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Obstacles to Reaching the Poor: A Study of CIDA and its Context

by

Brenda Belokrinicev ©

A thesis submitted to the Faculty of Graduate Studies and Research in partial fulfillment of the requirements for the degree of Master of Arts

Department of Political Science

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Name of Author: Brenda Belokrinicev

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Brenda Bel...

11 Sundance
Edmonton, Alberta
T5H 4B4

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University of Alberta

Faculty of Graduate Studies and Research

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research for acceptance, a thesis entitled *Obstacles to Reaching the Poor: A Study of CIDA and Its Context* submitted by Brenda Belokrinicev in partial fulfillment of the requirements for the degree of Master of Arts.

Dr. Tom Keating

for Professor Douglas Roche

Dr. Raj Pannu

Dr. Wenran Jiang

Abstract

The Canadian International Development Agency has been largely unsuccessful in directing aid to the poor in small, participatory projects, the most effective form of assistance. The purpose of this study is to identify the constraints on CIDA, as a step to their removal. The study examines CIDA through time, and places aid philosophy, policy, and implementation within intradepartmental and interdepartmental relations, and within North-South aid and non-aid relations.

The study concludes that: (1) international and domestic systemic biases prevent consistent and meaningful ODA delivery; (2) Canada is a fairly passive recipient of international aid and non-aid policy; and (3) CIDA likewise is a recipient, although it has not always been passive, of governmental restrictions and expectations. Northern denial of international equity, the aid regime's 'modernization' approach, and donor expectations of economic and political returns together entrench a powerful bias towards import- and capital-intensity and imposed decision-making. Inappropriate and unsustainable development results, with devastating social, physical and economic effects. Structural adjustment conditionality strengthens the bias, further impairing ODA's effectiveness.

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Finally, I thank my son Miles for reminding me daily that each human life is sacred, and that every child deserves health, love, and abundance.

Obstacles to Reaching the Poor: A Study of CIDA and Its Context

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List of Abbreviations

ACP	African, Caribbean and Pacific
ADB	Asian Development Bank
AfDB	African Development Bank
BHN	Basic Human Needs
CCIC	Canadian Council for International Co-operation (NGO)
CIDA	Canadian International Development Agency
CIDB	Canadian International Development Board
DAC	Development Assistance Committee (OECD)
DEA	Department of External Affairs (and International Trade) (Canada)
DFI	Direct foreign investment
EC	European Community
ECOSOC	Economic and Social Council (UN)
EDC	Export Development Corporation (Canada)
EEC	European Economic Community
FACE	Food Aid Co-ordination and Evaluation Centre (CIDA)
FAO	Food and Agriculture Organization (UN)
GATT	Gemeral Agreement on Tariffs and Trade
GSP	General System of Preferences
HOC	House of Commons
HR	Human Rights
HRD	Human Resources Development
IBRD	International Bank for Reconstruction and Development (IBRD)
ICCICA	Interim Co-ordinating Committee for International Commodity Arrangements
ICERDC	Interdepartmental Committee on Economic Relations with the Developing Countries (Canada)
ICOD	International Centre for Ocean Development (Canada)
IDA	International Development Association (IBRD)
IDB	InterAmerican Development Bank
IDRC	International Development Research Council (Canada)
IFIs	International Financial Institutions
IMF	International Monetary Fund
IPC	Integrated Programme for Commodities
ITC	Industry Trade and Commerce (Canada, until 1982)
ITO	International Trade Organization
LDCs	Less Developed Countries
LLDCs	Least Development Countries
LMG	Like Minded Group (of countries)
MAFs	Mission Administered Funds (Canada)
MDCs	More Developed Countries
MFA	Multifibre Arrangement
MSAs	Most Seriously Affected countries (Balance of payments)
N-S	North-South
NGO	Non-Governmental Organization
NIEO	New International Economic Order
NIEs	Newly Developed Economies
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PCIAC	Petro-Canada International Assistance Corporation (Canada)
RBPs	restrictive business practices
S-N	South-North

SADCC	Southern African Develoment Cooperation Conference
SAP	Structural Adjustment Programs
SCEAIT	Standing Committee on External Affairs and International Trade (Canada)
SILICs	Severly Indebted Low Income Countries
TNC	Transnational corporation
UNDD	United Nations Development Decade
UNDP	United Nations Development Program
UNGA	United Nations General Assembly
WFP	World Food Program
WHO	World Health Organization
WID	Women in Development

Introduction

Only when the poor participate in project identification, planning, design and implementation can projects be appropriate and sustainable. Only such projects can enhance local possibilities, take advantage of local knowledge and resources, and place development directly in the hands of the poor. Although many development experts have identified small, participatory projects as the most effective in assisting the poor, structural problems and disincentives to such projects abound within CIDA, within the federal government, and within the international system. Instead aid has brought large, capital- and import-intensive projects, selected and implemented in a top-down manner. Projects have been inappropriate and unsustainable, and encouraged continued dependence for expertise and replacement parts. The effect within recipient countries has been disastrous. Recipient state development has been grossly distorted. Indigenous industry and subsistence cultures have been destroyed. The poor have been displaced and robbed of their livelihood. The environment has been devastated. Direct and indirect costs are enormous. Even greater are the opportunity costs: appropriate development foregone in the undertaking of inappropriate development.

Assuming that philosophical intent is appropriate to the situation and that problems are met in achieving that intent, it is necessary to find resolutions for the problems which present obstacles to intent fulfillment. In order to solve those problems, one must: (a) identify them; (b) identify their sources and types, e.g. at what organizational level do they arise; are they systemic or incidental? (c) identify the conditions which encourage their creation; and (d) replace the problem-encouraging conditions with a new set of conditions conducive to intention fulfillment. This thesis attempts to identify sources of the disjuncture between CIDA's stated intentions to assist and involve the poor and its actions, in a bid towards finding solutions.

For nearly half a century, Canada has extended official development assistance (ODA) to countries and regions of the world's economic South. Although an original goal of Canadian ODA was poverty alleviation, and the nominal primary focus from 1968 to the late 1980s was on assisting the poorest countries and poorest people, the plight of the poor continues to deteriorate. The purpose of this study is to discover why this is so. Where are the roadblocks? To identify the roadblocks, the present study focues on CIDA's bilateral aid. Bilateral aid is influenced by both domestic and international factors, and these are studied at length.

I make extensive use of CIDA documents, to establish CIDA's own representation of itself (chapter 1). I then examine the various contexts in which CIDA functions: the intradepartmental, interdepartmental, international aid, and international non-aid levels. CIDA's representation of its work, CIDA's bilateral aid, and the four levels at which constraints to assisting the poor arise are examined through the 1950s to the 1990s. In order to make such a broad study practicable, I have made extensive use of secondary literature. The intent of the present work is to combine the observations and conclusions of some Canadian critics of Canadian ODA, to examine the overall picture they present, to place their observations in a historical context, and to further their analysis towards finding causes for the shortcomings that they observe.

This study concludes that CIDA has been a fairly powerless recipient of domestic policy, and Canada likewise has been a relatively passive recipient of international economic and aid policies. Contradictions between CIDA's philosophy and policy, and conflicting ODA policies, have arisen and remained for three reasons: (1) CIDA lacked an organizational strategy; (2) CIDA suffered considerable interference from other departments; and (3) CIDA operated under several false assumptions adopted from the international aid regime. The multilateral aid regime has manifested little practical understanding of what poverty is and how it must be addressed, and the regime's past efforts to correct that insufficiency have been stifled by the North's economic and power structures, which disregard the South's circumstances. In the 1990s, the aid regime has internalized the conservatism of the North's power centres, and CIDA has followed suit.

Although CIDA has generally portrayed itself through time as helper of the poor, numerous Canadian authors point out that its aid delivery has been marred by extensive use of aid tying and export credits and has been increasingly commercialized in a focus on short-term benefits for Canada. In the 1970s CIDA itself voiced these criticisms. Other critics include Canada's Standing Committee on External Affairs and International Trade (SCEAIT), the North-South Insitute, Pratt, Brodhead, Burdette, Charlton, Gillies, Morrison, Pearson and Draimin. Charlton points out that the nutritive value of food aid has been undermined by commercial considerations. Keenleyside criticizes Canada's inconsistency on aid's linkage with human rights. Brodhead and Pratt criticize CIDA's deteriorating relationship with NGOs since the 1980s when CIDA began tightening controls. Ahmad observes that Canada has hardened its already ungenerous trade policies towards developing countries. Burdette describes CIDA's reluctant alignment with a market-oriented aid regime during the same period. The North-South Institute concludes that Canada's aid policy requires "a radical restructuring."[1]

Some authors identify reasons for the dilution of CIDA's effectiveness in poverty alleviation. Berry, le Groupe Secor, Rawkins, and Savoie identify organizational problems at the intra- and interdepartmental levels. Pearson and Draimin point out that public potential for influence on ODA policy is rarely tapped. Pratt and Stokke explain that Canada's public philosophy is 'humane internationalist' rather than 'reform internationalist' and that this philosophy prevents Canada from supporting international reform.

It is necessary to point out what the present study does not do. Although chapter 4 discusses the prevailing modernization theory at some length, this study is not an assessment of theory. Nor is it an exhaustive survey of aid literature. Rather it is a practical assessment of obstacles blocking Canadian ODA from reaching the South's poor. Because CIDA's aid delivery has been influenced by government foreign policy objectives, themselves increasingly dominated by trade concerns, international trade and related areas of investment and monetary policy, are examined (chapter 5). Because marked obstructions to assisting the poor arise in the International Monetary Fund and World Bank lending policies, these are also examined at some length (chapter 4).

The focus of this study is on identifying "obstacles," and it necessarily emphasizes the negative. Ideally, it would be accompanied by a companion study identifying the strengths of CIDA's aid delivery as a first step in building on those strengths. However, limits on time and resources of the present study precluded taking the step.

Likewise, although the current study mentions militarism's extremely negative impact on development, it is not dealt with at length as militarism and disarmament are beyond the realm of CIDA's involvement. However, the case is made that a sharp division exists in the power centres between social policy on one hand and trade, investment, and monetary policy on the other, and that this artificial separation prevents the formation of an equitable international system. Integration of social and economic policy areas, as recommended in the present study, must be accompanied by the rechanneling of resources from militarism to development. As CIDA is the focus of the present study and as CIDA's attempts to rechannel funds from defence to ODA were ignored by the government, this study does not deal at length with the crucial relationship between disarmament and development. A study on disarmament and development would provide a more complete picture of the contstraints on development, but is beyond the time and resources available for this study.

Another factor critical to development not addressed at length in the present study is the domestic situation within developing countries. Although chapter 4 discusses the need for social change within developing societies, no attempt is made to go into specifics as cultures vary widely in the extremely heterogenous body that has been labelled 'the South.' Certainly domestic circumstances affect CIDA's activities in developing countries. However, a study of those constraints would best be served by geographic-specific research; a set on studies on recipient societies would provide another essential element in the complex picture of development, but are beyond the scope and resources of the present study.

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1 North-South Institute, *Canada and the Developing World: Key Issues for Canada's Foreign Policy*, The North-South Institute, Ottawa, 1994, p.44

Chapter 1. Canadian ODA Philosophy and Policy

1.1. Introduction

In the midst of global turmoil, the world's attention has turned away from the problems of the South to those of the East, and assistance is being redirected accordingly. In light of this redirection of assistance, of the global recession, and of significant global changes since the 1970s, it is more important than ever that the shrinking development dollar be used as efficiently and effectively as possible. If Canada is to offer meaningful assistance to the world's poor, it is essential that the government do its utmost to remove constraints on efficient and effective aid delivery.

It is necessary to examine Canada's ODA program closely in order to understand the program itself, and to identify its weaknesses. I will attempt to identify the roots of problems, as such identification is crucial to finding solutions, and this requires looking at ODA's domestic and international contexts through time. A chronology of Canada's stated ODA philosophy and policy/strategy, based mainly on government documents, follows. I accept the dictionary definitions of the terms 'philosophy,' 'policy' and 'strategy' shown below:

> Philosophy: "a search for general understanding of values and reality by chiefly speculative rather than observational means."
>
> Policy: "a high-level overall plan embracing the general goals and acceptable procedures..." or "a definite course or method of action selected from among alternatives and in light of given conditions to guide and determine present and future decisions."
>
> Strategy: "a careful plan or method."[1]

This chapter will demonstrate that, while Canada's aid philosophy has been broadly humanitarian, policy has been shaped to ensure economic and political benefit to Canada. Developmental and social needs have had little influence on policy-making.* It may be useful while reviewing this chronology to keep in mind the following three questions: (1)*Why* does Canada extend ODA? (2) *How* does Canada extend ODA? and (3) To *whom* does Canada extend ODA? The answers to these questions will reveal conflicts between philosophy and policy which undermine the effectiveness of the ODA program. While the first chapter addresses philosophy and policy aspects of these questions, chapter 2 will be mainly concerned with their practical aspects.

1.2. The evolution of Canadian ODA

Canada was a founding member of the Commonwealth's Colombo Plan (Colombo Plan for Cooperative Economic Development in South and South-East Asia) in 1950. Canada termed the Commonwealth Plan a "unique and exciting experiment devoted to the welfare of humanity," and supported it because "...the economic progress of all parts of the world is an essential element of any satisfying and enduring peace."[2] Colombo Plan supporters hoped that assistance would limit the spread of Communism through Asia. The Colombo Plan aimed to improve agricultural production, create employment, and diversify economies through industrialization and improved transportation/power systems.

Canada's participation in the Colombo Plan began on a small scale within a division of the Department of Trade and Commerce. However the program office soon became a complex organization, with clientele on three continents. In 1960, the External Aid Office took over aid disbursement, within the Department of External Affairs, and the Canadian International Development Board (CIDB) formed to oversee aid and coordinate interdepartmental affairs. The External Aid Office (EA0) did not develop aid expertise or knowledge of recipient countries and the Department of External Affairs (DEA) did not allow career aid positions or EAO overseas postings.[3]

ODA was linked from its inception to trade and foreign policy. ODA began within Canada's trade department to fulfill a foreign policy goal: to contain Communism in Europe and Asia. Aid allocation was shaped by tying requirements, perceived international security needs, and other foreign policy pressures. Initially, all assistance was tied—Canadian goods and services were the development 'product.' The two factors considered in allocating funding were: (1) would the project in question further economic development in line with the objectives of the Colombo Plan? and (2) could Canada supply the needed goods and services? Canada did not fund items available to the recipient locally or requests "more easily met" by another donor or agency.[4]

Canada did not venture beyond the Colombo Plan's geographic (Asian) mandate until 1958, when it began to offer formal bilateral assistance to the Commonwealth Caribbean. For many years, ODA was concentrated in Commonwealth Asia, with over 95% going to India, Pakistan, and Ceylon even in the early 1960s (1962/3). In 1960, Canadian ODA expanded past Asia and the Caribbean to embrace Africa. The need to strengthen Canadian unity became a factor and the Francophone aid program, prompted by pressure from Quebec, expanded throughout the 1960s. Assistance was extended to Francophone Africa in 1961 as countries gained independence, and the Francophone Africa program grew rapidly. Latin America did not receive Canadian assistance until 1964, when it was given indirectly through contributions to the InterAmerican Development Bank for concessional loans. Direct bilateral assistance to Latin America did not begin until 1970, after CIDA had been established.[5]

In the late 1960s, External Aid accepted that meeting development needs was a process far more complex than previously realized. The North-South socioeconomic gap was growing instead of shrinking. Population was increasing more rapidly than expected. Despite the fact that incomes of poor nations were increasing more slowly than those of industrialized nations, global aid remained at the 1960 level, which the World Bank had estimated was $3-4 billion lower than the amount the less developed countries (LDCs) required. The government remained committed to aid, and "pledged to do its utmost to achieve this objective (a better standard of living for all) as quickly as is humanly possible." Despite the growing recognition of the difficulties of development, a spirit of optimism continued. Progress had been made, especially as measured in industrial/economic terms. Power, mining, manufacturing, and transportation sectors in developing countries had all grown. "(I)t has been demonstrated...," said the 1967 External Aid review, "...that success is possible...".[6] An emphasis on economic growth was integral to the common approach to aid at that time and was fully supported by Canada.

Until the 1970s, the recipient country was treated as an impermeable unit and all aid went to the government. Needs of and impacts on individuals, special groups, indigenous cultures, and the environment remained unrecognized. There was no consideration of aid's social impact or of links between social conditions or human rights. Despite a later philosophical focus on directing aid to improving the living conditions of the poorest, an economic/industrial orientation persisted, which would eventually culminate in the imposition on aid recipients of structural adjustment programs that would be extremely punitive to the poor.

The Canadian International Development Agency (CIDA). CIDA was established in 1968 in a fundamental reorganization of Canada's aid program. The 1967/68 ODA review claimed a strong federal commitment to aid. The Liberal government was committed to increasing overall North-South flows and aid funding. The ODA review promised that previous ODA plans and policies would be carried out and improved through clearer identification of problems and a continuation of the "development partnership." It registered the realization that development was "long-term" and supported initiatives of the previous year to focus aid more closely to enhance its effectiveness. A schism between philosophical goals and policy was evidnet in the statement that recipients of bilateral aid would be selected, not by need, but by Canada's "special (undefined) interests," and suitability to Canada's resources.[7]

The expectation that aid would be 100% tied was integral to the federal government's vision of CIDA—only Canadian goods and services were to be delivered. External Affairs Minister Sharp described CIDA as a mover of Canadian resources. "The basic function of CIDA," he said, "is to bring Canadian resources and services to bear on the needs of the less developed nations."[8] CIDA's aim, as seen by its Minister, was to find buyers for Canadian goods and services. This contrasts sharply with CIDA's own vision, which will be described in more detail in chapter 3. CIDA wanted aid tc directly assist the poor, which required that tying requirements be sharply reduced or dropped.

The first year of CIDA's existence offered an opportunity to redefine aid, and CIDA attempted to do so. It is therefore valid to examine the 1969 annual report with some attention. The stubborn optimism of the early years of the ODA program had finally collapsed. LDC export earnings and share of world trade—both areas shaped by the world system (see chapter 5)—showed no improvement. CIDA now saw a "scale of needs ... so vast and ... crisis ... so grave" that international cooperation in the search for solutions was crucial. It saw a need to move research and development into areas of use to LDCs. "We must help them," the CIDA 1969 report warned, "to adapt what they learn from us to their own particular needs and aspirations... to develop their own scientific and technological capabilities within the framework of their own systems of values and priorities." In assessing the problems facing development, CIDA noted that progress in terms of life expectancy and education was countered by growing population.[9]

A sharp disjuncture existed between the stated "true" goal, a social goal—happiness and well-being for people—and the mainly economic, "painful" methods used to attain that goal. There was still little real consciousness evident in CIDA's policy implementation of the need to focus on poverty and people within country borders. On one hand, CIDA stated that development's "true goal," was "to increase the happiness and well-being of the people living in the less developed countries...", pointing out that "(a)ll agree that relief of poverty is a necessary precondition to improving the well-being of their people...". On the other hand, CIDA apparently saw no incongruency in demanding that the people being helped to well-being make "a significant degree of economic sacrifice." Development was, after all, "a difficult and often painful process requiring continuous efforts over relatively long periods of time." This perception of development as a long painful process is integral to the aid regime's dominant 'modernization' approach to development (see chapter 4). Acknowledging that economic growth was only one of several LDC priorities, CIDA rationalized its decision to focus on economic issues with the statement that economic growth would function as an "engine of social progress."[10]

1.3. The 1970s—developing the first ODA strategy

A federal study on Canadian foreign policy, released in CIDA's infancy in 1970, presented new policy phrases—national interest, economic justice, integration and international peace—and announced new priorities. These new priorities signaled a shift in Canada's multilateralist identity. Canada would no longer be the "helpful fixer."[11] National interest was the new priority. Although development assistance remained integral to Canada's foreign policy, it would be increasingly coordinated with trade. Humanitarianism and multilateralism would be de-emphasized. The government predicted that most Third World countries would achieve self-sustaining growth, and become Canada's trading partners, by the year 2000.

CIDA re-examined the Third World, and its reassessment differed considerably from the Canadian government's. Various CIDA publications noted that international decision-making processes tended to obstruct world development profoundly and declared that the South must participate fully and fairly in global structures. After wrestling for some time with the dilemma of whether to help the neediest or contribute to "quickest yield" areas, CIDA decided to focus on the poor. Despite a desire for positive results—more easily gained from aiding "quick yield" countries, CIDA decided that aid's overall goal was to help low-income countries shape and develop their societies according to their own national priorities. The bulk of assistance should be directed to the poorest countries and the poorest groups within those countries.[12] To this end CIDA planned a new strategy, which would redefine ODA programming and give developmental requirements top priority in non-aid foreign policy.

The 1975-1980 Strategy. In August 1975, on the eve of the release of the upcoming five-year aid strategy, CIDA released a blunt assessment of the global aid situation. Over the long term, said the report, international development answered North-South mutual interests. Every person and every country had rights and obligations towards others. What was needed by 1980—within the time frame of the 1975 strategy—was an unprecedented mobilization of aid efforts, "a massive and immediate inflow of resources to the developing countries...". Industrialized countries had fallen down, this assessment found, on their moral obligations. Aid flows had been inadequate. The average DAC aid transfer, 0.33% of GNP, had been much less than needed and less than before. The rich-poor gap was still widening, and by 1975 South-North debt servicing totaled more than North-South aid. The least developed countries (LLDCs) urgently needed "large-scale rescue operations" merely to survive.[13]

Far too much—$20-$25 billion a year—had been spent on arms. CIDA attempted to redefine international 'security' and boldly called for the redirection of military funds to international development. World poverty was "one of the world's most explosive dangers to stability and peace. "The security of nations...", the report maintained, "...would be better ensured by diverting from armament purposes towards international development a large proportion of such fabulous amounts of money...".[14]

The report identified a major problem in the 'trickle-down' approach of development assistance to date. The poor, not readily absorbed into wage employment in the modern sector, gained little from economic growth. Much aid had reinforced the wealth and power of élites . As a result, economic growth had benefited a relatively wealthy minority and exacerbated domestic income disparity.[15]

Nevertheless aid had made positive contributions, other than economic and agricultural growth and improved life expectancy. It had encouraged a "we are one world" consciousness, enabling "the serious consideration of further and more substantial changes to the international system." Importantly, this document—which preceded the 1975 *Strategy* by less than a month—saw the Third World's NIEO as an inevitable restructuring, albeit one that would entail a long gradual process. If "...all people... have the fundamental right to share the world's resources, a right to the conditions essential for a life of human dignity," then the Third World demand for automaticity in aid flows should be met. This would "translate abstract concepts of equity into concrete action."[16]

The document *Strategy for International Development Cooperation 1975-1980* fell far short of the goals enunciated in the August document, although at first glance it appeared to present a fairly sound aid philosophy and general policy. However, it was not really a 'strategy,' in that it lacked the concrete planning necessary to translate philosophy and policy into action. Worse yet, a close reading of the *Strategy* reveals contradictions at the philosophical and policy levels. The process which produced the *Strategy*, discussed in chapter 3, did not allow the productive document that CIDA wanted and needed.

The *Strategy* recognized that dramatic changes in the global economic environment had necessitated adjustments in aid. Interdependence had increased every country's vulnerability to external forces, but the burdens created by the global fuel shortage and recession had fallen most heavily on "the most vulnerable countries, regions and socio-economic groups."[17] Before growth could be expected to resume, aid must concentrate on addressing the crisis the most disadvantaged countries faced. One reason for urgency was a fear of reprisal from the South if appropriate assistance was not forthcoming. Reprisals might take various forms. There might be powerful new commodity cartels like OPEC, debts might be repudiated, foreign investment might be nationalized, or violence might erupt.

The *Strategy* contained two important commitments: (1) Canada would actively support the Third World desire for a new international order; and (2) Canada would adopt policies favorable to the Third World. It also implied that Canadian borders would open to Southern imports. These commitments, which lay far beyond CIDA's mandate and control, were not met. Like the August document, the *Strategy* stressed that not only aid, but the entire global economic framework must change to allow the equitable inclusion of Third World countries, and acknowledged that there must be a limit to the harvesting of natural resources. In even stronger terms than the earlier document, the *Strategy* called for a new international economic order which addressed the Third World's needs, saying:

> The viability of an increasingly interdependent world order rests on the creation of an international economic system which will provide a more equitable distribution of resources and opportunities to all people.... Such a system would recognize the fundamental right of all human beings to share the resources and conditions for human life and dignity to flourish.[18]

The *Strategy*, noting that LDCs' problems could be solved only through "structural changes," called for Canada to play a role in making structural changes in the international economic system. Perhaps, said the *Strategy*, the most important role Canada could play was to set an example for the industrialized world, including international trade, monetary and other institutions, and adopt policies favorable to the Third World.[19] The *Strategy* included a commitment to subordinate other policy issues to development. It was not simply a statement that development would be linked with non-aid issues. It was a statement that development priorities would come first:

> In renewing its firm commitment to international development cooperation, the Government undertakes to harmonize various external and domestic policies which have an impact on the developing countries, and to use a variety of policy instruments in the trade, international monetary, and other fields in order to achieve its international development objectives.[20]

The government had moral, economic, and political reasons for its support of aid, including "Canada's inescapable responsibility" and "vulnerability" in an interdependent world. The government enjoyed and wanted to preserve both its reputation as a "relatively progressive and unbiased" non-colonial power, and its special links with Commonwealth and Francophone nations. Enlightened self-interest was reflected in the desire for "a strong non-discriminatory multilateral trading system" as opposed to the danger of "mutually exclusive trading blocs." [21]

The *Strategy* demonstrated the government's loss of confidence since 1970 that Third World countries would soon become Canada's trading partners. Instead it predicted a permanent need for concessional resource transfers, and claimed continued federal support, saying:

> In the Foreign Policy Review of 1970 the Government stated that a firm commitment to international development cooperation was one of the most constructive ways in which Canada could participate in the international community in the coming decades. The validity of that commitment, as well as the need to renew and strengthen it, has been underlined by the major changes and trends emerging in the international system over the past few years.[22]

At the level of rhetoric, the *Strategy* contained an important departure from previous attitudes. CIDA was no longer perceived as middleman for Canadian goods and services. Its new role was to assist poor people in poor countries, not act as purveyor of Canadian goods. Pointing out that Canada had failed to join in the 1973 Development Assistance Committee (DAC) agreement to untie multilateral contributions, the *Strategy* stopped short however of recommending that Canada join the agreement or untie bilateral aid. To the contrary, the document later points out that tied aid meant that "the cost of the aid program to Canadian society is less than volume alone would suggest." It prescribed only that tying "must not diminish the primacy of the development objectives." Since development objectives had not yet enjoyed much in the way of "primacy," this was hardly a tall order.[23]

Noting that the UN had since 1970 asked special consideration for the newly defined group of LLDCs and that the Third World urgently required assistance with food and balance-of-payments support, the *Strategy* stressed that an unprecedented response to the needs of the Third World was required from the international community, claiming "there is no satisfactory alternative." The *Strategy* pinpointed the next five years, 1975-1980, as a "crucial readjustment period" for LDCs and therefore for aid. If the gains of the previous twenty years of development were to be maintained, aid must be increasingly directed to the countries hardest hit and most disadvantaged by the current economic crisis. The alternative was "economic collapse and starvation." It is important to note the word "increasingly" here. This was not to be a short-term palliative. Aid was not to be directed to the poorest countries to see them through the current crisis, and then maintained or withdrawn, but was to continually increase over the long term. Food production, population growth, energy and management bottlenecks urgently needed addressing. Rural development and small industrial projects would, according to the *Strategy*, accelerate economic growth and allow aid to reach more people. CIDA would target the "least privileged sections of the population" in "...a direct attack on the critical problems of the poor majority—nutrition, health, shelter, education and employment." By satisfying basic human needs, ODA would encourage self-reliance among the least privileged.[24]

There was also the growing problem of debt, which was rapidly moving the world to a state of "permanent emergency." Despite the *Strategy*'s statement that debt and emergencies must be dealt with on an immediate basis, the government maintained that debt relief should be provided only on an exceptional, case-by-case basis. To avoid increasing debt pressures, Canada promised at least 90% concessionality. This move was commendable but its effect was countered by continued support for IFIs which contributed to debt pressures.[25]

Despite its headlined commitment to focus on the poor, the *Strategy* promised that Canada would honor aid commitments already made to more advanced developing countries. Emphasis in those countries would be on appropriate technology transfer, industrial capacity, domestic financial institutions, planning capabilities, and managerial skills. To minimize the administrative burden, transfers would be flexible, appropriate, fast and efficient, and allow recipient autonomy.[26]

The *Strategy* was baldly misleading in its presentation, and its misleading nature reflects interdepartmental conflict during the *Strategy* formation (see chapter 3). For example, a major headline proclaimed in bold print: "Priority to the Poorest Developing Countries." However, the first point under that headline contained a quite different emphasis, explaining that most funds would *continue* to go to "lower and middle income developing countries," while "particular attention" would *continue* to be given to LLDCs.[27] In other words, despite the implications of the headline announcement, there would be little or no change in funding. The *Strategy* was also misleading in its statement on untying aid. The bold-face title proclaimed that Canada would untie bilateral development loans for procurement in LDCs. The 'fine-print' was more restrictive: Canada would untie up to 20% of bilateral assistance and pay for the shipment of ODA goods.

The strategy clarified that the 20% allowed 100% untying in individual bilateral projects under special circumstances.[28] This was little different than the 1970 liberalization already in force.

The message delivered by the *Strategy* depended on which page was being read. On page 18, the *Strategy* promised to subordinate foreign policy goals to development needs. On page 23, it stated that ODA would "...be compatible with the broad goals of the Government's foreign policy," indicating that in actuality developmental goals would be subordinate to other policy goals. Point 5.1 clearly negates the earlier promise to put development priorities first by reiterating the 1970 declaration that development policy would be relevant and sensitive to other Canadian objectives.[29]

Surely a strategy truly intent on benefiting developing countries would include a procedure to follow its term. The *Strategy*, however, although it was designed to last only five years, envisioned no follow-up other than the creation of the Interdepartmental Committee on Economic Relations with the Developing Countries (ICERDC) and established no timetable. CIDA's hopes for a strong ICERDC were quickly dashed, as will be described in chapter 3.

Instead of a timetable and follow-up, the *Strategy* postponed action, offering the explanation that it was merely pointing a new direction which would take "several years to implement fully."[30] The document looked forward, not to action or policy-making, but merely to the eventual formation of recommendations for policy. It removed further untying from the realm of immediate possibility by promising a study. The intended "gradual" mix of aid and non-aid policy, with no time-line attached, defused potential critics. This was hardly the bold action CIDA urgently prescribed.

The *Strategy* included a number of sound recommendations for efficient and effective aid delivery, and might have been a strong strategy had CIDA been given a free hand. Such was not the case, however (see chapter 3), and because of the intrusion of non-aid goals, the *Strategy* contained fundamental flaws and overtly contradictory messages. It presented no timeline and no structure of even the broadest kind. Its failure to control the growth in size and complexity of the ODA program compounded existing confusion and conflict. CIDA's administrative burden grew with no monitoring of the organization and its effects. New divisions were created, and assistance was extended to new continents.

Disappointingly, the *Strategy* offered only vague promises of change in some unspecified future. Even more disappointing was the fact that should those vague promises eventually bear fruit, the poor would not benefit. The mix of aid and non-aid policy would help mainly the more advanced developing countries (MDCs), as the *Strategy* itself noted. ODA, as opposed to aid/trade policy integration, was therefore to focus increasingly on the low-income countries (LDCs).[31] This important distinction between aid/trade integration, to benefit MDCs, and ODA, to benefit LDCs, was quickly forgotten.

CIDA was thus faced with numerous competing policies. The country focus competed with the regional focus.[32] The primacy given to meeting basic needs competed with the decision to encourage private sector development. Recommendations for specialization and concentration fit poorly with the recommendation to diversify channels. The objective of assisting recipients to self-reliance competed with the call for increased Canadian expertise. The call for social justice competed with the basic assumption that aid was apolitical. The desire for long-term planning competed with an entrenched reactive approach.

The 1970s closed with three promises: (1) children would be a priority (a stance unfortunately not reflected elsewhere in CIDA documents of the time), (2) aid programs would be continuously evaluated, and (3) there would be greater integration of development assistance with Canadian domestic and foreign policy[33] (a double-edged sword, as we have already seen).

1.4. The 1980s—developing the second ODA strategy

Although the 1980s started on a positive note for aid—the government determined in 1980 to allocate 0.5% of GNP to ODA by the mid 1980s, and hoped to increase that portion to 0.7% by decade's end—it increasingly became a decade of confusion and competing goals. This owes much to the continued absence of an operational strategy. Instead of a new strategy in 1980, CIDA issued a regurgitation of policy in 1984. The 1984 policy document was more an apology to the business community than an aid document. It revived the federal view of CIDA as middleman, describing development as a vehicle to enhance Canada's exports to the Third World. It opened with a neat encapsulation of ODA as tool to accomplish Canada's foreign policy goals of increased access to world markets and increased international influence:

> Canada's involvement in Third World development ... can serve not only Canada's global interest in international stability, security and justice, but also our national interest in promoting international trade, and in strengthening Canada's presence in world markets. (Allan J. MacEachen)[34]

The paper confirmed much of what the 1975 *Strategy* had said, and added the gender dimension, introducing the discovery that Third World women received little benefit from ODA. To address this, women were made a priority. Each project would include an analysis of the impact on women, and efforts would be made to see that their participation in development increased. Aid would become more accessible to the public and foster new partnerships. Bilateral programs would shift from creating infrastructure (although the continuation of large aid projects was justified on the basis that capital investment was too risky for private investors and could only be carried out through aid[35]) to rehabilitating and maintaining it, and involving people in small projects. The private sector and the public would be involved. There would be less government to government transfer, and more non-government action between Canada and the Third World.

*The strategy for 1987 to 2000—Sharing Our Future.*The next aid strategy did not appear until 1988, when *Sharing Our Future* reached the public eye.[36] *Sharing our Future* formally presented the new ODA philosophy, and was to carry Canadian ODA to the end of the century (originally the projected date for economic self-sufficiency in the Third World). Earlier promises were repeated: (1) development assistance would reach the poorest people and the poorest countries; (2) self-reliance would be encouraged; (3) development would have top priority; (4) the aid relationship would be one of partnership; and (5) CIDA would become more efficient. Programs would promote "both economic growth and social change."[37] Based on the observation that hardware was wasted without skilled staff and maintenance dollars, the focus would shift away from large capital projects and government orientation. The poor would be involved from the start of projects. By now these promises were so familiar that they retained little credibility.

Through most of the 1980s--known to the international aid community as the "lost decade," during which Third World countries faced unprecedented debt coupled with lost income—CIDA lent assistance without direction. CIDA's structure and priorities continued their well-established pattern of ad hoc change, and 'policy' became increasingly confusing. A new, bifurcate philosophy was emerging, reflecting polarization within CIDA and pressure from other departments (see chapter 3). The government's new ODA philosophy encompassed extremes without acknowledging them.

CIDA repeated resolutions of the 1970s—to reach the poor, integrate, make a positive social impact, involve Canada's public and private sector, rehabilitate infrastructure, and move to smaller projects. ODA was still described as the main pathway to international social justice through economic and social progress; and CIDA continued to maintain that assistance would be more effective if focused on poorer countries and people.

While claiming that aid could and should be apolitical, the government linked aid allocations to human rights, in a complete reversal of 1970s policy. While claiming a strong concern for the social impact of aid, Canada strengthened its support of IFIs which assessed projects on economic and technical merits, not on social considerations, and which imposed structural adjustment policies to cut social programs on developing countries. Although the poorest countries were the nominal focus of the ODA program, fully 20% of ODA went openly to middle-income countries.[38]

A new ODA Charter rested on four 'pillars': aid to the poorest; aid to women; protection of the environment; and development as the top priority. The first of the four unfortunately attempted the impossible: the combination of the opposing forces of poverty alleviation and structural adjustment. While declaring that the poor were the targeted recipients of ODA, CIDA remained adamant that there was no alternative to structural adjustment. Countries receiving Canadian ODA must undergo structural adjustment conditionality. Canada would, however, attempt to soften the negative impact on the poor by urging the international community to consider vulnerable groups, such as women and refugees.[39]

The second pillar continued the gender consciousness first raised in the 1984 document, promising to increase women's participation in development. Aid would promote recognition and strengthening of women's roles and skills, and avoid adverse effects on women. The third pillar responded to Stockholm and the Brundtland report, promising environmentally sound development, food security, and energy availability. CIDA committed to environmental impact assessments on all CIDA-financed projects, placing emphasis on environment-enhancing projects, institution building, data gathering, and public awareness. Agricultural development planning would be based on area-specific knowledge. To the detriment of its aid delivery, this last statement indicates that CIDA did not find area-specific knowledge valuable for all development, instead limiting its validity to agricultural planning.

