is reluctance by both donors and recipients to genuinely evaluate ongoing projects until their conclusion, by which time it is mostly too late to do anything about it. Once implementation has begun, it is rare for anyone to question its value. Failure is generally not part of the development assistance vocabulary when dealing with execution or evaluation, and projects come to have a life of their own independently of whether they are successful or not....donors and recipients commit to long-term projects and this often prolongs the agony of failed projects that should have been scrapped long before their finalization. ...There are always vested interests, as well as individuals and institutions that exist solely for a particular project or strategy, who are loath for anything to change. This leads to inefficiencies, misappropriations or outright corruption. Individuals become beholden to specific projects or funds and lose their objectivity.” Rozental, Personal Correspondence, 2009.

IMPACTS ON COMPETITIVENESS

Raghuram Rajan and Arvind Subramanian have found that “aid inflows have systematic adverse effects on a country's competitiveness.”¹⁶⁴ One problem is that aid pushes up the local exchange rate, discouraging local manufacturing. Aid income can create the same kinds of problems as oil income – that famous “oil curse” – by breeding dependency and undermining local institutions.

GOOD GOVERNANCE AND SUCCESSFUL DEVELOPMENT

Many economists accept that, in general, aid does not help poor countries grow, but does stimulate growth in those poor countries with good governance.¹⁶⁵ They conclude the evidence supports the view that the impact of aid depends on the quality of state institutions and policies. The effects of aid on a country also depend on the degree of importance of the volume of external aid as a proportion of the domestic income of the country. In China, India, Nigeria, Kenya, and South Africa, aid is a shrinking proportion of investment for development. Policy leverage in these countries is less influential; the quality of technical assistance is more important than the volume of resource transfer.

¹⁶⁴ Rajan and Subramanian, 2005. <http://www.imf.org/external/pubs/ft/wp/2005/wp05126.pdf>

¹⁶⁵ Burnside and Dollar, 2000; and Burnside and Dollar, 2004.

APPENDIX 2

ADVENTURES IN PRIORITY SETTINGS

Effective agenda setting has proven difficult for many national aid agencies. This Appendix includes an account of the Canadian, American and British experiences in this regard.

THE CIDA EXPERIENCE

Throughout its history, CIDA has been plagued by ever-changing paradigms. Development assistance is under permanent Sisyphean review with an unrelenting avalanche of new policy approaches, White Papers and new legislative proposals.¹⁶⁶ David Morrison has written the definitive history of Canadian development assistance. Noting that ODA has been “noble but flawed”, he writes that the enterprise has had to contend with “colossal” challenges:

donor governments have undermined the effectiveness of their foreign aid by pursuing multiple and often conflicting objectives – political and commercial as well as humanitarian. Aid agencies have been buffeted by internal conflicts and organizational constraints, as well as by pressures from elsewhere ... and from a shifting transnational discourse on development.¹⁶⁷

Several of Morrison's chapter headings make the point on the evolving discourse and changing paradigms: “Retrenchment and Reorientation, 1977-80”; “Rethinking the Mission, 1980-83”; “Multiple Mandates and Partners, 1983-89”; “A Jolt of Fresh Energy? ODA Policy reviewed, 1984-89”; “Shifting Gears, 1989-93”; “Ebb Tide, 1993-98”.

Ideas about how to bring about development and organize development cooperation, and particularly ODA, have continuously changed and evolved. Following the Marshall Plan (1952), which reconstructed existing physical, legal and social infrastructure, the development paradigm was the provision of capital supplemented by technical know-how. The 1960s was a decade of large scale industrial projects in which development thinking and practice were based on concepts such as the need for a ‘big push’ of investment to initiate self-sustaining economic growth, the priority of investments in human capital, and the importance of fostering import-substitution industrialization. Then the emphasis shifted to exploiting backward and forward linkages in the supply chain, and that the idea of advancing through a well-established sequence of stages would lead to a take-off into self-sustained growth. Later ideas include ‘unlimited supply of labour,’ ‘deterioration of the terms of trade,’ ‘poles of development,’ ‘development planning,’ ‘circular cumulative causation,’ ‘unbalanced growth,’ ‘dependency theory,’ ‘structural underdevelopment,’ ‘unequal exchange,’ ‘redistribution with growth,’ ‘basic needs,’ ‘export-oriented industrialization,’ ‘small is beautiful,’ and ‘eco development.’

