

December 18, 2020

The Honourable Chrystia Freeland  
Minister of Finance  
Department of Finance Canada  
140 O'Connor Street  
Ottawa, ON K1A 0G5

Dear Minister Freeland,

Re: Department of Finance Consultation on Official Development Assistance, 2020

Thank you for the opportunity to submit recommendations related to Canada's Official Development Assistance (ODA) and reporting mechanisms that pertain to it. Our recommendations below specifically address the questions outlined in the current process of consultations, which emerge as essential for ensuring the effectiveness of Canada's ODA in this period of rising humanitarian needs and neglected development objectives, all of which are further exacerbated by the global pandemic. As we collectively work towards a more just, safe, and sustainable world, we hope that these reflections will contribute to inclusive and deliberate directions for Canada's global engagement.

As outlined in the Official Development Assistance Accountability Act (ODAAA), the Government's Ministers must be assured that all specific allocations of Canada's Official Development Assistance (ODA) focus on poverty reduction, are consistent with international human rights standards, and take into account the perspectives of the poor. As such, the overarching goal of poverty reduction should be understood as a multidimensional issue intimately tied with inequality within and among countries and global, regional, national, and local mechanisms of exclusion. The Feminist International Assistance Policy (FIAP), as the policy framework guiding Canadian ODA allocations, represents key directions for addressing poverty reduction and inequality with both a normative and strategic goal towards promoting gender equality and the empowerment of women and girls.

As a part of the informal coalition of so-called "feminist donor countries," Canada's engagement with multilateral institutions, including those of the World Bank (WB) and the Asian Infrastructure Investment Bank (AIIB) should encompass calls for gender-responsive governance structures, operational processes, and policy priorities. Across multilateral institutions, but especially regarding international financial institutions (IFIs), Canada should be calling for: (1) strengthened governance and decision-making structures that favour representatives from historically disadvantaged countries; (2) clearer reporting mechanisms that employ gender marker systems Canada is able to convert and compare to its FIAP commitments and (3) gender-responsive tools such as a shift towards gender-responsive budgeting. Greater transparency in Canadian allocations to Development Banks, particularly pertaining to (i) the three tests in the Act and (ii) the FIAP objectives of investing in gender-targeted or gender-integrated programming, is warranted by the ODAAA.

Thank you again for fostering a dialogue with the civil society around what is one of the key channels of Canada's global engagement.

Sincerely yours,



Gloria Novovic

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Brian Tomlinson

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**Q1: Do the Department's Official Development Assistance payments to the World Bank's International Development Association, the Multilateral Debt Relief Initiative, and the Asian Infrastructure Investment Bank satisfy the criteria concerning poverty reduction, perspectives of the poor and international human rights, as set out in the *Official Development Assistance Accountability Act*?**

World Bank's IDA and MDRI

The stated mandate of the World Bank's (WB) International Development Association (IDA) and the Multilateral Debt Relief Initiative (MDRI) is closely aligned with the poverty reduction objectives of ODAAA as well as all priority areas outlined in the FIAP. However, the test of this mandate is in the actual country programs, practices, and policy engagements by the Bank. As a result, we urge the Government of Canada to build on its position in multilateral diplomacy arenas, and, alongside other donors promoting gender equality, poverty reduction and social justice, call for shifts in WB's governance structure and operational mechanisms on national levels consistent with these goals.

**Recommendation 1: Canada should call for WB to ensure "country-led" approaches that prioritize the poor and the marginalized over private-sector actors**

The Bank's consistent failure to adopt "country-led" approaches undermines the principles of development effectiveness, particularly country ownership, which are embedded in the Busan Partnership Agreement and the 2030 Agenda for Sustainable Development, to which Canada is committed. Canada's multilateral influence on WB's programming should stress the importance of giving priority to investments in sustainable social protection mechanisms that are extended to the most marginalized groups, in accordance with the FIAP and human rights standards.

Policy conditionality of IMF programs and WB assistance is particularly concerning in the current context of COVID-19, in which humanitarian needs are rising and development achievements are set back. Conditionality, particularly policy targets leading to the imposition of further austerity in the low-income countries, have been raised repeatedly by international and national civil society. These measures are expected to have the most damaging effect on the most vulnerable.