Although the concept had first been raised by CIDA in the early 1970s, CIDA announced a 'new' policy of addressing the needs of "the poorest and most disadvantaged." CIDA would work to reduce unemployment and underemployment, and would shift to grass-roots, socially-oriented projects. CIDA's administration would be decentralized and untying flexibility introduced. New food aid policies would be implemented: food aid would provide food for the poor, and go into food-for-work programs creating employment and infrastructure; build national food reserves for times of shortage; provide local currency through sale; adjust food price levels; support structural adjustment; and allow food-importers to save foreign currency.[40]

Still holding to the development goal of a life of dignity for all, CIDA continued to support multilateral consultation machinery, and a new international economic order (NIEO). A 1989 CIDA report called for

the establishment of a new international order which will help to reduce the present imbalance among nations—an order that will assure a more equitable sharing of existing wealth—an order that includes new rules for commercial and monetary relations favouring an equalization of opportunity among peoples.[41]

1.5. The 1990s—the end of ODA strategy

The confusion, competing interests, and changing priorities of the 1980s foreshadowed a fundamental restructuring to come. The 1990s were met by two world-changing events: the 1989 collapse of the Berlin wall and all that it signified, and the 1992 UNCED conference in Brazil. In Canada, the government responded with an abrupt shift in its ODA philosophy. The phrase "human rights, democratic development, and good governance" replaced the philosophy of aiding the poorest and concurrently top priority was given internationally to the environment. A new aid commitment to Eastern Europe threatened to overtake the recent commitment to the environment, which had already displaced the nominal commitment to the poor. When Canada's international envelope grew by 3%, half went to ODA and half to Eastern Europe and former countries of the Soviet Union.[42]

Although ODA's nominal goal remained recipient self-sufficiency and the immediate meeting of urgent needs through "...economic growth, social change and environmentally sound development...",[43] the poor were no longer, even nominally, a focus. Support for structural adjustment would continue. ODA's long-term goal was increased productivity, and although this might include increased production capacity of the poor, ODA's main goal was to help economies, not people. This was a clear return to the discredited 'trickle-down' approach to development. Poverty would be addressed—not through assistance to poor people— but through matters of ecology, demographics, macro-economics, and the environment.[44] The year 1992 cemented the change of philosophy. Democracy and the environment replaced women, children, sanitation, population, and the poor as top ODA priorities. In January, a new policy for environmental sustainability required the integration of environmental considerations into "decision making and activities abroad."[45] In May, CIDA's environment policy was broadened so that programs and policies—not just projects—must take environmental impact into account.[46]

Sharing our Future had been intended as Canada's official ODA document to the year 2000. The 1993 changes, coming in rapid succession as they did, surprised the ODA community and left it wondering whether the document's strategy had been discarded. Canadian ODA statements no longer mentioned the poor. ODA was now referred to it terms of its support for Canada's export and international influence. Conservative Prime Minister Kim Campbell announced to the UN that Canada would no longer honour its earlier unrealistic promise of allocating 0.7% of GNP to aid.[47] Rumours floated. Canada's international assistance envelope would be refocused from Africa to the eastern bloc. Cuts would be on a regional basis. The poorest areas would receive the largest cuts. Far from receiving the highest priority, the poor would receive only food aid and crisis response.

1.6. Recurrent themes, conflicts, and changes

A number of continuing, and—depending on the degree of communication and cooperation—potentially conflicting, themes emerge from the above. Whether, or how, competing policies are balanced against each other and coordinated with each other determines whether they complement each other or act as opposing forces. Canada's ODA philosophies and policies speak, although far from clearly, to the following three questions. While these questions are closely intertwined, for the sake of clarity they will be discussed separately.

1. Why does Canada extend ODA?

The answer to the first question—why?—has remained basically the same throughout our ODA history. Although their relative weights have changed through time, three motivations—support for the Canadian economy, the desire for international influence, and humanitarianism—have been behind the government's ODA philosophy since the beginning of Canada's involvement with development assistance to the Third World. The perceived post-war need to contain Communism and the Third World's extreme poverty prompted humanitarian action. In responding, the government made economic and political headway by transmuting its overabundance of food—mainly wheat—into multilateral good will. The motive behind the origin of Canada's ODA program was that of the Colombo plan—to contain Communism. ODA's continuance as foreign policy tool requires broad geographical coverage. Aid to Francophone states also serves Canada's domestic unity interests.

Humanitarianism, defined as "concern for human welfare esp. (sic) as expressed through philanthropic activities and interest in social reforms...,"[48] implies assistance directed towards those whose welfare is endangered by circumstance with the intent to raise the level of that welfare. At the policy level, there is little evidence that humanitarianism drives Canada's ODA program, although it is seen as a necessary part of aid rhetoric and so is reflected in aid philosophy. Basic questions must be asked:

1. *Is it possible to bring economic benefit to both the assisted and the assister in the short term?*

If the assisted are the poor, the answer is emphatically no. Economic benefits can accrue to both only if both enjoy equity in the international system. It is clear that equity does not exist between rich and poor. The international system is based on gross and purposeful inequities, inequities closely guarded by Northern powers. The nominal attempt to benefit both donor and recipient within a grossly inequitable system presents a fundamental conflict that undermines Canada's ODA program.

2. *Is national interest compatible with humanitarianism, extending as the former does to Canada's desire for international influence and for economic benefits to its own constituents?*

National interest conflicts not only with humanitarianism, but also with other development goals—including support for a new world order, reaching the poor, partnership, and recipient self-reliance. It puts Canada first, ahead of a working multilateral system, ahead of the poor, ahead of the balance required for partnership, and way ahead of self-reliance for recipients. The term 'national interest' implies the intent to raise, or at least protect, the donor's level of welfare, and there is a persistent tendency to assess the impact of aid on donor welfare in terms of immediate economic returns. The nature of development is such that mutual benefits are more likely to be realized in the long term than in the short term. A tendency to view national interest in the short term, at least in democratic countries, works against the interest of recipients of aid, and therefore against the humanitarian motivation for ODA.

It is clear from foreign policy statements and reports that the government intends to reap economic benefit from its ODA program. This is the antithesis of humanitarianism. While the rhetoric speaks of long term benefits for Canada after Third World beneficiaries become strong trading partners, policy speaks differently. For example, policies created to involve the private sector in development in effect use development to benefit the private sector. And tying—always a strong element of Canadian ODA policy—prevents indigenous skill development; increases costs of aid delivery; imposes often inappropriate Canadian technology, culture, and analysis; and supports non-competitive Canadian industry.

The link between aid and export is integral to the ODA program, dating from the program's establishment in the Trade and Commerce office. Although Gérin-Lajoie attempted to make that link favor LDC exports, the 1970 declaration that national interest was the centerpiece of Canadian foreign policy made this difficult. Aid has been cited as a boost to Canada's exports numerous times, including in the 1975 *Strategy*, the 1984 policy review, the 1987 *Sharing our Future*, and in public statements in the 1990s by External Affairs. Although the government has presented benefits to Canadian trade as automatic byproducts of ODA, there is no natural link between aid and economic benefits for the donor. To turn ODA to Canada's economic benefit, it has been necessary to manipulate it through policies such as tying and encouragement of the private sector. With these policies in place, ODA funds bolster Canadian exports to the Third World, but not Third World exports to Canada. Private sector involvement at best aims at the entrepreneur of the South, not at the poor person. At worst, it exploits the people of the South, destroys the indigenous social fabric, and maims the environment.

2. How does Canada extend ODA?

The answer to the second question—how?—differs markedly depending on whether the answer comes from within a philosophical (that is, intent) or an implementation (that is, action) perspective. The philosophical answer presented by CIDA in its two major strategies is that Canada intends to assist the poor through partnership, which over the long term will lead recipients to self-reliance in a reformed world order.

In practice, Canada's aid has been increasingly allocated by Canadian economic and foreign policy interests. A serious disjuncture between Canada's ODA program's rhetoric and its function has resulted. CIDA's early aid philosophy conflicted with the government's national interest priority, and this hampered the development of operational strategy. Nevertheless, certain key concepts arose in CIDA's expressed philosophies. These include 'partnership,' 'targetting the poor,' 'long term,' 'self-reliance,' and 'world reform'. These key concepts counter the central governmental theme since the 1970s: that of 'national interest'.

Partnership was an early ODA concept, first arising in the 1960s. The term 'partnership' implies shared decision-making and mutual benefit. It is true that 'partnerships' formed, with recipient governments as well as with non-governmental organizations (NGOs) and the private sector. However, recipient participation in decision-making was heavily restricted by Canadian governmental regulations, such as aid tying, and by the exclusionary nature of the international economic system (see chapter 5). NGO participation was restricted by CIDA regulations against political action. Private sector participation was encouraged, but conflicted with developmental goals. The benefits tended to accrue to the decision-makers rather than the recipients of aid. It may be sufficient to note that the concept of partnership is compatible neither with one-way export nor with the exclusionary international economic system.

Development assistance was going to, efficiently, aid the poor, who would soon develop to self-reliance. Encouraging self-reliance has long been an ODA goal. It first emerged as an ODA theme in the 1960s and resurfaced in 1975, in 1984, and in 1987. Self-reliance—while certainly integral to development—runs against the current of other major themes like national interest, especially economic self-interest. Despite the tenacity of self-reliance as an ODA theme, there has always been a basic conflict between that goal and the practice of tying aid.

Initially aid was almost completely tied. The first Canadian aid was almost exclusively in the form of food aid and Canadian expertise; that meant that ODA paid Canadian producers and experts. Limited untying was introduced in 1975, but tying remains an important factor of bilateral aid. As Gérin-Lajoie noted, to be successful ODA must make itself obsolescent; realizing self-reliance would accomplish ODA obsolescence, and the development industry would lose its clientele. The tying of aid ensures that this does not happen.

Assistance to the poor was to be accomplished through long term planning in the context of a new world order. However media attention, and therefore public attention, turns to the South only in crisis, reinforcing a governmental tendency to deal with issues in (short) budget periods. Crises are relatively convenient to deal with as a they are perceived to have a clear (media-defined) beginning and end. Nevertheless, long-term planning for ODA was raised as early as 1959. It has, however, been little more than a good intention appearing occasionally through the decades. The first body dedicated to long-term planning in 1959 had little apparent effect. The 1975 *Strategy* committed to long term planning. *Sharing our Future* also committed to long term planning, but has effectively been cut halfway through its planned life span.

The most glaring discrepancy between federal and aid policy was reflected in CIDA's support for a new world order, which would pave the way for developing economies to interact in the global economy on an equitable basis. Economic justice was an anthem of aid documents in the 1970s; in the

1980s, social justice replaced it. Certainly it is true that both were necessary to meaningful development of the South and both required a new world order. CIDA took up the cause, making unequivocal calls for a new global economic and social order. Now that we have reached the 1990s and the New World Order has presumably arrived, instead of finding itself on newly equitable ground, the Third World finds itself further out in the cold than ever. The concern of Canada, and the other industrialized countries, for the survival of the new East has displaced concern for the survival of the South. The concept of focusing on the poor has by the 1990s been replaced by a new ODA focus on forcing Southern economies to adjust to the international system, with devastating effects on the poor, and on national self-reliance in the economic South.

3. To whom does Canada extend ODA?

The answers to the third question—to whom?—include: Canadian business, the élites of poor states, of states with political and historical ties, and of states with large markets for Canadian products. The government's ODA philosophy/policy has always been strongly, and quite openly, self-interested. Rhetorically speaking, the philosophy changed a number of times: from (1) an initial economic focus; to (2) attempting social change—so long as it was not 'political'; to (3) giving the environment top priority; and finally to (4) structural adjustment which tended to damage all previous gains. It also shifted partially from the South to the East. Yet throughout these changes, CIDA remained primarily a purveyor of Canadian goods and services and a tool of foreign policy. It was expected to bring direct economic and political benefits to Canada, realizable in the short-term.

Initially, bilateral funding which did not return to Canada went to client governments and, if the poor were mentioned it was with the expectation that the 'trickle down' effect would take care of their needs. When poor countries first became the official targets of ODA, funding policy stated that funding would go to governments of poor countries. When *people* were later included within the targeted 'poor' of ODA, client governments were expected to redirect ODA money to their poor and funding went through NGOs as they had fairly direct connections with poor groups. Eventually, the decision was made to provide some funding directly to indigenous groups. Both the 1975 and the 1987 strategies announced that local inhabitants would be trained in infrastructure use and maintenance, and that individuals and communities would be consulted.

Although humanitarian concern for the poor was nominally a primary motivation of the ODA program, development policy has had a marked tendency to drift away from that focus on the poor, and has from time to time needed refocusing. Gérin-Lajoie felt it necessary in the 1970s to point out that ODA should be directed to poor countries, and attempted to make this focus a cornerstone of his *Strategy.* Halfway through the 1980s, *Sharing Our Future* presented the idea of targeting the poor (people and countries) as an innovative new approach that would close the growing gap between the rich and the poor of the world. This document specifically targeted women, and a Women in Development (WID) policy was introduced a short time later, in 1989.

Other objectives soon intervened. *Sharing* 's presentation of the first policy on environment displaced people as the target of ODA. A broad, too often intangible, concern for the environment replaced the concern for people. In the 1990s, in a further depersonalization of ODA and a further removal of ODA from its goal of helping the poor of the South, human rights and democracy have become the new cornerstones of the government's foreign policy philosophy. Until recently, the Cold War prevented members of the Eastern bloc from being considered as aid recipients. That has now changed. Development assistance for the South, initiated as part of the Cold War, has lost its usefulness because the Cold War is over. Aid to the South is now being diverted to the goal of obstructing Communism's revival. The South is losing much-needed support just as it is introducing economic and democratic reforms that Canada claims to support.

This chapter has established that Canada's aid philosophy, at the most general level, until recently has aimed to alleviate poverty—so long as that goal did not interfere with the national interest. We have seen that aid policies have been vague or contradictory, as decision-makers attempted to shape aid so that it would benefit the world's poor while ensuring economic benefits to Canada. Where the two goals were in conflict, policy appeared to establish that developmental needs would prevail. Chapter 2 will examine CIDA's policy implementation to determine whether developmental needs did indeed prevail, and whether Canadian aid assisted the poor.

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1 *Webster's New World Dictionary*, Third College Edition, 1988, pp. 861, 890, 1150

* Because I found very little current government material on the 1950s and 1960s, the initial ODA period, I have pieced this time together from later government documents. Discussion of this era is therefore brief. Later, though, especially during the 1970s, CIDA underwent much self-examination and reassessment. During the 1970s and the 1980s, critical social issues pertaining to poverty-alleviation were raised within government aid documents and two major ODA 'strategies' were produced. The first (1975) adopted a basic needs approach to aid, and acknowledged the need for social change. Both reflected current trends in the international aid regime. The second (1987) espoused structural adjustment conditionality, effectively ending support for social development. Both will be discussed at some length.

2 Department of External Affairs, *Canada and the Colombo Plan.* Ottawa: Queen's Printer, 1962, frontispiece

3 Cranford Pratt, "Humane Internationalism and Canadian Development Assistance Policies", in Pratt, C. (ed.) *Canadian International Development Assistance Policies: An Appraisal*, McGill-Queen's University Press, Montreal, 1994, pp. 338-340

4 Department of External Affairs, op.cit., p. 12

5 David R. Morrison, "The Choice of Bilateral Aid Recipients," in *Canadian International Development Assistance Policies: An Appraisal*, p. 124. External Aid Office, *A Report on Canada's External Aid Programs*, Queen's Printer, Ottawa, 1965, p. 23. External Aid Office, *1966-1967 Annual Review*, Queen's Printer, Ottawa, 1967, pp. 1, 17, 28-29. CIDA, "25 Years After," an address by Paul Gérin-Lajoie, CIDA President, to the 44th Couchiching Conference, Geneva Park, Ontario. Ottawa, 1975, p. 1

6 External Aid Office, *Annual Review, 1967*, op. cit., pp. 1-3

7 External Aid Office, *Canadian International Development Agency Annual Review 1967-1968*, Queen's Printer and Controller of Stationery, Ottawa, 1968, pp. 2, 24. CIDA , *CIDA Annual Review '69*, CIDA Information Division, Ottawa, 1969, p. 9

8 CIDA, *Annual Review,'69*, op. cit., p. 2

9 Ibid, 5, 10

10 Ibid, 5, 6

11 Department of External Affairs, *Foreign Policy for Canadians*, Ottawa, 1970, p. 9. The discussion of Canada's foreign policy in 1970 is taken from this document and a companion publication, *International Development*.

12CIDA, "CIDA in a Changing Government Organization," paper delivered by Mr. Paul Gérin-Lajoie, President, CIDA, to the Institute of Public Administration Conference, Regina, September 8, 1971, pp. 3, 4. CIDA, *Canadian International Cooperation: Approaches to the Seventies*, CIDA Information Division, Ottawa, 1971, p. 12. CIDA, *Dilemmas and Choices of International Development Cooperation, 1975*, address by Mr. Paul Gérin-Lajoie, President of CIDA, June 4, 1975, Information Division, Ottawa, p. 5. CIDA,*25 Years After*, op. cit., p. 18

13 CIDA,*25 Years After*, op. cit., pp. 5, 18, 21

14 Ibid, p. 14

15 Ibid, p. 15

16 Ibid, pp. 13, 19; *25 Years After* was a statement given by CIDA President Gérin-Lajoie August 8, 1975. The Strategy's introduction by then Secretary of State for External Affairs, Allan MacEachen, is dated September 2, 1975.

17 Ibid, p. 4

18 Ibid, p. 6

19 Ibid, pp. 10, 16

20 Ibid, p. 18

21 Ibid, p. 15

22 Ibid, p. 14

23 Ibid, pp. 12, 14

24 Ibid, pp. 9, 23

25 Ibid, pp. 17, 30, 37

26 Ibid, p. 10

27 Ibid, p. 26

28 Ibid, p. 32 point 14.1

29 Ibid, pp. 18, 23

30 Ibid, p. 19

31 Ibid, p. 19

32 See Groupe Secor, *Strategic Management Review WorkingDocument, A Study Completed for Canadian International Development Agency*, 1991

33 CIDA, *Canada and Development Cooperation: Annual Report 1978-1979*, Minister of Supply and Services Canada, Ottawa, 1979, pp. 4, 5

34 CIDA, *Elements*, op. cit., frontispiece

35 CIDA, *Annual Report 1985-86*, Minister of Supply and Services Canada, Ottawa, 1986, p. 9

36 CIDA, *Sharing Our Future: Canadian International Development Assistance*, Minister of Supply and Services Canada, Ottawa, 1987

37 CIDA, *Canadian International Development Assistance: To Benefit a Better World*, Minister of Supply and Services, Ottawa, 1987, p. 6

38 CIDA, *Elements*, op. cit., p. 7. CIDA, *1983-84 Annual Report*, Ottawa: Minister of Supply and Services Canada, 4

39 CIDA, *Annual Report, 1987-88,* Minister of Supply and Services Canada, Ottawa, 1988, p. 68

40 CIDA, *Food Aid: Canada's Program,* Public Affairs Branch, Ottawa, 1989, p. 13. CIDA, Sharing, op. cit., p. 54

41CIDA, *Women in Development: A sectoral perspective,* Public Affairs Branch, Ottawa, 1989, p. 39

42 House of Commons, *Minutes of Proceedings and Evidence of the Standing Committee on External Affairs and International Trade,* May 6, 1992, p. 34: 4 (Landry)

43 CIDA, *Canada and Multilateral Development,* Communications Branch, Ottawa, 1991, p. 8

44 CIDA, *Annual Report 1988-89,* Minister of Supply and Services Canada, Ottawa, 1990, pp. 11, 12

45 External Affairs and International Trade Canada, *Canadian International Relations Chronicle: Jan-March 1992,* Foreign Policy Communications, Ottawa, 1992, 10

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48 Webster's New Collegiate Dictionary, 1974, 557

Chapter 2. CIDA's Implementation

2.1. Introduction

CIDA was strongly in favor of a poverty-alleviation focus to aid for the first decade of its existence. Despite the intentions of CIDA as an organization, and of individual CIDA staff members, the poor were not the main recipients of Canada's aid. The disjuncture between CIDA's promises and its actions reflect numerous constraints, the primary one being CIDA's lack of autonomy. Where CIDA's policy direction differed from the government's, the government overruled CIDA. Thus, for example, tied aid persevered despite CIDA's objections.

Implicit in the gap between stated philosophy and policy was the *real goal of development*—insofar as recipient gain was concerned* —the economic development of the country, not (as CIDA's annual reviews imply) the social development of the individual or community. The type of aid that would encourage social progress—direct assistance to the disadvantaged and disenfranchised—was neither intended by policy nor delivered. The goal of economic development for recipients became subservient to the goal of economic benefits for donor Canada. CIDA addressed the basic needs orientation as an add-on to traditional projects. Rather than emphasizing small, participatory projects benefiting women and children's health and labour status, CIDA "integrated" basic needs with standard program and project procedures, which remained heavily biased towards large, capital- and import-intensive projects.[1]

The philosophies expressed by the government and CIDA over time (see chapter 1) largely reflect those of the international aid regime. The policies, where they diverge from the philosophies they are to amplify, are shaped by economic and political constraints at the domestic and international levels. The differences between policy and implementation tend to reflect domestic and intra-departmental difficulties. These restraints will be explored in the following chapters.

Canada's Standing Committee on External Affairs and International Trade (SCEAIT) called the failure to assist the poorest development's "single greatest failure."[2] The North-South Institute found that more aid goes to countries with higher GNP.[3] Why has Canada's ODA failed to reach the poor? Chapter 1 noted a philosophy of self-interest and a tendency in CIDA to aid middle income countries, and demonstrated that the government's nominal commitments to poverty alleviation and to giving developmental needs priority in trade policy were shaky. This chapter will show that those commitments were largely not carried out, and with few exceptions, assistance to the poor is undermined by trade and foreign policy interests. Although most of Canada's ODA has gone to LDCs, the proportion allocated to MDCs has grown steadily over the years, from 10% (1975) to 25% (1988).[4] Chapter 3 shows that the influence of trade and foreign policy is such that the service of those interests is built into CIDA and strong resistance—external and internal—to change balks relatively weak pressures to reform. Chapters 4 and 5 identify structural obstacles in the international system: Northern resistance to sharing power with the South, a tendency to regionalize investment and trade, a volatile monetary system which undervalues Southern goods and labour, a pricing system which does not 'get the prices right' because it ignores social and environmental costs, and a neo-conservative aid regime; and in poor countries themselves—where the poor remain outside of distribution systems.

Small, participatory projects maximizing use of local resources have been successful in assisting and empowering the poor. It is therefore logical that aid—nominally meant to help the poor—should be extended through such projects. Canadian aid, however, has a deeply engrained tendency to large, capital-intensive, tied—and therefore import-intensive and often inappropriate—non-participatory, projects. Only a small proportion of ODA has gone to grass-roots projects, including annual mission- and NGO-administered funds.

There are clear indications that Canada's aid relationships are not for humanitarianism or for reasons of justice, but for the purposes of finding markets for Canadian export. By the government's own statement to the development community, ODA is substantially lucrative for Canada. Canadians receive $7 billion of contracts for work in Africa annually from the World Bank and the African Development Bank, and the number of Canadian firms winning contracts from these institutions is growing. Much of Canada's ODA stays with Canadians through contracts, tied aid, experts, etc. Lines of credit and food aid are administratively light.[5] However, lines of credit and associated financing tends to go to MDCs and to large infrastructural projects which are neither directed to nor helpful to the poor.[6] If this type of assistance does manage to impact the poor, the impact is often harmful, through displacement and environmental damage.

Multilateral ODA. Although the main topic of this study is bilateral aid, a brief examination of multilateral aid is relevant in that it reflects and illustrates ODA trends and pressures. Developmentally, multilateral institutions claim several advantages in aid delivery. Multilateral aid concentrates on poor countries and groups more than most bilateral aid. It is untied. It facilitates the pooling of money and expertise. It can address international problems. It can be diplomatically sensitive. It sometimes includes recipients in decision-making. For donors, multilateral aid also allows quick and easy disbursement, allows input and enhances image, and is somewhat insulated from the donor's domestic pressures. On the other hand, it receives less domestic support than bilateral aid, provides less economic return, and diminishes control of funds.[7] This explains why, although certain types of multilateral aid are effective, the bulk of Canada's ODA goes through other channels.

Canada's multilateral ODA, like bilateral ODA, has been widely dispersed. Developmental, political, and budgetary factors have favored multilateral ODA, as in Canada's response to famine; support for the Commonwealth and Francophonie; and year-end disbursement to "quick and easy" multilateral channels. While support has been fairly constant in terms of institutions supported, changes in allocations have tended to occur when new institutions were created, in institutional crisis, in response to new development priorities within the regime, and in connection with federal budgets.[8]

Canada began to participate directly in regional IFIs in 1966, usually in the form of subscriptions to equity capital, loans to concessional funds, and grants for technical cooperation programs.[9] The government's claim that they are especially valuable as development agencies because their allocations are based on economic and technical merits ignores the fact that their exclusive focus on economic and technical merits often conflicts with social and economic equity goals. This economic/technical tunnel-vision has caused remarkable problems for the poor, particularly since Structural Adjustment Programs (SAPs) became popular in the 1980s. Canada's multilateral disbursements have varied, from 1/5 of total ODA (1970) to 2/5 (1985) to 1/3 (1991). The 1970 White Paper set 25% of ODA as the minimum multilateral allocation,[10] exceeding the 1969 Pearson report's recommendation of at least 25%. The bulk of multilateral ODA goes to the World Bank (40.6% in 1985-6) and to regional development banks (22.4%).[11] Multilateral ODA offers 'quick and easy' disbursement, and easly absorbs unspent revenue. When CIDA's non-lapsing budgets ended (1976), ODA shifted from bilateral back to multilateral, including to IFIs and other multilateral institutions—as well as to food aid, lines of credit, and other quick disbursement methods. However, multilateral aid is also relatively easy for the government to cut. Thus when the Committee on Trade and Export (known as the Hatch Committee, 1979) recommended cutting multilateral aid because bilateral aid gave Canada a better 'payback,' the government delayed encashments, reduced future replenishments and lowered pledges.[12]

Bilateral ODA. The effectiveness of Canada's bilateral ODA, in terms of assisting the poor, has been severely constrained by a number of characteristics. It is highly tied; food aid is a major component; and it is so widely dispersed that it delivers relatively little assistance to each recipient. These constraints are very much the result of the government's use of ODA to meet trade, domestic, and foreign policy goals (see chapter 3).

Canada's ODA has been extended with a high (90%-100%) grant element, but is so highly tied that it cannot reach the poor—who benefit little from Canadian technology and equipment. Heavy tying has distorted aid allocation by influencing which states would receive aid and how aid funds could be spent. While Canada's tied aid rules are relatively transparent, they are rigid and high by DAC standards. CIDA has not fully used even the small untying authority it has. Tied aid is a bigger proportion of Canada's exports to the Third World than for most DAC members. Bilateral aid was 80% tied from 1970 to 1987, when tying was relaxed slightly.[13]

Tied aid confounds the management of development projects, and shapes the project to include Canadian materials rather than to meet recipient needs. CIDA's aid has emphasized large, capital-intensive projects. Such projects cost less to administer, but often have a negative impact on the poor and the environment. Their tied nature and import-intensity encourage aid dependence. Export credits are completely tied. Domestically, the energy, transportation and agricultural sectors have been the principal beneficiaries of ODA support.[14]

The Canadian government shows an increasing tendency to commercialize and privatize aid, to the detriment of development for the poor. A Norwegian study found that private sector investment in the South created few jobs, conducted almost no research and development, put few local people in management, purchased little input in the host country, contributed little to value added in the host countries, and contributed negatively to the host's foreign currency balance. There were no natural links between the private sector and the poor. First, the poorest could not provide the market entrepreneurs desired. The poorest had no money to spend. Second, the poorest could not provide staff to entrepreneurs; they were uneducated and therefore not chosen for training by entrepreneurs. Third, foreign investors do not encourage self-reliance; they will not render their own enterprises obsolete by transferring profitability to host nationals.[15] Nevertheless, CIDA has programs which assist Canadian entrepreneurs in researching and establishing businesses in LDCs.

Not only does CIDA use ODA to assist private investors, Canadian ODA restrictions tend to encourage other private sector delivery of aid. Tied aid and export credits, while not 'foreign investment,' ensure that technology, expertise, and goods have a very high Canadian content. When CIDA "assists" borrowers in the selection of contractors, as is most often the case, CIDA selects Canadian contractors. In the case of grants, CIDA awards the contracts directly, to Canadians. CIDA requirements are such that contractors must not only be Canadian, but their employees must also be Canadian citizens or landed immigrants.[16]

The provision of Canadian expertise in lieu of local experts is a perennial problem in Canada's ODA. When funding goes to expatriate advisers even though the host country has people with the desired expertise, there are a number of ill effects. First, it is expensive. Advisers and educators receive a fee equivalent to what they would receive in Canada, plus an overseas service allowance or per diem. The fee is exempt from local income tax.[17] Several local experts could be hired for the cost of one Canadian expert. Second, it keeps the host country from developing, perpetuating dependence. Thirdly, 'donor' refusal to hire skilled nationals promotes unemployment and decreases incentives for higher education.

The government's heavy reliance on food aid is another worrisome factor. Canada is higher than the average DAC member in its use of food aid. Food aid forms the biggest portion of ODA, mostly in the form of grains supplied through the Canadian Wheat Board. Contrary to popular myth, less than 10% of food aid goes to emergency situations. One might assume that in non-emergency situations food aid addresses chronic malnutrition. Not so. Charlton points out that Canada's food aid is nutritionally suspect. The best food aid items nutritionally are cereals and legumes. But the government includes dried milk and fish products despite common occurrences in recipient states of lactose intolerance and scarce potable water, and despite common social inappropriateness of fish and milk powder. The former is expensive and difficult to transport, and both are often classed as luxury items. Nevertheless, domestic pressures achieved a cabinet decision that food aid contain 25% non-cereal products. Without fish and dairy products, Quebec, BC and the Maritimes were excluded from the food aid market.[18]

Not only is food aid often inappropriate nutritionally and socially, it also obstructs and distorts state and regional development and trade. Wheat has traditionally been the mainstay of the food aid program—but where wheat is not produced within the recipient country, it causes import-dependence. Food aid's highly tied nature prevents recipient states from accessing neighbouring states less expensive and more appropriate stocks. Food aid can depress local prices and delay agricultural reform, causing import dependency rather than encouraging self-reliance. Canada's customary delivery of food aid to the recipient country port leaves the recipient state responsible for further transportation and distribution. This causes expenses for the recipient country and ignores problems in food aid reaching the poor. Food aid then has questionable developmental impact for recipients, but in Canada it supports trade for every region. In 1982-3, food aid brought $250.1 million of business for Canadians, and in 1981/2 generated 6,000 person-years of employment in Canada.[19]

The one bright spot in CIDA's ability to reach the poor has been its involvement with NGOs. Because of their direct links to people and organizations in the South, NGOs are well positioned to transmit aid to the neediest people, and some NGOs attempted to effect social change, which is a prerequisite to bring lasting relief for the poor. CIDA and NGOs enjoyed a fairly amicable relationship from the late 1960s to the mid 1980s, when CIDA allowed NGOs to function fairly autonomously. However, CIDA restricted its own and NGO success—in terms of addressing the root causes of poverty—by avoiding activities which might foment change, and avoiding confrontation of the social structures that create and maintain poverty. During the 1980s, CIDA slowly followed the international aid regime in a switch from a basic needs orientation to structural adjustment programming (SAP) (see chapter 4). As it was drawn into the SAP, CIDA dropped the remnants of support for poverty-alleviation approaches. CIDA became selective and suspicious of NGO aspirations to social change, while NGOs became increasingly dependent on CIDA funds and resentful of CIDA's control.[20]

Brodhead and Pratt indicate that while NGOs are good at delivering assistance to the poor, they do so without a strategy for change, and therefore the social structure remains unchallenged and only local changes are effected.[21] The reasons for this lack of a strategy for change are connected to their dependence on funding from CIDA. CIDA gave strongest support to those NGOs which were most conservative in their actions, setting NGOs in competition with each other for funding, and effectively encouraging apolitical and discouraging politically active NGOs. CIDA's policy for NGO funding also spelled out that political action was not eligible for funding.

CIDA's selective funding had multiple effects, all of which discouraged social change. It became difficult for NGOs to educate themselves and organize among themselves towards creating a cohesive strategy. They were restricted from encouraging or supporting political action among ODA recipients. When in the 1980s CIDA withdrew support from NGOs it believed to be politically active, it weeded out those NGOs which might have previously slipped through the restrictive screening. CIDA's constraints thus were a product of, and served to reinforce, the mainstream 'non-reformist' tendency observed by Pratt.

The benefit to ODA recipients has also been restricted by ODA's broad dispersal, which has often expanded but rarely contracted despite frequent proposals for geographic concentration. CIDA has more recipient countries than any other DAC member. While political pressures make it difficult to cut countries from the list of ODA recipients, additions of countries, institutions, and organizations continue, especially when prompted by crises, such as the African famine, or political landmarks such as China's opening to the West. Each new addition carries start-up costs and further dilutes the program.[22]

A fairly detailed examination of CIDA's development and disbursement patterns below reveals that trade and foreign policy have been integral elements of the aid program from its inception. Their influence has always detracted considerably from Canada's ability to assist the poor.

2.2. The Early Years

Canada began its bilateral aid program in 1951—in the Department of Trade and Commerce under External Affairs. Aid's physical placement within Trade and Commerce and External Affairs clearly placed "development assistance" in the back seat behind trade and foreign policy. Policy-making was sporadic to non-existent. "Development" was seen as a valid component of larger trade and foreign policy goals. Assistance was reactive, ad-hoc, and fragmented. Canadian funding appropriations were based not on development needs, but on how much Parliament wanted to spend. Only after funds had been appropriated were recipient governments invited to suggest how that money could be spent. In 1959, a Program Planning Branch was created to encourage long-range planning of aid policies—which had so little impact that nine years later it was again necessary to establish a planning division. The External Aid Office was born (1960), and Canada's International Development Board formed (1960) to oversee aid activities.[23] Although Asia would remain the dominant ODA recipient for many years, the program quickly expanded. Commonwealth ties prompted expansion to Commonwealth Africa (1960). Soon after, the Francophone program began (1961), prompted by Quebec pressure, and quickly expanded as part of bilingualism. By 1970 there were 21 recipients in Francophone Africa.[24]

Canada did not ask for repayment of aid, and this seems commendable and agreeably arms-length. In lieu of repayment, Canada required that the recipient government contribute to its own development an amount, in local currency, equivalent to the Canadian dollar value of donated commodities, to be used on economic development projects agreed to by the Canadian government.[25] Canada thus shaped aid not only through the complete tying of aid to Canadian goods and services, it also controlled the use of the recipient's own funds.

The speed of the program's growth and its unplanned, uncoordinated nature produced a program lacking both necessary parameters that long-term planning should have formulated, and internal support networks.* Both are crucial to smooth functioning in a complex organization. In the case of the ODA program, the difficulties of working within such a complex, unorganized body robbed staff of the time and continuity necessary for longterm policy-making and planning.

It is particularly difficult to establish what form aid took in the early years, as the description varies with the source. CIDA claims that short-term aid was in the form of food and longer term aid aimed at economic rehabilitation. Secor found that early aid supported training and infrastructure. The External Aid office, which delivered the aid, variously said that: Canada contributed money, expertise and food aid; power, transport, natural resources, and educational development were priorities; and educational and technical assistance were high priorities.[26]

One might expect from the above that education received a good deal of funds; however, only 7.4% of total aid for 1965 went to education and health combined. There is one point on which External Aid was clear. Most aid was spent in Canada or on Canadians. Food aid and expertise, important components of the program, were almost completely tied. A bilateral food aid program was approved by parliament in 1965/66. Early Canadian food aid was urban-biased and failed to reach the poorest. Tied food aid was certainly more expensive and less appropriate than food aid from a closer source. Wheat formed 90% of food aid.[27]

Maurice Strong (President 1966-1970) attempted to impose order on the External Aid Office, establishing the President's Committee to make key decisions, appointing sectoral advisors, and introducing financial reporting, audits, and project review committees. Unfortunately the management systems he introduced promoted discord between planners and implementers.[28] When, in 1967, CIDA attempted to narrow its focus it chose to do so by concentrating "more and more" on countries with "special links or ties" to Canada and on countries with growth-enhancing economic and financial policies.[29] These tendencies removed aid further from the poorest countries and peoples. At least partly because of the time-consuming nature of Strong's new methods, External Aid became increasingly unable to disburse bilateral funding within the current budget year. In 1966-67, $200 million of CIDA's budget was left undisbursed. In the following two years, $263 million and $365 million respectively was undisbursed. Slow disbursement reflected the long periods between initial funding approval and final disbursement—usually at least a year.[30]

Slow disbursement may also have been related to the 1968 transformation of the External Aid Office into the Canadian International Development Agency (CIDA). This was to be a conceptual transformation as well as a structural one. As CIDA later describes its birth, "the substitution of 'International Development' for 'Aid' bore witness to the new spirit which has continued to inspire Canada's relations with developing countries ever since."[31] One innovation was the placement of the first field officers. The responsive nature of aid, essentially waiting for requests for assistance, was tempered somewhat by the formation of task forces to assess needs "in strategic economic areas" and work with recipients to plan projects.[32] In a bid to give development a higher profile and a new image both within Canada and internationally, the new organization sprawled beyond the Commonwealth into the Francophonie, adopting aid delivery partners both within and outside of the country. "Aid" became "development" and the External Aid Office became the Canadian International Development Agency—CIDA.

2.3. The 1970s

Despite austerity in government, aid funds increased.[33] The government's commitment to the 0.7% ODA goal encouraged expansion of bilateral budgets and the addition of new countries. A CIDA official acknowledged that CIDA "'...had a great deal of money and very little knowledge of where the money went.'"[34] Funding to the bilateral program doubled and so did the number of senior positions at CIDA. The bilateral branch divided to represent Asia, Commonwealth Africa, Francophone Africa, Commonwealth Caribbean, and Latin America. Planning and operations integrated—presumably, their integration was an attempt to address the problematic situation introduced by Strong.

CIDA attempted unsuccessfully to place development at the top of the government's foreign policy priority list. Pressures on CIDA to disburse and to contribute to trade and foreign policy goals were high. Aid delivery had begun in a trade office, and regulations had developed based on aid tying requirements rather than on developmental requirements. Farsighted planning and links to the poor had not developed. Eventually CIDA simply succumbed, following the path of least resistance and supporting large projects that were in line with non-development goals.

