

# **A CCIC Briefing Note:**

## **Recent Trends in Canadian Aid to Sub-Saharan Africa 2005 Update**

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### **1. Introduction**

1.1 Following the UN Conference on Financing for Development and the G8 Summit in Kananaskis in 2002, the government committed to increase Canadian aid by 8% per year up to 2009 and to devote half of this increase to Africa. In addition, the government announced a special Canada Fund for Africa amounting to \$500 million to be disbursed over 4 to 5 years. Parallel to these announcements, CIDA published its 2002 strategy for strengthening aid effectiveness, *Canada making a difference in the world*. This policy suggested that in the future Canada's aid would be more coordinated with other donors in support of program approaches, working in fewer countries and in selected sectors.

1.2 Subsequently, the government selected nine countries for emphasis, of which six are located in Sub-Saharan Africa (Ethiopia, Tanzania, Mozambique, Ghana, Mali and Senegal) with South Africa and Nigeria identified as strategic partners in the region. These countries, along with Bangladesh, Bolivia and Honduras, were to receive the majority of the funds made available through the 8% aid increases.

1.3 In the 2005 Federal Budget the government extended its commitment to Africa with the pledge to double aid to Africa between 2003 and 2008 (consistent with the UK Commission for Africa in which Finance Minister Goodale participated) from \$1,280 million to \$2,760 million by 2008. The acceleration is due to additional funds from aid increases (currently at 8% per year), debt cancellation (about \$600 million in these years), allocations from the new annual \$100 million allocation for peace and security initiatives, and the \$100 million Canada Investment Fund for Africa (CIFA). By 2008, disbursements to Africa are expected to be more than 50% of all Canadian ODA disbursements from all aid channels.

1.4 The 2005 International Policy Statement extended the list of focus countries from 9 to 25 which will now receive two-thirds of Bilateral aid by 2010 (not just from aid increases). All of the nine are among the twenty-five and 14 of these 25 are African countries.<sup>1</sup> The remaining one thirds of bilateral aid will be available to other country priorities, including fragile states and countries emerging from conflict. In Africa, the Sudan and the Democratic Republic of Congo have been particularly important priorities for CIDA.

1.5 Over the past four years, CIDA's Africa and Middle East Branch has worked closely with other donors and with CIDA's Policy Branch to develop several program approaches to improving the delivery of aid in Africa. These take the form of pooled donor resources (Budget

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<sup>1</sup> These include Ghana, Mali, Mozambique, Ethiopia, Tanzania, Senegal, Malawi, Burkina Faso, Kenya, Zambia, Rwanda, Niger, Cameroon and Benin. The last five received less than \$10 million in disbursements in 2003/04.

Support and Sector Wide Strategies or SWAp), whose allocation is negotiated with government and/or ministry officials in Africa, in support of government priorities in the social sectors and in World Bank approved poverty reduction strategies (PRSPs). These approaches are intended to respond to critiques of stand-alone projects as a modality for delivering aid and to strengthen CIDA's contributions to achieving the Millennium Development Goals.

1.6 This Briefing Note highlights some recent trends in CIDA's aid programming with Sub-Saharan Africa in light of these policies.<sup>2</sup>

## **2. Overall Canadian aid trends for Sub-Saharan Africa**

**2.1 Total Canadian ODA** In recent years, actual increases in Canadian ODA have exceeded the promised 8% increases to the aid budget – on average more than 12% up to 2005/06. These increases were more than the planned 8% because the government approved supplemental allocations to ODA during the fiscal year (primarily for emergency assistance). For example, the February 2005 Federal Budget added more than \$600 million to Canadian aid for fiscal year 2004/05 (which ended March 31, 2005). The NDP Budget deal with the government in April 2005 added \$250 million for aid in each of 2005/06 and 2006/07.<sup>3</sup> But none of these one-off aid increases affects the “ODA base”, i.e. the number that is used to calculate the committed 8% increase for the next year (and therefore does not in the end accelerate the growth of Canadian aid towards meeting the 0.7% target).

Total Canadian aid for 2004/05, with the additions noted above, is expected to be \$4.2 billion for an ODA to GNI ratio of 0.33%. For 2005/06, ODA is expected to increase to \$4.7 billion for an ODA to GNI ratio of 0.36%. However, debt cancellation for Iraq and the Cameroon makes up close to \$800 million of the increase for 2005/06.