CSOs have consistently expressed concern about the evolution of IDA's [Private Sector Window](#).<sup>1</sup> The focus of concern is the use of ODA funds that result in the prioritization of "financial returns over positive development impacts." Development results are not apparent and remain insufficiently transparent about this window.<sup>2</sup> Given the importance of public social safety nets in responding to COVID-19, along with the increasing role of the Bank in facilitating access to urgently needed resources, CSOs remain skeptical that the Bank's "[cascade approach](#)"<sup>3</sup>, which gives precedence to private-sector actors, represents an appropriate framework.<sup>4</sup>

**Recommendation 2: Canada should advocate for more transparent and balanced climate finance approaches that encompass both climate change mitigation and adaptation**

Partnerships with the private sector have been particularly important to Canada's international climate finance commitment, including through the International Finance Corporation (IFC). While there is a role for the private sector,

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<sup>1</sup> International Development Assistance, "Proposal for IDA19 IFC-MIGA Private Sector Window", May 24, 2019, <http://documents1.worldbank.org/curated/en/956921564075213413/pdf/Proposal-for-IDA19-IFC-MIGA-Private-Sector-Window.pdf>.

<sup>2</sup> Bretton Woods project, "IFC capital increase not a priority for US Congress", [Brettonwoodsproject.org](https://www.brettonwoodsproject.org/2019/07/ifc-capital-increase-not-a-priority-for-us-congress/), July 30, 2019, <https://www.brettonwoodsproject.org/2019/07/ifc-capital-increase-not-a-priority-for-us-congress/>.

<sup>3</sup> Paddy Carter, "The World Bank's Preference for Private Finance: Explained", [Cgdev.org](https://www.cgdev.org/blog/world-bank%E2%80%99s-preference-private-finance-explained) (Center for Global Development: Cgdev, March 27, 2018), <https://www.cgdev.org/blog/world-bank%E2%80%99s-preference-private-finance-explained>.

Bretton Woods project, "Development to the rescue of finance – the Bank's 'cascade' approach", [Brettonwoodsproject.org](https://www.brettonwoodsproject.org/2017/07/development-rescue-finance-banks-cascade-approach/), July 3, 2017, <https://www.brettonwoodsproject.org/2017/07/development-rescue-finance-banks-cascade-approach/>.

<sup>4</sup> Daniel Gilligan, "Social safety nets are crucial to the COVID-19 response. Some lessons to boost their effectiveness", [Ifpri.org](https://www.ifpri.org/blog/social-safety-nets-are-crucial-covid-19-response-some-lessons-boost-their-effectiveness) (International Food Policy Research Institute: IFPRI, June 18, 2020), <https://www.ifpri.org/blog/social-safety-nets-are-crucial-covid-19-response-some-lessons-boost-their-effectiveness>.

Bretton Woods project, "Development to the rescue of finance – the Bank's 'cascade' approach", [Brettonwoodsproject.org](https://www.brettonwoodsproject.org/2017/07/development-rescue-finance-banks-cascade-approach/), July 3, 2017, <https://www.brettonwoodsproject.org/2017/07/development-rescue-finance-banks-cascade-approach/>.

particularly in climate mitigation efforts, Canadian CSOs have called for a more balanced and strategic climate finance. As a result of these special Canadian funds at the multilateral development banks, Canada's climate finance has one of the highest levels of loans in its climate finance, obliging historically disadvantaged countries to bear the brunt of the climate emergency to which they have not contributed. To further exacerbate this concern, these special Canadian funds at several multilateral development banks, including the IFC, the Inter-American Development Bank (IADB) and the African Development Bank (ADB) are insufficiently transparent, with limited up-to-date information about individual funded projects.<sup>5</sup> CSOs are also concerned about long delays in disbursement of funds through these mechanisms, giving the impression that Canada's climate finance is fully disbursed when a significant proportion remains unspent in these funds.

As one of the top 10 shareholders of the World Bank Group, Canada should leverage its position to advocate for more equitable structures (through reform of the Board of Governors, its programs, and practices consistent with the FIAP and the important tests of the ODAAs).

### **Recommendation 3: Canada should support debt cancellation in light of unsustainable debt levels in low-income countries to support a safer, more just recovery from COVID-19**

Without measures for debt cancellation, massive IMF/WB loans relating to the pandemic and its economic fallout will certainly exacerbate the debt vulnerability of increasing numbers of developing countries. An emerging debt crisis, now well documented by the IMF, puts in jeopardy the progress achieved through the MDRI. We urge Canada to join international calls for a new round of debt cancellation in an approach that also includes multilateral debt owed to these institutions, building on the [MDRI agreement in 2005](#).<sup>6</sup>

### **Recommendation 4: Canada should call for shifts in WB policies to allow for a more gender-transformative approach and the commitment to upholding international human rights at all organizational levels**

While we welcome increased attention by the Bank on gender equality over the past decade, Canada should leverage its expertise and international standing to advocate for more transformative approaches to gender equality, especially given the legitimate critique of the World Bank's current [gender strategy](#),<sup>7</sup> which has been characterized as an apology to neoliberalism.<sup>8</sup>

In the lead-up to the IDA-19 negotiations, [Oxfam International](#)<sup>9</sup> suggested that WB's gender mainstreaming is inconsistent and takes little account of sustainable practice. In countries like Uganda, WB's conditions directly linked to investments in gender equality have triggered policy retrenchment and popular uproar against these gender equality objectives, dubbed as a "[foreign agenda](#)."<sup>10</sup> WB should work with national and local actors in inclusive policy dialogues that ensure the policy shifts and financial investments it proposes are sustainable past the program cycle. Gender responsive budgeting tools, which the organization and others has been developing [for over a decade](#),<sup>11</sup> are an important element of effective commitments to meaningfully integrate gender equality commitments. Canada should work with other like-minded donors to embed gender-transformative shifts in WB processes, which include prioritization of gender-responsive budgeting and the engagement of local women's rights organizations.