CIDA expanded under Gérin-Lajoie's leadership (1970-1977) until a combination of factors brought it under closer federal control. Gérin-Lajoie mounted a losing battle to establish a development strategy that would make trade objectives secondary to development. The result was a compromise document with flashy headlines but little substance. For example, although the strategy gave priority to the "poorest" in the large-type title, the 'fine print' below the title clarified that priority would go to "lower and middle income developing countries" especially LLDCs.[35]

Gérin-Lajoie struggled to strengthen CIDA's ability to assist the South's capacity for development and export. Efforts were not always successful. CIDA, still young and fairly naive, offered a list of promises on how it would improve and speed aid delivery. It would create focused, integrated policies to address the special needs of the LLDCs and their poor. Ideas and policies would be quickly and effectively implemented. CIDA would improve the quality of concessionality, the competitiveness of goods and services, and the role of technical assistance in promoting LDC exports. Personnel difficulties would be resolved; an appropriate balance between headquarters and field would be found; recruiting/briefing procedures would be improved. Social development and social impact of programs would be monitored. CIDA would expand its activities to coordinate local and international efforts, and involve the Canadian public and the business sector in development activity. CIDA's attempt to streamline aid delivery by improving relations between headquarters and the field failed; projects continued to pass back to head office at several stages and headquarters and field staff continued discordant relations. CIDA began to integrate projects to address more than one problem at a time. Canada sent teachers abroad, brought trainees to Canada to learn Canadian skills and supported third country training.[36] The serious domestic obstacles CIDA faced in attempting to form and implement sound policy will be discussed in chapter 3.

However, innovations corrected neither the tied—and therefore capital- and import-intensive—nature of Canadian ODA nor the increasing tendency to fund MDCs. Both tying and country selection were beyond CIDA's control. Bilateral aid remained largely composed of capital projects, supplemented by Canadian commodities and lines of credit for Canadian purchases. Even after a CIDA task force (1974) recommended a focus on the most needy and the dropping of recipients with high per capita income, low developmental performance, or good foreign exchange prospects, ODA continued to flow to MDCs.[37]

Support to the LLDCs increased from 12% (1972) to 18.9% (1975). Bangladesh became CIDA's largest recipient, raising ODA to LLDCs to 28.1% (1976).[38] CIDA acknowledged its own lack of policy on aid to LLDCs and established a task force to develop a policy framework for aiding the poorest countries and the poorest people within them. To encourage self-reliance in recipients, CIDA began to assist LDCs with their export marketing so that they would be able to take advantage of the Generalized Scheme of Preferences. Promoting exports from the poorest countries conflicted with the interests of other federal departments and their constituencies, generating considerable interdepartmental conflict.[39]

It is important to note that, even in the midst of commercialization of aid, the government did not ignore the debt problem. Debt was a growing hardship for the South and CIDA first increased concessionality. The government later forgave LLDC debts and promised that all further assistance to LLDCs would be in grant form.[40] This decision however came from outside of CIDA, as debt repayments go to Finance, not to CIDA.

Throughout the 1970s, tied aid and heavy reliance on food aid distracted and detracted from the nominal goal of assisting the poor. There was no policy framework on food aid—even though it represented a quarter of total ODA.

Until 1970, bilateral aid was completely tied. That year procurement was liberalized so that up to 20% of bilateral country aid could be untied, "mainly for projects or programmes of particularly high development priority." The government however remained strongly committed to tied aid, and did not sign the 1975 Organization for Economic Cooperation and Development (OECD) *Memorandum of Understanding* on untying bilateral assistance for purchase in the Third World even after a TB study (1976) found that untying aid would present "few real costs."[41]

Food aid was distributed on an ad hoc basis. Only about 10% of food aid was emergency assistance. India was the main recipient although CIDA switched some food aid to other countries, anticipating 'green revolution' results, and hoping to ease the effects of the Sahel drought. The food crisis of 1972-4 prompted review and restructuring. Reviews showed that food aid was used in a "stop-gap" fashion, and interfered with local short-term and long-term agricultural production and markets. An interdepartmental committee recommended that food aid simultaneously address the poor's nutritional needs, complement the domestic agricultural strategy, and aid Canada to dispose of surplus foods and meet foreign policy goals.[42]

What was the response to this new information and these conflicting goals? CIDA established the Food Aid Coordination and Evaluation Centre (FACE) (1978)—CIDA's first food aid specialist in almost three decades of extending food aid. FACE was expected to encourage policy development and increase resistance to external pressures. Other responses were a minimal untying of food aid, and two-tiered food aid delivery. One tier shaped food aid to better meet the needs of MDCs. Wheat, which had been 90% of food aid, decreased to 75% as the government diversified food aid by adding costlier processed foods. Powdered milk and canola oil increased due to domestic lobbying by agriculture and food processing sectors. New food aid guidelines (1978) stipulated that commodities with value-added content must be emphasized. This type of food commodity goes to MDC urban centres. Neither poor countries nor poor people benefit. The second, much smaller, tier channeled food through NGO bodies with close links to the poor. Increased amounts would be channelled through NGOs because of their demonstrated ability to reach the poor, and food aid would begin to be channelled through international NGOs (INGOs).[43]

The development community that grew, mainly in the form of NGOs, was to become increasingly valuable as a resource for reaching the South's poor directly. By 1975-6, CIDA's NGO division budget had grown to $32 million. Already considered integral to CIDA's work, the division funded "practical, grass-roots initiatives that help the developing country by involving and benefiting large numbers of its people...". Projects supported were those designed to become self-supporting by local people, projects that contributed "to development and social justice, that foster self-reliance, and that develop local leadership, initiative and innovation."[44]

However, restrictions on NGO funding limited their ability to help the poor. Grants would fund only up to 50% of project cost. There would be no reliable continuity—funding covered only one year. NGOs must be Canadian. A clause that funding would not go to "projects that are politically partisan, that promote individual organizations, or that deal with subjects and issues that are the responsibility of other government departments and agencies"[45] tended to be interpreted narrowly. These restrictions caused great frustration, as by the 1980s many participants in development and development education fervently believed that "social justice" required political action and the protection of human rights. The taboo nature of human rights activities for NGOs is particularly interesting in light of the government's impending announcements that human rights and aid would be officially linked.

2.4. The 1980s

The government's commitment to aid was clearly wavering. That no strategy was forthcoming during this "crucial period of readjustment"[46] indicates ODA's low priority on the federal agenda. The government in 1980 committed to the UN-established ODA goal of 0.7% of GNP, although it failed to set a target date. In 1984, the target date was set at 1990; then at 1995 (the 1990 goal became 0.6%); then at 2000 (the 1990 goal became 0.5%, and 0.6% was pushed back to 1995).[47] Although the government had promised steady increases of aid, and figures suggested that CIDA disbursements grew during the 1980s, Secor found that after inflation CIDA disbursements had remained relatively constant.[48] In 1989, ODA—representing only 2% of the total federal budget—bore 17% of the total cut as CIDA's budget was cut by 12%.[49]

CIDA's new eligibility framework (1981) was two-tiered, a step closer to the arrangement that Industry Trade and Commerce (ITC) had pushed for in consultations for the 1975 strategy (see chapter 3), allowing a special category of ODA for middle-income countries. Although a 1984 promise that 0.15% of GNP would go to LLDCs was quickly achieved (by 1985), the ODA allocated to LLDCs dropped immediately thereafter. MDCs and higher income LDCs on the other hand were high priority recipients. Three of the top ten recipients (Cameroon, Jamaica, Morocco) were MDCs; two more (Indonesia and Egypt) were at the top of the low-income category. China, Philippines, and the Southern African Development Coordination Conference (SADCC) were added to the priority list.[50]

Asia's strong aid relationship with Canada is a product of history, foreign policy, and trade policy. Asia remained CIDA's largest program until the 1980s, when Africa began to absorb more aid. The government openly used ODA to encourage Canadian businesses to trade and establish joint ventures. It became CIDA policy in aiding NIEs to develop commercial relationships involving investment, trade, joint ventures, and technology transfer. CIDA's primary area of development there is energy development, mainly in the form of electric power.[51] Energy is central to Canada's aid relationship with China, Canada's fifth-largest export market, and India, the world's tenth largest industrial power. Although Asia's ODA fell through the 1980s from 60% (1983/84) to 35% of ODA (1989/90), Asia remained a major target of energy, food aid, business programs, and mission-administered funds. Despite considerable economic growth, Asia holds 90% of the world's absolute poor. Poverty is widespread, especially in South Asia and Indochina, where per capita incomes are lower than sub-Saharan Africa's. Poverty criteria would thus direct considerable amounts of aid to the low income areas. However Asian recipients include middle-income and high-growth states such as the NIEs.[52]

By the late 1980s, aid managers had concluded that concessional finance did not establish markets for Canadian business in Asia. CIDA strategized that human resource development would build linkages. CIDA felt hampered by the lack of institutional linkages between countries. Emphasis was therefore redirected from capital assistance to institution strengthening and policy support, presumably with the assumption that this would encourage HRD and build business linkages.[53]

CIDA's Thailand program is illustrative of CIDA's trade- and foreign policy-related manoeuvres. CIDA envisaged a 20-year transition to NIC status for Thailand. The early years of the program (early 1980s) focused on poverty alleviation, especially in the poorest areas. Two large projects then attended to the 'poverty' element of ODA while CIDA attempted to promote industrial and institutional development, natural resources, energy, economic management, HRD, and rural development. The 1991 review envisaged a phasing down of aid in the late 1990s as Thailand outgrew the need for aid.[54]

Canada's aid to Central America increased gradually over the decades, and especially since the early 1980s when the public expressed its strong interest in the area, especially in Nicaragua. By the mid 1980s, intense lobbying to influence bilateral aid for the region was underway, and 80 NGOs were funding projects there. Aid to Central America more than doubled over the decade from $11.3 million (1981/2) to $25.3 million (1987/88).[55] CIDA resistance to NGO efforts to support civil society in Central America however limited the effects of the aid which remained mired in traditional import- and capital-intensive projects. Priority sectors were energy and transportation; small and medium industry; sustainable forest and fishery management; social and human resources development (HRD) with institutions, technology transfer, professional training, low-income self-help in rural and urban areas.[56]

Costa Rica, wealthiest country in the region, was the region's second-largest recipient of Canadian aid ($45.8 million 1981-1989). Aid (1980-88) included lines of credit, scholarship funds for agricultural training, and Petro-Canada investments. Some counterpart funds went to low-cost housing.[57] In the case of Costa Rica, the government rewarded democratic, peace-building behavior, and perhaps channeled some funding to the poor. Lines of credit and Petro-Canada investment would be more likely to benefit the better off and to generate future business for Canada.

Honduras, the poorest country in the region, received the most aid ($53.4 million between 1981 and 1989). Yet CIDA focused on infrastructure and resource management through large, industrial, environmentally destructive, non-participatory, tied projects of the type traditionally considered by the government to be likely to generate future trade—the antithesis of the type of project which directly assists the poor and encourages local 'ownership' and thus sustainability. For example, Canada's contribution to the El Cajon hydro-electric plant (1980-87), a loan for purchase of Canadian goods, was completely tied. The project doubled the country's electricity production, saving money on oil imports and generating energy export trade, and thus was beneficial to the larger economy and to the country's elite, but likely not to the poor. Even projects which targeted direct improvements for peasants failed to involve the presumed beneficiaries in consultation.[58]

Aid to Nicaragua ($44.3 million between 1981 and 1989) reflected strong public interest in Canada. Nicaragua's government encouraged participatory development and redistribution. There were large projects including a dairy farm—tied to the purchase of Canadian cows and technology; a loan for potable water systems, which certainly would benefit the poor; a geothermal electrical plant, which would generate electricity while safeguarding the environment—of which the Canadian portion was a loan tied to the purchase of Canadian equipment.[59] While because of recipient governmental policy the developmental quality was higher here than for instance in the Honduras, its developmental impact could have been furhter improved. For instance, it is likely that cows and agricultural technology from the region would have been more appropriate and less expensive.

Anglophone Africa received 25% of CIDA's ODA, half of that through the bilateral program. Core countries, chosen on need and their fit with Canadian capabilities, received 65% of bilateral aid—mainly in the form of food aid, economic assistance, and energy. There was some emphasis on infrastructure maintenance and rehabilitation and higher education. Canada committed to front-line states, to help against South Africa's economic and political destabilization measures. Canada pledged (1988) 25% increase in assistance over five years and gained a major ODA presence in SADCC where it supported transportation, communication and energy infrastructure (likely to be capital- and import-intensive), as well as HRD and institutional development.[60]

Francophone Africa received 22% of ODA. CIDA had two regional focuses: one covering the Sahel, the other for all Africa. The structural adjustment approach was prominent and budgetary constraints were expected to "bring some positive results" in these strongly rural countries—a type of region poorly suited to SAP restraints. Priority sectors were agriculture, including forestry and fisheries—the goal was food security—, energy, transportation and HRD. Basic and post-secondary education received some support to expand literacy. CIDA cut aid by 10% after a year of good crops (1985).[61]

The Sahel program was introduced (1985) focusing on "the four most endangered countries": Mali, Niger, Burkino Faso, and Senegal. CIDA reviews represented a program more apt to directly aid the poor than many CIDA programs. Projects were described as small and participatory, and seemed to address root issues such as environmental and social sustainability. Special attention, CIDA said, was given the needs of women where male emigration was high. CIDA hoped to encourage food self-sufficiency through reforestation, dune stabilization, improved animal husbandry and food gardening, small irrigation projects, and storage facilities. These would be supplemented by village water sources, community health projects and new and renewable energy sources.[62]

CIDA thus painted a picture of a myriad of environmentally sound, village-level, food-producing ands health enhancing projects. The picture presented by SCEAIT was quite different. It raised criticisms similar to those in earlier studies of Canadian aid. CIDA had not responded. Changes in food aid—which comprised 20% of the program—were necessary to avoid negative impacts on producer prices and disincentives to production, and to remove an urban bias. Greater untying of food aid for Third World purchase was needed. A strong tendency to invest in capital equipment at the expense of social development persisted. Capital equipment and infrastructure were still viewed as "productive investments, while expenditures on people, especially the poorest people, are regarded as unproductive social costs." As a result, villagers were "hopelessly indebted to the local rural development corporation" and faced deteriorating conditions.[63]

Clearly, CIDA needed to better address root causes of poverty and in the late 1980s attempted to focus more sharply on the poor. It launched Africa 2000 (1986): a five-year, $150 million commitment for 2000 small, grassroots projects with maximum long term impact on agriculture, drought and desertification, food self-sufficiency and women. Institutions and NGOs participated. Africa 2000's advisory group, including non-government participants and African senior diplomats, first met in early 1987. Canada also announced a debt moratorium (1986-2000) on Sahel development loans, announcing that all bilateral assistance would be in grant form and rescheduling debt for low-income countries.[64] CIDA adopted the Women in Development (WID) policy in 1985 and in 1986, the Minister tabled a five-year action plan in the House of Commons emphasising women's training and economic participation to promote economic growth with social change. WID training courses were provided to CIDA officers. The policy was positive, but the extent and manner of implementation was left to staff discretion who had "a large measure of autonomy in decision-making at the operating level."[65]

Human Rights. There were also moves to protect the poor from human rights abuse. The government announced (1984) a linkage between ODA and human rights observance, and later repeated the statement numerous times. However the government has shown marked ambivalence towards action on human rights. Keenleyside shows that the government was inconsistent and weak at best in chastising abusers of human rights. Positive linkage was evident where ODA supported legal materials, services and education. But on the whole, rather than encouraging respect for human rights, Canada's aid supported the worst offenders.[66]

The government established neither definitions nor procedures regarding human rights. Aid was withdrawn mainly where commitments were already minimal, and only where recipients were not pro-Western. Pro-Western states—Indonesia in the 1970s and 1980s, Honduras in 1980s—did not lose aid due to human rights abuse. In 1988-89 over 70% of Canada's bilateral aid went to serious human rights abusers and 43% to the worst abusers. In 1989 Landry admitted that cabinet did not consider human rights in aid allocations. Some aid recipients with deteriorating human rights records received dramatic aid increases, for instance China and the Philippines. Others maintained status as major aid recipients, like Bangladesh and Indonesia. Only India and Sri Lanka received cuts, and it was not made explicit that cuts were prompted by human rights abuse. Other countries with good human rights rankings, such as Botswana, Ivory Coast, and Niger, were 'rewarded' with aid reductions.[67]

Although CIDA made some improvements in the mid to late 1980s—debt alleviation, focusing on Africa, and focusing on women— CIDA's progress was limited. It was clearly not able to assist the poor in a consistent, productive manner. Aid policies generally did not address poverty's root causes, such as inadequate health care, nutrition, and primary education. Aid "virtually ignored primary health care and other related development activities such as literacy and rural education." In general, CIDA did not attempt assistance that would "address the social and political realities of poverty."[68] CIDA's increased use of NGOs should have meant better links to the poor, but factors discussed below intruded upon and damaged the NGO-CIDA relationship.

One reason for its inability to reach the poor was CIDA's "hardware mentality."[69] By 1984, CIDA no longer 'sold' aid to Canadians based on humanitarianism or ethics. Instead, CIDA justified aid based on the statement that the Third World could "provide the growth markets we will need if Canada is to enjoy a high standard of living in the 21st century, with jobs for today's children."[70] CIDA ignored SCEAIT's conclusion that the private sector tended to focus on "modernized, more developed sectors....unlikely to have a grass roots approach aimed at bringing direct benefits to the poor majority."[71]

The aid/business/trade relationship inside CIDA programs strengthened. The 1984 budget announced an aid-trade facility to be funded with ODA funds. When the Conservatives scrapped it in 1986 as part of a movement to save $1.5 billion on aid, CIDA lost the funds that would have gone to the facility. Despite the scrapping of the aid-trade facility, aid to the private sector increased and funneled into fewer hands. The Petro-Canada International Assistance Corporation (PCIAC) was established, nominally to reduce LDC dependence on imported oil using Canadian technology and expertise. However, CIDA was quick to note that PCIAC delivered good advertisement for Canadian expertise in hydrocarbons and that its activities at new oil reserves encouraged later contracts at those and other explorations. As *Elements* pointed out, the PCIAC particularly benefited western Canada.[72]

The average project funded by CIDA's business support bodies doubled in size between 1984 and 1990 (from $130,000 to $243,000 while the number of firms involved (from 300 in 1983) to 200 in 1990) and the number of projects per firm decreased.[73] Export-promotion became an increasingly important component of bilateral aid as CIDA linked aid to the capital export market to secure markets. CIDA's Industrial Cooperation Program supported Canadian business investigations into Third World commercial potential. For example, when CIDA's Project Preparation Facility gave $2.2 million (1983/84) in ODA to firms, those firms reaped $34.2 million in follow-up contracts.[74]

Between 1978 and 1986 CIDA and the Export Development Corporation (EDC) jointly financed $1.5 billion (22 projects); CIDA's portion was $500 million.[75] By 1983-4, Canada was the world's second-largest user of associated financing (a blend of ODA with export credits, which bypasses development processes). Export credits went mainly to transport and electrification and a lesser amount went to mining and communications.[76] In 1986, Canada informed DAC that funds made available to EDC for development projects would be "reported internationally as ODA, claiming that projects would be assessed and monitored by appropriate development criteria." DAC however found this unacceptable. SCEAIT criticized CIDA's commercial activity, recommending that trade-related aid should shift from exporting to the Third World to importing from the Third World.[77] CIDA had of course already tried this approach in the 1970s to the consternation of other departments. Tighter reins on CIDA had followed, and CIDA had clearly recognized that its hands were very much tied.

CIDA attempted to address SCEAIT's recommendations with its 1987 strategy, *Sharing Our Future*. The first strategy since 1975, it was to guide the century's final decade of aid. *Sharing* 's charter made poverty alleviation central, but it was very general and lacked an operational policy framework—as had the 1975 strategy. Its nominal focus on the poor was to have relatively little practical impact. This is hardly surprising since there was no assessment within CIDA or the federal government of how well it was meeting *Sharing*'s goals. Decentralization —intended to make aid to the poor quicker and more effective—focused on technical, financial and staffing matters, instead of on objectives as management rushed, pressured by fears that shaky support from Treasury Board and Finance would be withdrawn. Headquarter positions moved to foreign countries and new positions were created, but few procedural changes were made. Headquarters continued to dictate strategy.[78]

CIDA moved somewhat reluctantly to macroeconomic policy reform. Tight hiring controls imposed by Treasury Board helped ease in SAP conditionality. With fewer staff, balance of payment and sectoral support merged (1987) to create SAP support, which eased disbursement pressures caused by fewer staff. By 1988, CIDA considered macroeconomic reform central to growth and development. Burdette notes that acceptance at CIDA was slower than in the federal government. Masse's return to CIDA—direct from the International Monetary Fund (IMF)—vulcanized SAP support at CIDA and by 1989, SAP support was central to CIDA policy. Although CIDA tried with a small measure of success to put the "human face" on SAP—Canada helped fund social nets, as for example in Ghana (1987) and Guyana—the "human face" proved too expensive to continue. In December 1989, CIDA announced that 40% of new bilateral ODA to Africa, and 26% to Asia and Latin America, would be SAP support, to be delivered as lines of credit or other quick-disbursing assistance.[79]

There was some reluctant reform of tying and food aid. CIDA estimated that tying reforms of the late 1980s would free $1.2 billion over five years. Canadian aid remained 34.5% tied—considerably better than the UK (46.4%) and Italy (57.6%).[80] Up to 50% of bilateral aid to sub Saharan Africa and other LLDCs was untied—with certain restrictions. However, projects were still required to include Canadian goods or service such as training, agricultural and industrial equipment, or lines of credit. Although regulations loosened, observers noted that CIDA grew increasingly reluctant to support projects not using Canadian personnel and Canadian technical personnel increased—despite the fundamental need in development for maximum host-country expert involvement.[81]

Critics continured to complain that food aid was distributed on an ad hoc basis as quick and easy disbursement, without integration into larger objectives. CIDA admitted the need for more effective bilateral food aid programming. The Canadian Council for International Co-operation (CCIC) and SCEAIT recommended that at least emergency food aid be untied where possible. Food aid increasingly went to countries with serious food shortages—including Ethiopia, Mozambique and the Sudan—and to countries in severe economic crises or undergoing structural adjustment. Up to 5% (1984) was freed for purchase in third countries, but this was restricted to emergency or special circumstances and was quickly tightened further by CIDA's President's Committee (1985).[82]

Structural adjustment policy was apparent in food aid before SAP support became policy in CIDA as a whole. A 1983 study on food aid, focusing on recipient governmental policies, recommended that food aid be used to free up foreign exchange, and that joint Canada-recipient policy dialogue aim for "key structural reforms" where needed. These recommendations were implemented where possible, although policy leverage required substantial, continuous food aid. CIDA sometimes terminated food aid where recipients did not meet adjustment conditions, as in Tanzania and Sri Lanka in the 1980s. Food aid absorbed much of ODA's 12% budget cut (1989). Despite cuts, food aid remained the major component of Canada's aid, more important for Canada than for other donors. It continued to be used increasingly to satisfy Canadian producers. A large amount (23.5% in 1989/90) continued to flow to MDCs.[83]

CIDA has traditionally supported NGOs to a greater extent than do other donors. In the 1980s, CIDA doubled its support to the voluntary sector, going from 9% (1980-81) of ODA to 18% (1990-91). The bilateral share dropped by the same amount (9%) from 59% to 50%, suggesting that NGOs were taking over some of CIDA's bilateral delivery. Indeed, when CIDA adopted country focus programming in the early 1980s, it planned just such an increased use of NGOs to implement bilateral projects. While increasing NGO funding, CIDA began to revise its NGO policies (1987) and thereby its relationship with them. It spent much time and energy assessing NGOs.

While disbursements grew by 5%, delivery costs grew by 24% (1986/87 to 1990/91); 99% of the increased cost was financed this assessment. Seventy-nine new NGOs received funding.[84] CIDA gradually switched NGOs from project to program lending. By 1989, 22 NGOs were funded on a program basis. CIDA increased this number to 46 (1992), intending to switch its NGO funding to a program-only basis. CIDA deliberately distorted the geographical focus of NGO work to suit its own objectives, by offering special funding for certain areas: projects in Sri Lanka and Philippines in the early 1980s, for example, received matching funds on a 9:1 ratio instead of the usual 3:1. As a result, NGOs sometimes worked under the handicap of insufficient local knowledge.[85] NGO/CIDA opposition developed when CIDA began to champion structural adjustment. Decentralization further confounded the relationship by bypassing Canadian NGOs. NGOs feared that CIDA staff's direct dealings with host NGOs would be overshadowed by federal objectives. The new arrangement damaged the educational aspect of NGO activity—and thereby discouraged public support for development—as NGOs became less involved with people in recipient countries.[86]

2.5. The 1990s

CIDA entered the 1990s in turmoil. Although Secor did no qualitative assessment of the aid CIDA delivered, its critique of CIDA's structure and aid-delivery relationships showed glaring obstructions to aid delivery. Secor was extremely critical of CIDA, which it accused of having an unfocused mission, ad hoc policy-making, poor planning, poor role definition, and defensive territorialism. These negative attributes were reflected in chapter one's discussion of poor to non-existent policy. As Secor pointed out, "Policy development... translates into specific operational output at the country level, (and) is a critical factor in the success of development assistance...".[87]

The Secor group did not engage in consultations with the development community or ODA's clientele. Instead, they used President's Committee's findings and interviews with senior management, both groups who were distant from day-to-day activities.[88] As a result, Secor gained so little understanding of the concepts of aiding the poor that they recommended a heavily top-down restructuring—a restructuring which would remove decision-makers even farther than they already were from direct knowledge about recipients. They appeared to have no inkling that direct knowledge might be essential to appropriate assistance.

CIDA responded to 1991 budget cuts by terminating several managerial positions. This lowered staff morale and confidence from its already-low position. When the 1992 budget shut down the International Centre for Ocean Development (ICOD) and the National Advisory Committee on Development Education, CIDA had to absorb their workloads without increased funding or increased staff.[89] Work pressures increased and morale became even lower.

CIDA personnel and the NGO community feared that the Secor report would trigger massive changes, including job losses and new policy on future projects and programs. Those fears would prove well-founded. The report became CIDA's tool for coping with changes in the federal context. According to Morrison, CIDA President Masse seized the Secor report as an opportunity to reshape CIDA into a policy-maker. Minister Landry suggested that CIDA would become a "think tank" organization. She expected to announce changes to CIDA by summer that year.[90]

According to Rawkins, CIDA's present challenge is "to adapt or die." Senior management are focused on securing CIDA's boundaries while ensuring continued funding continues while staff push for quality in development, demanding local knowledge, good relations with aid recipients, and tailored assistance. Bourgon patched relations with the Department of External Affairs (DEA) when she became CIDA president for three months in 1993, and Labelle, the next president, followed her lead. CIDA moved ahead with "policy neutral" administrative changes. A Corporate Management Branch was established; vice presidents were rotated within the agency to break up fiefdoms. The country focus became a regional focus. But the mundanities of aid were left to lower management.[91]

Meanwhile, a heavy administrative load on staff in the name of accountability continues to rob CIDA of resources needed for aid, and non-aid objectives continue to distract and detract from assisting the poor. The development community has since 1991 been uncertain whether the 1987 strategy remains in force. CIDA staff and the NGO community did not hear from Minister Landry in the summer of 1992 as promised. A 1994 request to CIDA for policy information produced *Sharing Our Future*, indicating that it was still in effect, but the decentralization which was central to the strategy had been reversed and Canadian CIDA personnel were returning to Canada. CIDA staff and the development community remain in limbo, awaiting the fallout from the 1995 foreign policy review and budget. CIDA continues, with its committed, exasperated staff, veterans of "numerous, confused and conflicting directions given over time, combined with the pressure to do more with less and to be everything to everybody...". CIDA employees remain as Secor described them, working under a burden of "... feelings of permanent inadequacy and confusion as to what was expected of them."[92]

How has CIDA's struggle for survival affected disbursements? The good news concerns debt and women. The government responded to the debt crisis with more debt forgiveness, and the announcement in 1990 that all future bilateral aid will be in grant form. CIDA announced at the same time that it would target women in development and that their "associations, agencies and groups in developing countries" would be consulted to establish their "real needs."[93] But these improvements are drops in a large, very leaky bucket. Most of the news is bad—for the poor. Aid is still highly tied and capital-intensive. Aid increasingly serves intertwined economic and foreign policy goals. CIDA responded to accusations that it was biased towards NGOs by establishing the Private Sector Development Initiatives Fund in 1991 to help Canadian businesses respond to development proposals in countries of long term interest. Funding for the Business Cooperation Branch jumped from $28 million/year (1985-86) to $62 million (1990-91), making it the fastest-growing area of CIDA.[94]

The poor's needs are not being met, and meeting them is no longer even a nominal goal. The government current commitment to the 0.7% commitment is . CIDA's aid remains unfocussed and widely dispersed, both geographically and sectorally. Very little of Canada's ODA goes to social projects, while the amount allocated to industrial sectors is the fasting growing. NGOs fear that CIDA will become more controlling, and that they will correspondingly lose their ability to assist the poor. Bilateral aid remains 66% tied (1991/92), and skews recipient development to areas of Canadian strength such as hydroelectricity, forestry, agriculture, and infrastructure. There is no significant relationship between ODA and recipient GNP or the UNDP's Human Development Index (HDI) rating or the numbers of absoute poor in recipient countries. Only five of Canada's top 20 aid recipients (1988-1991) were LLDCs. Sixteen of Canada's top 40 ODA recipients (1988-1991) were MDCs, and the new framework for bilateral aid has since raised the MDC portion from 20% to 25%.[95]

By 1990, senior CIDA officials were in line with SAP. Burdette found that CIDA underrepresented its SAP lending in annual reports, probably due to public criticism of SAP. However, the government is not able to ensure a "human face" on SAP—not only did CIDA find the cost of the "human face" too expensive, but CIDA acceptance of IMF/World Bank monitoring of Canadian bilateral SAP support precludes Canadian assessment.[96]

By 1991, CIDA preoccupation with macroeconomic policy had driven wedges between it and the NGO community, who saw its methods as overly ideological. The Secor report recommended that only "certified" NGOs work with CIDA, and that their task will be to implement CIDA policies. The expansion of the NGO role ended. NGO access to funds was cut and a Private Sector Initiative Fund created. CIDA betrayed NGO trust by presenting recommendations in December 1992 to cabinet without the promised consultation. The proposal did not win cabinet approval and the CIDA/NGO relationship remained up in the air.[97]

Deficit-reduction measures have brought disproportionate cuts to aid. Prior to the completion of the Secor report, the government announced a single funding framework, the International Assistance Envelope (IAE) in February 1991, encompassing ODA and assistance to the eastern bloc. External Affairs would handle eastern bloc assistance while CIDA would administer a shrinking ODA budget. Cutbacks pulled funds back from the poor, but have not damaged trade or foreign policy goals. Asia was little affected, although an earlier shift of 2% of ODA in 1991 from Asia to Latin America anticipated closer economic links with Latin America. Sub-Saharan Africa was the hardest hit. Three of five core countries had aid suspended (Zaire) or curtailed (Kenya and Rwanda) for human rights abuses and political unrest. The second and third poorest (per capita) countries, Tanzania—the biggest country program in Africa for almost two decades—and Ethiopia were dropped.[98]

2.6. In summary

CIDA has always suffered from organizational problems and outside pressures, and has always been an arm of foreign policy and trade. The primary goal of tied aid, export credits, food aid, and business support has been to benefit Canadians. The development impact has been secondary. Development has therefore been severely distorted and aid dependence encouraged. A portion of bilateral aid, however, has been used for legitimate development purposes. How much is difficult to ascertain. While a large portion has gone to LDCs, the portion going to MDCs has increased over the years while the portion going to LLDCs decreased. Of the allocations to poorer countries, little actually assisted the poor. The heavily tied, capital-intensive, import-intensive nature of Canada's aid skews it to large, urban, industrial, projects more likely to displace the poor and rob them of their livelihoods than to help them. Canadian aid is rarely in the form of small, participatory projects designed to empower the poor. The government's human rights moves and NGO relations were favorable for the poor, but have been hampered by restrictions and inconsistency.

It is clear that CIDA's stated policy of aiding the poor does not match its aid delivery, which is biased by its highly tied nature towards import- and capital-intensive development. CIDA's ability to direct aid to the poor is severely constrained by constraints in its environment. Chapter 3 examines the intradepartmental and interdepartmental pressures which direct aid away from the poor.

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* as distinct from gains for the donor or multilateral systems

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83 Charlton, op. cit., pp. 59, 60-61, 66, 71, 75

84 Groupe Secor, op. cit., pp. 49/1, 75/1, 76/1, 77/1

85 Brodhead and Pratt, op. cit., pp. 95-98, 101

86 Ibid, p. 109. Pearson and Draimin, op. cit., pp. 283-284

87 Groupe Secor, op. cit., p. 202/1

88 House of Commons, *Minutes of Proceedings and Evidence of the Sub-Committee on Development and Human Rights of the Standing Committee on External Affairs and International Trade*, 1992, p. 34:12 (Stewart, Hovdebo). Rawkins, op. cit., p. 177

89 Rawkins, op. cit., p. 174. *House of Commons, Minutes*, May 6, 1992, op. cit., pp. 34:9 and 34:14 (Landry)

90 Morrison, op. cit., p. 147. *House of Commons, Minutes*, May 6, 1992, op. cit., p. 34:10 (Landry)

91 Rawkins, op. cit., pp. 12, 158, 165, 177, 180

92 Groupe Secor, op. cit., pp. 9/2, 10/2

93 Canada, *Canada's Stake in the Unfinished Business of Third World Debt*, op. cit., p. 17. CIDA, *Sharing*, op. cit., p. 43

94 Pratt, "Canadian Development Assistance," op. cit., p. 19. Gillies, op. cit., p. 192

95 Groupe Secor, op. cit., p. 37/1. Gillies, op. cit., p. 203. Brodhead and Pratt, op. cit., p. 87. Pearson and Draimin, op. cit., p. 279. Morrison, op. cit., pp. 154-155 n. 57 (cites Clarke, "ODA Analyzed: Another Canadian Aid Paradox?" in *Review Ottawa*, North-South Institute 1992, p.7-8). Keenleyside, op. cit., p. 242

96 Burdette, op. cit., pp. 216, 221-224

97 Pearson and Draimin, op. cit., p. 280. Brodhead and Pratt, op. cit., pp. 99, 100-101, 111-113

98 Morrison, op. cit., pp. 147, 148-150, 155 n. 68. Rudner, op. cit., p. 303. Keenleyside, op. cit., p. 242. Tanzania remained eligible for aid through the Southern Africa Development Community (SADC) which replaced SADCC in 1992.

Chapter 3. Domestic constraints on CIDA

3.1. Introduction

ODA policy—which should guide the way to the actualization of ODA philosophy—is woefully inadequate. In Chapter 1 we saw fundamental inconsistencies within Canada's ODA philosophy, an important determinant of program parameters, which as a result are fuzzy and unclear. Policy could not be adequate without a cohesive guiding philosophy. Comprehensive strategy—precise guidelines for the overall program and for program components—does not exist for some periods. Even when nominally present during the periods covered by the *Strategy* and *Sharing Our Future*, the how's of implementation are missing.

A crucial question concerning CIDA's strategies is: What is the function of strategy? Possible answers include: public relations, interdepartmental relations, a guide to action. An initial, and naive, assumption was the third: a guide to action. However, it became evident that the *Strategy* was more an exercise in finding a balance between the first and the second. Interdepartmental relations guided the content, with public relations guiding the form. Canada has invested a great deal of energy, knowledge, good intentions, and other resources into development. It is important to understand why results are so far below potential. This chapter will focus on the domestic context in which CIDA operates, and will demonstrate that domestic pressures have sharply affected ODA.

Despite CIDA's protests, it has been generally accepted as a given that Canada would reap whatever economic benefits it could from aid relationships. CIDA attempted without success to decrease commercial and foreign policy pressures on ODA, to allow a focus on the poor. When CIDA found that it lacked the power to establish an poverty-oriented strategy because of pressure from other departments, CIDA realized its hands were tied. After 1977, the government attempted to ensure CIDA's cooperation with other departments by imposing on CIDA a succession of presidents loyal to External Affairs, whose primary goal was fitting CIDA into the rest of government.

CIDA then worked within the parameters set for it by the government, with the result that commercial and foreign policy interests continued to take priority over developmental needs. By the end of the 1980s, domestic pressures to commercialize, foreign policy pressures, and aid regime norms all merged to shape Canada's ODA program towards structural adjustment conditionality. CIDA, formerly nominally mandated to assist the poor, rejected that mandate in acquiescence to external pressures.

In general, CIDA has enjoyed little support but suffered much interference, as departments tend to bring interest group issues to cabinet.[1] CIDA's cross-sectoral nature both sets it at cross-purposes with government departments and its relatively large budget encourages other departments to attempt to gain a share. The private sector is represented mainly by government departments ITC and External Affairs (which merged in 1982) and its influence has severely restricted CIDA's ability to assist the world's poor. The government's 'guardians,' mainly Finance and Treasury Board, whose role is to restrict spending, have interfered with CIDA's (and every department's) management. CIDA has been never been given the authority to manage ODA.

CIDA's poor policy development and implementation is partially a product, then, of interference by other departments. It is also a reflection of general government characteristics, including: structural disincentives to policy-making at the political and bureaucratic levels; an growth-oriented incentive structure which rewards inefficiency and punishes efficiency, while distorting values so that knowing the system becomes more valuable, in a practical sense, to departments than fulfilling their mandate. CIDA is particularly vulnerable to these distorting characteristics because of the low priority the government has always placed on delivering aid to the poor. CIDA is low in the federal hierarchy and has no powerful constituency support. Its struggle to cope with numerous external obstacles has caused inner discord and rigidity.

Power politics are such that individuals compromise on their core commitments (in CIDA's case, commitments to assist the poor) to gain negotiating 'weight'. Personal ethical systems are negated in the process of interdepartmental decision-making (as they are in international decision-making: see chapter 5) because they have no value in the competition for funding and for territory. Thus, an entity like CIDA, whose goal ideally directs Canadian resources out of the country with no short-term economic or political return, has no hope of achieving its goal if it must deal interdepartmentally. Thus, ODA failed to fulfill its humanitarian goals despite personal support from high levels, including at various times the prime minister, secretary of state for External Affairs, CIDA president, and CIDA staff.

