



HOUSE OF COMMONS  
CANADA

CHAPTER 8, STRENGTHENING AID  
EFFECTIVENESS - CANADIAN INTERNATIONAL  
DEVELOPMENT AGENCY OF THE FALL 2009  
REPORT OF THE AUDITOR GENERAL OF  
CANADA

**Report of the Standing Committee on  
Public Accounts**

Hon. Shawn Murphy, **MP**  
**Chair**

SEPTEMBER 2010

**40th PARLIAMENT, 3rd SESSION**



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# **THE STANDING COMMITTEE ON PUBLIC ACCOUNTS**

has the honour to present its

## **EIGHTEENTH REPORT**

Pursuant to its mandate under Standing Order 108(3)(g), the Committee has studied Chapter 8, “Strengthening Aid Effectiveness - Canadian International Development Agency,” of the Fall 2009 Report of the Auditor General of Canada and has agreed to report the following:

## INTRODUCTION

An estimated over 1.4 billion people are living on less than US\$1.25 a day, the latest international poverty line set by the World Bank. Development assistance is a crucial lever for helping countries reduce their level of poverty. In order to achieve results, international development requires a long-term effort and stable, predictable programming.

The Canadian International Development Agency (CIDA) administers the bulk of Canada's official development assistance. CIDA usually does not deliver aid itself but instead funds other organizations, such as non-government aid organizations, international organizations, or directly funds the governments of recipient countries. While CIDA does not have governing legislation defining its role and mandate, the Agency identifies its mission as leading Canada's international effort to help people living in poverty.

Moreover, in its 2002 Policy Statement on Strengthening Aid Effectiveness, CIDA declared aid effectiveness to be its overarching priority. In this regard, the Agency has committed to aligning its efforts with recipient countries' needs and priorities; to harmonize its activities with those of other donors; and to use new forms of aid known as program-based approaches.<sup>1</sup> The Agency has also recognized that its programming is widely dispersed, and since February 2009 has moved to focusing its aid on 20 countries.

In its Fall 2009 Report, the Office of the Auditor General (OAG) included a performance audit on CIDA, titled "Strengthening Aid Effectiveness."<sup>2</sup> The audit examined how CIDA is implementing its effectiveness commitments concerning alignment, harmonization, program-based approaches, and focusing of its resources. It

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<sup>1</sup> In contrast to the traditional approach to aid that is characterized by individual standalone projects, in a program-based approach donors coordinate support to the budgets of recipient governments or local organizations for a development program delivered using local systems and procedures.

<sup>2</sup> Auditor General of Canada, Fall 2009 Report, *Chapter 8 – Strengthening Aid Effectiveness – Canadian International Development Agency*.



also looked at the management processes in place at its head office to guide and sustain implementation of the commitments. As well, the OAG examined how CIDA plans its activities, selects projects for funding, and monitors project risks in five countries: Bangladesh, Ethiopia, Ghana, Honduras, and Vietnam.

Given the importance of providing effective aid to developing countries, the Public Accounts Committee (the Committee) held a hearing on this audit on 9 December 2009.<sup>3</sup> From the Office of the Auditor General, the Committee met with Richard Flageole, Assistant Auditor General; John Reed, Principal; and Dušan Duvnjak, Director. The Canadian International Development Agency was represented by Margaret Biggs, President and David Moloney, Executive Vice-President. As the first hearing had to be suspended early, the Committee held another meeting on 25 May 2010 to allow members the opportunity to fully examine the issue.<sup>4</sup> The Committee met with the same members from CIDA as the first hearing, while the OAG was represented by Sheila Fraser, Auditor General and John Reed, Principal.

## **STATUS REPORTS AND PROGRESS TO DATE**

In his opening statement to the Committee, the Assistant Auditor General noted that while many stakeholders in the development aid community, in Canada and abroad, consider CIDA to be a valuable partner, the agency has been hampered in its ability to deliver foreign aid effectively.<sup>5</sup> The OAG considered this to be largely the result of frequent changes in priorities and policy direction, and weak management practices. Accordingly, the main findings of the audit were that:

- CIDA's processes for obtaining corporate approval for project funding are complex, lengthy, and have long been criticized within and outside the Agency. On average, projects needed 28 different documents to go from conception to completion of an implementation plan and took an average of 43 months to get approval.