The 1970s “enshrined rhetoric on assisting the poorest countries, meeting basic human needs, and untying to permit procurement in developing countries.”¹⁶⁸ The issue of concentration entered the debate and a task force recommended that the number of countries receiving assistance be reduced to fifty by 1980.¹⁶⁹ Agriculture and food aid became prominent.

¹⁶⁶ See footnote 8.

¹⁶⁷ David Morrison, 1998, p. xix.

¹⁶⁸ Ibid., p. 100.

¹⁶⁹ Ibid., p.114.

The 1980s introduced debt restructuring, budget support¹⁷⁰ and free market solutions. A new orthodoxy emerged called the 'Washington Consensus': economic liberalization; deregulation; privatization; and the free play of market forces. Good governance and corruption became watchwords.

The 1990s saw the collapse of the Soviet Union. Then, a new policy for environmental sustainability was published in 1992. In Morrison's terms, Eastern Europe and the former Soviet Union became competitors for declining aid resources: "Rather than a peace dividend, the collapse of communism brought politics out of the closet into official aid discourse: 'democracy and good governance' joined 'sustainability' and 'private sector development' as watchwords for the 1990s."

The turn of the century saw the 'Millennium Development Goals' (MDGs): combined notions of nationally owned poverty reduction strategies, sensible macroeconomic policies, effective public expenditure management, and new forms of conditionality related to notions of good governance.¹⁷¹ International security considerations, mostly linked to the 'war against terrorism', have intruded and are affecting ODA thinking and practice.¹⁷² The last few years have seen the Live Aid phenomenon – "glamour" aid, featuring celebrity¹⁷³ and moral campaigners.

Francisco Sagasti points out that the mix of aid motivations varies by donor country and over time.¹⁷⁴ There are altruistic, ethical and humanitarian concerns: assisting the poor in developing countries; alleviating human suffering; helping to cope with disasters through humanitarian and emergency relief; and building local capacities. There are strategic and security interests, e.g., the 'war on terrorism' and the 'war on drugs'. There are political interests which focus on obtaining international political support for foreign and domestic policies and on domestic constituencies, and on obtaining the support of ethnic groups of foreign origin in the donor country. There are donor economic and commercial interests: export expansion, employment generation, support of domestic producers (e.g., food aid); greater security for investments in developing countries and securing access to resources (e.g. oil, strategic minerals); and obtaining access to a pool of highly qualified potential migrants.

Finally, there is a category of motivations connected to the provision of international public goods. These include environmental threats (e.g., global warming and tropical deforestation), global health threats (e.g., AIDS, epidemics), maintaining political stability (e.g., peace-making and peacekeeping initiatives), and a range of initiatives to help developing countries improve

¹⁷⁰ General Budget Support is intended to achieve ownership, reduce fragmentation and align aid to the government's programmes. But general budget support can create "new problems: an increased administrative burden; donors' common voice often becomes a common front in an unbalanced power relationship; introducing donors more deeply into the heart of the government, compromising the latter's ability to formulate and carry out its policies independently, and thus eroding its intended objective."

Chissano: recipient countries should have the chance to formulate and implement their programmes and donors should monitor their aid programmes without grossly interfering in policy formulation. Accountability must be demanded on both parties. Woods, 2007.

¹⁷¹ The MDGs stipulate seven categories of outcomes and indicators that developing countries must meet by 2015, and an eighth category of objectives (but not indicators) to be met by donor countries.

<http://www.undp.org/mdg/basics.shtml>

¹⁷² Francisco Sagasti, Official Development Assistance: Background, context, issues and prospects
http://www.i20.org/publications/18_Re_ODA_Sagasti.pdf

¹⁷³ Angelina Jolie's adoption in Malawi.

¹⁷⁴ Sagasti, 2005.

their participation in the world economy and in the implementation of international agreements. So few resources to serve so many interests!¹⁷⁵

Nothing has changed since Morrison's diagnosis in 1998. The 2005 Martin government's *Canada's International Policy Statement* pronounced:

Canadian assistance will target and concentrate programming in five sectors... Gender equality will be a crosscutting theme, to be addressed systematically in all of our [work].... Within each of the five sectors, Canadian programming will focus on specific areas chosen in light of countries' priority needs and Canada's ability to make the greatest difference. This will be done in close coordination with other partners, including donor agencies.¹⁷⁶

Paul Martin's International Policy Statement (IPS) had little lasting impact. The Conservative Government made it a point to change everything Martin had done or tried to do. The CIDA web site on the issue (<http://www.acdi-cida.gc.ca/ips-development>) is amusing. It says the paper "was never formally adopted by CIDA"! This is unique as one would have thought government policy must be adopted by government departments and agencies, until changed by the next government.

