



Global Economic Governance Programme



Meeting Report

Strategic Directions in Canada's Aid Policy

Thursday, 6 October 2005
IDRC, 250 Albert St
Ottawa

Convenors: Ngaire Woods and Jennifer Welsh
Rapporteur: Sarah Mulley

Objectives

On 6 October 2005, the Global Economic Governance Programme convened a meeting, funded by IDRC, of senior policy-makers from Canadian government departments with international concerns (including Finance, Foreign Affairs, Defence, Justice and CIDA), researchers, and development specialists. Participants discussed how Canada could most effectively promote good governance through foreign assistance; and how Canada's aid could be reorganised, and its relations with other donors and aid recipients better structured, in order to increase aid effectiveness.

Following an agenda-setting meeting convened by the GEG at the IDRC in March 2005, background papers were prepared for the meeting, which examined Canada's experience with good governance programming in six countries, as well as issues relevant to the management of Canadian aid. The key objective of the October meeting was to draw on the findings of these papers in order to support the ongoing policy process of reorienting and rethinking Canadian foreign assistance.

How can Canada Promote Good Governance through Aid?

Good governance has been identified as an area where Canada's experience, and its position as a donor perceived as 'impartial', might give it a comparative advantage with respect to other donors. Good governance is a challenging objective to pursue however – outcomes are hard to measure and assess, and the process is subject to many factors, which make it (perhaps enduringly) difficult to evaluate the impact of particular interventions. As Ian Smillie put it in his background paper to the meeting: "It [good governance] must be earned and learned, not just by those for whom it is intended, but by those who would help them." Discussants emphasised that good governance is not necessarily a goal in and of itself, but is rather a means to achieving better development outcomes.

The background papers on good governance explored the evolution of the good governance agenda in the aid system and, more specifically, the aspirations and impacts of Canadian aid with respect to good governance in six case study

countries (Afghanistan, Haiti, Vietnam, Ghana, Bangladesh, and Mauritius). The papers raised issues in respect of three core questions:

- How should Canada act on its decision to make good governance a priority?
- What should the objectives of Canadian aid with respect to good governance be?
- What is the most effective way to manage and deliver Canadian aid to support good governance?

1) Acting on Canada's decision to make good governance a priority

Aid can promote good governance either through specific good governance programming (e.g. see Vietnam case study) or through the wider impacts of the aid relationship on the institutions of the recipient country (e.g. see Ghana case study). Good governance may also emerge as a result of economic success (e.g. see Mauritius case study). The background papers also noted that success in this area often comes through multilateral efforts (e.g. see Afghanistan case study). Although good governance has already been identified as a priority for Canadian aid, this leaves open the question of how this priority should be translated into action. Good governance is too broad a principle to provide clear policy guidelines without further definition.

1.1 Identifying areas of specific Canadian focus

Many discussants saw scope for Canada to identify areas of specific focus within the governance agenda. These areas of focus could be more 'finely grained' than the areas identified in the International Policy Statement, and build on Canada's domestic experiences. For example, Canada has successfully built on two distinct legal traditions, putting it in a strong position to help developing countries develop effective legal systems in multicultural societies.

Three specific challenges were raised about how Canada might effectively share its knowledge in these areas. First, much technical assistance is not effective, nor does it offer recipient countries good value for money. Second, it is not always easy or appropriate to identify and support reformers or 'agents of change' within a recipient country. And finally, having identified specific areas of expertise, it will be challenging for Canada to 'walk away' from other areas, and to ensure it is acting in a way that is responsive to recipient country needs.

1.2 'First, do no harm': the general impacts of aid on governance

Aid specifically aimed at promoting good governance is but one part of the aid relationship. Participants expressed the concern that Canada's aid programme more broadly (and foreign policy in general) need to be operated in a way which supports rather than undermines good governance. All aid can have unintended consequences, and most particularly in the area of governance. It was noted that donors in search of better governance can inadvertently cause the collapse of existing institutions.

The first principle of aid was expressed as ‘do no harm’. If Canadian foreign assistance is to support good governance, it may need to explore new ways of working with recipients across the whole aid programme.

As Canada strengthens capacity in delivering particular kinds of good governance assistance, the temptation might be to offer aid-receiving countries a specified bundle of technical and material assistance. However, those with practical on-the-ground experience highlighted that the only effective approach to strengthening governance has to start from ‘what do you need?’ not ‘here’s what we have’. Numerous donors with different strengths to offer might easily drown out (or overwhelm the capacity of) a government expressing such needs.

