

Implications of the “better aid bill” for the BWIs and EBRD

Introduction

On May 29, Bill C-293 or the “better aid bill”, received royal assent, now legally requiring 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. Finance Canada, among others, is in the process of developing plans on how to implement the Bill in practice. These comments are intended to help Finance Canada in its interpretation of the Bill for the various international financial institutions (IFIs) for which it is the lead agency.

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). However, Finance Canada only deals with contributions to the World Bank’s International Development Association (IDA) and to the International Monetary Fund’s (IMF) Poverty Reduction Growth Facility (PRGF) and the Exogenous Shocks Facility, and to a large number of bi-lateral and multi-donor trust funds at the Bank, IMF and the European Bank for Reconstruction and Development (EBRD). These entities are directly impacted by the Bill.

In addition to the above contributions, Canada also pays in capital as part of its quota or share in the IMF, the World Bank Group (WBG) and the EBRD. This is a non-budgetary expenditure, as it represents an asset, and as such is not drawn from Canadian ODA. However, by virtue of the reporting requirements under Article 5 of the Bill (5.1 d, 5.3 a and 5.3 b), in particular how “Canada’s activities under the *Bretton Woods and Related Agreements Act* have contributed to carrying out the purpose of this Act”, the following bodies are also indirectly subject to the Act: the International Finance Corporation, the International Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency and the International Centre for Settlement of Investment Disputes of the WBG; and the IMF. Since the terms guiding the provision of ODA (2) below), only cover the parts of the Bank, IMF and EBRD to which Canada contributes a portion of its aid, rather than the institutions in their entirety, Finance Canada 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 WBG, IMF and EBRD to which Canada allocates ODA and, through reporting requirements, to how Canadian activities at the BWIs have more broadly contributed to the purposes of the Act. 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 WBG, IMF and EBRD.

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.”

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: Finance Canada should conduct a review of the World Bank, IMF and EBRD 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.

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 3: We strongly urge the various government departments, including Finance Canada, 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).

While the legislation only requires the report to include total ODA spent, it would be useful to provide a more comprehensive and disaggregated picture of Canada’s ODA spending. Canada contributes ODA to a large number of multilateral organizations, and to bi-lateral and multi-donor trust funds and global initiatives administered by these organizations. CIDA already does this in its *Statistical Report on Official Development Assistance*.

Recommendation 4: 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 for a) its ODA grant contributions to the BWIs’ concessional lending windows; b) its ODA contributions to all bi-lateral and multi-Donor Trust Funds administered by the BWIs and EBRD; and c) capital subscriptions paid in to these respective institutions. The data should include figures from previous years to allow for comparison.

5) Reporting of Canadian Activities at the Bretton Woods Institutions

The Bill requires a report containing “(c) a summary of the annual report submitted under the Bretton Woods and Related Agreements Act; (d) a summary of any representation made by Canadian representatives with respect to priorities and policies of the Bretton Woods Institutions”, Article 5.1 (c) and (d).

It also states that “The Minister of Finance shall, in addition to preparing the report required under section 13 of the Bretton Woods and Related Agreements Act, contribute the following to the report submitted to Parliament under subsection (1) (a) the position taken by Canada on any resolution that is adopted by the Board of Governors of the Bretton Woods Institutions; and (b) a summary of the manner in which Canada’s activities under the Bretton Woods and Related Agreements Act have contributed to carrying out the purposes of this Act.” Article 5.3.

A summary of the annual reports

In 2007 and 2008, Finance Canada conducted a significant overhaul of its annual reports to Parliament on the BWIs and EBRD, substantially improving both their format and content. A summary of these reports is apt to lose a lot of the contextual information that is important to understanding Canadian strategies and activities at these institutions. We would encourage Finance to use the summaries required by the Bill to situate activities at the Bank and Fund within the broader context of the government’s international development strategy.

Recommendation 5: The “value added” of a summary of the BWI report will be to contextualize Canadian activities at these institutions within the broader framework of both the “Purpose” of this Bill (under Articles 2 and 4) and the government’s corresponding strategy at the RDBs. The summary can reference the full BWI annual report for further information.

A summary of representations made

Combined, the World Bank and IMF have several hundred board meetings a year, with in theory a commensurate number of representations made by Canadian representatives. A summary of the positions taken on major issues at the Bank and IMF, now identified in the respective annual reports, would partially satisfy the reporting requirements of Article 5.1 (d). However, the clause states “any representation”, necessitating a mechanism to summarize positions taken by the government on issues not necessarily in the annual report.

Recommendation 6: Finance Canada should summarize the positions taken by Canadian representatives on those issues highlighted in the annual report to Parliament on the BWIs.

To meet the full requirements of Article 5.1d, Finance Canada should put in place a mechanism to respond to requests for Canadian positions on issues addressed by the IMF and WBG, but that are not necessarily reported on in the Finance Canada annual report for the institutions.

The position taken by the Canadian Governor

In some cases, Board of Governor (BoG) support is explicitly required - i.e. for changes to either the Bank or IMF’s articles of agreement. In these cases, formal signs of support or opposition are sent from country capitals. Occasionally, the BoG also deals more closely with

substantive issues. However, essentially, the position taken by the Governor on resolutions is assumed on every decision made by the Executive Directors. The positions taken on some resolutions by the Governors to the Bank and Fund, and official statements made, are now included in the annual reports.

Recommendation 7: The government is already meeting the requirements of Article 5.3 a) and should accordingly provide the positions of Governors on resolutions in the whole of government report.

Summary of the manner in which Canada’s activities at the BWIs contributed to this Act.

For Finance Canada’s current priorities at the BWIs and EBRD to be consistent with Bill C-293, the government will have to rethink how its current medium-term strategy 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).

Recommendation 8: Integrating the purpose and principles of Bill C-293 into Canadian government activities at the BWIs and EBRD should be the starting point. The Annual Reports to Parliament on the respective institutions should then be reshaped 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.

6) Prohibitions to disclosure

Bil C-293 has the following proviso: “Despite subsections (1) and (3), information shall not be reported under this section if its disclosure is prohibited by the policies of the Bretton Woods institutions.” Article 5.4.

These provisions should not have much application to the reporting requirements outlined in Articles 5.1 and 5.3. Firstly, both articles require the government to provide summaries of reports or positions which it already discloses. Secondly, the provisions require Finance to provide a summary and indicate positions six months after the end of the fiscal year. In most cases Bank and IMF documents may already be in the public realm, and the government will have already released its annual report. Essentially, if not prohibited, the government should report on it.

Recommendation 9: The Act requires the government to maintain a presumption in favour of disclosure.



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