The IPS was a failure and would have been a failure had Martin remained in office. It purported to focus bilateral programming in fewer sectors and countries, but then went on to talk of programming in five sectors: governance; health and HIV/AIDS; basic education; private sector development; and advancing environmental sustainability. These sectors can be further explained as such:

- Good governance was to comprise: democratization; human rights; rule of law; public sector institution and capacity building; and conflict prevention, peace building, and security-sector reform.
- Health and combat HIV/AIDS was to focus on five areas: prevention and control of poverty-linked diseases; strengthening the capacity of health systems; improving infant and child health, strengthening sexual and reproductive health and reducing maternal mortality; and improving food security.
- Basic education was to focus on four areas: improving the quality, safety and relevance of basic education; removing barriers that prevent closing the gender gap; providing education for prevention of HIV/AIDS; and providing education for girls and boys in conflict, post-conflict and/or emergency situations.
- Private sector development programming was to focus on three areas: creating an enabling environment; promoting entrepreneurship; and supporting connection to markets.
- Advancing environmental sustainability had five areas: reducing the impact of climate change; addressing land degradation; assisting freshwater supply and sanitation;

¹⁷⁵ A counter point to this critique is that all the issues listed (and more) such as AIDS, global warming, peace etc., are real-world problems of relevance to national development agendas. If this causes headaches for aid-givers, that is not the problem of the poor countries concerned who have to face these multiplying problems. Development is complex and inter-connected, and can't be reduced to the linear modelling of aid givers to ease their bureaucratic rules and procedures. Smart donors should not be lamenting that there are so many world problems for which aid is required, but instead argue that such complexity requires aid givers to go more up-stream and address the common underlying issues that underlie a range of problems.

¹⁷⁶ <http://www.acdi-cida.gc.ca/ips-development#6>

addressing environmental impacts of urbanization; and promoting global environmental agreements.

This 2005 effort to concentrate “strategic focus” resulted in 22 “priority sectors,” in effect rendering the concept of “priority” meaningless.

The IPS had a misplaced emphasis on mobilizing Canadians in dialogue and participation. There is no need for more dialogue and there is plenty of participation. The need is for firming up public support by way of publicizing success stories.

The good idea to consolidate and rationalize the many volunteer efforts into the Canada Corps was frustrated by CIDA. The Prime Minister personally supported this initiative; indeed, it was his initiative. He believed there was a need for better governance in developing countries generally. Many Canadians had expertise to bring to bear and Canada did not come with “baggage”. The Prime Minister appointed astronaut Julie Payette and Gordon Smith to “co-chair” the Canada Corps. CIDA had no interest in engaging the co-chairs as they sought to play an active leadership role. All CIDA wanted to do was pour old wine into this new bottle. The co-chairs quit after about a year.

The IPS called for both a ‘global partnership for development’ and an ‘integrated national approach to development’ based on the premise that “Canada's overall development cooperation effort includes many actors and instruments to respond to development needs; and it calls on our country's capacities well beyond the field of aid.”¹⁷⁷ However, it had no effective ideas for the division of labor or new parameters for international “partnership”, nor any real ideas on substance or institutional machinery to push for integration of trade, investment, agriculture, intellectual property and other policies.

According to the 2008 “Donor Self-Assessment Report” on implementation of the Paris Declaration on Aid Effectiveness:

A new framework for Canada’s international assistance is evolving which will strengthen the focus of development assistance, improve efficiency and agility, ensure accountability and reinforce public engagement. The 2007 and 2008 federal budgets have launched efforts to strengthen focus, improve efficiency and increase accountability of Canada’s international assistance efforts...