A multilateral approach to understanding the needs of an aid-receiving country and to distributing responsibilities among donors with different strengths offers one way to resolve this, although care must be taken to ensure that this does not constrain recipient leadership in different ways. Within a multilateral approach, Canada’s experience in Afghanistan demonstrates the way Canadian officials working quietly to develop relationships of trust with officials in aid-receiving country can be useful and sympathetic ‘ears’, hearing what is needed and feeding that into a coordinated multilateral process.

1.3 A challenging agenda: trade-offs and limitations

The scale of the challenge posed by the good governance agenda is considerable – the history of development assistance is testament to the dangers of seeking ‘the answer’ in one area at the expense of other concerns. Governance is arguably even more challenging than previous donor agendas (e.g. macroeconomic reform, human development) – it is harder to measure and is closely tied to countries’ cultures and histories. Donors risk breeding resentment if they seek to impose inappropriate reforms.

Canada may face a trade off between policies, which encourage recipient country leadership (e.g. budget support) and its desire to promote Canadian values in specific areas (e.g. gender equality). The question of whether to impose governance conditions on recipients of Canadian aid is an example of this trade-off.

At root, good governance is a political issue, which requires a clear view about the appropriate political relationship between aid donors and recipients to be reflected across all foreign assistance.

2) Goals of Aid for Good Governance

The background papers made clear that the goals of (Canadian and other) aid for good governance vary not only between countries but also within countries over time. There is a strong case for different governance-support strategies in different countries, but that said, donors have to be clear about the trade-offs involved.

2.1 Political or administrative goals?

There is an important distinction to be made between political objectives for good governance (e.g. democratisation) and administrative objectives (e.g. improved public expenditure management). Neither set of objectives is uncontroversial (administrative reform may be as politically sensitive as political reform) but careful thinking from donors about what their goals are can make programming more effective.

In Bangladesh, Canadian aid has helped a lively civil society to flourish but the case study raises questions as to whether this has improved governance or economic prospects in the country (see Bangladesh case study). The goal of the assistance needs careful clarification. In Haiti, Canadian and other assistance focused intensely on promoting civil society for a short period before switching to concentrate on security (see Haiti case study). There is no clear blueprint for how to enhance governance but the record demonstrates not just different approaches but shifting priorities on the part of the donors.

Where aid has focussed on government capacity, in some cases strengthening the central administration has been the goal, in others decentralization has been pushed. For example, as illustrated in the case studies, governance interventions in Vietnam have strengthened the central administration. By contrast, governance interventions in Ghana have emphasised the role of District Assemblies and promoted a more decentralized form of government.

2.2 Aiming for “good enough governance”

It was suggested that the goal of foreign assistance should be ‘good enough governance’. This is a principle of self-restraint requiring donors to identify minimum standards of governance and then to look at progress/change as well as absolute standards. Progress would be measured in terms of outcomes as well as institutions and processes with sensitivity to the political context and constraints facing aid-receiving governments.

2.3 Local flexibility and responding to recipient needs

Discussants noted that it will often be appropriate for goals to vary according to the priorities and the locus of political/administrative change in each country. This, however, leaves open the question of how Canada can implement a coherent strategy for good governance. Given the discussion above of how Canada might best focus its efforts, it may be appropriate for Ottawa to develop a ‘menu of options’ focused around Canada’s areas of specific expertise and ensure that there is flexibility to focus on different goals at country or local level.

Ultimately, many discussants felt that the goals of good governance are not for Canada to decide – recipients should set their own priorities. As it develops its good governance strategy, Canada should consider ways to identify recipient priorities.

3) Managing Aid for Good Governance

Questions of effective aid delivery are considered in more depth below, but some points were felt to be particularly important from the perspective of good governance. Achieving improvements in governance requires donors to develop long-term relationships with recipients, which in turn requires continuity of policy and engagement in particular countries. Decentralised decision-making may also be needed if governance strategy is to be tailored to country circumstance.

The long timescales typical of governance outcomes make questions of results measurement and accountability particularly challenging in this field. Most good governance programming is relatively short-term, but good governance is a long-term project. The challenge of sharing expertise and promoting learning while avoiding the pitfalls of technical assistance is also particularly pertinent with respect to governance. It was suggested that Canada's decision to focus its aid in fewer countries, and to make governance a priority, provides an opportunity to improve the monitoring and evaluation of governance interventions and to develop methodologies in this area which could improve the evidence base for governance programming more widely.