Berry's study of the *Strategy* negotiations shows the political and economic obstacles between ODA and the poor at both the policy and implementation levels. The making of general ODA policy was not in CIDA's hands. Decisions were made by Cabinet with the advice of the Secretary of State for External Affairs, who in turn received recommendations from CIDA's president. He in turn made recommendations with the assistance of the Canadian International Development Board, which he chaired but whic also included Treasury Board, Finance and DEA.[2] Foreign policy and trade promotion considerations prevented the oft-called for 'focus' of aid on the poor.

Biases against small, participatory aid projects reflect the bias of the federal governmental structure as a whole, which encourages self-interest, expansion, and centralization, rather than efficiency, effectiveness, and local involvement. Federal policy making tends to be ad hoc and disassociated from implementation, and federal policies tend to reflect and respond to domestic and international economic and political pressures. CIDA is very much a product of its bureaucratic environment and aid policies therefore reflect interdepartmental pressures far more than developmental needs. The strongest of the interdepartmental pressures push aid to produce economic and political benefits for Canada.

The Canadian public, other than the business sector, has little influence on aid. Its weak and diffuse influence leaves CIDA without a domestic constituency, and CIDA is thus unable to resist business pressures, expressed directly and through other government departments. As a result, Canadian aid has been increasingly commercialized, despite CIDA's resistance especially during its initial decade of existence (1968-1977). Canadian aid has been among the most heavily tied and most closely associated with export credits in the world. Thus rather than assisting the poor it has streamed into large, capital-intensive projects which directed aid funds into the hands of Canadian exporters.

In the federal structure, ODA competes against strong national self-interest and bureaucratic territorialism. Self-interest and territorialism are also evident within CIDA, and its internal problems further inhibit its ability to assist the poor. The process outlined below is one of continual erosion of developmental efficacy. No matter how many committed individuals within CIDA struggle to shape ODA to effectively assist the poor, it is impossible for them to succeed without either vocal and concentrated external support, or insulation from intergovernmental pressures.

Strong resistance to change balks weak forces for reform, which come from a dispersed public and from NGOs dependent on CIDA for funding. Resistance is ineffective against the stronger forces behind commercial and foreign policy interests. Tradition and inertia act to maintain the status quo in the absence of sufficiently strong forces for change. Forces for change can include the personal influence of decision-makers; ethical considerations; which tend to play little role without strong public and media pressure; commercial and political interest groups; and budget pressures.

In the case of ODA, more than one force is at work to maintain the status quo. The constant change experienced by aid staff in the past has caused them to dig in their heels. As Secor observed, "...people at CIDA are doubtful about lasting direction in the future and the potential benefits for them in reorienting their attitude and skills."[3] Thus, lack of policy has become self perpetuating. People at CIDA have learned to expect switches in management style and direction, and have become disillusioned and demoralized. Such resistance to change and to policy makes it unlikely that announced policy switches—like the 1987 announced focus on women and individuals and the poorest people—will be successfully implemented.

The forces which succeed in effecting change have mainly been outside of CIDA, in the form of the international aid regime and other federal bodies. The changes they have wrought have usually diluted aid. NGOs, which have focused on the needs of the poor and raised issues such as women's special circumstance, the relevance of human rights, and the importance of environmental and social sustainability have had little influence relative to the voices which turned aid to serving other interests, and have in fact been constrained by CIDA's restrictions.

There were strong personalities within CIDA, particularly Strong and Gérin-Lajoie, who attempted to provoke change with varying success. Strong created CIDA. Gérin-Lajoie fought, unsuccessfully, to ensure that CIDA would help the poor and promote Southern exports. Pratt has pointed out that after Gérin-Lajoie's term, independent-minded CIDA presidents were no more. A process of 'infiltration' began in the late 1970s which ensured an obedient CIDA.

CIDA has been unsuccessful with policy making, in part because of interference, but also because, according to Savoie, Canadian federal policy units generally are poor at making policy. In his study of the Canadian government, Savoie found that most ministers and their staffs were deeply disappointed with the advice of their policy units, which lacked creativity and clarity and were often weakened by organizational conflict. Savoie found that, for policy-makers and implementers alike, lack of effective policy-making was in itself demoralizing. As one policy bureaucrat observed, "...I am kept busy at turning cranks not connected to anything."[4] Berry found that policy units were impeded by lack of sustained high-level political support and separation from operations. Both observations apply to CIDA, whose policy unit was both unsupported by its minister and separated from implementers.

A further problem for policy-makers arises in the tendency to consider issues based on their dollar cost. In aid, costs are clear and gains uncertain, and this encourages opponents to dwell on costs and demand quantifiable results. Satisfactory rather than optimal outcomes result as bureaucratic "pulling and hauling" yields compromise results which do not fully meet the goals of any party. Berry concluded that policy requires clear direction from the political level.[5] Another option is agency autonomy, especially in cases like CIDA's where departmental and extra-departmental objectives clash.

Economics, government machinery, and the private sector have replaced developmental considerations in the shaping of aid policy and CIDA has supported export promotion and Canadian regional interests. ODA serves regionalism/Canadian unity through the appeasement, not only of francophone Canada, but of every region except northern Canada. For example, food aid was expanded to include non-cereal products to appease those involved in fisheries and dairy production: Quebec, BC and the Maritimes.[6] This political motivation is closely tied to economics, and is clearly reflected in the tied aid, sectoral emphasis in aid, and the government's resistance to an important goal of development—promoting Southern exports.

SCEAIT claimed that the motives for aid delivery were threefold: (1) humanitarian —to "alleviate human suffering and promote social justice," (2) political —to "increase stability and improve the chances for peace in the world," and (3) economic —to "support the economic growth of developing countries and thereby stimulate international trade and Canada's own long-term prospects." Yet even SCEAIT found aid allocations to be more closely related to "political and bureaucratic imperatives" than to Third World needs. A senior Canadian official was perhaps more accurate when he ranked the government's interest in ODA as "first political, second commercial and third development."[7]

Federal systemic obstructions to good policy-making. Savoie demonstrates that the entire federal structure suffers from organizational difficulties, and CIDA is no exception. Central agency interference in departmental day-to-day operations demoralizes and is resented by Ministry executives, who feel robbed of the authority to do their jobs. New proposals are drawn up at the department level, and then compete for funding. Departments are kept on such short leashes that they are unable to function well; their overseers are often uninterested in departmental mandates. Having to meet their requirements robs CIDA and other agencies of efficiency and effectiveness.

This management interference causes a chronic malaise among government managers. Fully 1/5 of government managers consider quitting, as opposed to 1/50 in the private sector. Redundant layers of management and inactive staff also contribute to the unease. Despite estimates that about 25% of government staff do little work, there is no way to remove poor performers from staff, and their presence contributes to demoralization and demands extra time and energy from reliable performers.[8] Although it is beyond the scope of this study to look at specific staffing and management problems in CIDA, there is no indication that CIDA's situation is in any way better than the norm in government.

Bureaucratic incentives and the numbers-based nature of budgeting favor expansion and 'playing the system,' and discourage both quality and efficiency. Management accountability is based on respect for procedures rather than on quality or efficiency. If a department makes cuts in an inefficient area, it risks losing the funding and positions it has freed up to another, less efficient, department. Because salary and prestige are directly linked to budget and staff size, departments and ministers tend to push for growth.[9]

Savoie describes a tug-of-war between 'spender' agencies—of which CIDA is one among many—which continually push for expansion, and guardian agencies. The main guardian agencies are Treasury Board and Finance, and according to Savoie their goal is to limit spending rather than to ensure wise spending. Despite guardian efforts, federal budgets expanded through the decades. Savoie argues that this is due to regional pressures.[10] It is evident that regional forces do play an important role in the continued tying of Canadian ODA and the make-up of food aid.

3.2. CIDA's porous 'borders'

The limiting effect of structure can not be understated. CIDA's weak commitment and inability to directly assist the poor is largely a product of its structure and context; it does not reflect staff commitment. Many of CIDA staff were drawn from the NGO community, hired for their knowledge of the South and commitment to alleviating poverty. They were then placed in a structure which robbed them of the power to do what they saw needed to be done. Guardian agencies increasingly took control, and removed CIDA staff from direct contact with their work by forcing CIDA to increasingly use contractors.

In a federal context that encourages expansionism and inefficiency, a department's real value depends in part on its insulation from those misguided incentives. Such incentives encourage encroachment on departments with 'porous borders,' 'territory' that is easily permeable. Both political and bureaucratic actors intrude on ODA, and therefore on CIDA's natural 'territory'. CIDA clearly has not been the lead actor in development decision-making. Far from it. Every department has many lords to please, and development's low priority makes CIDA particularly susceptible to non-development influence. Overlapping territory in a competitive environment guarantees conflict, as Berry maintains. In a cooperative environment, it can encourage shared decision-making.[11] Which way the balance will tilt depends on whether incentives and objectives coincide or conflict.

To CIDA's detriment, ODA objectives conflict with those of most federal agencies. Put simply, CIDA's developmental goal is to give money away to benefit others. Most governmental agencies share the quite different goal of gaining economic benefits for Canada. The federal actors which have most directly affected CIDA's work include: Parliament, Cabinet and some cabinet committees, Finance, Treasury Board, Industry Trade and Commerce (ITC) and External Affairs until 1982, and External Affairs and International Trade after 1982. An examination of the roles these bodies play in CIDA's work follows.

CIDA's position is further complicated by the fact that as a federal department, it shares the incentives but ideally not the objectives of other departments. Incentives encourage compromise, continuous expansion, and inefficiency while meeting its mandate to address poverty would require CIDA to reject non-aid goals to focus on effective, efficient aid delivery. Federal incentives which encourage inefficiency and disassociate effectiveness from power inhibits good policy-making and good management. CIDA's vulnerability to pressures from cabinet and other departments has been exacerbated by internal problems, disbursement pressures, 'infiltration,'* and demoralization.

The fact that CIDA's field staff in the 1970s came from External Affairs and ITC built-in conflicts-of-interest and discord between field and headquarters. Continuous change resulted in a frustrated and disillusioned staff. CIDA acknowledged personnel problems including poor relations between headquarters and field staff, and recruitment difficulties, but was unable to resolve the problems. Management adopted a 'circle the wagons' response, and CIDA divided into strongly defended territories. Rawkins noted that "... each branch is a little kingdom."Secor observed that specialized "jargon, systems, (and) projects" in each geographical area, worked against integration. CIDA staff developed strong resistance to change and innovation, so that "established views are not easily challenged and innovation is tolerated only at the margins."[12]

Parliament and Cabinet. Parliament and Cabinet shape ODA's broad parameters. Parliament allocates amounts of grants, food aid, and loans; Cabinet then approves allocations to particular countries.[13] The Minister for external relations exercises finer control through the selection of firms for contracts over $100,000.[14] However, the political level is faced with the need for balance. As representatives of the Canadian public, politicians' natural mandate is to strengthen Canada's economy. While individual members and committees have been very supportive of ODA delivery to the poor, their influence has been restricted by 'national interest' objectives.

Most Cabinet committees tend to shift CIDA's focus away from poverty-alleviation, although there have been exceptions, the most conspicuous being SCEAIT. Most committees which affect CIDA hold Canada's economic growth as their central goal, and so quite naturally pressure CIDA away from poverty-alleviation to fulfill their own goals. The powerful Priorities and Planning (P & P) committee, mandated to integrate departmental planning and encourage long-term planning, sets the government's political agenda and deals with major planning issues. Its recommendations are rarely challenged by cabinet. In fact Priorities and Planning often ratifies other committees' decisions in place of cabinet. Chaired by the PM, Priorities and Planning also includes Finance, Treasury Board, chairs of other cabinet committees and a few senior ministers.[15] The fact that Finance and Treasury Board are on this committee while CIDA is not, severely weaken CIDA in negotiation with them—as during the 1975 *Strategy* formation. ODA's low priority, and CIDA's low place in the hierarchy, allows other departments to 'graze' inside CIDA territory through interdepartmental 'integration'.

SCEAIT, which authored the Winegard report, attempted to insulate the goal of poverty alleviation from export objectives, with limited success. Noting that "...we have a growing aid program mostly for reasons of trade...", SCEAIT recommended that "...aid-trade activities should always be considered together with the first priority, which is to attend to the pressing basic needs of the world's poorest people." SCEAIT criticized the government's protectionist measures such as the repeated extensions of the Multi-Fibre Arrangement (MFA), and recommended that the focus of trade-related aid should shift from exporting to the Third World to importing from the Third World.[16] CIDA had indeed attempted, in its 'heyday' of the 1970s, to encourage Third World imports. Objections from other departments and tighter reins on CIDA quickly followed. (See chronology below.)

During the formation of CIDA's 1975 *Strategy*, the Canadian International Development Board (CIDB), including CIDA, Finance, Treasury

Board, the ITC, and External Affairs, met on an ad hoc basis to consider policy proposals from the Interdepartmental Committee on Development Assistance, a lower level committee which met regularly.[17] CIDB's involvement in the 1975 *Strategy* formation effectively muzzled the *Strategy*, and CIDA. CIDA hoped that the Interdepartmental Committee on Economic Relations with Developing Countries (ICERDC) which formed in 1974 with the mandate to harmonize foreign policy affecting developing countries, would replace the CIDB as ODA decision-maker. However, other departments, especially Finance and ITC, resisted even a study on the harmonization of foreign policy. They staunchly maintained that non-aid measures to support developing countries belonged to the arena of multilateral institutions. DEA objected to CIDA's proposal that the ICERDC bypass External Affairs to report directly to Cabinet. In the end, Finance, ITC, and DEA won the battle: ICERDC would form proposals only and report directly to the Secretary of State for External Affairs.[18] With so many departments opposing its purpose, ICERDC was eventually disbanded; however it was resurrected in 1990 with representation from CIDA, DEA, Bank of Canada, and the EDC.[19]

The Department of External Affairs (and International Trade). Trade and foreign policy considerations were always components of ODA policy, which often distracted ODA from its nominal goal. SCEAIT observed that foreign policy "should serve as a framework guiding the application of ODA, without compromising its objectives or effectiveness."[20] This is only possible to the extent that the government accepts the maxim that development is mutually beneficial. The facts indicate that the government accepts the 'mutual benefit' argument on a rhetorical level but not in reality. Canada's foreign policy goals include economic benefits, image and influence, and international peace and stability.

Canada's foreign relations have favored the allocation of aid, but not the allocation of aid to the poor. Canada, as a medium power, has traditionally supported multilateralism. Common membership in the Commonwealth, la Francophonie, and more recently, the Organization of American States, brings Canada into regular high level contact and policy discussion with the élites of Southern states. Such regular contact encourages high level support for aid to those member states, and consequently CIDA extends aid to many African and Latin American states. Asia receives aid because it is an important trade partner. Thus Canada's foreign relations encourage aid to three continents. Because the political and commercial contacts which prompt aid for foreign policy reasons derive from contact with members of recipient state élites , they tend to bias aid away from the poor.

Canada is the only donor to hold a seat at the World Bank and on all three IFI boards. Canada ranks first in contributions to the Commonwealth and second after France in Le Francophonie. A relatively low investment in these organizations appears to yield a great deal of leverage.[21] Multilateral ODA's success in influence-enhancement has ensured Canada's continued contributions. Bilateral ODA is much more open to domestic manipulation, especially as foreign affairs become increasingly synonymous with export promotion.

The private sector. ODA has consistently emphasized certain sectors—mainly energy, transportation, and food aid. Those emphases have been determined, not by aid needs, but by "Canadian capabilities, "synonymous with business interests, and regional pressures. Tied aid forms CIDA's major support channel for Canada's private sector. As Pratt and others point out, economic interests tend to conflict with aid needs. Associated financing, used extensively in Canada, tends to go to MDCs and to large infrastructural projects which are neither directed to, nor helpful to, the poor—on the contrary, they often harm the poor through displacement and environmental damage.[22]

Why, then, does the government use tied aid and associated finance? Associated finance and other mechanisms support export of capital goods and equipment. Food aid is used to placate farmers and food processers by propping up agricultural export. In the 1970s the government diversified food aid by adding costlier processed foods such as powdered milk and canola oil—the latter is very dependent on bilateral food aid for markets. The 1978 food aid guideline required emphasis on food commodities with value-added content even though high value-added commodities are directed to MDC urban centres and provide little benefit for the poor. In the 1980s lost export markets increased wheat flour's emphasis in food aid, and CIDA sometimes handled over half of Canada's wheat flour exports. To appease fishermen and dairy farmers, CIDA's 1984 policy document promised to increase non-cereal food aid to 25% of total food aid.[23]

CIDA has supported exports through tied aid and associated finance, benefiting Canadian business rather than aid recipients. Tied aid has substantially benefited large corporations such as Bombardier, Hydro Quebec, Massey Ferguson, Ontario Hydro, and SNC-Lavalin.[24] In this, Canada's international development assistance has truly been an extension of its national regional development assistance, which likewise forsook needy areas to benefit the relatively wealthy. From the late 1950s, government grants and subsidies to the private sector became increasingly common. Federal assistance to Canada's private sector was nominally meant to help depressed areas but—as with ODA—funding was pulled and prodded by competing political and commercial groups until it expanded far beyond its target. It grew to benefit almost all of Canada, including prosperous urban centres and multinational corporations. Canada's protection of its textile trade, centred in Quebec, reflects regional economic considerations and matters of national unity.

3.3. The 1950s and 1960s: Government reform and ODA

In the early years of ODA, budgeting involved little evaluation or long-term planning. Aid flowed through the Colombo plan, centred on Asia. In the 1960s, concerns that budgeting's isolation from policy wasted money on useless projects prompted reorganization. The government's budgeting process—which sets the parameters for federal affairs— began a long phase of continuous change.[25] CIDA's affairs would reflect the broader governmental process.

The Glassco Commission (1962) recommended integrating policy analysis and "letting the managers manage"[26]. The issue having been opened by the Commission, people began to air long-standing complaints that the guardians' close scrutiny sapped department initiative and failed to assess program value.[27] Despite the Glassco Commission recommendation to let managers manage, External Aid grew increasingly vulnerable to non-aid motives as domestic development policy reflected growing political consciousness of regional interests. Canadian regional development gained priority over Southern development, and aid fell (1960-1964), going down to 0.16% of GNP.[28] In 1965, parliament approved a bilateral food aid program, strengthening the link between Canadian regional producers and ODA and making ODA more politically relevant.

Ironically, each step 'up' the government ladder the aid agency took increased its vulnerability to non-aid objectives. In 1966, cabinet took an interest in ODA, directing that it should go largely to countries of major Canadian interest. The same year, presumably to insulate aid from other pressures, Pearson appointed outsider Strong leader of the agency and accorded him the status of deputy minister. This and other changes signaled that the Prime Minister backed Strong's efforts to insulate aid from ITC and External Affairs. Gérin-Lajoie, also an outsider, would succeed Strong in 1970.[29]

Strong faced a difficult task. He changed management systems, according to Secor, putting into place one which encouraged discord between planners and implementers.[30] External Aid became increasingly unable to disburse its budget.[31] Its proclaimed efforts to encourage indigenous skills and correspondingly reduce Canadian expertise[32] became entangled in tying regulations and political pressures and foundered. Just previous to CIDA's establishment, External Aid claimed that aid had been successful: LDC exports had become competitive.[33] That impression of success was misleading, however, based as it was on the most advanced LDCs. Canada's selection process was such that aid went to the "quick-fix" countries, and not to the poorest. The advanced LDCs had two advantages for External Aid: they were able to absorb Canadian goods and services, and they were likely to supply visible success stories, which would prove helpful in External Aid's competition for funds.

Canada's ODA program rode the crest of this success to re-establish itself as CIDA. CIDA became a separate department, reporting to Cabinet and Parliament through the Secretary of State for External Affairs.[34] Aid more than doubled from 1964's low of 0.16% of GNP, reaching 0.41% by 1970.[35] Hidden in the major transformation was a less visible transformation, which would make ODA more expensive to recipients: aid shifted from grants to loans. CIDA management had not yet formed the explicit objective of alleviating poverty, and External Affairs and CIDA's goals therefore did not seem very different. The agencies shared a vision of CIDA as purveyor of Canadian goods and services. The 100% tied nature of aid was a given, as was the fact that recipients would be chosen based on Canada's "special interest" in them.[36]

CIDA's first year of existence was its opportunity to establish itself as a strong entity within the government bureaucracy. Many of CIDA's staff had come from the NGO community, and wanted to change the agency's past tendency to promote Canada's exports. CIDA struggled to shift from External Aid's commercial, non-specialist, orientation to poverty-alleviation by knowledgeable agents. Such a shift was in line with the aid regime's emerging Basic Human Needs focus led by World Bank President McNamara, and as Pratt observes was additionally supported by an unusual combination of factors: a prosperous economy, a sympathetic prime minister, and increased public involvement in Third World issues. CIDA took 'ownership' of aid, presenting a view of the South dramatically different from that of its predecessor, External Aid. The image of a successful, competitive South presented by External Aid a single year earlier was dispelled by CIDA's announcement that the South's needs were "vast" and grave." CIDA's struggle to entrench the new focus was to last about a decade.[37]

A new budgeting system (PPB) was introduced in 1968, the year of CIDA's establishment. Guardian agencies shifted from day-to-day procedures to longer-term issues. PPB was to enable departments to define objectives, assess costs, evaluate alternatives, and ensure that programs were valid. Tight financial controls were abolished and departments gained decision-making authority. Trudeau reorganized cabinet to coordinate policy between departments and strengthen ministers' decision-making influence. By 1970 all departments were in line with the new system.[38] These changes made it possible for CIDA to establish a measure of independence.

Aid received broad governmental support. A 1969 aid review, involving ITC and Finance, announced increasing bilateral and multilateral aid. Some aid untying was balanced by moves to involve the private sector in aid. CIDA was one of few government agencies to have an expanded budget in 1969, while Defence's budget was frozen and NATO involvement down-sized.[39]

3.4. The 1970s

The 1970 foreign policy review stated that the highest foreign policy priorities were economic growth, social justice, and quality of life. DEA Minster Sharp clarified that it was economic growth which enjoyed the highest priority in foreign policy.[40] The review rejected Canada's traditional image as "helpful fixer," placing national interest at the top of Canada's foreign policy priorities. Humanitarianism and multilateralism were to be de-emphasized. This change of focus weakened CIDA's position in interdepartmental fora, even though the document claimed that development served Canada's national interest. The continuing commercialization of aid would reflect the government's purposeful commercialization of foreign policy. Trudeau demoted the pursuit of international peace and security from its traditional top priority to 'second tier' priority, raising trade and economic growth to top priority. He appointed an economist as under-secretary for DEA (1970) to enhance the "trade and commerce" aspect of foreign relations and downplay the "political and metaphysical."[41]

The top priority afforded national (economic) interest clashed with ODA's developing goal of assisting the poorest. The poorest offered little in financial or political returns. Politically, little was to be gained from gaining good will from the poor, who under the status quo had little or no influence. Only in multilateral agencies might Canada gain politically from giving aid to poor countries, and influence in multilateral fora could be better gained by directing aid to the multilateral agencies themselves. Critical media reports gave the public the perception that little was to be gained from extending aid to the poorest, even on a humanitarian level.*

Although CIDA's budget grew from 0.41% of GNP (1970) to 0.5% (1975),[42] it gradually became apparent that CIDA and the federal government no longer shared the same philosophy of ODA. Where CIDA saw desperate need, the foreign policy review expressed optimism for Third World progress, confidently predicting that most Third World countries would become Canada's trading partners by the year 2000. The federal view was much the same as that expressed by External Aid in 1967.

Nevertheless, CIDA grew. By 1974, led by a president who enjoyed good relations with a generally supportive prime minister, CIDA hoped to protect itself and ODA from anticipated austerity and cutbacks (1974). It hoped to shift ODA away from trade to LDCs, and establish developmental objectives as the top priority in aid/trade issues. CIDA's staff, recruited from the development community, brought new expertise and a new approach to development. CIDA began to maintain that social change was necessary for development, and hoped to form a wholistic, socially oriented ODA program. CIDA called for an end to self-interest. It was time to untie Canadian bilateral and multilateral assistance. In the dilemma of whether to help the neediest or the 'quick yield' areas, CIDA decided on the humanitarian option. ODA should assist low-income countries to develop according to their national priorities. Assistance should go to the poorest countries and the poorest groups within those countries.[43] CIDA tested the government's commitment in negotiations toward the 1975-1980 *Strategy*. Interdepartmental pro-trade pressures were strong however, as Berry shows in his research into the *Strategy*'s planning process. For the next ten years, CIDA would try to buck the federal trend.

CIDA thus engendered bad relations with other departments. An idealist CIDA wanted to change areas beyond its control and lacked diplomacy in its attempts to influence change. As part of its attempt to strengthen weak economies, CIDA assisted LDCs with their export marketing to allow them to "...take proper advantages of the Generalized Scheme of Preferences...".[44] Promoting export from the poorest countries conflicted with the interests of other federal departments, especially ITC. CIDA's zeal to help the poor would eventually prove detrimental to its own interests—and thereby to those of the poor. The government would later respond to CIDA's lack of diplomacy and 'philanthropic' ideas by tightening control.

Gérin-Lajoie attempted to expand the aid constituency by delivering public speeches, news conferences and television interviews. CIDA courted business, agriculture, students, volunteer communities, and the press. An NGO division and an industrial relations division encouraged public and private involvement in aid. CIDA created the Business and Industry Division to encourage business community activity in "non-aid" measures to stimulate the South's economic growth. CIDA's constituency expanded accordingly, but it did not become a powerful voice. Involving the business sector would increase pressures to tie aid and consider trade in aid allocations. Business interests had always been expected to benefit from purchases made under the aegis of ODA. CIDA invited them to benefit further by using aid money to expand their business through "non-aid" activity and market directly to the South, and offered lines of credit (1974/75) to the South to buy Canadian goods.[45]

Spending tightened in the late 1970s, with the oil crisis, world-wide economic slow-down, and the government's emerging deficit problem (the $3.8 billion deficit of 1975 grew eight-fold to reach $30 billion by 1985). The auditor general in 1974 criticized Treasury Board's lack of control over finances and in 1976 reported that the government had lost control of public spending. Critics claimed the government was getting too big and called for deficit reduction. PPB, with its policy of letting managers manage, was deemed a failure. It had allowed budgets to mushroom and failed to cut deadwood. In consequence, the government promised, first in 1975 and again in 1980, to restrict spending increases to below GNP growth. The auditor general's office was strengthened in 1977. Trudeau responded to the G-7 summit of 1978 with a sudden announcement of spending cuts; the announcement was made without first consulting even his Finance minister (Chrétien).[46] The expansionist period under PPB was over. Extending from 1968-1976, it corresponds to the period that CIDA received relatively strong government support and was most free of commercial pressures.

The 1975 Strategy. CIDA intended its 1975-1980 *Strategy* to assert and establish a bold poverty-alleviation approach to aid. As noted in chapter 1 of this paper, however, it contained inconsistencies which badly weakened what at first glance appeared to be a strongly pro-poor strategy. The *Strategy*'s inconsistency reflected a growing divergence between the government's views and CIDA's. Berry's study of the development of the *Strategy* provides an excellent opportunity to examine closely the internal processes of development policy-making and the roles the major actors play in influencing decision-making.

Berry's analysis shows why CIDA was unsuccessful in producing a stronger strategy. CIDA wanted a *Strategy* that would enable it to direct aid to the poor, but its weak bureaucratic influence was overpowered. As other, more powerful departments involved in the strategy formation attempted to take over CIDA 'territory,' CIDA was forced to struggle just to maintain the status quo. In order to form the strategy it had envisioned, CIDA would have had to first achieve bureaucratic consensus, and then obtain Cabinet approval.[47] It was unable to achieve bureaucratic consensus, and lost all its battles: on debt, tying, and direction of aid to the poor.

Berry noted that burea[illegible] power depended on: legitimate input to other actor's territory; a co[illegible] and responsibility for central functions—all of which CID[illegible]ry questioned whether CIDA had a "heartland" where its domin[illegible]ure. His study of the *Strategy* formation indicates quite cle[illegible]t did not. Its position was further weakened by the fact th[illegible] other departments had the right to influence CIDA's policy-maki[illegible]DA had no corresponding right to influence theirs.[48]

CIDA, perceiving its own weakness, anticipated objections and withdrew items that were deemed too contentious. CIDA's President anticipated that Finance and ITC would bring their concerns to cabinet and would get what they asked for. Thus CIDA's weakness, and its perception thereof, diluted CIDA policy even before interdepartmental discussion began. In the later stages of the strategy formation, CIDA's position was made yet weaker as other departments gained strong ministerial support. Development's marginality and complexity and the long term nature of development gave developmental needs a very low priority in interdepartmental discussion. A measure of ambivalence within CI[illegible] on some issues weakened its already-weak position.[49]

A discussion of CIDA's goals in strategy negotiations, and the resistance from other departments, illustrates the low importance attributed to poverty-alleviation by the non-aid bureaucrats, and sometimes ministers, involved. Gérin-Lajoie saw CIDA as Canada's conscience, and wanted aid to go to the poorest people. He hoped the *Strategy* would commit to: a target date for the 0.7% goal; debt relief; untied capital projects, increased funds for local costs and third country technical assistance. None appeared in the *Strategy*'s final version.[50]

Other agencies felt that there should be no comprehensive review of debt relief policy, as debt forgiveness would effectively transfer funds to industrialized countries responsible for the debt problem. Finance pointed out that debt repayments were a crown asset, not considerable as ODA. ITC implied that a portion of Third World debt had supported military and luxury goods and should not be forgiven. In the end, the sections on debt and aid terms were published as revised by Finance.[51]

Almost two-thirds (63%) of total Canadian aid was spent in Canada. CIDA called extensive tying restrictions "the most severe constraint facing CIDA."[52] Tying created disbursement lags, was difficult to implement, and distorted recipient countries' development. Canadian goods and services were scarce and expensive. Continued tying would necessitate identifying greater Canadian capacity. LDCs had limited absorptive capacity for Canadian goods—high technology was little suited to social development, health or local food production. Tying encouraged commercial development without social, humanitarian, political and environmental elements, and so prolonged dependency. Canada's high grant components were rendered meaningless by the escalation of costs produced by tied procurement.[53]

CIDA's push to untie aid met great resistance. Finance could see no need for untying. Finance and Treasury Board opposed even assessing the need to untie. There were high level objections from ITC, which particularly favored tied capital aid because of its after-sales service component—which countered CIDA's goal of encouraging self-reliance. DEA agreed to untie to LLDCs but maintained that aid to all others should be completely tied. One draft of the *Strategy* committed to the OECD agreement on untying, but ITC pressure caused that commitment to be withdrawn.[54]

CIDA wanted to strengthen the focus on the poorest, especially LLDCs. The DEA, on the other hand, informed parliament that LDC-oriented aid proposals conflicted with Canada's commercial, financial, monetary, transport and resource policies. When CIDA suggested gradual reduction of aid to MDCs,* the DEA refused, claiming cuts would damage bilateral relationships. ITC and Finance, both with high level backing, wanted to focus on commercially promising countries.[55]

CIDA hoped to avoid a repetition of the confrontational *Strategy* negotiations by moving the management of aid from CIDB to the Interdepartmental Committee on Economic Relations with Developing Countries (ICERDC) (1974), which carried the mandate to propose consistent foreign policy on developing countries. CIDA considered the ICERDC crucial and proposed that it report directly to Cabinet. Other departments resisted, Finance and ITC maintaining that non-aid measures belonged with multilateral institutions, and the Committee was authorized *only to propose and report* to the Secretary of State for External Affairs.[56]

Berry's study indicates that the highest political level, that of the Prime Minister, was unable to protect aid from interference by other departments. In a move to insulate aid from non-aid pressures, Pearson had appointed outsider Strong as president in 1966, giving him the status of deputy minister. This and other changes signaled strong prime ministerial backing for Strong's efforts to insulate aid from ITC and External Affairs.[57] The support may have allowed Strong' to transform External Aid into CIDA, and continued aid's expansion, but it did not protect CIDA from encroachment by those very parties, especially ITC.

Gérin Lajoie, CIDA's president during the *Strategy* formation, enjoyed unusual influence with Trudeau. Trudeau believed in aiding LDCs, and personally defended aiding the poorest in discussion with Priorities and Planning. He even announced that there would be "no commercial or political reasons for aid," and struggled with Finance for debt forgiveness for LLDCs.[58]

However, his actions had limited effect. Prime ministerial support was unable to shelter CIDA from the demands of trade and foreign policy.

Instead, CIDA was forced to wrestle with powerful departments, whose roles overlapped its own in differing ways, to define the 1975 strategy. The Canadian International Development Board (CIDB) formed the working group for the *Strategy.* On it sat representatives from CIDA, Finance, External Affairs, ITC, Treasury Board, and the Bank of Canada. Only CIDA had development assistance as its primary role, although External Affairs, Finance and the Bank of Canada shared multilateral involvement. Other departments objected to CIDA having responsibility for aid planning, and pressured CIDA to quantify the unquantifiable by asking for clear and measurable development criteria. Treasury Board, ITC and External Affairs pressured CIDA to allocate ODA to Canadian commercial and political interests.[59]

Of the 'opponents' CIDA faced in the 1975 *Strategy,* Treasury Board and Finance were the most powerful. They were core, or central, agencies and sat on the powerful Priorities and Planning Committee which would later imply that ODA was too generous, describing the *Strategy* as over-optimistic about Canada's economic situation. CIDA's position was complicated by the fact that it shared ODA-related 'territory' with Finance, the Bank of Canada and the DEA, responsible for World Bank and IMFissues, and debt rescheduling.

Treasury Board, anticipating an economic slowdown in Canada, observed that domestic social priorities outweighed ODA needs. Finance and Treasury Board, as "guardians," imposed restrictions on CIDA's spending in a way that interfered with quality aid delivery. For example, although CIDA in 1975 began to promote multi-year food aid for the sake of continuity and stability and to assist in recipient planning, Treasury Board and Finance blocked it completely for six years until in 1981 an exceptional three-year arrangement was authorized for Bangladesh. They continued to block multi-year food aid as a normal procedure for another six years, until the 1987 strategy committed to the provision of 75% of food aid on a multi-year basis. The Treasury Board likewise blocked untied food aid until 1984, when it allowed 5% untying.[60]

Finance and DEA disagreed with CIDA that Canada shared commonalities with LDCs, claiming that their interests were in conflict. The Bank of Canada entered *Strategy* negotiations late, entering to support Finance with high level reminders of 1974/75 recession's effects on Canada.

CIDA's relationship with Treasury Board was constrained by the fact that Treasury Board controlled CIDA's staffing and held the purse-strings, affecting disbursement ability. CIDA's desired increased focus on LLDCs would require additional staff and CIDA anticipated TB's refusal. TB's goal in *Strategy* negotiations was to retain flexibility by avoiding the publication of specific financial commitments. As well, there were high level Treasury Board objections to projections based on .7% target by 1980 and to any mention of debt relief. In objecting to the 0.7% target, Treasury Board noted CIDA's low disbursement capacity, but failed to note that CIDA's disbursement capacity was constrained by the size of its staff—an issue controlled by Treasury Board, as well as by other government requirements such as high aid tying.[61]

ITC's mandate is to promote exports and limit imports. The strained relations between CIDA and the ITC can be guessed by CIDA's dubbing of the ITC's Aid Operations Branch as the "CIDA-watchers." ITC was the watchdog who ensured that CIDA spent money on Canada and brought money to Canada. Jean Chretien, then minister of ITC, was protective of Quebec industry, lending high level support for ITC's regional arguments. ITC played an important role in the 1975 strategy. Intending to expand Canada's points of entry into growing export markets in MDCs, it put forward an MDC-oriented aid proposal as part of a new Canadian industrial strategy. To the ITC, export promotion was integral to aid. Commercial benefit to Canada was the only rationale for aid, and commercial criteria should therefore figure strongly in recipient selection. It wanted regular input into aid decision-making. Its proposed commercial aid program would devote 30% of ODA to a global fund for the promotion of Canada's high technology and high value-added products in the most advanced LDCs. ITC gave no credence to CIDA's view of aid as a means to alleviate poverty and accused CIDA of allocating too much aid to commercially unpromising countries like LLDCs.

When CIDA, in keeping with the basic needs approach to aid, sought to increase emphasis on the poor, the ITC objected to needs-based aid's bias to "small projects with high local costs, especially in the agriculture, education, and infrastructure sectors in low-income countries..." which would decrease Canadian benefits. ITC's attitude was that, since social and rural development were unsuited to Canadian manufactured and high technology goods, such development was not the business of CIDA but belonged in the hands of multilateral agencies.[62]

External Affairs, not being a central agency, wielded relatively less power than Finance and the Treasury Board. However, the relationship between CIDA and the DEA was unique in the context of the *Strategy* formation. Berry describes CIDA's policy branch and the DEA as rivals. Rivalry between the two could only have been aggravated by Trudeau's attitude. He reportedly considered External Affairs to be "largely irrelevant" and it received funding cuts while philosophical and financial support for ODA increased.[63]

CIDA's placement within External Affairs gave the latter sway over CIDA. CIDA's minister had the DEA as his primary responsibility while CIDA's president carried the lesser powers of deputy minister. Although CIDA was answerable to the DEA, the objectives of the two organizations, and their concepts of aid, differed. External Affairs looked on aid as a foreign policy tool and saw CIDA as an implementer rather than a policy-maker. CIDA blamed the DEA's lack of a clear foreign policy focus in the Third World for its own geographical spread while the DEA cautioned against a "quality of life" approach to aid. The two agencies disagreed on the optimum geographical coverage of ODA, number of ODA program countries, and on the introduction of the ITC's recommendation of a special MDC aid window. Finally, CIDA and the DEA, unable to reach agreement on geography, number of core countries, and an MDC window, simply deleted references to them from the *Strategy*.[64]

Berry claims that Secretary of State MacEachen was "deeply interested" in ODA and opposed a large commercial element. Despite whatever McEachen's personal feelings may have been, External Affairs was second only to ITC in its push to use aid to promote Canadian export. The DEA joined ITC in calling for increased emphasis on commercial relations, including a third window for MDCs until a separate facility could be established.[65] Their joint interest in trade promotion foreshadowed the 1982 joining of the two departments, which merged into External Affairs and International Trade. As mentioned above, ITC and the DEA wanted the CIDB to continue aid management. Although the fight was long, the third window that ITC and the DEA fought for was finally not included in the 1975 *Strategy*.