**2.2 Canadian Aid to Sub-Saharan Africa** Canadian aid for Sub-Saharan Africa in total has been increasing dramatically – 16.5% in 2001/02 and 37% in 2002/03, but leveled off in 2003/04 (the latest year that complete statistics are available). These nominal increases to Canadian ODA for the region are affected by the inclusion of debt cancellation in fulfilling Canada's 1999 commitment to cancel 100% of the debt of the poorest countries. When debt cancellation is removed the increases in total Canadian aid to the region from all other sources is 2.7% in 2001/02, 19.2% in 2002/03 and 20.4% in 2003/04 respectively. There is strong evidence that these aid increases are continuing as the disbursements for the \$500 million Canada Fund for Africa affect the 2004/05 fiscal year (complete statistical information is not yet available for the 2004/05 fiscal year). CCIC estimates bilateral aid for Africa for 2004/05 at \$432 million and is expected to grow by about 60% to \$690 million in 2005/06.

**2.3 Doubling and Concentration of Aid to Africa by 2008/09** The UK Commission for Africa recommended that donors double their aid to Africa by at least 2010. At the July G8 meeting the UK government claimed that they had reached that target with the DAC calculating

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<sup>2</sup> This Briefing Note updates an earlier assessment of trends in Canadian international cooperation with Sub-Saharan Africa prepared in 2004.

<sup>3</sup> At the time of writing (September 2005) no spending plan for this \$250 million for 2005/06 has been made public.

that committed aid to Sub-Saharan Africa will reach approximately US\$50 billion by 2010 as a result of pledges made at the G8.<sup>4</sup>

Minister Goodale responded in the 2005 Federal Budget with the commitment to double Canadian ODA to Africa (from all government sources including debt relief) in five years between 2003/04 and 2008/09. This is not “new” aid resources but comes out of the current commitments of 8% increase for Canadian aid in these years. The indicative planning figures are the following: 2003/04 - \$1,380 million; 2004/05 - \$1,585 million; 2005/06 - \$1,821 million; 2006/07 - \$2,082; 2007/08 - \$2,403; and 2008/09 - \$2,760 million. It is expected that by 2008/09 Canadian aid to Africa will be more than 50% of all Canadian aid disbursements.

As noted above, two thirds of bilateral aid is being concentrated in 25 priority countries, 14 of which are located in Sub-Saharan Africa. CIDA estimates that in 2003/04, 42% of bilateral aid was concentrated in these 25 countries and the commitment is to reach a 66% concentration by 2010.

In part because 6 of the 9 former priority countries were also in Africa, this target has already been exceeded in Sub-Saharan Africa by 2003/04, with 65% of bilateral disbursements in this region concentrated in the 14 new priority countries. In 2004/05 preliminary figures indicate that this concentration has increased to 69%. The six former priority countries<sup>5</sup> themselves accounted for slightly more than 50% of disbursements in the last fiscal year, a significant increase from 38% in 2000/01. In addition, another 15% of disbursements in 2004/05 were in four countries – Sudan (\$10.6 million), DCR (\$14.0 million), South Africa (\$11.9 million) and Nigeria (\$24.5 million).

For Canadian Partnership Branch, the concentration in the 14 African priority countries in 2004/05 is equally pronounced, with 57% of disbursements directed to activities in these 14 countries. When Sudan, the DCR, South Africa and Nigeria are added, 18 countries account for more than 65% of disbursements for responsive programming with CSOs in CPB.

**2.4 Canadian aid for Sub-Saharan Africa Compared to other donors** Canadian increases in aid for Sub-Saharan Africa compare favourably to trends for donors as a whole. The latter increased 10.4% in 2001, more than 25% in 2002, and 12.5% in 2003, according to the most recent OECD Development Assistance Committee (DAC) statistical report. Between 2001 and 2003, total aid from all donors for Sub-Saharan Africa has grown from US\$14.5 billion to US\$20.7 billion and now represent more than one-third of aid from all donor sources.

**2.5 Aid since 2000 compared to early nineties** But much of this recent recovery is only making up lost ground in declining aid flows to Sub-Saharan Africa in the 1990s. By 2002, total DAC aid to Sub-Saharan Africa returned to aid levels of the early 1990s, while for Canada, aid levels for Sub-Saharan Africa also surpassed the level reached in 1993/94 (\$863.4 million) for the first time in 2002/03. CCIC calculated that if aid levels had been maintained at the peak

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<sup>4</sup> Civil society organizations from various G8 countries have challenged how firm these commitment are for the United States (where Congress rejects large budget increases submitted by the President), Japan (which has been cutting its aid in the past few years) and Germany.

<sup>5</sup> The six countries were Ethiopia, Tanzania, Mozambique, Senegal, Mali and Ghana.

reached in the early 1990s, Sub-Saharan Africa would have received an additional \$1.6 billion in aid by 2000. Increases since 2000 have made up about a third of these losses by 2002.