In 2006, CIDA developed its Agenda for Aid Effectiveness to maximize these efforts and incorporate the lessons learned on aid effectiveness. Centered on greater strategic focus, strengthening program delivery, more effective use of resources and clear accountability for results, this agenda provides the enabling environment for CIDA’s implementation and accountability of aid effectiveness principles.¹⁷⁸

¹⁷⁷ <http://www.acdi-cida.gc.ca/ips-development>

¹⁷⁸ OECD, 2008. <http://www.oecd.org/dataoecd/3/15/42803764.pdf>

“CIDA’s sector-based policies and priority sectors shifted many times between 2001 and 2009. Often, the Agency announced new policies and priorities but did not rescind old ones. In some cases, these shifts represented a completely new direction for the Agency (such as the shift to agriculture as a funding priority in 2003). In other cases, these shifts were more of an elaboration or restatement of previously announced priorities. Since it can take years to design and carry out projects properly and even longer for changes in direction to take hold, over time these frequent changes have hampered the ability of CIDA’s country desks to plan for the long term. Soon after the organization starts to adjust the nature of its programming, a change in direction or a new initiative begins, and staff must begin adjusting again.” Government of Canada, 2009b.

THE USAID EXPERIENCE

The experience of other aid agencies shows that the elimination of ineffective programs is by no means an easy task. USAID is in the same quandary. In July 2009, Senators Lugar¹⁷⁹ and Kerry introduced new U.S. legislation to “lessen the reporting burden on agencies to the maximum degree possible... It is time for a comprehensive review to rationalize reporting requirements, eliminating unnecessary, duplicative and/or outdated reports to allow USAID to focus the maximum amount of intellectual and operational capacity on delivering effective, results-based development programs.” In fact, the Kerry-Lugar bill contains some thirteen new reporting requirements without removing any of the existing (and huge) stock.

Kerry and Lugar want to “replenish the troops”, create a new “knowledge center” and internal evaluation system so the agency can take a comprehensive look at what programs work and why. This would supplement the current monitoring system that measures simple outputs – were the schoolbooks purchased and delivered on time? – with one that looks at policy outcomes – what impact did this education program have on literacy rates? They intend to re-establish a policy and strategic planning bureau within USAID to apply lessons learned across countries and regions and project future needs and opportunities.

Lugar quotes Jeffrey Sachs testimony before the Senate Foreign Relations Committee that the President’s Emergency Plan for AIDS Relief has been successful in large part because it set clear objectives and regularly evaluates progress:

Prof. Sachs urged re-organizing our development effort strategically around a few key pillars – from agriculture to sustainable energy to promotion of sustainable businesses – in order to clarify our long-term aims and rigorously ensure that each specific program is contributing toward meeting them. These changes will help eliminate ineffective programs and assure Congress and taxpayers that our money is supporting our humanitarian and national security goals.¹⁸⁰

¹⁷⁹ Richard Lugar (R, Indiana) is the former chairman and current ranking member of the Senate Foreign Relations Committee.

¹⁸⁰ Herling, 2009. Sachs has been a strong proponent of vastly increased foreign aid. See his book *The End of Poverty* (2006). From 2002 to 2006, Sachs was Director of the UN Millenium Project (which produced the Millenium Development Goals), and remains a Special Advisor to the UN Secretary General.

Unfortunately, despite Sachs' urging, "ineffective programs" all have fervent champions and are rarely eliminated.

Kerry-Lugar wants to make each USAID in-country mission director the coordinator for all U.S. assistance within the country. They would require all government agencies with foreign aid programs in a country to make details of their activities publicly available to the coordinator in a timely fashion. They would create an independent evaluation and research group to analyze the effectiveness of foreign assistance programs across the government and promote best practices: "USAID does not have to manage everything, but it must be the locus of expertise that can provide guidance on development policy." Other departments will, of course, fight subordinating themselves to USAID's in-country coordinator.

"At different stages of my Foreign Service career, USAID has tried a series of different 'development' strategies. Certainly, we have not yet stumbled across a magic formula for development that works worldwide. We have tried regional development, community development, small is beautiful, agricultural-led development, export-led development, Title IX activities that revolve around cooperatives and community-centered projects, integrated rural development, food for peace, food for development, water for peace, reimbursable development, legal and democratic training—a virtual encyclopedia of development jargon. But one wonders whether our successive strategies were designed more to sustain USAID than they were to achieve sustainable development." Guardino, 2002.