CIDA lacked negotiating power, especially against the powerful core agencies, in part because it had no domestic constituency. CIDA increasingly alienated the development community, its natural constituency, but was unable to compensate with a constituency of business or foreign policy groups. What supporters CIDA does have are not conveniently tied to any region or sector, and so lack a strong collective voice. At the time *Strategy* negotiations were under way NGOs had not yet established government communication channels; dialogue between NGOs and government did not begin until the world food crisis (1974). Even had NGOs vociferously defended CIDA, success would have been improbable. The NGO community's impact in government is muted by the fact that it is considered a CIDA creation and a dependency rather than a constituency.[66]

The business sector that appears to support aid, like the Canadian Manufacturers' and Exporters' Associations, in actuality supports not aid but aid tying,—which as CIDA argues is a major obstacle to effective aid. As Berry points out, it is not CIDA's constituency but ITC's, and will support CIDA only so long as CIDA provides the much-prized lines of credit and tied aid. CIDA, careful during *Strategy* negotiations not to step on business toes, reassured the Canadian Exporters Association that untying would not damage their interests.[67] CIDA's position was further damaged when in early 1975, with *Strategy* negotiations in the final stages, media accusations of irresponsibility sparked parliamentary debate.

CIDA had internal problems as it went into *Strategy* negotiations. Fraught with internal opposition, it could hardly present a strong and united front to 'opponents'. President Gérin-Lajoie wanted more aid for the poorest people. The President's Committee,* on the other hand, was anxious to avoid exactly the type of projects which most benefit the poor—those 'burdensome' small projects which require extensive untying and payment of local costs. The Committee wanted less emphasis on LLDCs and LDCs and more lines of credit. The Committee appeared to give no thought to developmental needs, calling for aid in a "particularly insidious" form. Export credits and associated financing are big contributors to the debt problem, and tend to go to MDCs and to large infrastructural projects which often harm the poor through displacement and environmental damage. The Committee did reluctantly agree to untying for LLDCs.[68]

Outside of the President's Committee, which represented senior management, CIDA resisted aid's commercialization. When a new manager took charge of the *Strategy*, CIDA's negotiations shifted away from the preferences of the President's Committee—from CIDA's and the government's needs—to the needs of LDCs. The new manager strove for a long term strategy which would direct the bulk of aid to LDCs and LLDCs. Perhaps to ease negotiations, he avoided operational discussion, switching the focus from specifics to generalities.[69]

While CIDA's general culture favored directing ODA to the poor, practicalities favored whatever was easiest. When CIDA's disbursements grew rapidly 1968-1974, workloads increased while staff size remained the same. In consequence, CIDA staff had been under constant pressure. In the absence of needed organizational changes—which would require 'opponent' Treasury Board to authorize increased staff—pressures could only be eased through liquid transfer mechanisms such as lines of credit to wealthier LDCs, an increased sectoral focus, and a switch to large infrastructure projects. Canada's commitment to the 0.7% target multiplied disbursement pressures. Meeting 0.7% by 1975 meant more than tripling the (1971/72) program. Such rapid growth would "create considerable difficulties" and CIDA feared it might allow ITC immense influence.[70] The expanded budget demanded corresponding organizational change, which was blocked by TB's refusal to grant additional staff to CIDA.

Those who opposed small, untied projects directed at the poor were thus assisted by CIDA's predicament. CIDA felt it could not address social needs without specific operational changes, which would require substantially more staff and skills. CIDA felt its growing administration problems were caused by a combination of a shortage of suitably trained staff, geographic and functional fragmentation, and an abundance of small administration-heavy projects. More staff would be needed to implement policy, especially if CIDA succeeded in gaining the envisioned strategy. Understaffing prevented the labour-intensive projects that would reach the poor, and lowered morale. (This problem has never been solved; staff shortages are noted in Berry's study of the 1970s and in Secor's study of the 1980s.) Increasing CIDA's non-aid influence was also necessary if developmental considerations were to receive top priority, and would require giving time and expertise to non-aid issues.

Although other departments had power over ODA decisions, CIDA had no corresponding power over other departments. One month before the *Strategy* was issued, CIDA released its own assessment of global aid, claiming that reallocation of military funds to ODA would far better serve the needs of international security than defence spending could. A "... massive and immediate inflow of resources to the developing countries..." was needed by 1985—the period covered by the *Strategy*—to "...translate abstract concepts of equity into concrete action."[71] The call for reallocation of military funds and the implied call for integration of foreign policy issues fell on deaf ears, as would continue to be the case. (Even some twenty years later, after the relationship between development and disarmament had long been well-defined, the Liberal government would choose to review defence separately from other areas of foreign policy.)

After the Strategy's publication: 'Infiltration.' Chapter 1 of this paper noted the glaring inconsistencies in the *Strategy*. While CIDA's aid delivery supports the document, its original intentions were far different and CIDA was clearly unhappy with the results of negotiations. The *Strategy* provided for no follow-up for itself, except the expectation that CIDA continually assess ODA policy and make recommendations to Cabinet "through the appropriate interdepartmental mechanisms." Cabinet would annually determine shares for each program, considering need and Canada's broad interests.Where CIDA concluded that the improvement in development quality outweighed the cost to the Canadian economy, said the *Strategy*, the agency could recommend changes—in consultation with other departments. The likelihood of CIDA's proposals surviving competition with the Canadian economy to reach the agreement of non-aid departments, was negligible. It had already proved impossible during *Strategy* negotiations, despite prime ministerial support.[72]

The issue of food aid provides an example. Food aid's past response to perceived developmental needs had not lessened benefits to Canadian producers. Food aid was simply switched from one area to another; for example from India, which anticipated the fruits of the green revolution, to the drought-prone Sahel. When the 1972-4 food crisis prompted a review of Canada's food aid, an interdepartmental committee produced a typically confused recommendation: food aid should simultaneously address the poor's nutritional needs, complement the recipient's domestic agricultural strategy, and allow the government to dispose of surplus foods and meet foreign policy goals.[73] CIDA established the Food Aid Coordination and Evaluation Centre

(FACE) (1978) to form policy and help resist external pressures. Its lack of success is indicated by the fact that food aid guidelines set that year called for food aid to emphasize value-added products—which would go to relatively well-off, urban, people in MDCs, not to the poor.

In the sense of relative independence, the *Strategy* negotiations were CIDA's swan song. By the end of the 1970s, the combination of added accountability pressures, increased pressures to use ODA for trade promotion and to boost aid to MDCs, and the appointment of a Minister for CIDA had imposed major changes within CIDA. Although CIDA's annual budget continued to increase, its non-lapsing nature was removed (1976). The combination of increased funds and decreased spending time increased disbursement pressures even further, and led to more unplanned spending.[74] Funds shifted from bilateral channels to easy disbursement areas, such as multilateral aid, food aid, and lines of credit.

Regional pressures on the government increased as the Parti Québécois won the Quebec election in 1976, prompting fears that corporate head offices would leave Montreal. The government stepped in with funds for Montreal and Quebec. The heightened focus on Quebec could only detract from CIDA's stance. The government was already protecting the textile industry, centred in Quebec, and was ready to distort ODA in any way necessary if it would save Quebec.[75]

Pratt identifies 1977 as a turning point for CIDA, after which CIDA policies—and intentions to deliver assistance to the poor—became subservient to the government's broader foreign policy and long-term economic objectives. CIDA responded by increasing allocations to IFIs, expanding food aid, extending lines of credit to Asia, and focusing on capital-intensive infrastructure elsewhere. None of these measures were helpful to the poor. Where trade and aid crossed paths, trade clearly retained the upper hand. Personnel 'infiltration' moved to the highest level as Gérin-Lajoie was replaced as CIDA president by External Affairs veteran Dupuy. Gérin-Lajoie's term as president had occasioned much interdepartmental conflict and Dupuy came to CIDA prepared to smooth relations. He intended to integrate CIDA into the foreign policy apparatus and ensure that ODA would serve Canada's economic interests.[76]

Dupuy—a veteran of External Affairs— would make non-aid issues an integral part of aid. When he became CIDA president he did not even attempt to portray a 'development-first' CIDA. Dupuy's mandate was to integrate CIDA into the foreign policy apparatus. Accordingly, in December of that year, he directed that "...CIDA strive to ensure that its activities maintain or generate employment and economic benefits in our own country."[77] CIDA initiated the Industrial Cooperation Program (INC) in 1978 to help Canadian industries operate in LDCs and began parallel financing. CIDA and EDC—whose concern with creditworthiness directed its cooperation to middle and upper income countries—separately administered portions of an export package.[78]

The auditor general's highly critical report of 1979 and critical reports of unsuccessful projects led CIDA to develop financial procedures in the late 1970s and early 1980s, laying an elaborate 'paper trail'. A detailed review of planned expenditures became necessary. CIDA created the Evaluation Division, the Comptroller Branch and the Resources Branch. The new procedures consumed much time and energy, and process began to outweigh result. In the "numbers-driven" CIDA which resulted, disbursement and reporting had become more important than contributing to development.[79]

CIDA's door was now open to External Affairs, and the latter played a leading role in the 1978 development on eligibility policy. The DEA established and chaired a task force including representatives from ITC, Finance, Treasury Board, and CIDA. CIDA was badly outnumbered by "guardian" agencies. The task force, unsurprisingly, "concluded that too much stress had been placed on LLDCs and too little on overall foreign policy objectives."[80] External Affairs intruded farther into CIDA affairs, becoming "...the sole implementing body of all departmental programs abroad...". CIDA executives and field representatives became employees of the External Affairs department. Communication became more difficult. Staff and management frustration and confusion increased. Costs rose.[81]

With Canada's membership in the G-7 came a heightened government focus on economic status and closer alignment with Northern conservatism.[82] Canada's new status as a G-7 member had an immediate impact. Trudeau returned from the Bonn (1978) summit on inflation and announced $2 billion in cuts without consulting Treasury Board or Finance. Although $2.5 billion was cut from the federal budget, CIDA escaped with minimal damage, its 1979 budget frozen at the 1978 level.[83] Nevertheless, commitment to aid had little place in the exclusionary G-7 mindset, and CIDA was negatively affected by Canada's membership in the G-7. Bureaucracies with domestic concerns responsible for preparing for G-7 summits, especially Finance, increasingly 'internationalized' and foreign policy came more and more to be assessed in terms of its domestic impact. ODA had little relevance in such a self-interested view of 'foreign policy' except where as it provided domestic benefit, as for example through tied aid.

Aid continued to be commercialized. ODA's minor importance relative to trade is illustrated by the fact that a committee on export was able to substantially influence decisions on aid allocation. When the Export Promotion Review Committee report (the Hatch Report) condemned CIDA's "overly philanthropic" approach to aid and recommended cutting multilateral aid in half, the government obligingly cut multilateral aid and made ODA increasingly subject to foreign policy and commercial objectives. Multilateral aid was an easy place to cut, as it generally receives even less domestic support than bilateral aid, provides less economic return, and allows little control of funds.[84]

Meanwhile, the government was still suffering from accountability problems. In 1979, the government tried again to establish a cohesive budget development system, initiating an 'envelope' system (PEMS).Under PEMS, each program was assigned to an envelope, and each envelope was placed in the hands of a cabinet committee for allocation. Critics claimed the new system transferred power from elected officials to bureaucrats. They called it unwieldy. Ministers began to bypass cabinet committees, going directly to the Finance minister or to Priorities and Planning for funding. CIDA, having already been overpowered by bureaucrats who had now been strengthened, had little to look forward to. CIDA gave up the battle, and moved on from assisting uncompetitive exporters to creating markets for them, shifting ODA to MDCs and to poor countries with large modern sectors that could absorb Canadian exports.[85]

3.5. The 1980s - Deficit reduction

The 1980s brought increasing protectionism and moves toward deficit reduction. In 1980, Ottawa targeted the textiles and clothing industry—the South's most important export industry—intending to promote high-technology production. The budget contained assistance for industrial restructuring and retraining.[86] CIDA lost the prime ministerial support it had earlier enjoyed. Trudeau was generally sympathetic to Third World needs but, as Pratt observes, ended his support with the failure of his 1981 attempt to improve North-South relations. Times were tough, and the government's focus was Canada. The 1981 recession led to attempts to decrease government spending. Departments were asked to identify low-priority programs, to be cut or deferred. As departments re-profiled to support the private sector, External Affairs became the Department of External Affairs and International Trade in 1982.[87]

Infiltration continued. Masse became CIDA's president from 1980 to 1982, after years in core agencies and in the DEA as undersecretary of state. He worked to bring CIDA in still closer alignment with other departments. Masse believed that developmental and commercial objectives were reconcilable, and wanted to coordinate ODA with External Affairs and Finance, although he rejected detailed supervision by External Affairs. With Masse at the helm, ODA was readily "re-profiled," like other departments, to support the private sector. Export credits and associated financing increased to enable the weakened South to continue buying Canadian exports. CIDA announced an initiative allowing $900 million over three years to the private sector, at first imposing restrictions to ensure developmental soundness. When it became clear that business was not interested in working under such restrictions, CIDA offered other business programs free of such stringent codes.[88]

CIDA's internal discord continued. Mixed motives and polarization within CIDA became increasingly apparent as CIDA simultaneously strengthened commercial ties on aid, and increased support for the voluntary sector. The President's Committee—which, even under Gérin-Lajoie, had internalized commercial pressures—had been strengthened by the presence of Dupuy and Masse, presidents from External Affairs. Again, food aid provides a good example. When at last CIDA gained permission from Treasury Board to untie 5% of food aid (1984), the President's Committee quickly added further restrictions on food aid untying, even though the 5% had been applicable only in exceptional circumstances. CIDA's branches supported their own interests, resisting efforts to integrate programmes.[89]

Perhaps to compensate for its growing inability to reach the poor, CIDA shifted funding from bilateral ODA to the voluntary sector, doubling the latter's funding from 9% to 18% over the 1980s. Aid went to areas championed by Canada's internationalist public, such as Nicaragua and the front line states of South Africa. As chapter two notes, however, much of this aid, especially aid to Africa, lost impact as it was tied and marred by CIDA's perennial 'hardware mentality'.

By 1983, senior government officials were forced to acknowledge another failure: PEMS wasn't working. Changes increased competition between ministers. CIDA, already with so little leverage, was put at an even greater disadvantage. Aid and foreign affairs became more and more closely linked to trade as CIDA turned away from development towards intra-governmental politics. Secor's note that CIDA continued to disburse in time "to meet Canadian foreign policy and domestic political imperatives" clearly indicates that those imperatives had superseded developmental needs.[90] Catley-Carlson (CIDA president 1983-1989) pushed CIDA to cooperate with other departments, gaining greater authority for contract approval by portraying CIDA as efficient and cooperative.[91] CIDA's policy publication of 1984 played to the private sector, emphasizing ODA's benefits to the Canadian economy, and reviving the 1960s vision of CIDA as purveyor of Canadian goods and services and foreign policy tool.

Despite calls to control government spending, the government continued running deficits, even during economic growth. Canada's deficit reached $32.4 million in 1984,[92] and deficit reduction, through government restraint and increased reliance on the private sector, became a high priority. Finance and Treasury Board reported a 'bare cupboard' and set out to identify possible cuts.[93] Treasury Board reviewed all programs and CIDA lost $180 million (1984).[94]

The government softened the blow by promising 0.15% of GNP to LLDCs by 1985, and reaffirming its commitment to reach 0.6% of GNP by 1990 and 0.7% by 1995.[95] The former promise was met, but ODA to LLDCs immediately dropped after the commitment was fulfilled.[96] The 0.6% commitment, although never fulfilled, protected CIDA's budget from further cuts until 1989, and CIDA enjoyed an average annual growth of 7.4% (1984/5-1988/9).[97] However CIDA's ability to function meaningfully was constrained when its staff was frozen at the 1985 level. The freeze resulted in increased contracting, and higher costs for aid delivery.[98]

CIDA's internal struggles. CIDA's internal problems continued in the 1980s. An examination of the agency's inner workings shows how the agency came increasingly to serve the government's trade and foreign policy goals. The 1980s was a crucial decade for CIDA. Canadian aid passed through nine channels, numerous programs, hundreds of agencies, to thousands of projects in over 100 countries.[99] But the period of expansion was over and by the end of the 1980s CIDA was fighting for its survival. The 1980s saw growing federal control, culminating with the federal commissioning of the groupe Secor to carry out an organizational analysis of CIDA. This was not an evaluation of aid, but an analysis of CIDA's structure. Although Secor was neither mandated nor qualified to assess CIDA's aid delivery, Secor found considerable problems pertinent to the present study. CIDA struggled for disbursement accountability and good relationships with other departments, while facing budget cuts combined with increasing costs.

Secor found a staff personally committed to quality development, but hamstrung by structural chaos and conflicting objectives. CIDA's committed staff, many of them drawn from the NGO community, faced insurmountable barriers which frustrated their delivery of aid to the poor. Short-term positions forced employees to continually develop new skills, and complicated relations with contractors who had to deal with "ever new project officers." The staffing freeze removed mobility in a field with skills not readily transferable to other fields.[100]

Problems stemmed from understaffing, structural weaknesses, and interference by other federal bodies. The President's Committee, the key decision-making committee, spent little time making decisions. Communication was so poor that *Sharing*'s announcement of support for SAP was news to most staff members as SAP had received little discussion even at CIDA's highest levels. Decentralization, also part of the 1987 strategy, compounded difficulties for field staff, who suddenly became External Affairs staff.[101]

In the early 1980s, CIDA continued the bureaucratization begun in the late 1970s in response to domestic accusations that it had been overly flexible, becoming reactive and rigid. Administration became slower and more complex. There was "virtually no scope for a common approach..." between branches.[102] CIDA was numbers-driven, compartmentalized, deficient and uncoordinated in strategic planning and decision-making. Planning was mechanical and not coordinated with operations. Finance and programming were only tenuously linked, with operating and aid budgets developed in different cycles. In times of restraint, cuts tended to be across the board with no assessment of impact.[103]

Staff performance evaluations, resting partially on disbursement, encouraged unwise spending. Probity requirements for "full transparency, zero defect and full compliance with public service regulations and practices" led CIDA to "over-controlling and... over-documenting." CIDA's attention shifted "from development towards process" and costs increased.[104]

CIDA's operating costs soared 72% between 1979/80 and 1990/91 although overall disbursements increased only about 3%. The cost per dollar disbursed increased by from 3% (Anglophone Africa) to 64% (Asia). Most of the increase went to salaries and employee benefits—which increased by 54% despite a 1985 freeze in person-years— and to professional and special services—which almost quadrupled, to 31%. Decentralization accounted for much of the increase, as field service expenses more than doubled while disbursements dropped by 8% (1986-1991).[105]

Staff reductions and constrained budgets led to increased contracting, even for internal functions. The contracting process was "cumbersome, lengthy and rigid" and expensive, and removed staff from the opportunity to gain direct knowledge of its clients—knowledge essential to assisting appropriately. CIDA officers' focused on contracting, monitoring and evaluation. Thus a cost-reduction measure increased costs through necessary recruitment, negotiation, supervision, briefing and debriefing. With increased contracting, CIDA lost expertise, quality control, and direct involvement, decreasing its ability to deliver assistance. Frequent officer rotation exacerbated this lack of knowledge. Staff could not rely on training or written policy—CIDA lacked sound policy and procedure; where training courses existed, they were inadequate.[106]

Despite huge and conflicting pressures, CIDA continued to disburse in time "to meet Canadian foreign policy and domestic political imperatives."[107] Hoping to gain domestic support and visibility, CIDA began regular consultations with other departments. Thus, in a decade of unprecedented need in the South, much of CIDA's energy was turned away from development towards intra-governmental politics. The SAP approach to development was foisted upon CIDA, and the world's poor—nominally CIDA's reason for existence—were more or less left to fend for themselves. Interdepartmental frictions decreased.[108]

CIDA's 1987 strategy illustrated the internal polarization. While it continued to emphasize poverty-alleviation and 'social justice,' it also proclaimed the centrality of structural adjustment to development, and required recipients to undergo SAP conditionality. Human rights and aid were linked, although this would prove next to meaningless (see chapter two). Women's issues became a nominal focus, although implementation of the change was left to individuals. The strategy was hampered by CIDA's fears of interference from other departments during implementation. For example, decentralization, part of the strategy, was deflected from its purpose by CIDA's fears that shaky support from Treasury Board and Finance would be withdrawn. Thus management rushed to decentralize, and decentralization's intended focus on making aid to the poor quicker and more effective was displaced by technical and financial matters.[109]

There were other problems with decentralization, which lessened the developmental value of ODA. The fact that decentralized staff automatically became External Affairs staff brought 'infiltration' to the front lines. Decentralization also 'insulated' aid from NGOs—organizations which CIDA had long acknowledged were best at reaching the poor—by cutting their involvement. Instead of insightful NGOs committed to alleviating poverty, recipients would henceforth deal with staff of External Affairs, whose main interests were to promote Canada's exports and enhance its image.

Outside of CIDA, cuts continued. The Conservative government promised to cut 15,000 person-years between 1986/87 and 1990/91. New initiatives were delayed, reserves frozen, departmental spending budgets cut by 3%, and program budgets reduced (1986). Despite government efforts, federal deficit reduction was unsuccessful. Overall spending and several programs—including ODA and external affairs—grew faster than the GDP although CIDA had in 1986 deferred uncommitted program funds. Agriculture, cut in 1984 and 1985, received new funding in 1986 and 1987. In 1988, defence was guaranteed 2% real growth over 15 years. By 1988, the government was again announcing new regional and agricultural programs.[110] CIDA's funding would soon feel the brunt of federal restraint.

The polarity within CIDA became glaringly visible. On one hand, CIDA defied the government's stance by continuing to support international reform as called for in the South's NIEO proposal.[111] On the other hand, CIDA reluctantly aligned with mainstream government (and with the aid regime's shift—see chapter 4) by supporting structural adjustment.

The government's January 1989 announcement of another major change to the budgeting process spelled doom for CIDA. Cabinet committees lost their spending power, and spending requests were rerouted through guardian committees including the Priorities and Planning and the new Expenditure Review Committee (ERC). The ERC—described as a "setup to say no"—took over guardianship from Treasury Board and Finance and conducted a program review as secretive as TB's earlier review. CIDA had thus far escaped relatively lightly, but its luck ran out in 1989. With other departments claiming that earlier cuts had taken all the fat, the 1989 cuts fell to the two departments thus far protected: Defence and CIDA, which were cut by $575 million and $360 million respectively.[112] CIDA received further disproportionately large cuts in 1990, 1991, and 1993.[113]

There were at least three factors at work in the government's downsizing of support for aid. Pratt attributes CIDA budget cuts since 1989 to "shifting judgment of senior decision makers about what was in Canada's interest."[114] Savoie indicates that the 1989 change in budget process, which transferred spending power from cabinet committees to powerful core committees, was an important factor. The former were relatively close to departmental work and had some chance of realistically assessing budgetary needs; the latter were concerned only with stopping spending. This transfer of power of course reflected Pratt's 'shifting judgements'. A third factor lay in the fact that the deficit continued, and there were no more 'easy' cuts outside CIDA and DND.

Finance, responsible for IMF and World Bank allocations, became increasingly involved in ODA policy with SAP entrenchment. CIDA's reluctant support for structural adjustment was solidified by Masse's return to CIDA in 1989. He came directly from a sojourn as Canada's IMF executive director, in which position he had, at Finance's urging, successfully led support for bridging capital for Guyana. As a result, he brought back to CIDA a fervent belief in structural adjustment. Masse tried to redefine CIDA in a way that would protect funding, working to align CIDA even more closely with other departments. By 1989, CIDA had adopted the world-view of Finance and External Affairs. SAP support had become central to CIDA's policy.[115]

3.6. The 1990s - 'Infiltration' becomes 'usurpation'

High level decisions were to lame CIDA. ODA shifted dramatically away from the poor, without public, NGO, or even high-level political consultation. The government dropped its 0.7% commitment, and CIDA lost the minimal protection offered by international commitments in a less internationalist Canada. Aid rhetoric switched from talk of social justice and the poor to 'human rights, democratic development, and good governance.' Federal support for 'democratic development' notwithstanding, Canada's public was refused access to decision-making processes. As Minister Landry remarked in discussing 1992 budget cuts, "it became quite clear that the government had made a decision and that the ministers were not to intervene."[116]

The DEA and CIDA came into direct competition for aid funds as External Affairs retained management of a new assistance envelope (IAE) formed (1991) to aid the former Soviet bloc. In May 1992 SCEAIT met with Minister Landry, who announced a 3% increase to international assistance, half of which would go to the IAE.SCEAIT noted that the public had been misled to believe that the entire 3% increase was to ODA. SCEAIT further criticized the expansion of the definition of ODA to include EDC concessional financing.[117]

CIDA fought back for a time, using the Secor report. Masse challenged EA's authority, hoping to gain policy autonomy.[118] Even though locked in a struggle for survival, CIDA continued to alienate aid's natural allies. While ODA support for the private sector increased, NGO funding was cut. CIDA, accused of a pro-NGO bias, transferred funds from the voluntary sector to the Private Sector initiatives fund (1991), and business became CIDA's fastest-growing area. NGOs, whose relationship with CIDA had already begun to disintegrate in the 1980s, perceived CIDA as a deliverer of harsh structural adjustment policies. CIDA misled its voluntary 'partners' and the public, under-representing the SAP element of its funding and purporting to put a 'human face' on adjustment. CIDA further betrayed NGOs with unkept promises to consult with them before making recommendations to cabinet, which it did in the Fall of 1992.[119]

When External Affairs blocked CIDA's proposal to cabinet, Cabinet asked External Affairs to prepare a background against which to consider CIDA's proposals. In January 1993, the DEA completed the background material, recommending closer tying of aid to commercial and foreign policy. Masse, having demonstrated that he was no longer loyal to External Affairs, was transferred out of CIDA. In April 1993, cabinet approved organizational changes to CIDA. CIDA's next two presidents, Bourgon and her successor Labelle, placated External Affairs.[120]

3.7. The missing voices

It is clear than many voices shape Canadian ODA, and painfully obvious that arguably the two most essential voices—those of the Canadian public and the poor who are the nominal reason for aid's existence—have the least impact. CIDA has tended to lock out its natural constituency through secrecy: not even the Sub-Committee on Development and Human Rights enjoys easy access to information from CIDA.[121] At best, the government has been weak in allowing the public input into aid policy. Gérin-Lajoie pointed out in 1975 Canada's lack of a counterpart to the US Overseas Development Council, the UK Overseas Development Institute, or the Dutch National Advisory Council for Assistance to Developing Countries. Instead of increasing public input, the government in the late 1980s decreased Canadian's already minimal access to ODA information. The 1987 strategy abolished CIDA's eligibility categories and accepted DAC's eligibility list, except for economic, political, or human rights reasons which would be kept confidential. Canadians thus lost access even to eligibility information.[122]

The public's main link to aid is through NGOs. The lonely NGO voice is, however, effectively silenced by NGO's position as funding recipients. Viewed by the government as CIDA's 'dependents,' they have little leverage despite their extensive experience, skill, and insight. When the public chooses to exert specific pressures, its influence increases. For example, Canadian public interest in Central America, especially Nicaragua, mushroomed in the 1980s. Intense lobbying to influence bilateral aid for the region led 80 NGOs to fund projects there. However CIDA deliberately stifled this major innovsource of initiative and link to the poor, resisting NGO efforts to support civil society and confining assistance to traditional tied, capital-intensive goods.

When in the early 1990s, government documents were leaked indicated that ODA would be withdrawn from the South's poor and redirected to the East, NGOs organized the public in an expression of outrage. The CCIC in 1992 campaigned for a full public foreign policy review, which took place early in 1995. However, CIDA's subsequent decision to 'kill' development education in Canada is likely to reverse the public education process. With CIDA's decision to end the Public Participation program which had funded developmental education, the public lost its main educator on development, and the public voice for development can be expected to grow yet weaker.

Decision-makers' perception of public opinion on aid is that there is little support for non-emergency aid, and that business support garnered through trade promotion and CIDA's other business initiatives is therefore necessary to continue a sizable aid program. Gillies found no basis, however, for the claim that public support for ODA depends on commercial returns. According to Pratt and Gillies, the public supports humanitarian aid, and thinks that aid should be directed to the poorest. Pratt points out that the public has been misled. Believing Canada's aid has gone to the poorest, the public has been disillusioned by aid's apparent ineffectiveness. As domestic problems increased, public commitment to ODA waned, reflecting growing unease about Canada's fiscal health and ability to support social programs at home.[123] Although general support may be weakening, certain sectors of the public have increased their support. For example, Canadian Anglican churches are giving more to international development, up from $2.2 million in 1990 to $3.2 million in 1992.[124]

3.8. In summary

Canada's aid program was begun primarily to serve trade and foreign policy interests, and only secondarily to promote development of the South. This orientation has persisted despite CIDA's efforts to shift ODA's focus to poverty-alleviation and to establish developmental needs as the top foreign policy priority. To the government, CIDA is a tool of trade and foreign policy, and CIDA's intentions to deliver aid to the poor have been frustrated by that fact. A federal tendency to departmental 'integration' disadvantages CIDA, which is at the bottom of the hierarchy. CIDA's relations with other departments are good only when CIDA agrees to serve their interests. Even in its first decade of existence, when CIDA received the strongest governmental support, it remained at the bottom of the hierarchy and had little choice but to serve trade and foreign policy interests. When CIDA resisted compromise, External Affairs moved in more closely. After the negotiations leading to the 1975 *Strategy*, External Affairs ensured that CIDA presidents would place foreign affairs matters (increasingly synonymous with export promotion) above aid.

To better assist the poor, Canada needs to take a long-term view of mutual benefit, and stand behind its own rhetoric on international peace and security. Canada's aid agency must have autonomy to deliver aid through small appropriate projects identified, planned, implemented and maintained with local input and decision-making. To do so, ODA must be freed of non-aid pressures and obligations. Public education and horizontal non-governmental North-South relationships must be encouraged and expanded. NGOs must be free to support political change towards increased social and economic equity. Consistent and clear Canadian action linking ODA with human rights must be reinforced by corresponding linkages between human right and trade matters. The following chapter examines interdepartmental pressures which have impeded the approach to development recommended here.

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1 Donald J. Savoie, *The Politics of Public Spending in Canada*, University of Toronto Press, Toronto, 1991, pp. 217-218

2 CIDA, *Canada and Development Cooperation*, 1976, op. cit., p. 104

3 Groupe Secor, op. cit., p. 11/2

4 Savoie, op. cit., pp. 213-216 (cites John Chenier and Mike Prince, "The Rise and Fall of Policy Planning and Research Units")

5 Berry, op. cit., pp. 29, 30, 38, 459, 472, 504

6 Charlton, op. cit., pp. 76-79

7 House of Commons, *For Whose Benefit?* op. cit., pp. 7, 15

8 Savoie, op. cit., pp. 232, 234-235

9 Ibid, p. 212

10 Ibid, pp. 6-7, 19, 195-196

11 Berry, op. cit., pp. 32, 481-482

* By "infiltration", I mean intrusion into CIDA of personnel from other departments. I assume that such personnel bring with them the culture and goals of the department from which they came.

12 CIDA, "The Future Role of DAC," op. cit., p. 5. Rawkins, op. cit., p. 171 (quotes from an interview). See also Groupe Secor, op. cit. p. 18/2. Several CIDA documents also refer to solving internal problems to "streamline" aid.

13 CIDA, "CIDA Commitments and Disbursements," op. cit., pp. 2-4

14 Pratt, "Canadian Development Assistance," op. cit., p. 23 n.22

15 Savoie, op. cit., pp. 38-39

16 House of Commons, *For Whose Benefit?* op. cit., pp. 35, 40, 43

17 CIDA, *Canada and Development Cooperation*, 1976, op. cit., pp. 64, 97

18 Berry, op. cit., p. 266. Information Canada, *Strategy*, op. cit., p. 19

19 Information Canada, *Strategy*, op. cit., p. 19. Berry, op. cit., pp. 88, 102, 260, 256, 262. Burdette, op. cit., pp. 223-224

20 House of Commons, *For Whose Benefit?* op. cit., p. 12

21 CIDA, *Annual Report, 1988*, op. cit., p. 61. Groupe Secor, op. cit., pp. 136/1-137/1

22 Gillies, op. cit., p. 200. Pratt, "Canadian Development Assistance," op. cit., p. 8-10, 15

23 CIDA, *Elements*, 1984, op. cit., p. 10-11. Charlton, op. cit., pp. 64, 75, 77-78

24 Gillies, op. cit., p. 187

25 Savoie, op. cit., pp. 16, 47-50

26 Ibid, p. 127

27 Ibid, pp. 53, 56

28 Pratt, op. cit., p. 339. Savoie op. cit., p. 16

29 External Aid Office, *Canada's External Aid Programs*, op. cit., p. 1. Morrison, op. cit., p. 126. Pratt, op. cit., p. 342

30 Groupe Secor, op. cit., p. 64/2

31 CIDA, *CIDA Commitments and Disbursements*, op. cit., pp. 3-6

32 External Aid Office, *Canada's External Aid Programs*, op. cit., p 3

33 External Affairs Office, *Annual Review, 1967*, op. cit., p. 3

34 CIDA, "CIDA in a Changing Government Organization," op. cit., p. 2

35 Pratt, op. cit., p. 340

36 External Aid, *Annual Review, 1968*, op. cit., p. 2 (Strong). CIDA, *Annual Review, 1969*, pp. 2: Sharp, External Affairs Secretary of State, 9

37 CIDA, *Annual Review, 1969*, op. cit., p. 5. Pratt, op. cit., pp. 342, 346

38 Savoie op. cit., pp. 37, 58, 59, 127

39 Bruce Thordarson, *Trudeau and Foreign Policy: a study in decision-making*, Oxford University Press, Toronto, 1972, pp. 71, 142, 146, 172

40 Ibid, pp. 183, 195

41 External Affairs, *Foreign Policy for Canadians*, op. cit., p. 9. Thordarson, op. cit., p. 184

* Only widely publicized stories of successful development activities could negate that perception. Perhaps there is an important message here for the media and for CIDA/External Affairs public relations staff: *publicize not only the needs of the South—which are always present—but the successes*, which many people, who might support development if they thought it effective, don't believe in.

42 Pratt, op. cit., p. 340

43 Berry, op. cit., p. 182. CIDA "CIDA in a Changing Government Organization," op. cit., pp. 3, 4. CIDA, *Approaches to the Seventies*,1971, op. cit., p. 12. CIDA, "25 Years After," op. cit., p. 18

44 CIDA, "CIDA in a Changing Government Organization," op. cit., p. 6

45 CIDA, *Canada and Development Cooperation*, 1976, op. cit., p. 80. CIDA, *Women in Development*, op. cit., pp. 27, 28, 32

46 Savoie op. cit., pp. 17-18, 33, 59-60, 83, 110-113, 158, 321

47 Berry, op. cit., p. 456

48 Ibid, pp. 497, 539, 544

49 Ibid, pp. 219, 234, 508, 488 n 25, 537

50 Ibid, pp. 74, 79-80, 151, 207, 332

51 Ibid, pp. 227, 228, 241, 243-244, 445, 452

52 Ibid, p. 193

53 Ibid, pp. 84, 131, 132, 142, 152-153, 293, 334 n 73, 410-411

54 Ibid, pp. 167n 9, 220-222, 226, 239-240, 412, 425

* Countries with GNPs of $500-1000, such as Trinidad and Tobago, Jamaica, Malaysia, Singapore, Brazil, Mexico, and Argentina

55 Ibid, pp. 64, 89, 114, 138, 205, 220, 306, 327, 358, 462 n 26

56 Information Canada, *Strategy*, op. cit., p. 19

57 Pratt, op. cit., pp. 342, 346

58 Berry, op. cit., pp. 46, 247, 362 n 55, 441 n 32, 507, 510

59 Ibid, pp. 98-99, 137, 219, 225, 345

60 Charlton op.cit., p. 62-63, CIDA "CIDA in a Changing Government Organization," op. cit., p. 9. Berry, op. cit., p. 73, 246, 98-99,137, 225, 227 n 23, 389. Burdette, op. cit., p. 220

61 Berry, op. cit., p. 319

62 Ibid, pp. 80, 81 n 13 &14, 82, 83, 133-134, 202, 241, 309-310, 340 n 8, 408 n 50, 527

63 Thordarson, op. cit., pp. 91, 115. Berry op. cit., pp. 88, 219, 234, 508

64 Berry, op. cit., pp. 88, 119, 135-136, 239, 244

65 Ibid, pp. 88, 203 n 48, 228, 325-326. CIDA, *Elements*, op. cit., frontispiece

66 Pratt, op. cit., p. 359. Berry, op. cit., p. 111 n 15

67 Berry, op. cit., pp. 210, 233, 224, 413 n 61, 424, 490

* Maurice Strong established the President's Committee in 1966. Composed of CIDA's President, Senior Vice-President, and all branch heads, it was to be CIDA's key decision-making committee. Although it met weekly, Secor noted that it spent little time on "strategic decision making." (Groupe Secor, Strategic Management Review, 48/2, 51/2, 64/2).

68 Berry, op. cit., p. 405, 432 n 5. Gillies, op. cit., p. 200

69 Berry, op. cit., pp. 127, 151, 162, 166

70 Ibid, pp. 18, 75, 79 n 11, 109, 124, 193, 214-215, 254, 263, 293 n 13. 294, 296 n 18

71 CIDA, "25 years After," op. cit., pp. 19, 21. "25 years After" was a statement given August 8, 1975. The *Strategy*'s introduction by then Secretary of State for External Affairs, Allan MacEachen, is dated September 2, 1975.