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<sup>5</sup> AidWatch Canada, "The Reality of Canada's International Climate Finance, 2020, Setting the Stage for Canada's Post 2020 Climate Finance", 2020 <http://aidwatchcanada.ca/wp-content/uploads/2020/08/September-2020-The-Reality-of-Canadas-Climate-Finance-1.pdf>

<sup>6</sup> International Monetary Fund, "The Multilateral Debt Relief Initiative (G-8 Proposal) and Its Implications for the Fund - Further Considerations - Supplemental Information", [imf.org \(International Monetary Fund: IMF, November 1, 2005\), https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/The-Multilateral-Debt-Relief-Initiative-G-8-Proposal-and-Its-Implications-for-the-Fund-PP491](https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/The-Multilateral-Debt-Relief-Initiative-G-8-Proposal-and-Its-Implications-for-the-Fund-PP491).

<sup>7</sup> World Bank Group, "World Bank Group Gender Strategy (FY16-23): Gender Equality, Poverty Reduction, and Inclusive Growth", 2016, <http://documents1.worldbank.org/curated/en/820851467992505410/pdf/102114-REVISED-PUBLIC-WBG-Gender-Strategy.pdf>.

<sup>8</sup> Elisabeth Prügl, "The World Bank's role in crafting a neoliberal hegemony with a feminist face", [Brettonwoodsproject.org, September 28, 2018, https://www.brettonwoodsproject.org/2018/09/world-banks-role-crafting-neoliberal-hegemony-feminist-face/](https://www.brettonwoodsproject.org/2018/09/world-banks-role-crafting-neoliberal-hegemony-feminist-face/).

<sup>9</sup> Oxfam International, "Oxfam Position paper on IDA19 Replenishment", May 2019, [https://oi-files-d8-prod.s3.eu-west-2.amazonaws.com/s3fs-public/file\\_attachments/oxfam\\_ida19\\_position\\_paper.pdf](https://oi-files-d8-prod.s3.eu-west-2.amazonaws.com/s3fs-public/file_attachments/oxfam_ida19_position_paper.pdf).

<sup>10</sup> URN, "WB forced Uganda to take gender violence \$40m loan - Kasajja", [Observer.ug, April 26, 2018, https://observer.ug/news/headlines/57562-wb-forced-uganda-to-take-gender-violence-40m-loan-kasajja.html](https://observer.ug/news/headlines/57562-wb-forced-uganda-to-take-gender-violence-40m-loan-kasajja.html).

<sup>11</sup> Maria Elena Ruiz Abril and A. Waafas Ofosu-Amaah, "Improving Gender Targeting of Public Expenditures. A Consolidated Note on Lessons and Policy Implications", The World Bank, December 2009, <http://documents1.worldbank.org/curated/en/372841468326708643/pdf/702540ESW0P1050cyReport0TxtWeb0Fin2.pdf>.

**Recommendation 5: Canada should advocate for strengthening civil society engagement in IDA priority-setting processes.**

IDA19 programs will be particularly relevant in the current context of COVID-19, during which, as noted above, countries remain particularly vulnerable to conditionalities the WB might impose. IDA priority-setting processes in 2019 suffered from limited civil society engagement, a gap that remains despite the formation of IDA Forum. Reaching the diversity of local civil societies, including smaller community-based organizations is a key issue for increasing country ownership and ensuring the voices of the most marginalized groups are represented.

Asian Infrastructure Investment Bank (AIIB)

Despite having joined the Asian Infrastructure Investment Bank (AIIB) in 2018, Canada currently occupies one of the non-regional member positions in AIIB's nine-member Board of Directors.<sup>12</sup> As AIIB continues to evolve in its early years, Canada is faced with a policy window to advocate for policies but also structures and processes in line with ODAAA commitments.