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<sup>3</sup> House of Commons Standing Committee on Public Accounts, 40<sup>th</sup> Parliament, 2<sup>nd</sup> Session, Meeting 46.

<sup>4</sup> House of Commons Standing Committee on Public Accounts, 40<sup>th</sup> Parliament, 3<sup>rd</sup> Session, Meeting 16.

<sup>5</sup> Meeting 46, 15:30.

- Corporate support in the Agency for program-based approaches has been neither uniform nor timely. CIDA's internal processes do not clearly stipulate the conditions under which it would participate in a program-based approach or the types of risk assessments to be done before agreeing to participate.
- CIDA's main planning documents, the Country Development Programming Frameworks, were expired for the countries examined by the OAG, and the process used to prepare and maintain them has been discontinued. While the Agency was developing a new planning process, by the end of the audit it had not yet received formal approval, been communicated internally, or been made public.
- A lack of clear direction and action plans, combined with broadly defined and shifting priority sectors has meant that CIDA is not realizing its goal of making a more meaningful contribution in a country or region by focusing its aid more narrowly.
- In the view of the OAG, many of the weaknesses found in the audit can be attributed to the lack of a master plan for achieving CIDA's aid effectiveness commitments and the absence of processes to sustain and monitor implementation over time.

The OAG made seven recommendations, with which CIDA fully agreed and has since made significant strides in addressing. In her opening statement to the Committee, CIDA's President asserted that "all the major milestones in CIDA's action plan in response to the Auditor General's report have been met."<sup>6</sup> The Auditor General acknowledged the agency's progress, stating that she "was very pleased to see that the commitments have been met and much has been done in the last six months."<sup>7</sup>

In particular, based on its 2009 Aid Effectiveness Action Plan, the Agency says that it has taken steps to: 1) bring greater focus to CIDA programming; 2) ensure stronger management and sustained implementation; and 3) streamline business

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<sup>6</sup> Meeting 16, 9:00.

<sup>7</sup> Meeting 16, 10:15.

processes. For instance, CIDA has met its target to concentrate 80 % of bilateral aid in its 20 countries of focus, with country strategies for all of these areas of geographic focus approved and available on CIDA's website. The Agency has also completed Country Program Development Frameworks on schedule and has determined its three thematic priorities. Strategies for two of the priorities, increasing food security and securing a future for children and youth, have been developed and are posted on CIDA's website.

However, the strategy for the third priority of stimulating sustainable economic growth has yet to be made public and many of the actions taken by CIDA to address the OAG's recommendations are ongoing in nature. Moreover, according to the action plan, the target date for CIDA's Human Resources Plan to be operationalized, with recruitment and retention strategies in place, is March 2011. While the Committee commends the progress that CIDA has made thus far in implementing its action plan and addressing the recommendations of the OAG, it is important for the Committee to continue to monitor the Agency's progress to ensure that the current momentum is sustained. As a result, the Committee recommends:

#### **RECOMMENDATION 1**

**That the Canadian International Development Agency provide a status report to the Public Accounts Committee by 1 April 2011 on its progress in addressing the recommendations made by the Office of the Auditor General in Chapter 8 of the Fall 2009 report.**

#### **ADMINISTRATIVE AND DECISION MAKING PROCESS**

One of the key problem areas identified by the OAG is CIDA's burdensome administrative and decision-making process. Lengthy and complex, it has long been criticized within and outside the Agency. CIDA has acknowledged the problems, stating in its 2002 *Policy Statement on Strengthening Aid Effectiveness* that "over time, CIDA's business processes have become unnecessarily complex and an inordinate amount of

staff time has been taken up with managing the processes rather than making optimum use of development knowledge.”<sup>8</sup>

A 2007 internal study to improve the efficiency of business processes found that, on average, a project needed 28 different documents to take it from conception to the completion stage of the implementation plan. At times, the staff even created their own tools to navigate through a process that took, on average, 43 months to get project approval. Such lengthy approval times mean that staff will have moved, policy shifts will have occurred, and plans could have also changed.

Since the audit, the Agency has made progress in cutting down the length of the approval process by undertaking a complete re-engineering of the Agency’s business model and processing times. According to CIDA’s President, in the Agency’s countries of focus, the aim is now an average of 12 months, and a maximum of 15 months, from initiation to execution of a project. The President also indicated that while a 15 month timeframe is competitive, “we can always do better than that.”<sup>9</sup> The Committee was informed that CIDA has successfully piloted its new business process and is now mainstreaming it throughout the organization.