### **3. Proportion of International Humanitarian Assistance / Food Aid to Sub-Saharan Africa**

3.1 Since 2000/01 Sub-Saharan Africa has received approximately 50% of all CIDA disbursements for IHA and food aid (when the effect of the Tsunami is removed for 2004/05). IHA and food aid disbursements represented 16% of all disbursements to Sub-Saharan Africa in 2003/04, up from 12.5% in 2000/01. In 2004/05, four countries – Ethiopia/Eritrea (\$38.1 million), Sudan (\$27.7 million), the Democratic Republic of the Congo (\$11.6 million), and Mozambique (\$6.5 million) – received more than 60% of the IHA/food aid disbursements in the region.

### **4. Canadian Civil Society Organizations (CSOs) increasingly target Sub-Saharan Africa through CIDA's Canadian Partnership Branch**

4.1 Between 2000/01 and 2004/05, Canadian Civil Society Organizations have disbursed significant and increasing amounts of CIDA funding received on a responsive basis through Canadian Partnership Branch to Sub-Saharan Africa, increasing from 28.6% of CPB CSO disbursements in 2000/01 to 43.0% in 2004/05.

4.2 But the overall role of CSOs in executing CIDA-supported programs and projects in Sub-Saharan Africa has declined significantly since 2000/01. In that year CSOs were responsible for more than 43% of total CIDA disbursements to Sub-Saharan Africa through IHA & Food Aid, CPB and the bilateral Africa Branch. Four years later in 2004/05 this share had declined to less than 30%.

### **5. Sectoral Priorities in bilateral aid to Sub-Saharan Africa**

**5.1 Shifts in Sectoral Priorities** There have been some important and positive shifts in Canadian sector priorities in Canadian bilateral aid disbursements to Sub-Saharan Africa between 2000/01 and 2004/05 towards poverty focused sectors.

As a proportion of total bilateral aid to Sub-Saharan Africa<sup>6</sup>,

- ❑ Basic education has increased from 7.3% to 11.8% (now representing the largest single specific sectoral focus);
- ❑ Primary Health and Reproductive Health from 4.2% to 9.4%;
- ❑ HIV/AIDS programming from 6.4% to 8.1%; and
- ❑ Agriculture from 6.9% to 10%.

There is no information available (to CCIC) on the theme of gender equality in programming in Sub-Saharan Africa. However, the degree of emphasis on this theme is available for all the Bilateral and Canadian Partnership Branch programs as a whole. While gender equality has been highlighted as a cross cutting theme in the setting of the five sector priorities in the International

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<sup>6</sup> These increases in proportion to some important sectors represent much higher absolute dollar allocations because bilateral aid to Sub-Saharan Africa is much larger in 2004/05.

Policy Review, gender equality is identified as a theme in only 5.2% of project disbursements for these Branches in 2004/05. Gender equality as “a principal objective” of the activity makes up only 36% of gender theme activities or less than 2% of all disbursements.

**5.2 Overall investment in social sectors increase** Total bilateral disbursements to all aspects of the education sector and the health sector, including HIV/AIDS, were 43.5% of all disbursements to Sub-Saharan Africa in 2004/05, compared to only 23.6% four years earlier in 2000/01. These shifts were the result of CIDA’s adoption of financial targets for the social development priorities in 2000 and greater contributions to Sector Wide Approaches (SWAs) (see below).

For Canadian Partnership Branch, in 2004/05, more than 50% of disbursements through CSOs for Sub-Saharan Africa were also in the education and health sectors. Within this Branch, CSO disbursed close to 20% of Branch funds for HIV/AIDS programming in the region. Agriculture represented 8.2% of disbursements, basic health, 6.4% and basic education 4.4%.

**5.3 Investments in civil society strengthening declines within the governance priority** Governance as a proportion of total bilateral aid to Sub-Saharan Africa has remained largely constant accounting for 25.3% of disbursements in 2000/01 and 26% in 2004/05. But overall support from CIDA bilateral programs in Sub-Saharan Africa targeting human rights, elections and reforming the judiciary, as well as strengthening civil society, as a proportion of total bilateral support for governance in the region, declined from 46.8% in 2000/01 to 33% in 2004/05.

In Canadian Partnership Branch, Canadian CSOs in 2004/05 directed 18% of total disbursements for Sub-Saharan Africa for governance, civil society and support for local, national and international NGOs. Of these disbursements, more than two-thirds were directed to strengthen civil society organizations.

**5.4 Declining Support for private sector related priorities** Support for financial intermediation, business support services, power generation and mineral and mining policy have all declined as a proportion of CIDA’s disbursements to Sub-Saharan Africa, from 9.4% of total disbursements in 2000/01 to 3.1% in 2004/05. Notably trade facilitation activities are a priority in 2004/05 with \$3.6 million disbursements, against no disbursements for this activity in the region in 2000/01. In 2000/01 there were \$10 million in large scale energy, mining and mineral policy, only \$1.7 million were disbursed in 2004/05.

