

Implications of the “better aid bill” for the RDBs

Introduction

On May 29, Bill C-293 or the “better aid bill”, received royal assent. This now legally requires Canadian official development assistance (ODA) to contribute to poverty reduction, take into account the perspectives of the poor, and be consistent with international human rights standards. The Canadian International Development Agency (CIDA) and Foreign Affairs Canada (FAC), among others, are in the process of developing plans on how to implement the Bill in practice. These comments are intended to help CIDA and FAC in their interpretation of the Bill for the various international financial institutions for which they are the lead agencies.

1) Eligible institutions under the Bill

The Act covers “all Canadian official development assistance abroad” (Article 2.1). Canada provides a portion of its ODA through contributions to the Bretton Woods Institutions (BWIs), to funds administered by the BWIs and to the Regional Development Banks (RDBs). CIDA deals with three elements of this, all of which are directly impacted by the Bill:

- i) *contributions to special Trust Funds and Global Initiatives* administered by the World Bank (such as the Advance Market Commitment (AMC), the Global Environment Facility (GEF) and the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM));
- ii) *contributions to numerous bi-lateral and multi-donor trust funds* at four RDBs (the African Development Bank (AfDB), Asian Development Bank (ADB), Caribbean Development Bank (CDB) and Inter-American Development Bank (IDB)¹); and,
- iii) *contributions to the RDBs’ respective concessional lending windows* (the African Development Fund, Asian Development Fund, Unified Special Development Fund of the CDB, and Fund for Special Operations of the IDB).

In addition to the above contributions, Canada also pays in capital as part of its quota or share in the four RDBs. This is a non-budgetary expenditure, as it represents an asset, and as such is not drawn from Canadian ODA. Since the terms guiding the provision of ODA (2) below), only cover the parts of the RDBs to which Canada contributes a portion of its aid, rather than the institutions in their entirety, CIDA and FAC should be mindful of the potential policy incoherence that this may create in the government’s approach to the institutions as a whole.

Recommendation 1: The Act applies to the entities of the RDBs to which Canada allocates ODA and to the special Trust Funds and global initiatives administered by the World Bank. The consultation related to this Act will need to consider the possible policy incoherence generated from applying the terms guiding the provision of ODA to just part, versus all, of the AfDB, ADB, CDB and IDB.

¹ The European Bank for Reconstruction and Development is dealt with separately in policy brief to Finance Canada.

2) Terms guiding and governing the provision of international assistance

Per Article 4.1, “Official development assistance may be provided only if the competent minister is of the opinion that it (a) contributes to poverty reduction; (b) takes into account the perspectives of the poor; and (c) is consistent with international human rights standards.”

Setting a baseline for ODA contributions to the RDBs

The Halifax Initiative suggests that the government conduct an independent evaluation of the International Financial Institutions to establish a baseline against which to assess whether the principles and mandate of Bill C-293 are being met.

Recommendation 2: CIDA should conduct a review of the RDBs to identify where the institutions fall short in terms of the Act’s purposes for ODA (a), b) and c) above), and, as appropriate and in consultation with groups, identify new policy priorities for the Canadian government that will guide government engagement with these institutions.

Developing an institutional strategy with respect to the RDBs

In 2008, to steer the government’s strategy at the World Bank and International Monetary Fund (IMF) and at the European Bank for Reconstruction and Development (EBRD), Finance Canada developed a rolling three year medium-term strategy for the institutions as part of its annual report to Parliament. The institutional priorities identified for the World Bank, IMF and EBRD are almost identical, namely the following: 1) governance and accountability, 2) institutional effectiveness, and 3) sustainable poverty reduction and growth (IMF and World Bank)/environmental sustainability and gender equality (EBRD). Since the development of the strategy is a recent initiative, and since no annual report on the RDBs has been produced by CIDA since 2006, there is no institutional strategy to guide Canadian engagement at the other four RDBs. While the Act does not require developing institutional strategies for the RDBs, their elaboration would help ensure greater policy coherence among the different government departments and would support a whole of government approach to international development, in keeping with the objectives of this Act.

Recommendation 3: Parallel to the process highlighted above in Recommendation 2, CIDA and FAC should develop institutional strategies with respect to Canadian government engagement at all the RDBs, just as Finance Canada has done for its engagement with the BWIs and EBRD.