Although the OAG did not include a recommendation with regards to this issue in the audit report, it did “strongly encourage” CIDA to “implement appropriate actions to streamline its business processes.”<sup>10</sup> Therefore, given the importance of monitoring CIDA’s implementation of its business streamlining projects, the Committee recommends:

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<sup>8</sup> Canadian International Development Agency, *Policy Statement on Strengthening Aid Effectiveness* (2002), [http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/pdf/\\$file/SAE-ENG.pdf](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/pdf/$file/SAE-ENG.pdf).

<sup>9</sup> Meeting 46, 17:10.

<sup>10</sup> Chapter 8, paragraph 8.70.

## RECOMMENDATION 2

**That Canadian International Development Agency include in its annual performance report its progress in the organization-wide implementation of the pilot project for streamlining its business processes, as well as the average time required for project approval.**

### DECENTRALIZATION

The current centralization of the vast majority of CIDA's staff at headquarters in Canada, rather than in the field, is an ongoing issue for the organization. Countries such as the United States station the majority of their workforce on the ground, with 75 % of employees of the United States Agency for International Development operating in the field in 2008.<sup>11</sup> Moreover, many of the CIDA staff that the OAG interviewed for the audit indicated that there is a lack of authority delegated to staff in the field, which is a situation that has remained unchanged for decades. They also stated that staff on the ground cannot commit to projects or actions before consulting with headquarters, causing delays and affecting harmonization efforts in the field.

A key element of CIDA's action plan for improving aid effectiveness is to decentralize more operations to the field, which would allow the Agency to be "more responsive to needs, make better choices on the ground, and achieve stronger results."<sup>12</sup> In her opening statement to the Committee, CIDA's President indicated that the first wave of full decentralization will begin this summer in five of the Agency's countries of focus: Bangladesh, the Caribbean region, Ghana, Tanzania and Ukraine. The decentralization process will involve moving out key program and corporate functions, including contracting support, financial advisors, and subject matter experts, as appropriate.

CIDA expects the impact to be significant, with a "substantial portion of the functions" to be moved out of headquarters and into the field.<sup>13</sup> According to the

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<sup>11</sup> United States Agency for International Development, *FY 2010 Congressional Budget Justification – Foreign Assistance Summary Tables*, <http://www.state.gov/documents/organization/124295.pdf>.

<sup>12</sup> Meeting 16, 9:05.

<sup>13</sup> Meeting 16, 10:15.

Executive Vice-President, who is leading the work on decentralization, the “ratio will shift noticeably in terms of a smaller proportion of the total staff at headquarters and a larger proportion in the field.”<sup>14</sup> The exact number of staff that will be moved to the field was not specified and it was not clear whether the Agency would be moving existing employees overseas, hiring new ones, using locally engaged staff in its countries of focus, or a combination of all three.

In order to clarify CIDA’s plans for decentralization and to monitor the process, the Committee recommends:

### **RECOMMENDATION 3**

**That commencing in 2011-2012, the Canadian International Development Agency set out in its departmental performance report full and complete details of its decentralization process for all of its countries, including a target and the actual number of staff in each country, and that this be continued in each subsequent departmental performance report.**

### **THEMATIC PRIORITIES**

A fundamental criticism found in the OAG’s audit relates to CIDA’s lack of clear direction, coupled with broadly defined and frequently changing priorities. CIDA’s priority sectors and related policies have shifted many times between 2001 and 2009, with five different sets of priorities over the time period. In certain cases, CIDA announced new policies and priorities, some representing a completely new direction for the Agency, but did not rescind old ones. These frequent changes have hampered the ability of CIDA’s country desks to plan for the long term, as the design and implementation of projects can take years and it can take even longer for changes in direction to be felt. The lack of direction has also confused CIDA staff, recipient governments, and other donors, further undermining the Agency’s long-term predictability. According to the OAG, the result has been a situation where CIDA is not realizing the benefit of its intended goal to focus its aid more narrowly.

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<sup>14</sup> Ibid.