The Delivery of Canadian Aid

Aid effectiveness is high on the international agenda. Encouraged by processes such as the OECD DAC Forums on Aid Effectiveness, many donors are seeking to improve the delivery of their aid, including through coordination with other donors. These debates are particularly relevant to Canada as it re-orient its foreign assistance programmes. The discussion of governance highlighted some of the challenges facing Canada in aid delivery and this discussion provided an opportunity to consider these issues in more detail. Underlying many of questions discussed is the challenge of achieving a balance between recipient country ownership and domestic accountability.

The background papers to the meeting addressed three main questions:

- How could Canada's foreign assistance, and CIDA in particular, best be coordinated and organised in order to maximise its effectiveness?
- How can Canada most effectively coordinate its foreign assistance with other donors, including through international organisations?
- How can Canada promote recipient country leadership in the aid relationship?

1) Coordination and organisation within Canada

The process of developing the International Policy Statement has promoted inter-departmental coordination in Canada, and this meeting was itself a good example of different ministries working together. It is essential that this coordination continues in order to promote coherence in Canadian foreign policy and assistance.

1.1 Decentralisation and flexibility

As noted above, there was a good deal of discussion about the delegation of decision-making to the country level. Discussants noted that, compared to other major donor agencies, CIDA is relatively centralised in its decision making, and that this has impeded Canada's ability both to respond to local priorities and to coordinate with other donors. The decision to focus Canadian foreign assistance on fewer countries should make effective decentralisation easier by strengthening CIDA's capacity and influence in each recipient country.

A related point is CIDA's ability to take risks with new approaches to programming and aid delivery. Centralised decision-making may be one factor, which impedes innovation at the country level. Annual budget cycles, which create pressures to disburse funds within the financial year, can also be a barrier to the development of new approaches. End-year flexibility of funds would also encourage longer-term engagement at country level and could promote the development of longer-term strategies in areas such as governance.

1.2 Picking partners

There was some discussion of how Canada should pick its development partners in the future – there is a trade off between operating in countries which are 'good performers' with a number of 'like-minded' donors working together to improve aid effectiveness, and working in countries which are neglected by other donors, where effectiveness may be less, but where Canada might be able to have a decisive influence (particularly given its growing record of engagement with weak or failing states).

1.3 Accountability

All this raises questions of accountability. Long-term strategies and decentralised decision making may be needed to promote effectiveness, but may also make it harder to account for the impacts of Canadian foreign assistance year to year. Foreign assistance ultimately relies on political support in Canada, which means that success needs to be communicated. This does not, however, rule out the kind of reforms discussed above. Some discussants suggested that a new International Development Act (similar to the act which defines DfID's objectives in the UK) could provide both a clear structure of accountability and scope for long-term decision-making even in the face of changing political circumstances.

2) Donor Coordination and International Organisations

It is increasingly recognised that donors must coordinate their activities in order to improve aid effectiveness. Coordination through international processes (e.g. OECD/ DAC) may also help Canada make some of the reforms discussed above. For example, better donor coordination at the country level may make the decentralisation of decision-making more effective. The changes already being made in the way Canadian foreign assistance is delivered will also allow Canada to play a stronger role in international coordination processes (e.g. the increased use of budget support allows more Canadian engagement with like-minded donors at country level).

2.1 Who sets priorities?

The background papers made clear that coordination is not always desirable (e.g. when it creates ‘monopoly’ problems) or effective (the impact of international efforts to improve coordination has been fairly limited). The effect of coordination crucially depends on what policies and priorities donors align to and what mechanisms are used to achieve this.

One view is that international organisations such as the World Bank and IMF have a comparative advantage in defining the problems and priorities, which donors should address, and perhaps in delivering programmes on their behalf. People were keen to emphasise, however, that bilateral donors have an important role to play in providing a ‘counter-weight’ to the policy diagnoses of international organisations and acting as conduits for alternative views. This may take the form of oversight in the international organisations themselves, or may take the form of some ‘competition’ between donor agencies to develop different policies and programmes. It was also noted that coordination does not necessarily mean routing more aid through multilateral agencies – bilateral agencies may be able to play a more effective counter-weight role by maintaining independent programmes, but this should not come at the expense of coordination where this is appropriate.