3) Consulting with Canadian civil society organizations

Article 4.2 states that “The competent minister shall consult with governments, international agencies and Canadian civil society organizations at least once every two years, and shall take their views and recommendations into consideration when forming an opinion described in subsection (1).” Subsection 1 relates to the guiding principles for providing ODA.

While the Departments are only required to hold consultations at least once every two years, consultations are an iterative process and the timeframe should reflect that.

Recommendation 4: We strongly urge the various government departments, including CIDA and FAC, to establish a small reference group of individuals representing different sectors to help design and guide the consultation process.

4) Financial reporting of Canadian activities at the IFIs

The Bill requires a report containing “(a) the total amount spent by the Government of Canada on official development assistance in the previous fiscal year”, Article 5.1 (a).

“The Minister shall issue a statistical report on the disbursement of official development assistance within one year after the end of each fiscal year.” Article 5.2

Canada contributes ODA to various multilateral organizations, and to bi-lateral and multi-donor trust funds and global initiatives administered by these organizations. CIDA already produces a *Statistical Report on Official Development Assistance*. However, the data is often quite old, given the two-year period covered and the lag between producing reports. Data for the BWIs and RDBs is also insufficiently disaggregated, and does not appear to provide figures for all Bi-lateral and Multi-Donor Trust Funds. There are also few comparisons of commitments relative to previous years or analysis of emerging trends that correspond with changing government priorities or activities.

Recommendation 5: In addition to indicating the total amount spent by the Government on ODA in the previous fiscal year, the government should also provide disaggregated figures in its annual statistical report for a) its ODA grant contributions to the BWIs’ and RDBs’ concessional lending windows; b) its ODA contributions to all bi-lateral and multi-Donor Trust Funds administered by the RDBs; and c) capital subscriptions paid in to these respective institutions. The data should include figures from previous years to allow for comparison. The statistical report should correspond with, but not be limited to, activities identified in the narrative report.

5) Reporting of Canadian Activities at the Regional Development Banks

The Bill requires a report containing “(b) a summary of any activity or initiative taken under this Act”, Article 5.1 (b).

Improved reporting on Canadian activities at the RDBs

Finance Canada produces an annual report on the BWIs and the EBRD, fulfilling legal requirements set out in their respective Agreements’ Acts. As of 2008, Finance has developed a useful new format for both the reports (a comprehensive introduction to the institutions and Canada’s place within them, an overview of Canadian priorities and actions in 2007, and Canadian medium- term priorities looking forward).

Reporting on the remaining four RDBs to which Canada contributes is only sporadic since there is no legal requirement to do so. Accordingly, the last “annual report” on the RDBs was done in 2006 and covered the 2004 period. While Canada’s financial support to the RDBs is included in CIDA’s overall reporting through its *Reports on Plans and Priorities* and its annual *Departmental Performance Reports*, the information is scant and there is no substantive information related to Canada’s engagement with these institutions. Yet government

contributions to the four RDBs is not insignificant (for example, approximately \$100 million is sent annually to the African Development Fund and \$50 million to the Asian Development Fund). These contributions are often more substantial than what the government provides to the EBRD (for which there is a requirement to report annually).

While the Act does not require developing an annual report for the RDBs, its elaboration would help ensure greater policy coherence among the different government departments and would support a whole of government approach to international development, in keeping with the objectives of this Act.

Recommendation 6: To ensure greater transparency and accountability for Canadian engagement at the IFIs, there should be annual reports on government activities at all the RDBs.

The next report produced by CIDA for the RDBs should follow the model established in 2008 by Finance Canada's 2007 annual reports on the BWIs and EBRD.

A summary of this report could be included in the narrative and financial reports required by Bill C-293.

Summary of the manner in which Canada's activities at the RDBs contributed to this Act.

For CIDA's current priorities at the RDBs to be consistent with Bill C-293, the government should develop an institutional strategy with respect to Canadian government engagement at the RDBs that is explicitly driven by the purpose of the Act and the principles of poverty reduction, the perspectives of the poor, and international human rights standards (see point 2 above). An annual report to Parliament can report against these benchmarks.

Recommendation 7: Integrating the purpose and principles of Bill C-293 into Canadian government activities at the RDBs should be the starting point. The proposed Annual Report(s) to Parliament on the RDBs (per Recommendation 6 above) should then be shaped to reflect the focus of government priorities at these institutions, with a summary of this content included within the reporting provisions of Bill C-293.



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