72 Information Canada, *Strategy*, op. cit., pp. 27, 38

73 Charlton op. cit., pp. 56-59

74 See Savoie op. cit., pp. 209-211, 227

75 Pratt, C., "Has Middle Power Internationalism a Future?" in Pratt, C. (ed.) *Middle Power Internationalism: The North-South Dimension*, McGill-Queen's University Press, Montreal, 1990, pp. 147-148

76 Pratt, "Canadian Development Assistance," op. cit., p. 3. Morrison, op. cit., p. 135. Rawkins, op. cit., p. 159 (quotes a current CIDA senior administrator)

77 Morrison, op. cit., p. 135

78 Information Canada, *Strategy*, op. cit., p. 34. CIDA, *Canada and Development Cooperation*, 1979, op. cit., p. 28. House of Commons, *For Whose Benefit?* op. cit., p. 41

79 CIDA, *Canada and Development Cooperation*, 1979, op. cit., p. 6. CIDA, *Women in Development*, op. cit., p. 29. Rawkins, op. cit., p. 160. Groupe Secor, op. cit., pp. 7/2, 13/2, 23/2

80 Morrison, op. cit., p. 135. Pratt, "Humane Internationalism," op. cit., p. 344

81 Groupe Secor, op. cit., pp. 67/2, 79/2

82 Pratt, "Humane Internationalism," op. cit., p. 352

83 Savoie op. cit., pp. 151-154

84 Morrison, op. cit., p. 138. Protheroe, op. cit., pp. 26, 48

85 Savoie op. cit., pp. 61-62, 87, 329. Pratt, "Humane Internationalism," op. cit., p. 345

86 Savoie op. cit., pp. 299-300

87 Pratt, "Humane Internationalism," op. cit., p. 345-346

88 Gillies, op. cit., pp. 198-199

89 Savoie op. cit., pp. 156-157. Gillies, op. cit., p. 195. Charlton op. cit., p. 79. Groupe Secor, op. cit., p. 15/2

90 Groupe Secor, op. cit., p. 17/2

91 Savoie op. cit., pp. 68-69, 88. Rawkins, op. cit., pp. 161, 162. Pratt, "Canadian Development Assistance," op. cit., pp. 3-4

92 Savoie, op. cit., p. 326

93 Ibid, pp. 17-18, 163-165, 241. Burdette, op. cit., p. 221. Morrison, op. cit., p. 140

94 Savoie op. cit., pp. 163-165

95 Ibid, pp. 172

96 Morrison, op. cit., p. 146

97 Savoie op. cit., p. 355

98 Groupe Secor, op. cit., pp. 10/2, 89/1

99 House of Commons, *For Whose Benefit?* op. cit., p. 53

100 Groupe Secor, op. cit., p. 10/2

101 Groupe Secor, op. cit., pp. 48/2, 51/2, 67/2. Burdette, op. cit., pp. 217, 235 n 37

102 Rudner, op. cit., p. 306

103 Groupe Secor, op. cit., pp. 15/2, 16/2, 23/2, 46/2, 48/2, 50/2-51/2, 56/2, 71/2, 89/1

104 Ibid, pp. 79/2, 80/2, 83/2

105 Ibid, pp. 50/1 Fig1.2.2, 60/1, Fig1.2.11, 62/1 Figu1.2.12, 63/1, 64/1 Fig 1.1.13

106 Ibid, pp. 72/2. Rawkins, op. cit., pp. 169, 171 (quote from an interview)

107 Groupe Secor, op. cit., p. 17/2

108 Rawkins, op. cit., p. 161

109 Ibid, pp. 166

110 Savoie, op. cit., pp. 169-171, 176, 177, 235-238, 332

111 CIDA, *Women in Development*, op. cit., p. 39

112 Savoie, op. cit., pp. 348-349 (quote attributed to an unidentified journalist), 355

113 Pratt, "Humane Internationalism," op. cit., p. 351

114 Ibid, pp. 338

115 Burdette, op. cit., pp. 211, 221. Rawkins, op. cit., p. 159

116 House of Commons, *Minutes*, May 6, 1992, op. cit., p. 34: 21

117 Pratt, "Humane Internationalism," op. cit., p. 359. House of Commons, *Minutes*, May 6, 1992, op. cit., pp. 34:4 and 34:7 (Stewart)

118 Morrison, op. cit., pp. 144, 147. Pratt, "Humane Internationalism," op. cit., p. 355. Rawkins, op. cit., p. 178

119 Burdette, op. cit., pp. 222-224

120 Morrison, op. cit., p. 148. Rawkins, op. cit., p. 12

121 House of Commons, *Minutes of Proceedings and Evidence of the Sub-Committee on Development and Human Rights of the Standing Committee on External Affairs and International Trade*, March 31, 1993, p. 37:22 (MacDonald)

122 CIDA, "Dilemmas and Choices," op. cit., p. 20. Morrison, op. cit., pp. 142-143

123 Berry, op. cit., pp. 515 n 104, 517, 522-523. The observation that the government regards business support as essential to maintaining aid is supported by numerous entries in House of Commons minutes. Gillies, op. cit., p. 189. Pratt, "Humane Internationalim," op. cit., pp. 334-337

124 House of Commons, *Minutes of Proceedings and Evidence of the Sub-Committee on Development and Human Rights of the Standing Committee on External Affairs and International Trade*, April 1, 1993, p. 38:2[illegible] (Barton)

Chapter 4. The South's Development Context

4.1. Introduction

Aid is a complex—often misleading—process, with far-reaching effects. If ODA agencies sincerely wish to help poor countries and poor people, they will ensure that their own aid delivery minimizes development distortion and maximizes assistance to the poor. This requires fundamental change. *Projects must be small and 'community-supportive.'*[1] *They must: target women and children directly; use and expand local knowledge; engage beneficiaries in project identification, design, implementation, and maintenance; tailor funding to specific project requirements; and cover local costs.*

Chapter 1 asked questions about aid in Canada—Why is aid extended? To whom is it extended? W[illegible] the benefit? These questions are asked in search of an answer to [illegible] important question—does aid help the poor? To find out, it is necessary to examine the history of the South's development and the closely intertwined history of aid. There will be some emphasis on Africa as it is the continent most disabled by the biases of the international system.

Canada is fairly typical in its aid delivery, although not completely average. Chapter 2 [illegible]d that Canadian ODA became increasingly commercialized. Its grant element is high, but so is its use of tying and export credits. The negative impact of the latter two outweighs the benefit of the former. The tying of aid and use of export credits shape development inappropriately and make aid much more expensive to the recipient. Thus Canada is very poor at "providing direct poverty alleviation assistance,"[2] purportedly CIDA's main thrust.

Although the following is highly critical, it is not my intention to discredit aid. Much good has been done. However, the same amount of resources could have been used far more effectively, and it is in hopes of improving ODA's effectiveness that this study is written. ODA has contributed to an enormous and unacceptable waste of human and other resources. My purpose is to identify the roots of that waste, as a necessary first step toward efficient and appropriate extension of official development assistance. In general and in the case of Canada as donor, aid allocation is based on historical commitment and crisis, but not on developmental effectiveness. It tends to minimize risk, disburse large amounts quickly, and rely heavily on donor-supplied imports. Mosley notes that central to the theory of economic policy is the requirement that the number of instruments equal the number of policy targets. Yet one policy instrument, the aid budget, is "routinely expected to chase at least *four* targets simultaneously."[3] Canada is typical in this multiple expectation. It has expected aid to serve domestic and international political and economic goals.

Decades of ODA have resulted in increasing dependency and impoverishment in poor countries of the South. Many development projects have compounded underdevelopment because they were wholly inappropriate to the local economy. Foreign technology requires the recipient culture to adapt, or the technology will ultimately be unsustainable. Technologies dependent on the source economy for parts and maintenance interfere with self-reliance, which is central to successful development. Heavy, often imposed, reliance on foreign expertise has resulted in foreign involvement even in such key domestic processes as planning. The South pays heavily for technology: directly and indirectly. Much of the cost is hidden in transfer pricing, delay, and the immeasurable harm done by transferring inappropriate technology.[4] This chapter discusses biases within development and development assistance that contribute to these problems. Chapter 5 discusses the inequities of the international economic system. Within that system, poor countries of the South import more than they export, and most of the South's population continues, as Prebisch observes, to engage in "...pre-capitalist activities...with very low productivity...".[5]

UNICEF identified the roots of sub-Saharan Africa's problems as: an anti-agriculture and anti-rural bias in development policy; increasing dependence on imported food; lack of domestic production of necessary inputs; and population growth.[6] The first three result from a broader bias: a general donor determination to see development in economic terms, to the detriment of crucial social components. An entrenched mentality that development is about industrialization rather than about people directs ODA to large capital-intensive projects, and prevents the addressing of essential matters. A strong, although unadmitted, reluctance to altering the status quo undermines the possibilities for progressive social development. Donor reluctance to cover local costs and donor perceptions that small participatory projects are administratively costly also work to block poverty-oriented projects. The result of these biases is a net South-North flow of resources.

Equity—a concept missing in the environment explored in chapter 5— is essential, both for healthy economic development in the South and in meeting the goal of assisting the poor. There are two levels to the question of equity in development: national equity and individual equity. The South's battle, as represented in chapter 5, has aimed for equity among countries. Chapter 5 demonstrates that the North's attitudinal bias of 'monetarism' has manifested itself in a well-entrenched systemic anti-South bias. Were this systemic bias to be absent, though, and were the South to achieve its goal of national equity, it would not be enough. Of central concern to helping the poor out of the trap of poverty—the proclaimed ultimate goal of development assistance, if not of development—is the achievement of equity among individuals as well.

ODA is meant to facilitate the entry of the poor (countries and people) into the mainstream economy. It is an attempt to fuse two very different worlds—the South with the North at the international level, and the poor with the rich within nations. It attempts to accomplish this enormity with relatively small amounts of money and without any real shifting of power. It is impossible to accomplish social change to the necessary extent without shifting power. Poverty is powerlessness. Poverty alleviation gives a measure of power. The transformation of an underdeveloped economy to a developed economy requires fundamental political change which is against the interests of the ruling classes.[7] Within nations, those in power perceive that they have a strong vested interest in keeping the poor poor; and the North perceives that it has a strong vested interest in keeping the South poor.

What those who wield power do not perceive is that power is best demonstrated by extending generosity, not by withholding what is needed.* Until that perception dawns on those currently in power, in the North and in nations, inequity and poverty will continue. As long as development and aid attempts to 'cure' poverty without shifting power, they will funnel aid, as Canada does, away from those states and individuals who need it.

ODA has been further marred by a lack of understanding of poverty and how to end it. The North's refusal to accept and address the concept of equity has resulted in the rejection of the fundamental messages of commissioned reports, such as those led by Pearson, Brandt, and Brundtland. In consequence ODA has continued to support the imposition of foreign industry and export-oriented production on countries of the South, in the process continuing the destruction of indigenous industry and successful subsistence lifestyles.

The proper role of ODA and development planners is to enable local people to undertake analysis of their needs, identify the problems to be addressed, and address those problems in a sustainable fashion. The most successful assistance goes directly to poor people, helping them to enrich their own lifestyle rather than forcing them to abandon it. This type of development can only take place through small, localized, participatory action. Only through such action can essential local knowledge, for example on specifics of culture and environment, be brought to bear. Only through such action can sound analysis identify needs and how they can best be met. Only through such action can aid 'recipients' take extended responsibility for the outcome of projects, rendering them sustainable.

ODA has been justified as the fulfillment of a moral obligation. Hart, however, rejects the idea that aid is motivated by morality. The thought that morality might guide the international system or ODA is, she observes, "a sad sweet innocence." In reality, ODA is "sharply and abrasively political."[8] Aid has been described as "a means by which resources remain in, or return to, the North"[9] through loan servicing and purchases of donor-supplied capital equipment. Transnational corporations (TNCs) play a large role, as sources of offshore investment and suppliers of aid-funded capital equipment. It is not surprising that TNC involvement does not bring prosperity to host countries. TNCs exist to reap profit, not to alleviate poverty; to transfer resources from host country to headquarters, not to contribute resources to the host country. In offshore investment, they are careful to keep technology and management out of domestic hands. Western TNCs, which hold almost all patents on new technology, do not willingly share resources, and give as little as possible to their host country.

A view from the South: Africa. Africa, cradle of humankind, has become the cradle of poverty despite the fact that it holds most of the world's chrome, platinum and manganese reserves, as well as other mineral resources.[10] Its economic, political and social structures have been deteriorating since the 1970s, so that crises have become more the rule than the exception. Of the countries of the South, those in Southern Africa are most urgently in need of healthy development and most likely to be excluded from emerging economic blocs (see chapter 5).

Africa's problems are wide-ranging and deep, and some are unique to Africa. Ethnicity, not class, was primary in the traditional African social consciousness. Strong traditional ties to ethnicity survive, although post-colonial states did not honour ethnic groupings. Ethnic loyalty and inter-ethnic division has blocked social organization and encouraged strife. When particular ethnic groups become dominant, they often impose their own value systems on the populace, and manipulate state machinery to serve their own purposes. The lack of national languages also enormously complicates organization and administration. Citizens of any given African country, unable to communicate with each other in markets, streets, and at work, face consequent restrictions in employment, housing, and schooling.[11]

Kibuka describes Africa's social situation as "characterized by conflict..., pretensions at democracy, a very large number of refugees and displaced persons, the prevalence of curable and preventable diseases, illiteracy, low productive capacities, high population growth-rates, low per caput incomes and therefore poverty, unemployment, intolerable social conditions, imbalanced rural-urban growth rates, very high crime rates...". Governments which do not offer the people protection from exploitation and oppression lack legitimacy or support; instead they engender public hostility. The fact that many communities are composed of 'have's and have-nots' is further divisive.[12] Social disintegration has resulted in large part from the destruction of the indigenous social and economic systems.

Clean water, dependable access to adequate amounts of nutritious food, and access to health services would prevent innumerable needless deaths. The absence of these basics leaves the poor forced to struggle for survival against high odds. Malnutrition remains a major cause of high infant and child mortality rates in Africa. As a result of having to resort to contaminated water, more Africans die of water-borne diseases than of any other type of disease. In 1990, only 40% of the population of sub-Saharan Africa had access to health services. In 1991, only 23% of Ethiopia's population had access to safe drinking water.[13] Health-related services are the focus of some multilateral agencies supported by Canada. Yet such crucial work is undermined by other policies and by the deterioration of the indigenous culture. For example, as bottle feeding has replaced traditional nursing, powdered milk—a component of Canadian food aid—has exacerbated the water hazard.[14]

Progress is frustrated by the fact that rural Africans—over 80% of the population— are caught in a "deprivation trap" composed of "poverty, resultant physical debility, vulnerability to 'episodic shocks' such as natural catastrophes and wars, the unavailability of essential basic services, and powerlessness."[15] This trap has become self-perpetuating and would affect the future, even if development processes should suddenly become perfect.

Harrell-Bond points out that the African experience has left severe physical and psychological scars.[16] We are all products of our environment and our experience. African children have for decades suffered or observed malnutrition, disease, the loss of their homes, and the brutal death of their families or friends. A generation which has grown up brutalized is apt to continue brutalization, or accept its continuation by others. Past damage increases the need for a strong social infrastructure.

African perceptions of ODA are illuminating. To African eyes, ODA supports retrogressive development including reliance on imported food, which demands foreign exchange and undermines food self-sufficiency. ODA decision-making is profoundly uninformed and misinformed. ODA is inefficiently spent, imposes top-down decisions, and ignores local knowledge. It has been instrumental in destroying traditions which took care of the poor and conserved the environment and replacing them with foreign input.

Multinational and NGO agencies sometimes assume large areas of governance, damaging the host's domestic and international credibility. Host countries become "alarmingly dependent upon aid agencies," and feel unable to question agencies even when their technical advice is "patently inappropriate" and they re-use failed approaches. Almost all 'foreign experts are ignorant of local rules and customs. Area-specific training is not considered by agencies to be important. International experience is assumed sufficient and local knowledge is rejected "as if nothing might be learned from consultation or...team work."[17] Although the host government must demonstrate financial 'accountability,' agencies are not held accountable for the value of the services they deliver.[18]

Massive unsuccessful development projects have left enormous debts. Peasants have lost subsistence land to cash crops which were sold to service those debts although neither they nor the general population benefited from the borrowed money. ODA's refusal to deal with political problems abets oppressive elements. Its tendency to deal with refugees as discrete and isolated problems prevents their integration into, and contribution to, host economies.[19]

Harrell-Bond's discussion of international treatment of Africa's refugees lends insight to the limitations of ODA, which fail to address political issues behind refugee flight. She recommends a conflict resolution process to resolve the needs for migration rather than aid. She explains that the earmarking of aid solely for refugees is associated with a faulty view of refugee flights as 'short-term' problems. This practice establishes economic and physical separations between refugees and their hosts, creating hostility, preventing assimilation, and engendering continued refugee dependence on donors. Donors tend to disregard the considerable skills and education levels of many refugees, characterizing them as illiterate and helpless. Refugees, and aid recipients, are regarded as "social problems." This derives partly from the media, which perceive problems as news, and partly from the fact that it is easier to mobilize public concern with simplified issues.[20]

Steady concludes "...The assumption that problems can be solved through the proliferation of foreign 'experts' as well as foreign-controlled 'women's projects' and 'research activities' has proven to be false."[21] Others agree that Africa's interests would be best served by severing links with international dependency-creating institutions, including aid agencies. Adedeji calls for Africa "to shake off dependency in all its social, political and cultural forms. The alternative," he states, "is too grim to contemplate."[22] Kibuka criticizes a common approach to social policy—adopted intentionally or unintentionally by CIDA—which separates policy formulation and analysis from planning, implementation and administration.[23]

4.2. The early years

Too little attention has been paid to the lasting effects of the artificial partitioning of Africa, and the specific legacies of colonial rule which current governments have inherited and been unable to amend. Colonialism destroyed socially and environmentally wise traditions, transferring western technology and ideology without regard for indigenous knowledge or custom. Cash crops displaced food crops, traditionally women's domain, making women's roles much harder. Priority was given to mineral extraction and cash crops for export. Modernization in agriculture was heavily dependent on imports from TNC monopolies. In Africa, colonization developed housing only for administrators, mainly Europeans and Asians. Education was designed to provide just enough literate Africans to run the economy.[24]

Colonizers replaced indigenous skills, lifestyles, and preferences with their own. New merchant and consumer classes emerged, entrenching distortion and squandering surplus. As the state economy became outward oriented to meet the needs of the colonizing state, the indigenous balance between production and consumption was destroyed. Colonization tended to divide local populations. Inter-colonial rivalry likewise limited economic and political integration. Local élites developed internationalised economic ties, and continue to do so when opportunity appears. Because they gained personal power and wealth from their status as economic intermediaries, they had little incentive to develop a strong state to support the general populations, and the state remained weak. (The destructive effects of state-weakening IMF/IBRD policies where states desperately need strengthening will be discussed below.) Refugees became an internationally recognized problem with anti-colonial warfare. However African states considered refugeeism to be a temporary phenomenon, which would disappear when independence was achieved.[25] There were therefore no cohesive attempts to address the issues of refugeeism. Multilateral agencies have maintained that ad hoc approach.

The Third World emerged into an international system based on American economics. Sachs call its emergence "the most significant structural phenomenon... in the second half of this century."[26] It is not surprising that a great deal of learning and adjustment has been, and continues to be, necessary to accommodate this phenomenon. This chapter chronicles the ebb and flow of this adjustment, which is still far from complete.

The US initiated development activity as an instrument of the Cold War, to counter the spread of Communism. Truman's Point Four Campaign in 1949 popularized the term "modernization" and the term continues to be used, mainly under American influence. Modernization aims to impose Western ideology and modes of production on the South. Global assistance channels emerged in the 1940s and 1950s, with the formation of international agencies, including the World Bank (1944), focused on Asia and South America ; the UN Economic Commissions for Europe, Asia and the Far East (1947); the UN Economic Commission for Latin America (1948); the Marshall Plan (1948-1952); the Commonwealth Colombo Plan, focused on Asia (1950); and the American Development Bank (1959).[27]

Canada's ODA program began in the context of the Cold War, as part of Canada's contribution to containing Soviet expansionism so that the world would continue to progress toward a peaceful, stable existence. Both the UK and the US placed pressure on Canada and other non-colonial states to engage in development programs. Donor states including Canada used tied aid to support domestic industry, and in turn domestic industry supported a generous aid budget.

ODA strategies were heavily influenced by the Marshall Plan, often viewed as the successful precursor to development assistance. The success of the Marshall Plan might lead the casual observer to expect the South's development would be as successful.[28] The fact that Marshall Plan-like aid has resulted in slow, and even regressive, development in the South—so different from the relatively quick results of the Marshall Plan, has had harmful psychological effects, including hopelessness, and aid dependency. It is important, therefore, that the world community recognize crucial reasons for Marshall-Plan aid failure. (More about the poor understanding of the relationship between aid and poverty follows later in this chapter.)

There are important differences—besides the global inequities discussed later in this chapter—between the Marshall Plan and current ODA. First of all, the US devoted a large percentage of its GNP to the Marshall Plan, but devotes only a fraction of a percent to ODA. Second, the Marshall Plan was reconstructing, not constructing for the first time. Social infrastructure and distribution systems already existed. Skills, knowledge, and experience already existed. When ODA to the South began, it was assumed that this social infrastructure was already in place.[29] The South, however, lacked the developed human resources needed to meet a Western model of development. Its indigenous culture and industry had been damaged through colonization, and would be devastated by the 'modernization' approach to development.

Third, Europe was a Western culture. The Marshall Plan was not an attempt to fit an alien ideology and lifestyle onto a territory; but this imposition of an alien condition is precisely what traditional development assistance has attempted to do in the South. Fourth, aid under the Marshall Plan was non-repayable.[30] Had assistance to the South been sufficient and non-repayable, the devastation brought by the debt crisis would never have come about, and early progress would not have been negated. Lastly, aid under the Marshall Plan was coordinated by the donor agency; developing countries today face the overwhelming administrative burden—without highly developed administrative systems—of dealing with multiple countries, agencies, programs, projects. The results are often counter-productive, as aid-tying, competition, and lack of coordinated planning bring inappropriate and often incompatible technologies together into unsustainable systems.

Modernization assumed acculturation. Tradition, perceived to be 'irrational,' and modernity were seen as opposing forces. The former had to make way for the latter. Thus, traditional mutual aid systems have broken down. Collectivism and cooperation gave way to individualism and competition. Agriculture was commercialized and industrialized. Food production gave way to cash crops, and animal power to machinery. Education formed expectations and aspirations that could not be met. A modernized elite formed and wide income disparities grew between this group and the populace at large. Elite tastes and values further undermined domestic production and tradition.[31]

Colonialism had destroyed much tradition and modernization continued the destruction. The means to social and environmental sustainability was lost with the loss of tradition. African tradition had ensured that every community member's needs were met. The community took care of the sick and disabled, and managed famine and drought response. Because tradition regarded earth and all its inhabitants as sacred, the environment was revered and protected. Basic social institutions eroded, including "the voluntary village and community spirit for participation, development and protection... and traditional institutions, arrangements and norms for dealing with certain offences and forms of social deviance...".[32] The loss of tradition also undermined the people's moral strength and self-identity, two important aspects of social health.[33]

By the end of the 1950s it was already apparent—and in most cases acknowledged in GATT reports—that the South's share of world trade was declining; that Northern actions were restricting Southern trade; that Southern progress was restricted by insufficient foreign exchange; and that commodity trade instability was problematic for the South. Yet the world remained optimistic about Southern development. Aid was in its infancy and expanding rapidly, and the difficulties ahead remained largely unsuspected.[34]

4.3. The 1960s — The 'First' Development Decade[35]

The 1960s were a period of discovery, organization, and calls for global action for the South. Newly independent states began sharing experience and analysis in a way impossible under colonialism. A series of events in the 1960s seemed at first to belie the International Trade Organization (ITO) disappointment (see chapter 5) and there were hopes for steady progress towards a strong, unified South which would progress with the support of the North. The South pushed for and attained agreement for the first UN International Development Strategy.[36]

The 1961 resolution for the first Development Decade set the goal that developing countries should, through modernization, see an annual growth of 5% of their GNP. A 1962 Conference on the Problems of Economic Development was followed by a series of regional meetings. The Development Assistance Committee (DAC) was established (1960) to coordinate aid and aid policy. The United Nations Conference for Trade and Development (UNCTAD) and the G-77 formed (1964); the International Development Association (IDA) was established (1964); the United Nations Development Program (UNDP) was established (1965); the African (1964) and Asian (1966) development banks were formed—the former wholly funded by African contributions. Japan, West Germany, and Holland became substantial aid donors, reducing superpower leverage. The Pearson report (1969) recommended that the North engage in research on Southern products, and give 0.7% of GNP annually to aid, and that the South engage in mutual trade.

The South welcomed foreign investment, following the advice of American economists who advised that a big industrial big push would bring prosperity to the South. Most early aid went to build industrial infrastructure—much to the advantage of TNCs. Trade and industrial growth followed. Despite numerous difficulties in aid and trade, the South achieved the goal by the end of 1967, and 85% of total investment had been financed by domestic savings. Growth however failed to address the South's social problems. As the OECD summarized it: income distribution, job creation, institutional reform, expanding education, adaptability and political maturity were yet to be achieved.[37]

Aid flows continued to increase until 1967, but very slowly. They began to decline in 1968. Canada, still staunchly multilateralist, was one of a number of states which doubled their multilateral contributions between 1966 and 1967. By 1968, Northern support for Southern development had waned considerably—at least partly in backlash to the South's increasingly outspoken analysis, facilitated by UNCTAD. Aid flows decreased. Although UNCTAD II (1968) succeeded in gaining Northern agreement to a goal of 1% of GNP N-S resource transfer, the North did not honour its commitment. US aid decreased, and Canadian ODA soon surpassed American aid. Pratt attributes the size of Canada's ODA program to a wish for independence from US policy. Others make a similar argument. Legault, Holmes, Pearson and Draimin, and Rudner opine that Canada's aid served as mechanisms of independence from the US. Relations with China and parts of Latin America are examples.[38]

Despite relatively generous aid in dollar terms, Canadian aid's tied nature increased recipient costs, distorted development priorities, and prolonged aid dependence. Canada's 100% tying compared poorly to a 60% global average. 'Harder' export credits—offered on nearly market terms in a time of increasing interest rates—grew, mainly to wealthier developing countries. Canada, along with the US and Germany, markedly increased the use of export credits between 1966 and 1967. Canada and other states were rebuked by the OECD for reporting export credits—whose purpose was to promote export—as part of ODA. The OECD established its Terms of Aid Recommendation (1967). A year later, eight states were in full compliance. Canada, along with the US and the UK, was not one of these, although the three recalcitrants were close to meeting recommendations.[39]

By the end of the 1960s, the aid picture began to focus more sharply. Many early investments, donors realized, had been economic and environmental disasters. For example, a dam constructed in Zimbabwe in the early 1960s uprooted 57,000 people; threatened fisheries through the propagation of aquatic plants; and reduced soil productivity through irrigation. McNamara, as World Bank president, initiated an era of innovation: aid would attack poverty directly. Canada supported the basic needs approach early, participating in the development of poverty-alleviation criteria at the UNDP, the Asian Development Bank and the International Development Bank. Canada's newly formed aid agency, CIDA, was staffed from the NGO community, and advocated assisting the poorest in meeting their basic needs. The establishment of CIDA thus entailed an important shift from External Aid's commercial, nonspecialist, orientation, in line with the aid regime's emerging basic human needs (BHN) focus.[40]

The world discovered that rapid growth correlated with stagnating and declining living standards for low income people; and that 'natural disasters,' such as the Sahel famine from 1968 to 1973, sometimes resulted from an accumulation of mismanagement and poor land use. Bilateral donors began program aid, theoretically to allow the simultaneous resolution of diverse problems. In fact, program aid increased recipient ability to import but decreased recipient independence, as donors used program aid as leverage for domestic policy change.[41]

The Pearson report in 1969 summed up the two decades of development, presenting criticisms and recommendations for global aid and trade, as well as Southern domestic policy. The report recommended that Northern countries commit 0.7% of their GNP to ODA. That commitment encouraged expansion of bilateral budgets and the addition of new countries, allowing CIDA to expand. The report commended Canada for its proposal to form the International Development Research Centre (IDRC) and for substantial improvement of its loan terms. The report found progress in family planning, disease control and education. The list of negatives was much longer. Aid was becoming expensive: the grant component of aid had decreased while the loan component had increased. The report warned of severe debt problems in the near future: if new lending continued at the 1965-1967 rate, "by 1977 debt service would considerably exceed new lending" for most of the South. Export credit, which had been increasing, aggravated the debt problem. Aid tying reduced the real value of aid by 20%. Aid recipients were becoming dependent on labour-saving, capital-intensive technology unsuited to their needs—also a product of aid tying. Much aid was used for military purposes.[42]

Recommendations to donor states included that they should: increase multilateral aid to at least 20% of ODA by 1975; extend bilateral aid on a three-year basis to afford continuity and facilitate planning; reduce technical personnel overseas and increase local training of relevant skills; carry out research devoted to problems of developing countries; and allow aid spending for local costs. The Commission found that what donors had designated recipient "inadequate absorptive capacity" was caused by donor restrictions on aid use. Donors should reduce and halt tying of aid. In the interim, recipient costs arising from tying and from donor transport should not be considered to be ODA. ODA should increase to 0.7% of GNP by 1975 or no later than 1980.

Resource transfers to the South should reach at least 1% of GNP, no later than 1975.[43]

The report also noted that Southern domestic policies needed revision. Education and employment required urgent attention. In many cases, the education Southern students received was irrelevant to their lives. The failure to create employment was termed "the most tragic failure of development." Import substitution hampered South-South trade and caused overvalued exchange rates.[44]

Recommendations to development planners included that they: take into account problems of trade, capital movements, and technology; devise new, locally-appropriate curricula and educational systems; give social welfare systems top priority; encourage equity through policies to distribute income and power, increase social mobility, make government effective in development and responsive to popular needs; and encourage rural development.[45]

4.4. The 1970s — The 'Second' Development Decade[46]

For the poor, the 1970s weren't to be much better than the 1960s, although they would be different. Hart describes the 1970s as "a decade of drama, hope, shock, disappointment, and looming crisis."[47] Shaw calls them a "rather pessimistic decade of disillusion."[48] Both are right. The 1960s had been a decade of learning. Numerous problems had been identified. The 1970s—the second Development Decade—provided the opportunity for response and improvement.

The original aim of aid was to industrialize states and so bring them to prosperity. As a result, points out Brundtland, LDCs "...literally consumed their own bases — in soil, in water, and other resources — ... reducing rather than increasing the future economic potential of their countries." In the 1970s, the aid community attempted to change this pattern. They recognized that basic needs must be addressed, but neglected to make the fundamental changes necessary in their methods. Crucially, they chose to ignore that one of the basic human needs (BHN) was participation in political and developmental processes.[49]

The objectives of the second United Nations Development Decade continued to reflect the modernization approach. They strove to achieve the following: restructure world production for a 25% LDC share of world industrial production by the year 2000; substantially increase North-South financial flows; achieve a responsive international monetary system; and promote North-South technology transfer.[50] None of those objectives were reached.

Economic shocks shook the world and weakened Northern support for development. Initially, after the first oil shock, the IMF provided substantial low-conditional funding to the South. But US leadership quickly waned, although American aid methods continued to dominate the aid regime. The US halved its multilateral contributions in the 1970s and 1980s, and withdrew support for proposals for a new energy affiliate to assist the South and for increased World Bank contributions. To Canada's credit, Canada three times offered supplementary funds or early payment to make up US shortfalls.[51]

The world's bilateral aid was 80% tied in 1970 and, as the Pearson report had pointed out, its loan basis was creating unmanageable debt. Aid donors responded to UNCTAD pressures to improve bilateral aid, but this response was tempered by the breakdown of the international monetary syst[illegible] consequences (see chapter 5). Many OECD members signed a Me[illegible]m of Understanding in 1975 to untie bilateral assistance in favor of pu[illegible]g in Third World countries. Canada however did not.This dominant econo[illegible] bias assumes a perfect market and treats "...important elements of reality, such as oligopoly, transnational corporate intrafirm trade, or imperfect and asymmetrically available information, as mere 'wrinkles' on the 'general case'."[52]

The South's debt quintupled and Africa went into a downward economic, social and political spiral. The North responded by increasing the proportion of aid in grant form, which rose from 60% in 1971 to 77% in 1982,[53] and offered debt relief on a case-by-case basis. In 1978, over 40 low income developing countries benefited from OECD debt forgiveness ($3 billion) and softened terms ($2 billion). The North, however, resisted the establishment of a system for debt relief, claiming that debt relief was inappropriate and must remain exceptional. Canada behaved generously in debt relief and grant aid, pledging that all further assistance to LLDCs would be in grant form and forgiving LLDC debt.[54]

Those who argue for a 'free market,' which they explain will work only if the 'price is right,' ignore the fact that the prices of goods produced in the South for sale in the North are far from 'right'. Prices do not reflect the heavy social costs[55] imposed by the type of industrialization described by Oman. Nor do prices reflect the enormous environmental costs[56] of such industrialization. These unaccounted for costs go far towards explaining the unworkability of the market—and thus of development through 'modernization—and the market's consequent inability to distribute resources to the poor.

Oman found modernization inappropriate to the poor countries of the South, with small markets and low buying power. Based on top-down development through industrialization, it concentrated capital and market power, increasing inequity and decreasing economic viability. It favored huge capital projects which required specialized skills and parts to maintain, and so either continued dependence or became unsustainable. Decisions were imposed and projects non-participatory.

Fordism, with its mass production approach, imposed on the South a corporate capitalism based on separations between conception and execution, and between management and workers. This decreased necessary communication and allowed the hiring of illiterate, unskilled workers of the South, with its largely uneducated and unemployed populations.[57] Fordism's consumption segment, however, did not fit poor countries of the South, characterized by low per capita income and highly skewed distribution. There the 'modern' manufacturing sector catered to an elite too small to absorb the products of mass production. It became necessary to protect the inefficient production through policies such as import barriers and over-valued exchange rates. These protective policies often discouraged export manufacture and agriculture for domestic consumption. Thus protective policies decreased incoming foreign exchange while increasing the need for it by decreasing domestic food production. As the 'modern' sector employed and catered to just a fraction of the population, an informal sector grew to address the needs of the rest of the populace. The informal sector helped to feed the people but did not contribute to governmental rev[illegible]nue.

Because local markets could not consume mass production, the Fordist pattern that had enriched the North—production for the local market—drained the South. Investment went into labour-intensive production for overseas markets, leaving local firms dependent on the North for both markets and technology. Instead of benefiting the host country, profit funneled back to the North. The South did not receive compensation for the enormous drain on its resources. Consequently, growth did not become self-sustaining. Oman calls the economic structure thus imposed on the host state "structural stagflation," high inflation combined with high unemployment. As Oman describes it, "structural stagflation" in the South is characterized by over-investment of scarce capital in unusable production capacity. Technological innovation is limited and adoption of new technologies slow. TNCs segment the market, establishing "distributional cartels." The host's attempts to cope through regulation of industry and commerce result in "...bureaucratic rigidity, inertia and bloated government..." and polarized domestic politics, with the elite against the populace.[58] Instead of enabling the host economies to participate in the global market, modernization and Fordism built inappropriate social, political, and industrial structures, concentrating economic wealth and political power.

The food crisis of 1972-1974 prompted some change in global food aid policy. In 1973, the World Bank responded to widespread African famine by increasing the proportion of aid directed to the urban and rural poor. An international effort for responsible and coordinated food aid culminated in the World Food Conference in 1974. Canada increased its food aid expertise and attempted to address long term development needs.[59] The 'trickle down' theory lost credibility. The rural poor had become poorer. The aid community began to attempt to direct aid to the poor. As Hart expressed it, "That so evident a proposition could have escaped so many people and governments for so many years is a conundrum I cannot explain."[60] Although it seems evident to some that poverty could best be alleviated by addressing the needs of the poor, structural and theoretical impediments had directed aid to industrialization.

There was a nominal shift to Basic Needs strategies, led by the World Bank with McNamara at the helm. However there was little understanding of how to reach the poor, and methodologies changed little. The Bank continued to support commercialization and market integration and expansion. Donors, including Canada, resisted distribution by poverty criteria.[61] With donors unwilling to change their fundamental approach, aid continued to be top-down, tied, and capital-intensive. Debt continued to mount as aid became more expensive and conditionality increased.

Even the best of intentions would not have created instant understanding of how aid worked. Analysis on the structural reasons for poverty was lacking, and "...the effects of commercialization in a context of structural inequality..." were ignored.[62] Reaching poor people is difficult, especially for distant donors. Aid to the state rarely reaches the poor where there is no established social net. Precisely because they are outside the formal economic system, they are beyond the reach of their own government. To reach them would have required a global restructuring of aid, and the aid community lacked the independence to undertake such a fundamental change, as is demonstrated by CIDA's experience (see chapter 3).

Basic needs were defined as including: nutrition, safe drinking water, adequate clothing, housing, health care, education, and *the opportunity to participate in decision-making*. Many of the world's poor, especially in

Africa's rural areas, continue to lack all of these needs. Even in urban areas, health services are socially and economically inaccessible to the majority. Decision-making tends to be decidedly top-down, and does not accommodate people's needs.[63] As Hart defines it, participation "... is about empowering the poor to take control of their own lives, about being able to involve themselves effectively in decision-making."[64]

The 'basic needs' approach did not address the basic need of participation, remaining silent about the need for structural change to address inequality. Programs continued to be "top-down" in project identification, planning and implementation. Aid donors did not accept as valid the intimate knowledge that poor people have of their own circumstances and needs. Many governments were, and continue to be, influenced at the international level to ignore environmentally and scientifically sound indigenous knowledge of farming and forestry. The fact that women were rarely involved in development decisions was an obstacle to accessing this knowledge, as they were often guardians of these resources. Although small farmers, mostly women, needed assistance to ease their burden of subsistence food production, programs instead sought to draw small farmers further into the market system. 'Social forestry' supplanted local food staples with industrial eucalyptus crops in India.[65]

Reaching the poor directly remained beyond the capabilities of most aid. Instead of undertaking small 'bottom-up' rural projects, donors made the 1970s what Mosley calls "... the decade of large rural development projects...". Agricultural credit agencies and development banks absorbed an increased proportion of ODA for lending to the private sector.[66] Untying aid to allow aid to cover local costs would have been an immensely logical step, but donor states including Canada found untying politically difficult. To reach the poor, a closer examination of glo[illegible] national socioeconomic structure, and of the 'aid culture,' was necessary. Although the North resisted such an examination, the South attempted it, and produced the NIEO which ironically would eclipse Basic Needs issues.