Secretary of State, Hilary Clinton, provided the latest U.S. perspective, "On Development in the 21st Century," speaking at the Center for Global Development in Washington, January 6, 2010. In a wide ranging address, Clinton called for a new development model that was not "formulaic – that what works in Pakistan may not work in Peru. So our approach must be case by case, country by country, region by region"¹⁸¹ She spoke of concentrating "areas of convergence. In the past, we've invested in many programs across many fields, often spreading ourselves thin and reducing our impact." She announced the U.S. would target investment¹⁸² "in a few key areas, like health, agriculture, security, education, energy, and local governance."¹⁸³

She stated that this new mindset means a new commitment to results:

Development is a long-term endeavor. Change seldom happens overnight. To keep moving in the right direction, we must evaluate our progress and have the courage to rethink our strategies if we fall short. We must not simply tally the dollars we spend or the number of programs we run, but measure the lasting changes that these dollars and programs help achieve. And we must share the proof of our progress with the public.¹⁸⁴

¹⁸¹ <http://www.cgdev.org/doc/2009/Clinton%20Transcript2.pdf>

¹⁸² Clinton highlighted the difference between aid and investment: "Through aid, we supply what is needed to the people who need it – be it sacks of rice or cartons of medicines. But through investment, we seek to break the cycle of dependence that aid can create by helping countries build their own institutions and their own capacity to deliver essential services. Aid chases need; investment chases opportunity."

¹⁸³ <http://www.cgdev.org/doc/2009/Clinton%20Transcript2.pdf>

¹⁸⁴ Ibid.

Clinton spoke of elevating development and integrating it more closely with defense and diplomacy in the field:

Development must become an equal pillar of our foreign policy, alongside defense and diplomacy, led by a robust and reinvigorated aid. Now, I know that the word integration sets off alarm bells in some people's heads. There is a concern that integrating development means diluting it or politicizing it – giving up our long-term development goals to achieve short-term objectives or handing over more of the work of development to our diplomats or defense experts. That is not what we mean, nor what we will do. What we will do is leverage the expertise of our diplomats and our military on behalf of development, and vice versa. The three Ds must be mutually reinforcing.¹⁸⁵

THE DFID EXPERIENCE

The UK counterpart development agency, DFID, faces the same challenges and pressures as CIDA. With respect to the politically difficult challenge of concentration in a smaller number of countries, to allow staff and aid budget to focus on where they add most value, DFID reports:

Since 1997 we have cut the number of countries we give aid to by over a third, and in the three years to 2010 will have closed nine offices. Our modest aid programme and DFID country office in China will be reviewed in 2010. Around 90% of our country expenditure is now in 23 countries.¹⁸⁶

DFID's twenty-three countries are still too many.

The July 2009 UK White Paper lays out four priorities: poverty reduction; promoting economic recovery/greener growth; climate change (building climate knowledge and capacity, scaling up investment in low carbon development, supporting adaptation); and building peaceful states and societies.¹⁸⁷ It is not clear what these priorities exclude.

The current discourse does provide generally accepted premises for an effective aid program. As duplication provides onerous burdens to developing countries,¹⁸⁸ donor coordination and harmonization of procedures are critical. The host country or organization should provide leadership in design and delivery. Fragmentation must be avoided and a single program and budget framework is to be preferred. Local "ownership" is essential, favouring local procedures with regard to program design, implementation, financial management, and monitoring and evaluation.

¹⁸⁵ <http://www.cgdev.org/doc/2009/Clinton%20Transcript2.pdf>

¹⁸⁶ The UK's new White Paper on International Development, "Eliminating World Poverty Building our Common Future," p. 129 <http://www.dfid.gov.uk/Documents/whitepaper/building-our-common-future.pdf>

¹⁸⁷ DFID, 2009. <http://www.dfid.gov.uk/Documents/whitepaper/building-our-common-future-print.pdf>

¹⁸⁸ Tanzania holds a "donor holiday," where for three months of the year donors are not to engage government officials so that they can focus on their work of delivering services to their citizens. http://www.gmfus.org/economics/event/detail.cfm?id=538&parent_type=E

“It is generally conceded that ownership is a key to good development. The objects of the development enterprise must also be the subjects; they must feel that they are the “owners” of policies and projects from change. This, of course, is not at all the way it works. Despite the advent of Sector Wide Approaches (SWAPs), Poverty Reduction Strategy Papers and the Comprehensive Development Framework over the past fifteen years, micro managing conditionality on how money is to be spent – often of the most ruthless and detailed variety – has been the order of the day.” Smilie, 2005.

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