

## **Official Development Assistance Accountability Act – Contributing to Poverty Reduction**

As per section 4.1 of the Official Development Assistance Accountability Act (the Act), "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."

Regarding the first criterion, the Act does not define poverty or prescribe ways to reduce it. However, the prevailing view in the international development community is that poverty is multi-dimensional and, therefore, that reducing it requires an integrated and holistic approach. Foreign Affairs, Trade and Development Canada (DFATD) adopts this view, and this guidance note illustrates ways to demonstrate that an initiative "contributes to poverty reduction."

### **Background**

Poverty has multiple dimensions. They include inadequate income; limited or no access to health, education, housing and essential infrastructure; political and social exclusion; personal insecurity; infringements on human rights; and inequality. These dimensions of poverty are inter-related, and individuals, communities or populations often face several dimensions concurrently. For example, people living in fragile and conflict-affected communities often lack basic health and education services, adequate housing, and employment opportunities; are excluded from decision-making processes; and have little control over vital resources. The dimensions of poverty affect women and men, girls and boys, differently.

The multi-dimensional nature of poverty, therefore, requires an integrated and holistic approach that addresses its root causes in a sustainable manner. A poverty reduction strategy could have several complementary elements, and the proposed initiative should support one or more of them.

Canada's five thematic priorities for international assistance—increasing food security, securing the future of children and

youth, stimulating sustainable economic growth, advancing democracy, and ensuring security and stability—can be elements of an integrated approach to poverty reduction (see Box 1). The crosscutting themes of environmental sustainability, gender equality, and governance are also elements that can contribute to poverty reduction.

### **Box 1. How Canada's thematic priorities for international assistance can contribute to poverty reduction**

- **Food Security:** A lack of access to sufficient, safe, and nutritious food will undermine health and limit people's ability to learn and earn a living. Increasing food security can reduce individuals', families', and communities' vulnerability to poverty.
- **Children and Youth:** Investing in children and youth can break the inter-generational cycle of poverty. For example, educated girls are more able to improve their well-being, and that of their families, than are their less-educated peers. Investing in maternal, newborn and child health supports this priority.
- **Sustainable Economic Growth:** Sustainable economic growth can help increase and maintain the living standards of the poor. A dynamic and growing economy can create jobs, increase public revenues for health and education programs, and lead to higher personal and household incomes that can benefit the world's poorest people.
- **Democracy:** Advancing democracy enhances the voice and participation of all citizens, including the poorer segments of society. Advancing democracy helps citizens hold their governments and other institutions to account to ensure they serve the interests of all, including the poor.
- **Security and Stability:** Poverty remains highly prevalent in fragile and conflict-affected states, which account for one-third of the world's poor. Promoting security and stability contributes to poverty reduction by creating favourable conditions for long-term development.

## **Demonstrating that Condition of Section 4.1(a) is Met**

To fulfil the first criterion of the Act, the initiative documentation (application form, proposal or bid) should show a clear relationship between the initiative's activities/outputs and an expected outcome that can reasonably be expected to contribute to poverty reduction. The expected outcome can be expressed in different ways, depending on the specific dimensions of poverty the initiative seeks to address. This "chain of results" should typically be demonstrated in the initiative's logic model, a key element in DFATD's standard application form for funding.

If one or more of the following questions can be answered positively, the condition in section 4.1(a) is met. (The answers/examples are provided for illustrative purposes only.)

1. Is the initiative expected to improve the welfare of individuals, households or populations faced with one or more dimensions of poverty?
  - Initiatives that improve the well-being of groups disproportionately affected by poverty (e.g. indigenous peoples; linguistic, sexual, and ethnic minorities; children; women; persons with disabilities; the elderly); for example, by improving maternal, newborn and child health among the poor; increasing the nutritional value of crops grown and consumed by the poor; protecting the rights of children in fragile states; or supporting civic participation among groups disproportionately affected by poverty.
2. Is the initiative expected to support sustainable development in communities or regions faced with one or more dimensions of poverty?
  - Initiatives that develop a certain sector – such as health or agriculture – for the benefit of the poor; leverage private sector resources and expertise to stimulate sustainable economic growth and help reduce poverty; promote land rehabilitation and conservation for

sustainable development; or support community participation and local governance.

3. Does the initiative align with a *credible* partner country or community poverty reduction strategy?
  - Poverty reduction strategies developed through multi-stakeholder and transparent processes, with particular attention to the participation of civil society organizations that represent the interests of the poor.
4. Does the initiative provide support to an organization whose mandate or primary purpose is to reduce poverty, to promote sustainable development, or to advance the interests of the poor?
  - Support to multilateral development institutions, global development initiatives, and development civil society organizations.

If it is not clear whether the condition has been met, the following additional questions may be used by DFATD in assessing the initiative:

5. Does the initiative support one of Canada's thematic priorities for international assistance in a way that contributes to poverty reduction?
6. Is the initiative aligned with a DFATD country development strategy that aims to reduce poverty?

Under OECD Development Assistance Committee rules, military aid, anti-terrorism activities, and the enforcement aspect of peacekeeping cannot be counted as official development assistance.