While donors' development agencies talked of assisting poor people, other representatives of donor states sought protection from poor states. As Southern states became competitive in manufactures because of low wage costs, Northern states raised import barriers.[67] Credit-worthy countries with diversified economies were able to cope, temporarily, by borrowing substantial private capital. Poorer countries, with limited industrial scope, lacked access to private capital and experienced declining growth rates. The IMF responded to the plight of the poor by attaching demand-management conditionality to its lending.[68]

The South's leaders, who as members of the elite had enjoyed its benefits, pursued 'modernization.' Frustrated at perceived global structural impediments to their progress and hoping to push development issues onto the global agenda, the Non-Aligned Movement (NAM) launched the NIEO and pushed through the Charter of Economic Rights and Duties of States. Both the NIEO proposal and the Charter recognized state sovereignty over natural resources. Successful votes notwithstanding, full permanent sovereignty over natural resources remained unacceptable to the North, which had mainly abstained or voted against the Charter.[69] Resource-rich Africa remained unable to claim its mineral wealth.

From 1974 until the end of the decade, the NIEO remained the main North-South topic, displacing ODA discussions.[70] Among other things, it called for international monetary reform and TNC regulation (see chapter 5). The US and other Northern countries resisted. The NIEO was the culmination of the South's hopes for change, and its failure deepened a growing chasm in North-South relations. The NIEO as a blueprint for global reform was fundamentally flawed, but it offered a preliminary basis for discussion, had the North been receptive. Sachs criticizes the NIEO's lack of an alternative to the "... GATT doctrine of open trade based on comparative advantage."[71] Also lacking was any hint of mutual benefit. All benefits were to accrue to the South in compensation for the anti-South bias of the current system. It was a very undiplomatic document, and this lack of diplomacy can only have made the North less receptive. Most importantly, though, it was a demand that the North share its power, and the North has shown itself to be absolutely unwilling to do so. Although CIDA supported the NIEO, and a Canadian parliamentary subcommittee examined the relationship between it and ODA, support did not reach beyond CIDA (see chapter five).[72]

The year after the adoption of the NIEO saw attempts at reform. The UN struck an Ad Hoc Committee on Restructuring of the Economic and Social Sectors of the United Nations System, which came to nothing. The Conference on International Economic Cooperation (CIEC) convened as the North's venue to discuss energy problems. The South insisted on linking energy to other commodities, and to finance and development. The South emerged dissatisfied, the North content.[73] The United Nations Industrial Development Organization (UNIDO) Lima Plan of Action on Industrial Development (1975) conference targeted a 25% share for LDCs of world industrial production, complete with policy and institutional framework. Although by 1980 UNIDO produced valuable information on eight industrial sectors , there was no "significant impact on government policies."[74] The NAM and the G-77 adopted plans of action and set up a series of programs for economic cooperation and food and agricultural production.[75] The signing of the Lomé Convention between the European Economic Community (EEC) and 46 African, Caribbean and Pacific (ACP) countries raised hope for other such agreements.

In the late 1970s, the conflict between the basic needs approach and traditional aid delivery continued. On one hand, a perceived need for food self-sufficiency resulted in increased agricultural aid. Integrated rural development became popular, encompassing multiple projects such as road construction, credit, advice, new seeds, fertilisers, and irrigation. On the other hand, parts of the aid community pushed developing countries to 'get the prices right,' insisting that 'redistribution from growth' was a valid way to help the poor. Mosley found that Canada joined the World Bank, Britain and the US in the 'right price' approach, stressing management and price policy. At the other end of the spectrum were the Scandinavian countries, and less strongly, Holland and West Germany.[76]

4.5. The 1980s — The 'Third' Development Decade[77]

The 1980s were a desperate decade for the world's poor, as the disillusionment and economic disaster of the 1970s was followed by worse conditions, including the onslaught of AIDS—a disease which made the already vulnerable far more vulnerable, reaching epidemic proportions in some areas. The 1970s had left the multilateral system and North-South relations in disarray. The 1980s saw conditions deteriorate further, in the 'lost decade' of development.

Global food production began to decline. Grain production reached its peak in the early 1980s for most of the world—Africa's peak was much earlier, in 1967— and then began a steady decline. World population growth, which had begun to slow in the early 1970s, began to accelerate again in the late 1980s, increasing pressure on the deteriorating environment and scarce development resources. Critics claimed the World Bank's policies, including its continued concentration on large capital-intensive projects, damaged the environment and harmed the poor. In 1987, the Bank pledged to change and created a (grossly inadequate) environmental division.The decade drove relentlessly into structural adjustment programming, which proved disastrous for the poor. Primary school enrollment in sub-Saharan Africa began a decline which has not yet leveled off.[78]

The development community reluctantly acknowledged that development would take decades rather than years. The UN raised growth targets to 7% of GNP, increasing modernization pressures and the South's need for finance just as the full impact of the South's debt burden became apparent and private capital became elusive. Long after the Pearson report's warnings, the world recognized the debt crisis but still failed to resolve it. UNCTAD argued that Southern debt was primarily the product of declining terms of trade, protectionism and high interest rates, and criticized the Paris Club for its callous disregard of debtors' development objectives.[79]

Creditor states addressed debt as a balance-of-payment problem, but ignored the fact that the problem had international causes which would require international solutions. International monetary problems and Northern protectionism were not resolved (see chapter 5). Although it espoused market policy, DAC raised the obvious, but increasingly ignored, point that aid's role was to meet recipient needs, not donor needs. DAC called out for increased, concentrated aid and liberalized trade. Low-income countries should be aid's focus, especially in support of food production. DAC cautioned that aid dependence must be avoided. Aid should maintain and rehabilitate existing institutions and should meet local costs—which would decrease donor export of expertise and capital equipment and require reduced aid tying respectively.

There was little donor response to DAC's recommendations. Aid tying and the increasing use of aid for export promotion by donor countries after 1984 promoted dependence.[80] Protectionism was not dismantled, and increased aid flows were more than counterbalanced by a sharp drop in non-aid finance. Geographic concentration was limited by economics, donor tradition, and politics. The aid community did however shift its focus slightly to LLDCs. Like other donors, Canada participated in tying, export promotion, protectionism, and the use of non-aid allocation criteria.

The World Bank and most ODA agencies shifted away from basic needs to espouse market ideologies. In 1980 the World Bank began structural adjustment loans, frequently involving privatization. IMF and World Bank lending became highly conditional, pushing demand restriction and devaluation. By the mid 1980s, DAC consensus for SAP was growing.[81]

The aid community divided between the majority supporting structural adjustment conditionality and the minority supporting poverty-alleviation and international reform. Most donors called for domestic adjustment within recipient countries, imposing structural adjustment programs (SAP). The minority felt, like Helleiner and others, that IMF/World Bank conditionality would result in devastation, the full effect of which would not become apparent until today's children—increasingly deprived by conditionality of health care, proper food, and education—are adults.[82]

In the early to mid-1980s, numerous recommendations were made for integration of multilateral machinery. A conference of 21 world leaders, in Cancun in 1981, on implementing the Brandt report failed. It was to be followed up in 1982 with a special UN General Assembly session on North-South issues, but the follow-up did not take place. A Commonwealth group reporting on the North-South dialogue in 1982 criticized the compartmentalization of institutions which prevented necessary linkage of issues.[83] In chapter 5 of this study, it will be argued that the North's purposeful tunnel-vision prevented the linkage of issues. With issue-linkage blocked in this manner, the building of integrative global machinery is highly unlikely.

The Brandt reports of 1980 and 1983, on North-South relations, called for increased aid and multilateral reform, including the establishment of a World Development Fund. The Brundtland report in 1987 approached North-South relations from an environmental perspective, concluding that because poverty had strong pollutant effects, the poverty of the South needed to be addressed. It also made the point that 'natural disasters' were often the result of cumulative environmental degradation, and were therefore foreseeable and avoidable through the development of information and action networks. The fact that the Brandt and Brundtland reports "...(we)re neither operational nor socially rooted"[84] made it easier for the North to discard them. The Brundtland report did eventually trigger international action on the environment. However, the crucial linkage it drew between poverty and environmental degradation was ignored. The South continued to push unsuccessfully for multilateral reform along the lines the Brandt reports had recommended.

Poverty—but not development—arrived back on the world agenda with extensive media coverage of the Ethiopian drought and famine (1985). This led to the largest famine drive in history and a temporary resurgence of interest in the South. However, public interest soon turned to East, beginning with the Chernobyl disaster. Much of the world's attention stayed with the Eastern bloc as it began to disintegrate.

Structural adjustment conditionality. Selassie points out that in Africa the state has since independence been "... the dominant agency for leading rapid socio-economic development...". Its downsizing under IMF/World Bank conditionality has therefore been disastrous, creating what Steady terms "... a crisis of survival..." so extreme that it approaches "...genocide in many African countries." Women, the mainstay of subsistence economies, especially are being impoverished by SAP.[85]

Africans agree with the concept of policy intervention, but their recommendations are markedly different than the interventions of structural adjustment conditionality. Their recommendations address the problems of multiple languages; top-down decision-making; and human rights abuse. Kibuka recommends *two areas for policy intervention: (1) the imposition of a common national language; and (2) policy change to promote popular participation in decision-making.* Harrell-Bond recommends *aid conditionality requiring states to invest in the protection of human rights*, thus preventing mass exoduses prompted by persecution.[86]

The following quotes allow a glimpse at life under the programs imposed in the name of structural adjustment. Note that the quotes are from the early

1990s, after structural adjustment had been around for some time, and had supposedly gained "a human face."

> Six months ago Zimbabwe had large stockpiles of maize from last year's good harvest. Under the SAP, the World Bank insisted that they sell those to obtain foreign currency to pay off debts to Western banks. Under protest they did so. Now, due to the current drought which covers most of Southern Africa and the resulting loss of over 80% of the maize crop, Zimbabwe has to import vast quantities of maize from Europe and North America. The cost of importing the maize is more than double what they sold their reserve stock for less than a year ago. But, more alarmingly, there are now thousands of people at risk of starvation while they wait for the grain to arrive and the government is now further into debt and dependency.[87]

> ESAP is a hazardous trap which is the deepest pool created to drown the country's most innocent, her young. It is promoting poorness in those who are already poor and richness to those rich already. It is causing famine and we are eating yellow maize like cattle and horses. There are rapid price increases, corruption has increased, education has deteriorated. It should not be called Economic Structural Adjustment Program but rather Life Structural Adjustment Program. It affects everything.[88]

External shocks permanently alter the terms of state interaction with the global economy. Adjustment to the new situation is necessary and external finance may be essential for that adjustment. The external shocks of the 1970s caused imports to contract substantially. Southern countries were forced to undertake major domestic adjustments, including cuts to government spending, import substitution, and export expansion encouraged by exchange rate devaluation. States with social nets—Sri Lanka, Tanzania, Jamaica—cut back on social programs under 'stabilisation' programs drafted and imposed by aid donors in consultation with the IMF and World Bank, erasing past progress.[89]

Sachs observes that IMF-imposed structural adjustment austerity and push for trade surpluses weakens rather than strengthens debt-service capacity as it damages state credibility and investment climates. Removal of government incentives has further discouraged investment and encouraged capital flight. Emphasis on export expansion ignores two crucial facts: (1) for most Southern countries, opportunities for outward-looking growth simply are not available; and (2) even where there is export potential, time, expertise and promotion are necessary and expensive inputs to gaining foreign markets, especially where production has been protected. Repeated devaluations have eroded the purchasing power of the middle class, workers and the peasantry. In many countries, local monetary systems were debilitated as those who could converted their money to 'hard' foreign currencies to protect themselves. In addition to furthering poverty, structural adjustment programs encouraged environmental destruction. For example, in Nigeria, Bank emphasis on lumber caused the world's second highest rate of deforestation, far overreaching the limits of sustainability.[90] Dependence deepened.

There are numerous reasons for the failure of structural adjustment programs. Firstly, the IMF was not designed to deal with structural adjustment.

The IMF is not equipped to deal the debt crisis. It was not designed to correct an ongoing and widespread crisis or address what Mittelman describes as "development deficits." The IMF was designed to deal with temporary balance of payments difficulties without damaging national or international prosperity.Its articles provide for the financing of reversible deficits in a system of fixed exchange rates.[91] The fact that such a system no longer exists constrains the IMF's ability to fulfill even its original role; it has neither the capacity nor the mandate to deal with long-term systemic imbalance.

Secondly, structural adjustment programs were applied inappropriately. They were suited only to dynamic, market-oriented states with a social net. It makes little sense to help the poor by depressing their economy and reducing social services. DAC recognized that structural adjustment measures required what low-income countries had in short supply: literate personnel, developed entrepreneurship, and well-established institutions.[92] Much as the Marshall Plan had done, the IMF assumed the existence of social, physical, and market infrastructure. This faulty assumption undermines the development process.

The global recession of the early 1980s was the worst in fifty years. States turned inward. Nyerere identifies 1980 as the turning point from "qualified internationalism...to the urge for power...", following which multilateral institutions received funding cuts, and ODA fell in real terms. The US and UK—originally leaders in development—cut aid and multilateral support, and promoted bilateralism, in part as they perceived aid to be ineffective as a political or economic lever.[93]

Managed trade continued, with 20 of 24 OECD countries raising import barriers. The cost to the South of OECD trade barriers has been estimated as twice the value of ODA. The 1981 recession led to increased export credits and associated financing, as a response to Southern inability to buy and Northern wish to protect its markets. Deflationary policies in the North cut Northern demand for Southern manufactures and commodities, and made real interest rates rise steeply. Commodity prices, except for gold and oil, dropped 10-20% between 1980 and 1981 alone. The effects of recession and dropping commodity prices were compounded by the debt crisis. Oil-importing developing countries with large debt burdens faced high interest rates, drastic deterioration in terms of trade and in import capacity. Many consequently were forced to cut or abandon their development programs. Private banks began seeking the IMF "seal of approval" before extending credit to developing countries. The 1980-1989 average annual net capital flow from the South to the North was approximately $50 billion.[94]

Falling commodity prices caused Africa's export earnings to drop drastically (1981-86).[95] With the debt crisis and the decline of primary commodity prices, severe balance-of-payments problems and the need to generate foreign exchange, developing countries began to pursue industrialisation strategies based on 'comparative advantage.' The international financial institutions (IFIs) encouraged the South to set up free export-processing zones and seek export-oriented manufacturing investment. As a result, many states of the South liberalized trade unilaterally, simplifying and reducing import barriers, privatising, and liberalising direct foreign investment (DFI) policy—while OECD states increased protection, often specifically against LDC products.[96]

The North insisted that its own recovery must precede the South's, and would trigger economic recovery in the South—provided the South curbed inflation through monetary restraint and demand-contraction, the pillars of structural adjustment conditionality.[97] While intensifying trade barriers, the North increasingly called for liberalization of world trade. Response to Southern needs and proposals was limited to rhetoric and little else.

After the debt crisis emerged, private lending and DFI to LDCs dropped, growth in import-substituting countries stopped or reversed. The North feared that the South would repudiate its debts, causing the international financial system to collapse. But the South lacked the unity and the courage for such bold action. Nervousness about debt inhibited Southern attempts at global reform as key debtor countries—Argentina, Brazil, Mexico—avoided discussion of multilateral debt initiatives except in the broadest of terms. Political élites in debtor states—often more closely aligned with the creditors than with their own poor—were anxious to regain creditworthiness.[98]

As Mittelman pointed out, in reality debtor states faced a creditors' cartel—one with the power to impose famine on countries borrowing to eat. If a state repudiated its debts, its foreign assets could be attached by creditors around the world, and food imports might be stopped.[99] Nyerere noted that "...if there is any meeting of Third World debtors to discuss common problems, the participants...announce beforehand that they have no intention of working out a common strategy of action on the subject (of debt)...".[100] Despite Southern fearfulness, UNCTAD pressed for international rules and principles on debt. *Harsh repayment terms and high interest rates forced Southern people sacrifice their health for the fiscal health of private banks.*

Northern reluctance to interfere with private capital flows, and preference to keep monetary discussion within Bretton Woods institutions, limited UNCTAD's action. Proposals for a moratorium on certain official debt and for an International Debt Commission of independent experts were unsuccessful. UNCTAD did what it could, providing technical assistance in debt-related recording, policy-making, and negotiation, and successfully gaining Paris Club observer status similar to that of the IMF and World Bank.[101] The North remained committed to a case-by-case approach to debt, US reluctance dissuading broader relief measures. The 'case-by-case' resolution of debt problems dictated that individual countries must face the creditor's cartel alone. Nyerere's description of this procedure is telling: "...the debtor country is forced, alone, to sit down with all its creditors as a group to discuss rescheduling those debts. Until it has done these things, it is denied any access whatever to new foreign exchange...".[102]

After the 1981-1982 recession, global direct foreign investment (DFI) grew at the enormous annual rate of almost 30% through the 1980s, surpassing trade growth especially in the late 1980s. But this growth in investment held no benefit for the South. Quite the contrary—DFI left the South, moving increasingly to the US and Europe. The flow of DFI to the South fell to about 20% of global DFI (1980-1984) and then halved again to 10% in 1985-1989.[103] According to Helleiner's analysis, lack of foreign exchange caused underutilization of capacity. The way to increased productivity then was to increase foreign exchange and allow production to capacity.[104] Instead of providing more foreign exchange, the North responded to the South's intolerable debt burdens with structural adjustment—the goal: not development, but the repayment of debt.

Much of the South—especially Africa and Latin America—regressed as commodity prices dropped to the lowest real levels since WWII. Africa's debt obligations grew as GNPs declined due to drought, international systemic exclusion, debt, archaic modes and relations of production, and warfare.

Ghana's debt servicing, for example, rose from 12.5% in 1980 of export earnings to 62.7% in 1988. About 70% of Africa's population became destitute. Educational opportunities were inadequate and inappropriate. Crises became "endemic and pervasive."[105]

Health expenditures fell over 25% in many African countries and per capita social expenditures fell by over 50% (1980-1986). Sub-Saharan Africa's economic and social problems became critical due to a combination of deteriorating commodity markets and prices, climatic disasters, and civil and international warfare. By 1989, its per capita income had fallen to half that of 1980. Although Latin America suffered relatively less, for vulnerable groups it was the worst period since the 1930s.[106]

Although sufficient development funds and realistic debt term strategies were unavailable, military spending increased in the 1980s in both North and South. This illustrates a dangerous irrationality inherent to the global system. Between 1970 and 1979, the non-OPEC South had spent $64 billion on foreign arms—equal to half of all ODA received. Such arms spending is symptomatic of the dominance of what Makhijani terms the "war system" which reproduces violence and the threat of violence through the perpetuation of inequity, oppression and exploitation. Although the present study does not dwell on the effects of militarism—it is too vast a topic to be included here—it is crucial to note that the mindset that produces militarism —tragically a hallmark of the modern world—is the antithesis of the mindset that produces an environment which meets the basic needs of all. Sen and Grown caution of a "... frightening increase in global violence...," characterized by growing military expenditure, a burgeoning arms production/trade complex, and increasing numbers of military governments controlling internal dissent to structural adjustment programs.[107]

Southern countries recognized the need for internal change, but when they approached the World Bank to set up consultative groups, the Bank chose to focus on domestic changes without acknowledging or accounting for external pressures. Attention was thus distracted from the effects of such factors as aid conditionality and the international monetary and trade systems on the South's development. Africa decided to solve its own problems through the Lagos Plan of Action for the Economic Development of Africa (1980-2000), which aimed to eliminate African dependence on external food, technology, expertise, and lifestyle. According to Selassie, it did not succeed because member states were unable to harmonize policies and development programs.[108]

Refugees. Millions of internal and international 'refugees' stream from unlivable conditions in the South. The development community failed to understand the implications of increasing masses of refugees and displaced people, especially in Africa's poorest countries. The crisis of exodus, growing since the late 1970s, was largely ignored, except where it was handled as a short-term crisis. Contrary to media images, most displaced people did not migrate to refugees camps and therefore did not receive international assistance. Host states and peoples were left to accommodate the influx, and as a result suffered "deep personal sacrifices or ecological degradation."[109]

Where donors did assist refugees, assistance was in a less than optimal form. The Second International Conference on Assistance to Refugees in Africa (1984) warned of considerable problems associated with aid earmarked solely for refugees, explaining that their separation and categorization trapped them "in a permanent state of marginality in their host societies...". The aid community sidestepped the politically sensitive but crucial issues that led to mass exoduses. Staying on safer ground but still hoping to effect important change, it identified women's needs and environmental protection as top priorities. In many cases, however, both were 'tacked-on' to projects and in many cases the parent project was distinctly harmful to one or both 'priorities'. NGOs rarely involved local committees, even when refugee assistance was of a long-term nature.[110]

By the late 1980s, the world's view had expanded slightly and glimmers of understanding appeared in Northern communities. The environment and vulnerable groups such as women and children appeared in aid rhetoric and to a lesser extent in aid policy. Indigenous peoples, barely acknowledged by the development community, began to form international links and made small inroads towards protection, and the world became aware of their threatened existence. As the World Council of Indigenous Peoples wrote in 1985: "Next to shooting Indigenous Peoples, the surest way to kill us is to separate us from our part of the Earth."[111] The Brundtland report sparked an awareness of the environment and thus indirectly protected indigenous peoples still living traditionally.

Although the North began to accept, in concept at least, shared responsibility for the global environment, economic cooperation towards poverty alleviation in the South declined. The poor were emphatically off the global agenda. In Helleiner's words, "... there was a growing Northern perception that their own economic performance could, after all, be comfortably 'de-linked' from events in the Third World, much of which was faring very badly."[112] The 1980s thus became development's lost decade. Responsibility for the monetary system had shifted largely into private hands, to be run on a profit-seeking basis. Negotiations for multilateral reform, such as they were, had lurched to a halt. The aid, trade, and monetary regimes all contributed to regression in the South as adjustment was shunted to those countries and peoples least able to support and withstand it. Aid was withdrawn from the poor as the basic needs orientation was replaced by structural adjustment. The disintegration of the Soviet Union also had important repercussions for the South, removing an aid source, a leverage mechanism, and the US's primary motivation for extending aid; interest and funds shifted from the South to the East.

What was positive in the 1980s? The collapse of the Eastern bloc meant that global restructuring was inevitable, although in also brought the danger that ODA funds would be diverted to the East. In theory the end of the cold war had freed resources for development purposes, although in practice such 'conversion' appeared sadly unlikely. The world had agreed that the environment must be protected, bringing small gains for indigenous peoples threatened by modernization.

4.6. The 1990s

For the South's destitute millions, though, the 1990s have inherited little but despair from the 1980s. Another decade of attempted multilateral reform has come to naught as the world situation deteriorated. Much aid has hurt the poor through its support of adjustment policy, as demand restriction strangled imports and production and damaged capital stock. Unrealistic expectations for debt repayment have reversed net resource flows, sending them South-North. Debt and, in Helleiner's words, "(t)he manifest failure of macro-economic policy coordination among the major Western powers..."have sapped confidence in the financial system (see chapter 5).[113] The world's attention, Canada's included, has shifted to the former Soviet Union.

Despite major domestic policy changes in the South, the future does not look good. Helleiner forecasts a continuation of the present circumstances. Basic needs will be a low multilateral priority. Commodity prices and per capita income will decline further. Real interest rates will be high and debt-service ratios will rise. Scarce foreign exchange and unstable currency rates will restrict productive capacity and interfere with development planning. Small and medium-sized businesses will fail. As Sen and Grown point out, those at the bottom of the economic chain—women and girls—will suffer the most. Women will spend more time waiting in lines for water and health care, and will reduce their personal consumption of food, health care and education. Girls will be pulled out of school to supplement women's labour. Women's workday, already far longer than men's, will be lengthened even more.[114]

Africa is particularly endangered. For the most severely indebted low-income countries (SILICs), mainly in sub-Saharan Africa, the debt burden rose to astounding highs. By 1992 the three hardest hit countries, Sudan, Nicaragua and Somalia, had scheduled debt loads of from approximately 2900% of export earnings (Sudan) to approximately 3400% (Somalia).[115] Africa's physical and social infrastructure is rapidly declining. The fact that roughly half of Africa's population is under 14 years old means that there are more dependents than supporters. By the year 2000, sub-Saharan Africa will replace South Asia as the core of "absolute poverty." Its population growth (3.1%) has outstripped the potential growth of its agricultural production (2.5%), increasing pressures on food resources, land, and social and health services.[116]

The largest and most inescapable obstacle to global health is the North's state of denial, which has led to blockage of multilateral reform. The North is becoming increasingly insular. The reality of interdependence has not been addressed. The rapidly changing environment has prompted self-interest in the North in the form of protectionism and delayed industrial restructuring. There is a danger that Northern insularity will increase. As the EEC matures, its conservative influence on ODA will grow as individual European states measure the costs of differing with the EEC. As OECD powers become less inclined to compromise in North-South issues, costs may rise for middle powers championing the South. This will place pressure on Canada to continue its market-oriented alignment with the US and the UK.[117]

The poor state of the global economy is likely to further decrease aid. OECD financial data does not reflect the outflow from the South of profit and interest, and thus presents an unrealistically optimistic picture, one which serves the purpose of those who do not wish to support qlobal equity. OPEC capital will not be available as OPEC countries have moved into a deficit situation. New awareness of the costs of urgently required global environmental cleanupwill absorb funding. The target of 1% of GNP for all N-S flows has fallen into disuse. The 0.7% of GNP aid target is remains as a goal but its original target date of 1975 is long gone, and it is unlikely the target will ever be met by many countries.[118]

But the picture is not entirely bleak. The UN Security Council has agreed on a broad definition of "security" which takes it out of the defence realm to include development issues. This is a tremendous normative breakthrough, although the gap between norm and actuality remains huge.

While it is true that global attention has been directed away from the poor's basic needs to the needs of the environment, that will indirectly assist at least some subsistence economies. Energy technologies now exist which will allow the South to bypass the pollutive, energy-wasting technologies that the North adopted. A bias toward large projects and lack of consumer access to information and finance for small, local, efficient energy systems—such as photovoltaic power—have until recently kept these technologies from improving the poor's lifestyle. Multilateral aid agencies, led by the World Bank, have traditionally equated energy use expansion with building new power sources—excluding the immense potential for expansion through increased efficiency. Change is beginning, despite the hindrances in the aid community's traditional outlook—Thailand has broken through this barrier. In 1991, it adopted plans to invest in efficiency rather than new energy sources, and cut projected costs in half.[119] The UN Conference on Environment and Development (1992) tended to exclude development matters and financial commitments; however, it did produce a climate treaty signed by 154 countries including the US.[120]

There have been other signs of progress towards equity in resource distribution thus far in the decade. The early 1990s saw some increase in land controlled by the indigenous people who inhabit them. Women have begun to organize internationally, protesting that traditional development and aid excludes them from assistance (see Understanding Development and Aid below). Despite the global redirection of aid thinking away from the poor towards the environment, the *World Bank has now begun programs specifically targeted at the poor, and towards programs expected to also benefit the poor—in education, health and nutrition. In part this change is to be explained by the fact that such programs have found to be among the most cost-effective.*[121]

In an attempt to revive optimism—perhaps hoping to create a self-fulfilling prophecy— Helleiner muses: "It is possible... that the worst in North-South economic relations is over." The North is concerned about the environment. The US has a new administration and is more supportive of multilateralism. The UN is gaining respect. The World Bank shows a "...refreshing new humility..." in assessing its advice and adjustment lending. It and the IMF are again conscious of the welfare of the poorest. The North is softening on debt.[122]

But, thus far into the 1990s, the global picture looks much like debt relief mechanisms: there is 'too little too late.' If despair is to be turned into hope, as Helleiner attempts to do, then the present era of change must be used consciously to shape a world of inclusion. There is one critical decision to be made if the South—and therefore, the globe—is to survive. Will the South be excluded or included in the North's version of the 'globe'?

4.7. Understanding aid and development

Although it has been established that small, participatory projects reach the poor and are likely to be sustaining, small projects are resisted—largely because they lose benefits for the donor country. Small projects involve local costs and do not involve heavy imports from the donor country. Thus the donor country loses the easy administration of large projects, and the perceived benefits of tied aid and export credits. The preceding has been an overview of development and aid over the past few decades. The following will discuss basic concepts on which development and ODA allocation have been based. It will identify shortcomings in those concepts and suggest solutions to the obstacles to reaching the poor presented by those concepts.

Besides the structural bias in the ODA system, there are also gender and professional biases. Aid planning is dominated by male economists—used to static states but unfamiliar with change, and engineers—used to thinking in capital-intensive terms, who deal with planners in the South of similar background. At the core of the North's theoretical base is the assumption that the market is perfect. As Helleiner so aptly observes, "... important elements of reality, such as oligopoly, transnational corporate intrafirm trade, or imperfect and asymmetrically available information..." are disregarded.[123] In keeping with the market approach, data tends to be money-based, excluding non-monetary inputs such as subsistence activities. The poorest are therefore excluded from the picture created by data and examined by analysts in preparation for planning. How then can the plans based on such data then assist those poor?

Aid as it has been extended has cost the South a lot: 'modernization' has destroyed value and created dependence. *Participatory development can correct past damage by helping Southern populations strengthen their communities and countries.* This cannot be done through aid alone. *It requires empowerment of, and the removal of systemic obstructions facing, the poorest people—mainly women and children—and poor countries.*

The modernization approach on which ODA was founded injected a strong bias to urban, capital- and import-intensive development, leading to inappropriate investment. Financing has also been inappropriate, leading to overly costly projects which are often unsuitable to domestic needs. There is little acceptance or understanding of who the poor are or how they can be reached. Aid distortion is increased with bilateral aid, which incorporates tied aid and export credits. Resistance to change is engendered by incentives at all levels which reinforce the status quo.

The bias to capital- and import-intensive projects absorbed a great deal of capital, often in a wasteful or even very harmful manner—often causing poverty, for example, through destruction of indigenous homes and livelihoods—rather than easing it. This bias has encouraged the growth of an international ODA structure built around it, creating dependence on Northern imports and technology in recipients. The capital-intensive bias was reinforced by the fact that large projects eased administration. The import-intensive bias both encouraged and was encouraged by aid tying and export credits, both of which served to turn aid dollars to profit in the donor country. The urban bias kept aid from reaching the poor, who are mainly in rural areas—although urban-centred aid has drawn many to the cities, contributing to growing populations of urban poor.

When it was discovered that the poor were in rural areas, ODA was directed to rural projects, but they remained large. Because there was no local participation in project selection or planning, projects were inappropriate and unmaintainable. Eventually, the ODA community recognized that the poorest of all were women and children, especially girls, but structures changed little. Aid administrators and deliverers were still mainly men, too often insensitive to women's high work load and lack of access to amenities. When efforts were made to redirect aid directly to the poor, aid was not directed to individuals within a household but to the head of the household—usually a male. Households headed by women tended to be landless households and thus were excluded from aid, often allocated based on landholdings.

Much of what passes for North-South 'technology transfer' is accomplished by TNCs. *The technology that the poor critically need is in water, sanitation, food, housing, energy, health, education, communications and transportation.*[124] The technology transferred in promoting export-oriented industrialization, and the technology transferred by TNCs, is emphatically not in those areas. TNC technology transfers are not transfers between countries, but internal corporate transfers between headquarters and subsidiary. Such transfer usually brings nothing positive to the very poor but may add negative factors, such as pollution, forced relocation and social dislocation. The technology thus transferred is socially, culturally, and ecologically inappropriate, and inhibits indigenous innovation.[125]

Several faulty assumptions implicit in development and aid are closely related to the shortcomings of the modernization approach. These assumptions include:

1) Only that which is 'monetized' has value. This attitude erases the contributions and needs of the poorest from view. This assumption has resulted in a tremendous skewing of data and needs assessment.

2) Aid quality correlates to its dollar cost. This assumption leads ODA to be numbers-driven, and produces a preponderance of large, often inappropriate projects.

3) Indigenous structures and lifestyles are irrelevant or obstructive.

4) Projects can be designed without local participation or local knowledge.

5) Local needs and conditions can be assessed and corrected from great social and geographic distances.

6) Expertise, education, and technology is transferable between different social systems and eco systems.

7) Social and physical infrastructure for modernization is in place. (Even in building physical infrastructure, it has been assumed that the social infrastructure to maintain it was in place.)

8) Economic growth should be the top priority.

9) Aid can serve the commercial and political interests of donors without sacrifice of development value.

10) Every economy has the resources to be competitive internationally.

11) The markets distribute resources among all.

12) The international system is equitable.

How did the above assumptions come into play? Most are inherent in the modernization/market approach to development, popularized by the US. Modernization centres on capitalism—Palme's "...system of the sharp elbows...".[126] It imposes a market pattern of development through bilateral and multilateral aid institutions. Modernization has greatly harmed the poor through the destruction of indigenous social, environmental, and economic bases, and often through physical displacement as well. Although modernization was long ago discovered to be ineffective as a means of helping the poor, it continues to dominate development and aid agencies. Modernization is expected to be long and painful, and assumes cultural assimilation. Because it accomplishes social welfare only in its final stages, it excuses and even affirms exclusion of the poor until 'modernization' is complete.[127]

The fundamental problem is that the market simply does not reach the poor. As Prebisch points out, it has not involved most of the South's labour force, which continues to "...earn a precarious living in pre-capitalist activities with very low productivity...".[128] The market is inherently unsuitable to redistributive purposes. It encourages the production of non-essential goods for local élites and goods for export, and creates dependence on imported products. Export-promotion continues the colonial pattern of diverting the South's resources for the North's benefit, opening vulnerable economies to the full impact of an unstable and inequitable economic system.

Modernization ignores a maxim crucial to successful capitalism: that surplus must be reinvested in domestic production. In the South such reinvestment does not take place. Rather than being reinvested domestically, capital streams out of developing countries to the economic North through TNC transfers, debt servicing, and capital flight. In addition, TNC contributions to modernization have rigidified socioeconomic structures in the South.

Some components of modernization made sense, although the style of delivery did not. The provision of *appropriate* infrastructure is important to a well-functioning society. Ostrom et al observes that public infrastructure important to growth even in low income states. *Investment in infrastructure is crucial—provided that it is appropriate and maintained.* If it is not appropriate, it can bring great harm at worst and be a waste of resources at best. If it is appropriate but not maintained, it is a waste of resources and a dashing of hope.[129]

Finance. Mosley notes that the South's needs tend to be counter-cyclical; in recession donors cut aid while the South's need climbs sharply and suddenly. The solution: *ODA should also be counter-cyclical to counteract such abrupt fluctuations in capital.*[130] The fact that this has not been the case contributes to the severity of the debt crisis.

It is necessary for those concerned with the South's development to be acutely aware of the negative consequences of inappropriate borrowing. Low income countries of the South which lack the economic resources necessary to achieve economic sustainability require continued financial assistance but it is extremely important that resource transfer must be tailored to fit recipient need. Capital-intensive development and inappropriate external finance, which have been the rule, have unnecessarily and substantially increased the costs of development, both in financial terms and in terms of develomental distortion. Externals like high interest rates, fluctuating currencies, and conditionality make it impossible to predict the cost of a loan. Harvey notes that even in grant form, ODA distorts development, is highly risky and overly expensive. Inappropriate finance can select the wrong project or distort or bankrupt the right project. Although appropriate borrowing is central to successful development, many aid administrators responsible for arranging financing are uninformed about appropriate finance. Often development planners' lack of knowledge about international borrowing options leads them to attach projects to completely inappropriate financing.

Multilateral agencies should provide low income countries with independent finance and market analysis to ensure that assistance is allocated in the most appropriate and productive manner. However, rather than providing expertise to assist borrowers in choosing the most appropriate loan, lenders often attach arbitrary conditions unsuitable to the borrower's needs. Aid loans should suit the project and the borrower's conditions; there should be a direct relationship between borrower liquidity and debt service. In general, long-term projects require long term loans with low interest. Fixed debt service schedules are a poor fit with project revenues, which are often highly variable. For example, although it is important that the grace period should match the project's time-span, bilateral ODA loans (including Canada's) fail to consider the specific nature of the project in setting the grace period; there is simply a standard grace period attached to a particular loan type.[131] Because the initial stages of a project are the riskiest—participants may need to learn new skills; there may be delays in receiving equipment—*the grace period should cover the construction period plus one year, to allow the project to begin generating a surplus before debt service begins.*

Aid typically has a delay of one to two years. *Aid delivery must be streamlined for quick deliver;y* because it is impossible to plan accurately for delay, any delay shorter or longer than estimate can entail modification of the project. The cost of long delays may offset benefits such as long repayment periods, fixed interest rates and lack of tying.

It is impossible to quantify the effects of interference imposed by aid. Aid's capital/import/ urban bias can cause a state's development plan to be completely different than is appropriate, leading to development of an inappropriate skills base, technology-led development, and technological dependence. The import bias can cause imports to be used even when similar—or even more appropriate—items are locally available in the recipient state. A recipient may accept aid even for an inappropriate project to maintain the level of aid the following year. Even grant assistance can distort development. Donors prefer the relatively low administration costs of large projects, and therefore restrict the funding of small projects, even though the smaller project is often more appropriate and more likely to meet the needs of the very poor.