## **6. Program Approaches (PBAs) and the Countries of Priority**

**6.1 What are PBAs?** As noted earlier CIDA has increased its commitment to program based approaches (PBAs) in recent years, particularly in Sub-Saharan Africa. These program approaches involve multi-year and multi-donor agreements with African government counterparts (Finance or Line Ministries) in support of a government-directed strategy for a particular sector (education or health) or for an overall strategy to tackle poverty (notably the country’s World Bank-approved PRSP). Allocations take the form of contributions to donor pooled funds managed by a lead donor and/or direct support to the national budget of the country concerned (Budget Support).

**6.2 How Many PBAs in Africa?** As of September 2005, CIDA lists 36 program-based initiatives in Sub-Saharan Africa. These initiatives have budgets totaling \$1.58 billion up to 2011, of which approximately a half are still in the planning stage. Of the total budget commitments, 33.5% are in the education sector, 6% in the health sector, 8.3% in the agriculture sector, and 22% are for general budget support for implementing poverty strategies. Of the total commitments, 48% will be allocated through direct contributions to ministry budgets and 42% is through donor pooled funds with a lead donor allocating the funding.

The Branch is committed to allocating at least 60% of its disbursements by 2006/07 through program-based approaches. In 2003/04, \$81.8 million, or 23.8% of CIDA's disbursements for Sub-Saharan Africa, was directed to operational PBAs in the region. By 2004/05 the Branch disbursed approximately \$159 million or 37% of total bilateral disbursements through program based approaches.

**6.3 PBAs concentrated in six priority countries** Currently, 86.6% of program based initiatives are with the six former priority countries. Presumably the approach will also be taken up with some of the newly established 14 priority countries in the region.

**6.4 PBAs and World Bank/IMF conditionality** CIDA's PBAs are highly conditioned with numerous sector targets and undertakings as well as World Bank/IMF conditions for macro-economic and fiscal management by the government in question. For example, a Tanzania Budget Support Program (in support of implementing Tanzania's PRSP), to which CIDA is a contributor, has about 50 "prior actions" required by the World Bank to demonstrate progress before a release of funds, and 60 additional "results indicators" subject to policy dialogue with the donors. Some civil society critics suggest that PBAs, and Budget Support in particular, are the next stage of deep interference and control on the part of major donors of wide areas of government responsibility in the poorest countries. In harmonized donor negotiations with these countries, donors are putting forward "global conditions" for which no one donor accepts responsibility, but with the result of much reduced space for these governments to seek funding for alternative policies and approaches.<sup>7</sup>

## **7. Civil Society Organizations and the new aid directions in Sub-Saharan Africa**

**7.1 Shifts in CEAs for Sub-Saharan Africa program** There has been a significant shift in Canadian Executing Agencies for CIDA projects and programs in Sub-Saharan Africa between 2000/01 and 2004/05:

- The private sector has diminished significantly from 20.9% in 2000/01 to less than 10% of bilateral disbursements in 2004/05.
- Civil Society Organizations have also diminished, but this impact has been less dramatic than the private sector – declining from 31.2% in 2000/01 to less than 20% in 2004/05.

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<sup>7</sup> For a detailed analysis, see Pam Foster and Brian Tomlinson, *At the Table or in the Kitchen? CIDA's New Aid Strategies, Developing Country Ownership and Donor Conditionality*, CCIC and Halifax Initiative, October 2004, accessible at [www.ccic.ca](http://www.ccic.ca) or [www.halifaxinitiative.org](http://www.halifaxinitiative.org).

- ❑ Government, including the multilateral agencies, as a direct implementer of CIDA's projects and programs in Africa has increased dramatically over these three years – from 47.9% to over 70% in 2004/05.

There is little doubt that the emphasis on government-to-government aid relationships in the 2002 Strengthening Aid Effectiveness policy and related program-based approaches noted above has brought renewed attention to the role of the state in the development process. But equally there is evidence that this emphasis has affected the potential of Canadian civil society organizations to scale-up innovation and impact through bilateral responsive funding in Sub-Saharan Africa.

## **Conclusions**

This overview of financing trends in Canada's aid for Sub-Saharan Africa reveals considerable progress in targeting Canadian aid in sectors that are highly relevant in tackling endemic poverty in the region. But they also reveal an emphasis on approaches for delivering this aid that are tying CIDA programs into Bank/IMF imposed conditionalities that have increased poverty over the past two decades. While there is evident attention in CIDA programming to the importance of civil society strengthening, there is no consistent approach to the roles for civil society in the development process. CCIC is calling for CIDA to develop a policy framework guiding its approaches to civil society in the development process, similar to the 2003 policy framework for the private sector and development. Canadian CSOs and CIDA's program in Sub-Saharan Africa can contribute many lessons in directing aid effectively for poverty reduction by strengthening civil society capacities in the region.