In response to the OAG's recommendations, the Agency announced three new thematic priorities in May 2009: 1) increasing food security; 2) securing a future for children and youth; and 3) stimulating sustainable economic growth. While having three thematic priority areas is positive, this does not address the OAG's central concern that CIDA's priority sectors are broadly defined and can encompass a wide range of overlapping programming areas. Furthermore, the Agency did not make clear what specific programming areas were included under each thematic priority. For instance, the thematic priority of children and youth is sufficiently broad as to include the element of maternal health, but it was not clear to some Committee members what specific programs would be funded under this heading. The lack of clarity also makes it difficult to identify and compare changes in funding for specific program areas over the years.

As previously mentioned, CIDA has prepared strategy papers for its thematic priorities of increasing food security and securing a future for children and youth, with the third paper on stimulating sustainable economic growth currently in the works. However, the Committee notes that neither of these strategy papers address the first part of the OAG's recommendation to: "clarify, for each of its priority sectors, the specific programming areas that [CIDA] will support in the future as well as those it will not."<sup>15</sup> In order to ensure that CIDA is sufficiently narrowing its focus, the Committee recommends:

#### **RECOMMENDATION 4**

**That the Canadian International Development Agency include in its strategy papers the specific programming areas it will fund under each thematic priority.**

#### **LEGISLATIVE MANDATE**

The *International Development (Financial Institutions) Assistance Act*, 1985 and the *Official Development Assistance Accountability Act*, 2008 (ODAA Act) speak to the

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<sup>15</sup> Chapter 8, recommendation 8.54.

administration of development aid by the federal government. More precisely, the former piece of legislation outlines the approval process and lists institutions where Canada's aid funding can be dedicated, while the latter stipulates the aim of Canada's development assistance. The purpose of the ODAA Act is to ensure 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.<sup>16</sup>

However, despite its size and importance, CIDA does not have an independent or fully stated legislative mandate. Other countries, including the United States and the United Kingdom, have a legislative basis for either their development agencies, for their development assistance, or for both. The lack of a legislative mandate has resulted in an Agency with no long-term vision for its development assistance, which was identified by the OAG as a root cause of many of CIDA's problems. Therefore, the Committee strongly encourages the government to make amendments to the existing ODAA Act, or consider implementing new legislation, that will clearly set out CIDA's mandate and role.

## **CONCLUSION**

The Committee takes note of the significant steps CIDA has taken in addressing the recommendations of the OAG. However, the Agency still needs to take further action to improve its aid effectiveness. It will thus be important for the Committee to continue to monitor CIDA's implementation of its action plan through status reports, in particular ensuring that the strategy for the third thematic priority has been released and that the Human Resources Plan is on schedule. As well, the Committee believes that it will be important to monitor CIDA's implementation of its business streamlining projects, which should expedite the lengthy administrative and decision making process. CIDA is also planning for a substantive shift of employees from headquarters to the field as a part of its efforts to decentralize its operations. The Committee recommends that the

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<sup>16</sup> *Official Development Assistance Accountability Act*, S.C. 2008, c. 17, <http://www.canlii.org/en/ca/laws/stat/sc-2008-c-17/latest/sc-2008-c-17.html>.



Agency's annual performance report incorporate additional information to clarify these two issues.

In addition, the Committee notes that while CIDA has made progress in narrowing its focus, the Agency did not clarify in its strategy papers which specific programming areas would be included under each of the three thematic priorities. CIDA's ability to deliver aid effectively has also been hampered by its lack of a legislative mandate, which contributes to the Agency's difficulty in setting a long-term orientation.

# APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<b><u>40<sup>th</sup> Parliament, 3<sup>rd</sup> Session</u></b>		
<b>Canadian International Development Agency</b>	2010/05/25	16
Margaret Biggs, President		
David Moloney, Executive Vice-President		
<b>Office of the Auditor General of Canada</b>		
Sheila Fraser, Auditor General of Canada		
John Reed, Principal		
<b><u>40<sup>th</sup> Parliament, 2<sup>nd</sup> Session</u></b>		
<b>Canadian International Development Agency</b>	2009/12/09	46
Margaret Biggs, President		
David Moloney, Executive Vice-President		
<b>Office of the Auditor General of Canada</b>		
Dušan Duvnjak, Director		
Richard Flageole, Assistant Auditor General		

# REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings (40th Parliament, 3rd Session: [Meetings Nos. 16 and 22](#); 40th Parliament, 2nd Session: [Meeting No. 46](#)) is tabled.

Respectfully submitted,

Hon. Shawn Murphy, MP

Chair