**Recommendation 6: Canada should call for a transparent application of the Exceptions to Disclosure Requirements Policy to ensure the protection of the international human rights and the prioritization of the population affected by AIIB programs**

A CSO Reality of Aid study (underwritten by the Swedish International Development Agency (Sida) and the European Union)<sup>13</sup> signals AIIB's lack of transparency, aggravated by the Exceptions to Disclosure Requirements policy, which undermines the responsibility of national actors to offer public records on the progress made against development programs. Similarly, concerns have been raised around AIIB's respect of social and environmental standards in the countries of operation. Given the Bank's focus on infrastructure investment, Canada should promote greater accountability in Bank projects for all partner country stakeholders, particularly the right to free, prior and informed consent (as opposed to consultations, foreseen by the current framework), a human rights standard aligned to the ODAAA.

**Recommendation 7: Canada should advocate for AIIB innovative approaches, especially in relation to gender-responsive frameworks and the engagement of international and local civil society actors**

As a relatively new institution with smaller strategic and operational structures, AIIB has the potential to pilot new approaches following lean and low-risk models but also allowing for relatively unobstructed scale-up of good practices. Particularly in relation to AIIB's ambitions to integrate social infrastructure investments in its portfolio, Canada should join other donor countries in supporting the Bank's engagement of civil society through sharing of lessons learned, case studies, and other learning instruments. More specifically, Canada should call for AIIB to formally integrate learning structures across its branches and to commit to a benchmarked level of civil society engagement.

Given the initial reputational risks identified around AIIB, Canada should continue to advocate for greater transparency related to AIIB's modalities for disbursement, its respect for international environmental and human rights standards, including an approach to infrastructure development that is gender responsive and geared towards the empowerment of women and girls. To mitigate these risks, Canada should engage in diplomatic coordination with other feminist- and feminist-leaning donor countries to frame a joint position in regards of the bank's governance structure and processes.

**Q2: Does the new Report for Parliament on the Government of Canada's International Assistance 2018-2019 help to improve transparency on international assistance? What changes could be made?**

We acknowledge and appreciate the consistent improvements of the Report for Parliament on the Government of Canada's International Assistance, which result in greater transparency of Government international assistance

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<sup>12</sup> Other Board positions are occupied by regional members (five Asian countries), and non-regional members (two from the European Union, Saudi Arabia, and Canada).

<sup>13</sup> Reality Of Aid, "Paradigm Shift or Rehashing Corporate-led Development: Unpacking the role of AIIB and NDB in financing development in Asia", Realityofaid.org, August 3, 2020, <https://realityofaid.org/brownbag-paradigm-shift-or-rehashing-corporate-led-development-aiib-ndb/>.

commitments. Priority for Canada's interventions within each of the multilateral institutions is welcomed, as it provides a window for Canada's civil society to be further informed about the Government perspectives.

**Recommendation 8: Annual ODA reports should discuss the extent to which Canada's ODA is consistent with the international human rights standards and includes the perspectives of the poor**

The annual report largely focuses on demonstrating the alignment between the ODAAA test of poverty reduction, neglecting the other two tests of centering the perspectives of the poor and consistency with international human right standards. It is important that the Report to Parliament provide the Government's perspective on the opportunities and challenges that the multilateral development finance institutions face in addressing all three tests in the Act. How is the Government working specifically to improve the policies and practices of the institutions in this regard? For example, CSOs have expressed concern that the World Bank's new safeguard policy fails to recognize international law including binding UN human rights treaties.<sup>14</sup> Given that other new institutions such as AIIB follow policies set in place by the World Bank, the question of consistency with international human rights standards emerges as vital.

**Recommendation 9: Annual reporting should ensure that all of Canada's special funds are well reflected, including in relation to ODAAA criteria and their effective disbursements**

The annual report contains a list of special funds that receive Canada's support internationally. While this list is useful, it does appear that a number of funds (including some IFC funds) are not listed. Furthermore, this list should be accompanied by an assessment of their effectiveness in relation to the three-point criteria in ODAAA.

**Recommendation 10: Annual reporting should cast light on key gender equality commitments outlined in the FIAP**

Lastly, it is important for the Report to clearly demonstrate the ways in which these institutions are assessing the integration of gender equality considerations in their projects (preferably in the form of gender markers, using existing good practices of international comparison of different ranking methods). Given FIAP objectives and the commitments to allocate 95% of Canada's bilateral international assistance to programs that directly or indirectly target gender equality, data on the extent to which multilateral organizations are held to the same standard would contribute to a coherent approach to Canada's global engagement through its ODA.

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<sup>14</sup> Human Rights Watch, "World Bank: Missed Opportunity to Protect Communities. Draft Guidance Notes Offers Little Practical Advice to Borrowers", Hrw.org (Human Rights Watch: HRW, December 4, 2017), <https://www.hrw.org/news/2017/12/04/world-bank-missed-opportunity-protect-communities>

Bretton Woods project, "Calls for World Bank safeguards without "policy dilutions"", Brettonwoodsproject.org, July 6, 2015, <https://www.brettonwoodsproject.org/2015/07/calls-for-world-bank-safeguards-without-policy-dilutions/>