The other key concern with regard to coordination is the role of recipient countries – there is a risk that coordination comes at the expense of recipient leadership if it simply strengthens donors’ negotiating position. Many participants felt that recipient priorities must be the main locus of donor coordination at the country level, and there were some doubts about whether the PRSP process is sufficient to deliver this (see below). Although discussants were generally agreed on the importance of recipient ownership, there were concerns about how donors could maintain the levers they need to hold recipient governments accountable, while also promoting recipient leadership.

2.2 Accountability

Coordination also raises accountability questions, since it often means that the impacts of Canadian aid are less easy to distinguish. Having said this, discussants emphasised that coordinated mechanisms can give donors such as Canada influence even when their financial contribution is fairly small. The example of trade-related technical assistance was given as an example of this – Canada has been able to shape the multilateral effort on this by early policy engagement, even though its financial contribution is relatively small.

3) Recipient Country Leadership

Leadership from recipient countries is potentially a way to overcome the limitations of donor-led coordination efforts, and, as discussed above, to strengthen governance. Recipient leadership needs to be developed both in policy/strategy-setting, and in administration. This requires donors to be responsive to recipient priorities and willing to use recipient processes and procedures.

3.1 Resolving different priorities

Discussants emphasised that donor and recipient priorities and strategies will not always be in agreement. These circumstances are the real tests for both sides. On the one hand, donors may have legitimate objectives to promote certain values or strategies, while on the other, recipient country political processes need to be respected if governance is to be strengthened in the long term. Mutual accountability mechanisms, where each side has clear responsibilities and rights, are one way to resolve this – forcing both donors and recipients to confront their disagreements in a clear structure. These arrangements can be built up over time, allowing trust to develop between donors and recipients.

3.2 Adequacy of the PRSP process

There was some discussion about whether the PRSP process was sufficient to deliver recipient country ownership and leadership, with some suggesting that it sits outside recipient country political processes in many cases and simply reinforces World Bank control of the aid relationship. It is also important to note that, even if donor priorities are in line with a PRSP, the way in which their aid is delivered may still undermine ownership. For example, if donors use entirely parallel administrative processes, they may damage the capacity of the recipient state.

Next Steps

A book (‘Aid in a Changing World: Canada’s Experience’) will be prepared for publication, including re-worked versions of some or all of the background papers from this meeting.

Report prepared by Sarah Mulley and Ngaire Woods, 25 October 2005.

We would welcome comments and suggestions on this report, and any of the background papers (all of which can be obtained from geg@univ.ox.ac.uk).

Please send comments or suggestions to geg@univ.ox.ac.uk.

www.globaleconomicgovernance.org

APPENDICES

A) Background Papers

Promoting Good Governance Through Aid – Canada’s Record

- *Boy Scouts and Fearful Angels: The Evolution of Canada’s International Good Governance Agenda* – Ian Smillie
- *Canadian Support for Governance in Afghanistan* – Scott Gilmore and Jana Mosazai
- *Promoting Good Governance in Bangladesh: Understanding Canada’s Role* – Fahimul Quadir
- *Testing the Limits of Good Governance Reform in Africa: The Case of Ghana* – Peter Arthur and David Black
- *Difficult Partners and Fragile States: Reconsidering Canada’s Governance Agenda in Haiti* – Robert Muggah
- *Institutional Capacity-Building of Exceptional Conditions? Explaining Good Governance in Mauritius* – Richard Sandbrook
- *Aiding Good Governance? An Examination of Canadian Bilateral Assistance to Vietnam* – Nilima Gulrajani

The Delivery of Canadian Aid

- *Managing Canada’s Growing Development Cooperation: Out of the Labyrinth* – Bernard Wood
- *Donor Coordination and Aid Effectiveness: Background Briefing* – Paulo de Renzio
- *Towards a Political Economy of Donor Coordination* – Duncan Snidal and Anne Holthofer
- *Re-framing the Coordination Debate: Recipient Leadership of Harmonization and Alignment* – Sarah Mulley

See also background papers to the March 2005 meeting (all available from www.globaleconomicgovernance.org):

Papers circulated in advance of the meeting:

- *Focusing Aid on Good Governance: Can Foreign Aid Instruments be used to Enhance ‘Good Governance’ in Recipient Countries?* - Sue Unsworth
- *Toward a Political Economy of Donor Coordination* - Duncan Snidal
- *International Assistance to Democratic Development: Some Considerations for Canadian Policy Makers* - George Perlin
- *The Shifting Politics of Aid* - Ngaire Woods
- *Paris Declaration on Aid Effectiveness OECD - DAC*

Papers circulated after the meeting:

- *Reframing the Aid Debate: Report of the 9 March 2005 meeting;*
- *Ottawa Prepares Shakeup on Aid* (Toronto Star article 9 March 2005)

- *Comments to the meeting by the Hon Aileen Carroll, Minister for International Cooperation.*

Summaries of panellists' comments:

- Ashraf Ghani on sovereignty and governance;
- Florence Kuteesa on good governance in Uganda;
- Ashraf Ghani on donor coordination in Afghanistan; and
- Gerry Helleiner on donor accountability in Tanzania.

B) Agenda

**Strategic Directions in Canada's Aid Policy
High-level Workshop**
IDRC, Thursday, 6 October 2005, 9 am – 12 noon

8:30	Continental Breakfast	
9:00	Welcome	Maureen O'Neil, President, IDRC
9:05	Objectives for the Workshop	Ngaire Woods, GEG
SESSION I:	Promoting Good Governance through Aid – Canada's Record	
9:10 - 9:25	Summary of the research findings	Ngaire Woods, GEG
9:25 - 9:30	Respondent	Robert Greenhill, CIDA
9:30 - 10:25	Discussion	
COFFEE BREAK		
SESSION II:	The Delivery of Canadian Aid	
10:40 - 10:55	Summary of the research findings	Ngaire Woods, GEG
10:55 - 11:00	Respondent	Marcel Masse, World Bank
11:00 - 11:55	Discussion	

11:55 - 12:00 Wrap up and Next Steps Ngaire Woods, GEG

12:00 - 1:00 LUNCH

C: Seminar Participants

NAME	ORGANIZATION
Peter Arthur	Assistant Professor, Dalhousie University
Mark L Berlin	Director General, International Legal Programs, Justice Canada
David Black	Associate Professor of Political Science, Dalhousie University
Ward Elcock	Deputy Minister of National Defence, Department of National Defence
Drew Fagan	General Director, Economic Policy Bureau
Graham Fraser	Columnist, Toronto Star
Robert Greenhill	President, CIDA
Nilima Gulrajani	Graduate student, Trinity College, Cambridge University
Rick Hillier	Chief of the Defence Staff, Department of National Defence
Ross Hornby	Assistant Deputy Minister, Strategic Policy and Public Diplomacy, Foreign Affairs Canada
Andrew B Leslie	Director General for Strategic Planning, Canadian Armed Forces
John Lobsinger	Senior Policy Analyst, CIDA
Marcel Massé	Executive Director, World Bank
Desirée McGraw	Advisor to the Minister, CIDA
Rohinton Medhora	Vice-President, IDRC
Robert Miller	Executive Director, Parliamentary Centre
Bruce Montador	Vice-president for Multilateral Programs, CIDA
Bill Morton	Researcher, The North-South Institute
Janan Mosazai	Project Officer, Peace Dividend Trust
Robert Muggah	Small Arms Survey, Graduate Institute of International Studies

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Jeff Nankivell	Director of Strategic Policy, CIDA
Maureen O'Neil	President, IDRC
Louise Ouimet	Senior Analyst, CIDA
Fahimul Quadir	Associate Professor, Division of Social Science & Coordinator of the International Development Studies Program, York University, Toronto
Sajjad Rahman	Associate Vice-president, CIDA
Bruce Rayfuse	Director of Operations for Global Affairs Secretariat, Privy Council Office
Richard Sandbrook	Professor of Political Science, University of Toronto
André Saumier	Stikeman Elliot LLP
Ian Smillie	Research Coordinator, Partnership Africa Canada
Gordon Smith	Director, Center for Global Studies, University of Victoria
Duncan Snidal	Associate Professor, Department of Political Science, University of Chicago
Ken Sunquist	Assistant Deputy Minister for World Markets, International Trade Canada
Sue Szabo	Department of Finance Canada
Bernard Wood	Bernard Wood & Associates Ltd
Ngaire Woods	Fellow in Politics and International Relations, University College; Director of Global Economic Governance Programme, Oxford.