Bilateral aid has specific costs which do not attach to multilateral aid. Continuing bilateral aid relationships may require political alignment with the donor. According to Harvey, aid tying increases recipient costs by 50% to 100%, unless the recipient has already identified the item as necessary and the tied source is competitive. As is discussed in chapter 3, donors are under constant dometic pressure to promote exports, even where those exports are not competitive. Suppliers of capital equipment aim to maximize profit; because they know that recipients of tied aid lack leverage they have been known to raise prices. When capital equipment is purchased through tied aid the supplier gains a monopoly as future supplier of spare and replacement parts, for which concessional finance will be unavailable. Export credits, which are 100% tied, allow donor states to compete for developing country markets. Harvery points out that it is sometimes possible to borrow commercially at lower rates than export credits carry. There is no official monitoring of these transactions and suppliers are not held accountable for appropriateness.

Harvey's criticisms of inappropriate ODA finance apply to Canada's aid delivery, which has always carried a strong capital- and import-bias supported by its high use of tied aid and export credit. Canada's loan arrangements are not tailored to country/project needs but have preset terms. Terms can thus be appropriate only by chance. Project time lag has always been long. Canada expects aid to allow influence.

Identifying and assisting the poor. Although it is beyond the scope of this paper to study individual cultures and their unique development situations, it is possible to make general observations which apply to most cultures. If development is to reach poor people, they must first be identified. Although ODA has traditionally been directed to men, the poorest group is made up of landless rural* women and their children, struggling to survive. *Women, who play critical roles in maintaining food, fuel, and water supplies, must be strengthened and supported.* In subsistence economies households without access to land face malnutrition and starvation. Until the 1970s, there was little manifest consciousness in the development community that rural women were primarily involved in subsistence activities and tended to be poorer than men. Nor was the ODA community aware that its work was exacerbating women's difficulties. *Those critically involved in subsistence, mostly women, require protection from 'retrogressive development' which threatens their livelihood and their survival.*

Many traditional societies flourished without a money economy and surplus acquisition was considered neither necessary nor desirable. When the money economy pressed in on these societies, it interfered with their ability to continue their subsistence way of life.+ Development emphasized export crop production at the expense of regional and local food self-sufficiency. Privatization reduced access to the land and its products, creating household energy crises and depleting food and marketable products. Small farmers were forced into unemployment or seasonal employment, or migrated to urban slums.

Individuals who traditionally lived by subsistence, once drawn into the cash economy, become dependents in an exploitative relationship. Skar found that peasants forced into sharecropping by land privatization live in deep distrust of their landlords, on whom they depend for money and access to land. Many cash crop industries—the tobacco industry in Melhuus' example—are controlled by foreign firms which pass risks on to the peasants, who are obliged to produce even though market prices do not cover their production costs. When cash crop labour needs and subsistence needs conflict, sharecroppers neglect their food crops to tend the cash crop. As a result, food rots and farmers lose their food security. Women, traditionally "custodians of fire and water" and thus guardians of sustenance, are increasingly marginalized by modernization as wage labour diminishes men's participation in subsistence activities. Industrial agriculture, a male domain, pits men and women against each other in competition for scarce resources. Men work to earn wages, raise cash crops or sell lumber, while women struggle to feed and maintain their families. As a result, women are forced to make trade-offs among basic needs.[132]

Development agencies are not responsible for introducing the gender bias into the South. Their failure lies in not recognizing that development increased their marginalization and that *special mechanisms are necessary to reach women.* Simple technologies could ease their heavy loads. Assistance given to landowners or to heads of households, usually men, is likely not to reach women. *As women's roles and obstacles will differ from place to place, mechanisms must be developed with local knowledge.*

Many traditional social systems offer more support to men than to women while expecting women to perform more labour. In most rural societies, certain tasks are considered to be exclusively 'female' and non-transferable to males. 'Male' tasks on the other hand are often transferrable to women or children. Melhuus found, for example, in studying an Argentinian rural community that household work is unarguably women's work while field work is done by both men and women. Women often eat after men and sometimes after boys, so have reduced access to food. When a man's wife died and he had no daughter to perform household work, he dissolved his household to live with a sibling. If a woman's husband died, on the other hand, she was expected to maintain her household without assistance. Thus the woman would be more likely to become 'poor' than the male. Although the gender gap in primary education is narrowing, females still face structural and cultural obstacles to education. By age 11 or 12, girls have learned household and field skills, both extremely labour-intensive.[133]

Women have largely been shut out of or exploited by development. Their work in sustaining households subsidizes TNCs which pay low wages to their husbands. Women receive unsafe drugs being tested or dumped and undergo forced sterilization in misguided attempts at population control. CIDA in 1989 noted that women had rarely been "invited to participate in project planning, implementation or follow-up" and that technologies introduced by aid were designed for men's tasks, citing a Gambia study which found that new technologies increased women's agricultural work time from 19 to 20 hours while men's fell from 11 to 9 hours.[134]

The development community in the 1970s recognized women's plight and held a series of conferences to identify and address their issues. The International Women's Year conference in Mexico in 1975 produced a World Plan of Action. The Copenhagen World Conference Programme of Action in 1980 addressed the injustice of North-South economic relations. The Nairobi Conference in 1985 established that women's subordination was on the increase and identified several contributing factors including: the deteriorating global economy, environmental degradation, "...and the persistence of the retrogressive model of development, which among other things perpetuates unequal power relations between men and women." CIDA noted women's special role rather late, including women as a primary nominal focus for the first time in 1987. There certainly has been normative progress, but actual social and economic conditions of many women, especially in Africa, have deteriorated as international commitment to women's equity is frustrated by contracting resources.[135]

It has been noted that the breakdown of traditional social structures has both been caused by and has exacerbated the negative effects of development. Traditional social assistance has been broken down by colonialism and modernization. Formal social nets are nonexistent, inadequate or inaccessible, or have been devastated by structural adjustment conditionality. Adedeji describes existing social service institutions in Africa as inadequate or dysfunctional and so corrupt that intended beneficiaries seldom benefit. The social security systems which do exist are attached to the modern sector and so cover only wage workers. In sub-Saharan Africa, for example, only 12.8% of the total labour force in 1980 worked for wages. In Nigeria, the percentage was as low as 1%.[136]

It is clear that the social nets of many countries are far from adequate. The challenge of social development reaures more than establishing social nets or reestablishing indigenous structures. Social development is an enormous political undertaking, which encompasses *inter alia* equity, agriculture, land tenure, production, education, and social mobility. Development by modernization has distributed resources from the poor to the relatively or extremely rich.

What alternative form should development take, to reverse the flow of resources from rich to poor? Mosley points out that government funding tends to redistribute only between the rich and formal urban working classes, because the poorest are outside the cash economy. Laws rarely protect the rural poor from powerful people, even if the poor are organized enough to invoke it, and they are seldom organized or informed about legal rights. It is difficult to organize, or even gather information on, the poor, who tend to be "... illiterate, unwell, and suspicious of external agencies...".[137]

Small, participatory projects which can draw on and revive traditions of cooperation have been found to be most effective at reaching the poor. For example, World Bank sociologist Cernea found that "appropriate, local community institutional arrangements" were highly correlated to long-term sustainability.[138] These must *ensure the participation of women, both to reverse the marginalization resulting from modernization and to avoid falling into traditional gender bias traps.*

The ideal project will set aside the assumptions underlying development by modernization, and work with the local recipient population to assess and address local needs. Instead, aid methods have tended to produce inappropriate decisions and threaten sustainability by imposing top-down decision-making with a 'blueprint mentality. Project managers tend to rely on standard designs *unadapted to local conditions.* Inappropriate design and selection of materials create maintenance problems. Maintenance is often omitted from ODA-supported project design, and appropriate local institutional arrangements for maintenance may be lacking. Often bureaucratic obstacles to maintenance dramatically increase costs; for instance lower-level bureaucrats may have to seek permission from distant 'superiors' before making repairs and small problems can become big ones before permission is received. In most countries failure to maintain roads has led to high political, social, economic and environmental costs, sometimes completely negating the value of the investment. Often infrastructure is not maintained even where benefits considerably outweigh recurrent costs.[139]

A 'community-supportive' approach, which assists the community to meet its needs, is far more likely to produce sustainable and appropriate development than is capital-intensive aid. Small, participatory projects allow the crucial input of local experts, who under traditional aid methods have been ignored by 'foreign experts.' Women, for instance, are intimately familiar with forest resources and subsistence farming. *Projects should be simply and locally administered.* The integration of local knowledge and participation into all stages of a project, from identification to maintenance, can render projects appropriate and sustainable. Local residents have access to crucial information such as (1) the immediate social and physical environments—e.g., seasonality of local water sources, property rights of land and water, and timely warning of natural disasters; (2) production strategies; (3) available human or physical resources; and (4) existing relevant institutions.[140]

Harvey points out that a successful project will improve efficiency without imposing gross change, through the introduction of a simple element to an activity already performed by recipients. Harvey goes on to spell out the following prerequisities for success. First, the value of a project must be visible to participants; people cannot be expected to risk their means of survival by, for example, substituting a cash crop for their food crop. Second, an established market and infrastructure must exist to accommodate increased production. Third, neither technology nor inputs should be 'alien' or require foreign exchange to acquire.[141]

Under modernization, the bulk of aid has been absorbed by infrastructure projects. The World Bank (1988) concluded that infrastructure accounted for almost half of project costs in all rural development projects. It is true that public infrastructure facilities are important to growth even in extremely poor countries; where these are appropriately designed, planned, built, and maintained, they contribute much, but appropriateness has been the exception rather thanthe rule. In the past, infrastructure provision has been characterized by large capital projects. Too often, infrastructure's capital-intensive nature damaged subsistence economies, although it lightened donor's administrative loads and lent recipient officials desired visibility. According to Harral, aid-supported capital projects lacking provision for maintenance had generated $40-45 billion in reconstruction costs by the mid-1980s.

Ostrom et al suggest that *physical infrastructure construction will be more appropriate and maintainable if it is built in small sections by the local populace*. Labour-intensive construction may be appropriate to poor communities with high unemployment and low skill levels. Small infrastructure projects can alleviate numerous problems besides providing needed physical infrastructure. Rural infrastructure projects can increase rural employment and income through the provision of unskilled jobs. If local people as a group build to suit their needs as they have defined them, they will develop a sense of ownership and control over community resources and will create mechanisms for maintenance.*An important spin-off of local construction is the fact that he process of building, maintaining and 'owning' infrastructure establishes social mechanisms which themselves further social development.* [142]

As Mosley puts it, "What the poor want to buy is small and simple; what the aid agencies offer them is very often large and complex."[143] For instance, only 7% of aid addresses the form of energy consumed by poor people: wood, charcoal and crop waste; the majority of aid-financed energy has been in the form of large hydroelectric or coal-fired power stations. This donor tendency to support large capital projects has uprooted people and destroyed their livelihoods—causing poverty rather than relieving it, damaging habitats, flora and fauna; and brought disease and future environmental degradation (as for example with inappropriate irrigation and pesticide use). Yet the donor community persists in aid which has been shown to be damaging and inappropriate. Why?

Numerous factors in development financing contribute to the emphasis on urban, capital- and import-intensive, projects. This is true of bilateral aid, export credits, and multilateral aid. Hart point out that large standard projects have three advantages for the donor: they are familiar, they allow an economic return, and they are easier to track for accountability purposes. The modernization/industrialization approach to aid has earmarked funds for imported capital equipment, most often tied to purchase from the donor country, and bilateral aid usually applies only to the imported portion of a project's capital costs. This biases each project to capital-intensive and import-intensive components, and can distort the entire development program. This bias is especially strong in heavily aid-dependent states. Eurodollar loans, which do not carry this bias, are financially expensive and require the borrower to be creditworthy and politically stable.[144]

Despite the good fit of small projects to poor communities, bilateral donors—Canada included—have tended to avoid them, claiming they are administratively heavy. Donor reluctance to support small projects, a major obstacle to effective development, is closely linked to donors' desire for commercial returns and reluctance to turn ODA delivery over to NGOs, who are capable of delivering aid at a fraction of the cost of government agencies. For example, Smith notes that CARE Canada sponsored water development projects in Latin America at a cost of $6 per family benefited, while the estimated cost were CIDA to sponsor a similar project was ten times that much, at $60 per family; and the estimated cost to the Inter-American Development Bank was much higher even than CIDA's cost, reaching $160 per family.[145] Chapters 2 and 3 of the present study illustrate the domestic pressures on CIDA which have prevented Canadian support of small, participatory projects.

At the donor agency level, the bias to large projects reflects a mixture of inertia, disbursement pressure, and risk aversion. As a CIDA official observed, "CIDA officers have tended to be attached to those channels or projects where skills are minimised, rapid disbursement is maximised and Canadian involvement is longstanding." Aid employees are rewarded for administering large programs. Because disbursement pressures are high, disbursement is rewarded while innovation involves unwanted risk. The incentive to avoid bad projects is greater than the incentive to innovate good ones. As Mosley notes, "there is...a penalty (on administrators) for failing to spend the aid budget as a whole, but none for throwing out an individual good idea...". In the recipient country the bias to large projects serves the personal ambitions of officials well as large grants or loans carry visibility, increasing the power and prestige of administrators.[146]

Targeting the poor requires a change to funding primarily local costs. Aid for the poor cannot be tied or used for capital equipment or imports. The change to community-supportive projects is hampered by the fact that there is no bank of data for supporters to use in building their case. It is always difficult to assess the results of aid; its effects sometimes have a very long time lag. When costs are financial but benefits social, as is the case in social development, assessors are unable to quantify results to produce a cost/benefit analysis. The impact of aid on the poorest people is meaured only at the discretion of the individual assessor. Small projects are often exempt from appraisal or cost-benefit analysis.[147] Thus small projects that most benefit the poor, and social projects, are most apt to bypass the appraisal process and leave no proven track record. How then can databanks be compiled which will satisfy the economist's numbers-driven mind?

4.8 In summary

There is no doubt that for the most part it is not the poorest—mostly women and children—who are the beneficiaries of aid. The modernization approach to development has disrupted indigenous social and economic systems of the South, displaced food agriculture with cash crops, devastated environments, severely distorted development, and contributed to an enormous debt load. Biases towards industrialization and a heavy emphasis on economic growth have always been entrenched within the aid regime. The processes of project identification, design, and implementation are top-down, and lack local involvement and expertise which are essential to sound physical, economic, and social development. Because bilateral ODA is typically expected to meet donor commercial and political objectives and multilateral aid continues to emphasize industrialization, aid is capital- and import-intensive. Structural adjustment conditionality has exacerbated the problems inherent in the modernization approach, leaving the poorest to bear the burden of adjustment. The following and final chapter will examine the international economic environment, whose limits ultimately set the parameters for development and aid.

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* There also many urban poor, many of whom have migrated from rural areas either because of the breakdown of their traditional way of life or because they have been lured by high expectations of work and relative wealth. When these expectations are not fulfilled, they find themselves in an urban slum rather than a rural wasteland. Although both groups share in development's failure to meet their needs, the urban poor face a different specific set of problems than the rural poor. As the majority of the poor are rural and many urban poor have rural roots, the following will focus on rural problems.

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Chapter 5. The International Non-Development Context

5.1. Introduction

It is difficult to separate the problems of global structure from problems of development as they are so intertwined but, for manageability's sake, I make a somewhat arbitrary division between development-related and non-development related issues. The previous chapter examined development and aid issues. In this chapter I examine the broader context, that is *international non-development* issues that impinge on CIDA's work —mainly trade and monetary issues —to identify obstacles to the South's development. I will briefly discuss options the South's options and attempt to place Canada within this international context.

It is important here to say a few words about what the present study does not address at this non-aid international level: the critical obstacle to development that is presented by the dominant international militarist mindset, which during the Cold War encouraged a dangerous build-up of nuclear and conventional arms and a burgeoning international arms trade, licit and illicit. Despite growing support for disarmament, the militarist mentality continues to spend scarce resources on instruments of destruction, reverse progress, and implant 'death seeds' in the form of hidden mines which long outlast actual conflict. This mentality foments fear and conflict, and discourages cooperation and the equitable sharing of power and resources. I do not address militarism or disarmament in this paper as they do not enter CIDA's domain; the Canadian government has staunchly kept separate the areas of ODA policy and defence policy. This was true in the 1970s when CIDA prodded the government to divert defence funding to ODA and it was still true in 1995 when the government chose to exempt defence policy from the public review of Canadian foreign policy. The relationship between arms, armed conflict, and development is direct and of utmost importance; however, it lies outside of CIDA's realm and therefore outside the realm of this paper. It remains my fervent hope nevertheless that this relationship will quickly be realized by the world's decision-makers, and that they will soon see that sharing resources is much more efficient than destroying them.

At the level discussed in the present chapter, the concepts of justice and equity have in recent decades been treated as invalid. Beginning with the US blockage of the ITO, the concept of an equitable economic system withered. The global economic system reverted to 'frontierism,' discarding the South's development needs, especially since the death of the NIEO proposal. At this level of international action and decision-making, no law—not even moral law—exists. Military force remains as the alternative to law. Lawlessness is protected by business and government interests in the North. The word 'frontier' evokes images of the US's 'wild west' and international frontierism stems from that history. The US frontier mentality has been imposed through 'negative leadership' on the North as a whole. This has been a function, in large part, of the close relationship between US commercialism, US foreign policy, and US militarism. Canada, with close military and economic ties to the US, has allowed the frontier relationship to taint its own foreign policy.

Policy fragmentation results from frontierism. Compartmentalization of social policy from trade policy and defense policy ensures that the much-vaunted 'price' will be 'wrong,' and liberalization therefore cannot work. *The price, as it has been defined in the past, does not allow for the very real social* *and environmental costs of industrialization and militarism.*[1] TNCs, whose only focus is the profit margin, have been allowed great influence over the shape of the global industrial structure while evading payment, and even acknowledgement, of the social and environmental costs of their industry. Governments accept TNC parameters in their international dealings. As a result, policy linkages vital to the South's healthy development are rendered impossible and invalid. Empires grow while states collapse and millions of people die of poverty and conflict.

Proposals which include the concepts of justice and equity tend to recommend multilateral reform, and so are discarded. Monetary reform and equitable regulation of trade and investment, crucial to a just global economy, are prevented by the invalidation of such concepts. The North's persistent separation of development issues from trade and investment policy has blocked equitable reform. The Pearson report, the Trilateral Commission reports, and the Brandt reports—all North-sponsored reports—were discarded because they called for systemic reform.

Canada stands to suffer from the international problems discussed below, and therefore has much to gain from their solutions. However, as an admitted "policy-taker," rather than a "policy-maker," Canada has little hope of influencing change, should it desire to do so. Compartmentalization of policy and invalidation of the concepts of equity and justice render it difficult for any one nation to raise issues that run counter to the dominant G-7 mindset, even when addressing those issues is essential to forming a well-functioning global system. Furthermore, Canada perceives that there are economic areas in which it competes with the South and so is fearful that strengthening the South might weaken the Canadian econonomy. Canada is therefore ambivalent on issues of multilateral reform, especially regarding North-South trade. As a result, Canada keeps it place protectionist trade barriers and tends to offer only rhetorical support in multilateral fora on pro-South initiatives.

5.2. Exclusion

History has been unkind to the South, both in terms of each individual state's story, and in terms of the international context in which Southern states find themselves. When Southern states became independent, they emerged into a world shaped and dominated by a socioeconomic culture in sharp contrast to their own: a harsh and complex environment. The international system, loan conditionality, and development through modernization pushed the states of the South into a free-market, import-dependent, modernizing mode of development. Colonial infrastructure and post-colonial export-led development opened their vulnerable economies wide, exposing them to the vagaries of an unstable and inequitable global system. Too little attention has been paid to the fact that the oil crisis and deteriorating terms of trade were symptoms of two other fundamental changes in the global system: (1) the shifting of investment funds into major Northern economic blocs and (2) the ongoing monetary crisis. Although the South repeatedly tried to link these problems to development issues, the North resisted this crucial linkage.

With the combined factors of Japanese and European competitiveness, US overseas military and development aid, and US foreign investment eroding the US's capacity to supply gold for dollars, the international monetary system broke down in 1971.[2] Financial deregulation followed, allowing an international money market (the Eurodollar market) to prosper. Money became easy to borrow but terribly expensive, and borrowing exposed Southern states to currency fluctuations and soaring interest rates. Economic planning became impossible for Southern states dependent for their development on such unpredictable foreign exchange. When Southern states attempted to replace lost foreign investment with borrowed money to sustain previous accomplishments and continue economic growth, they were overwhelmed by insurmountable debt.

The North refused to deal with the monetary crisis and reneged on previous promises of support for the South, leaving newly independent states of the South stranded in an environment demanding advanced economic, political and information skills, while they were struggling to identify domestic needs and achieve stability. Despite having few tools to deal with an environment so foreign, so complex, and so unstable, the South had begun independence relatively successfully. States had made economic progress and populations had grown healthier, until the late 1960s and early 1970s when the international system shattered.

The private-sector driven post-war boom slowed in the late 1960s, when rumblings of a global industrial transition began to sound, foreshadowing what Oman terms the "Fordist crisis."[3] In 1967, the world rate of profit began to decline and by the 1980s a global industrial shift had fundamentally altered trade, investment, and geo-economic patterns. The new industry required geographic proximity, highly skilled and adaptable personnel and advanced communication technologies. Investors shifted from the South back to the North; unemployment and protectionism grew in the North as demand for unskilled and low-skilled labour diminished. Like other countries, Canada responded with a move particularly damaging to LDC exports, Canada protecting its textiles and garment industries to placate a restless Quebec.

The logistics of the new industrialization mode demand close communication links between supplier, producer, advertiser, and market. As high technology costs and high research and development costs increasingly outweigh the relative importance of labour costs, incentives to invest in distant, low-wage production sites decrease. Countries which lack connections to Northern economic blocs have little hope of receiving future TNC investment under the "low-wage" rationale. *It is therefore necessary to re-examine the feasibility of the industrialization process as it has been attempted in the South and to find alternatives for develoment that are more suited to Southern economies and needs.*

As Oman warns, the shift is occurring when the South is liberalizing and undertaking export-oriented industrialization, to engage in low-wage production for global markets. This industrial strategy can now hope to succeed only with integration in a major Northern region.[4] It is possible that Asian, American, and northern African states will be able to establish such integration; however, there is little hope of this for the already devastated states of southern Africa. Although economic success in post-apartheid South Africa would help their situation, it could not bring enough wealth into southern Africa to make the region wealthy.

5.3. Post-war to the 1960s: From dependence to exclusion

The UN and IMF charters internationalized the Keynesian maxim that, because cyclical fluctuations in output and employment were inherent to the international system, state governments must manage their economies to maintain full employment. Importantly, the ITO as envisioned accepted the concept of equity in its goal of employment for all people in all countries. The ITO Charter, signed by 53 countries in 1948, thus encompassed market access, commodity problems, economic development and restrictive business practices. Unemployment and under-employment were considered to be of international concern. Rossen points out that the ITO was "...empowered to take concerted action against the international spread of a decline in employment, production or demand." Its charter recognized the special character of commodities and the South's dependence on them. Because in the 1940s and 1950s it was expected that Europe's recovery and full employment in the North would quickly expand demand for primary commodities, the Charter allowed for temporary, corrective international commodity agreements.[5]

ITO provisions were to be incorporated into the national legislation of all member states. Such incorporation would have brought provisions into domestic jurisdictions, making it enforceable under domestic law. However, the ITO failed when the US Congress withdrew support, and the concept of equity dropped out of the international economic culture. The GATT, substituting for the ITO dealt only with commercial policy, separating it from other areas of economic policy which had been covered by the ITO. The comprehensive approach necessary to the South's development was lost. As the ITO's acknowledgement of a need for international economic regulation and management disappeared from the power centre, the South's development lost its status as a valid global economic objective. Development was handed over as a problem area to specialized development agencies which lacked clout in the international economic decision-making sphere.[6] The South had no protection from commodity trade volatility nor from what were to become powerful, and often predatory, transnational corporations (TNCs). The GATT did not cover commodities, barely gave lip service to restrictive business practices, and was not incorporated in signatory states' national legislation.

The South rightly perceived the failure of the ITO as a clear message that the North would resist its attempts to gain equity and, again rightly, expected continued opposition from the OECD states, especially the US, to future attempts to establish an ITO. Attempts to replace the ITO's arrangements were resisted and limited. South-South cooperation began with the Bandung conference in 1955, but not until UNCTAD's formation in 1964 would the global biases against the South begin to become clear. The UN Economic and Social Council (ECOSOC)'s restrictive business practices (RBPs) draft codes of the early 1950s were not supported by the North. ECOSOC's Interim Co-ordinating Committee for International Commodity Arrangements (ICCICA), intended to achieve stable prices, was ineffecive.[7]

Although the GATT contained clauses to protect the South from the effects of international shortcomings, they were not honoured by the North. For example, the GATT provisions on RBPs and ad hoc procedures for conflicts of interest (1960) were not used. Accepting that Southern chronic balance-of-payment and export problems warranted preferential access to Northern markets and freedom to protect Southern industry, the GATT retained one ITO provision (GATT Article 18) for developing country infant-industry protection. The willingness of LDCs to invoke Article 18 was restricted by its threat of compensation or retaliation.[8]A second article (18-B), applicable only to developing countries, accepted that external factors might legitimately restrict a state's foreign exchange earnings and accepted such a situation as a premise for invoking balance-of-payments provisions without compensation or retaliation. This and another article (12) stipulate that *the GATT cannot force countries to change non-trade domestic policies to deal with balance-of-payments problems.*[9] However, these articles offered the South little protection from structural adjustment programs later to be imposed by the IMF and World Bank which forced social cutbacks that were devastating to the poor (see chapter 4).

The importance of trade grew. The post-war period enjoyed a boom as consumers compensated for war-time shortages. The Marshall Plan's technical assistance and EEC economies of scale facilitated the spread of mass production through Europe. Policy obstacles to trade decreased and trade expanded. TNCs and manufacturing DFI expanded as US firms set up subsidiaries, mainly in Europe and Canada. Canada, like other countries, happily absorbed the investment. From 1950-1973, world exports rose faster than production.With no RBPs governing international trade, the private sector gained enormous control.Transnational corporations (TNCs) organized the international business order, shaping global production, trade, capital flow and technology to serve their own interests. Developing countries eager to industrialize competed in offering incentives for investment.[10]

Eagerness notwithstanding, the South's international trade deteriorated in the 1950s and 1960s. GATT reports (1956, 1958, 1960-1961) clearly spelled out international biases against Southern trade, pointing out: (1) that exports disproportionately favored developed countries; (2) that Northern domestic policies contributed to the South's declining exports; (3) that the South's exports faced wide-ranging high tariffs including escalating tariffs and non-tariff barriers, and (4) that the South lacked negotiating power to reduce trade barriers. The GATT reports argued that with its relative share of world export in continued decline the South was in need of more foreign exchange.[11]

The South agreed, calling for correction of the biases in trade. The South demanded: standstills, elimination of quantitative restrictions, duty-free entry of tropical products by the end of 1963, the removal of tariffs on primary products, reduction of escalating tariffs and non-tariff barriers (NTBs), and annual progress reports. Although its calls were far from fully met, some reduction of quantitative restrictions and tariffs followed. The GATT's Committee on Trade and Development examined trade and aid, preferential treatment, adjustment assistance, commodity and tariff problems, and South-South trade expansion. The GATT membership acknowledged the need for a formal institutional framework to encourage expanding North-South trade. South-South economic groupings formed.[12]

The year 1964 was a crossroads. Significantly, the GATT called on the North to open its markets to the South, accepted the concept of non-reciprocity, and created the International Trade Centre (ITC)—later to become a joint GATT-UNCTAD enterprise. Prompted by ECOSOC's failure to enter successfully into issues of trade and development, UNCTAD formed in a compromise between GATT- and ITO-supporters. UNCTAD attempted to place Southern issues on the global agenda in hopes of removing anti-South biases from the international system. UNCTAD became the South's main source of analysis and publicity and offered political and technical support in international fora. These events encouraged the South to expect that systemic biases would be addressed. The South attempted to inject equity into global development, while the North resisted, arguing that interference with the 'free market' would lead to economic catastrophe. The North fiercely opposed UNCTAD's Southern bias,apparently forgotten its earlier support of the ITO's proposals on commodity arrangements and restrictive business practices. In an outstanding display of poor global management, trade areas important to the South were split between the GATT and UNCTAD, the General Assembly mandating UNCTAD with commodity issues while the GATT retained textile administration. The North solicited Southern membership in the GATT, hoping to limit UNCTAD's role. Overlapping work and vague mandates resulted in rivalry between the two institutions.[13]

UNCTAD argued that commercially, 'equal treatment' between nations was appropriate only to comparable states and not to North-South trade. Prebisch called for governments to improve and stabilize commodity export earnings and claimed that the GATT inhibited the South-South economic groupings necessary to import substitution and strengthened exports. The South attempted to negotiate away these inhibiting rules during the Kennedy Round (1964-1967). The Kennedy Round did produce tariff reductions, but later evaluation found that these reductions favored the North's exports.[14]

Becoming adept in the arts of vague promises and rhetoricm GATT members made cosmetic changes. They added Part IV (1965), with three new articles (36, 37, 38) ostensibly favoring developing countries. These articles recognized the South's development needs, its need for improved market access and commodity price stability, and non-reciprocity. While the acceptance of non-reciprocity was important, the remainder of the three articles presented little more than promises and possibilities. The Pearson report recommended that the GATT should abolish tariffs and quantitative controls on products important to the South and institute preferences for Southern manufactures. Pratt notes that Canada, the Netherlands, and Sweden—three countries commonly perceived as 'pro-South' states—initially opposed preferential market access for Southern products "...out of a commitment to multilateralism, reinforced in the Canadian case by narrowly commercial reasons." The US reluctantly consented to participate in a global system of preferences, but imposed the following condition: that preferences be limited to tariffs, be temporary and voluntary, and be offered by all developed countries to all developing countries on an MFN basis.[15]

Trade did not open to the South. Instead, trade barriers—including those on textiles—multiplied as Japanese and European involvement in international trade increased. Canada and countries of the economic South were similarly threatened by European regionalization and subsidization of agriculture. The European Common Market reduced intra-ECM tariffs in the late 1960s, decreasing accessibility for extra-regional producers; Europe's Common Agricultural Policy (CAP), initiated in 1962 and fully operational after 1970, severely affecting food-exporters.[16]

Productivity growth slowed in the US in the late 1960s, and in other OECD countries in the 1970s. Fordism had accommodated the post-war boom but its shortcomings became increasingly apparent in the late 1960s. Workers objected to the monotony and "de-skilling" nature of mass production. Profit seekers realized that mass production's demand for large volume storage raised production costs and reduced efficiency. A major industrial shift surfaced slowly, coming to a head in the 1980s. The coming shift would dampen hopes for future Northern investment in low-wage production sites of the South, diminishing Southern chances for successful liberalization. High inflation, and high unemployment due to slow growth ('stagflation') in the second half of the 1970s affected the North. Managed trade emerged, blocking the expansion of Southern exports. Non-tariff barriers and the progressively strengthened the Multifibre Arrangement (1974), supported by Canada, targeted exports from developing countries but failed to resolve the North's productivity slowdown.[17]

5.4. The 1970s: Monetary crisis and the North-South divide

Events of the 1960s had identified the critical need for international change to allow successful development in the South. During the 1970s attempts to make those changes failed. In the end, the multilateral system was weakened, the North and South were further apart politically and economically, and Southern unity and resolve was failing. For a brief heady moment in the 1970s, the South thought its ongoing state of exclusion from the global system would change to one of inclusion, through the proposed NIEO and the ensuing North-South dialogue. However by the late 1980s a disillusioned and deeply disappointed Julius Nyerere was to sum up the dialogue's productivity in two words: "What dialogue?" Nyerere, Wallerstein and others have accused the North of actively obstructing Southern progress.[18]

While such blanket accusations offer little in the way of constructive alternatives, they hold much truth. Northern countries, experiencing new economic pressures, were threatened by the South's declared intention to share the shrinking pie. On the trade scene, Southern hopes for progressive international change were high, but quickly crashed. Marked discrepancy between Northern principles and practices perpetuated trade problems. The OECD in 1972 reported "an absence of international discipline," noting that member states had introduced "a wide variety of safeguard measures," often discriminatory, including VERs (voluntary export restraints).[19]

US leadership was replaced by US obstructionism. The US withdrew support for the UN system, complaining of the "tyranny of the majority."[20] The US refused to deflate its economy to defend its weak balance-of-payments situation, and the Bretton Woods system collapsed in August 1971 when Nixon ended the dollar's convertibility into gold. The Smithsonian Agreement in December of that year, attempting a system of agreed currency realignments, was short-lived. The failure of the international monetary system considerably aggravated the South's situation. Globalised financial markets and globalising corporate assets combined to reduce national fiscal and monetary policy sovereignty even in the major economies. Countries with weak currencies, dependent on major currencies for their international transactions, suffered most. Unstable currencies exposed the vulnerable South to wildly appreciating and fluctuating exchange rates. Southern states found themselves unable to forecast development costs and benefits. As the Trilateral Commission had predicted, defending a fixed-rate system proved impossible in the context of rife speculation in the Eurodollar market. Eurodollar net short-term lending climbed steeply, from negligible levels in the 1950s to $57 billion by the end of 1970.[21]

The Trilateral Commission believed the link between trade and the monetary system to be so close that it feared the GATT's Tokyo Round could not proceed without a renewed international monetary system. The Commission rightly predicted that a disorderly monetary system would invite speculation and national controls on trade and capital. A well-functioning monetary system, pointed out the Commission, was crucial to global stability. In the absence of a new monetary system, the world risked the fruits of three decades of international liberalization. Developing countries would suffer as industrialized countries imposed measures, such as tied aid, to protect overvalued currencies. The Commission recommended reform to provide the South with "abundant multilateral finance," address the newly prevalent way of making money by moving money rather than through production, and control TNCs, which at that time were responsible for over a fifth of the market economy's industrial output. No new monetary system was established, despite the Commission's warnings that delay would particularly hurt developing countries. The North, ignoring warnings of the dangers of the status quo, failed to respond to its attempts to place issues of the South on the world agenda. The 'frontier' interpretation of reality had already expunged the South from perceived co-existence on the globe.[22]

Why did the North fail to replace the failed monetary system? Individual governments of the North could not address the issue. A decision of such moment could only be taken by the G-7 which, as will later be discussed, was unwilling and unable to reach consensus. The limitations of the multilateral system became particularly and painfully obvious. The US, with its diminished but still considerable power, refused to lead the way to—or even to support—the establishment of a more capable multilateral system. The world, which had depended on US leadership, was now balked by US obstructionism. US refusal lent weight to Southern accusations that the North, particularly the US, has purposely obstructed the South's progress.

By 1976, economic recovery had been achieved in most OECD states' however, that year the G-7 reversed the previous year's economic stimulus and member growth slowed. Sidestepping the need for monetary reform, the G-7 condemned protectionism and proposed GATT negotiations as remedies for the South's problems. The North responded to the 1979 oil price increase with restrictive monetary policies, bringing on the 1980-1982 recession and serious economic consequences for LDCs: the cost of the South's essential imports rose while dropping commodity prices weakened their ability to pay for those imports. UNCTAD pointed out the North's persistent structural and institutional rigidity and the reduced role of market prices in the North, calling *inter alia*, for international monetary reform. When an inter-governmental group was established to examine monetary reform, the US pressured OECD states to boycott and the group met only once, in 1980.[23]

The world looked to the G-7 for a way out of the economic malaise. However the 1978 summit, in typical Northern irresponsibility towards global economic health, made no progress on international monetary policy and paid scant attention to North-South issues. The laudatory *nature of press coverage was both cause and reflection of the low priority the public and the media* accorded to monetary policy and to the plight of the South. The press failed in its mandate to shed illumination on the real issues at hand, hailing the summit as the beginning of "a new age of mutual trust."[24] In fact, it manifested the failure of the North to respond to the monetary crisis.

Despite G-7 suggestions for trade reform, the North blocked Southern proposals. Blockage was in line with Northern preference for ad hoc response and avoidance of systemic policy formation. The process leading to the Convention on a Code of Conduct for Liner Conferences in 1974 illustrates the limits beyond which the North would not allow the South to pass. Choosing intimidation over negotiation, the North "...played upon the fears of many developing countries that they would be unable to 'go it alone'...".[25] Consequently the South was forced to give up previously established principles in exchange for gains under the code. Even this difficult struggle yielded only delayed results, as the Convention did not enter into force for another nine years. Shah describes the Covention as nothing more than a set of unenforceable norms.[26]

In 1972 and 1975 UNCTAD attempted unsuccessfully to revive interest in an ITO. In 1976 UNCTAD recommended improvements to the Generalized System of Preferences (GSP) and launched the Integrated Programme for Commodities (IPC) with an elaborate schedule for commodity agreements. The North responded with reluctance. The South watched carefully, considering the IPC to be a litmus test for Northern support for an NIEO.[27]

Three years later, commodity markets were in crisis.Rather than addressing the commodity problem, the North deliberately 'divided the enemy' through selected debt relief. To their credit, Germany, France, and Canada briefly attempted at the 1979 G-7 summit to cross the boundaries of 'frontier' acceptability, pointing out the linkage between the Third World debt crisis and US budget and trade deficits, high interest rates, strong dollar, and growing protectionism. Nevertheless G-7 leaders soon agreed on conciliatory action to prevent the formation of a 'debtor's cartel.' Media reports again lacking depth, accuracy and analysis, touted debt relief as the summit's major accomplishment.[28]

G-7 summitry held the potential to trigger change, but this power was not used. Instead of instituting a new monetary system, the G-7 collaborated among themselves—although not without conflict—to the continued exclusion of weaker countries. France regarded a system of fixed rates as essential, while the US, UK, and Germany favored a floating exchange rate. Other states tolerated the latter as the only possibility. Canada, not a member of the G-5 financial expert group, had little influence on monetary matters. Leaders agreed to ongoing surveillance of the major economies with domestic adjustment of economic policy where necessary.[29]

Sixty LDCs participated in the GATT's Tokyo Round (1973-79), 40 as members and 20 as observers. However, the GATT's own Cable Report (1978) noted Southern disillusionment with negotiations. The South believed the North was undermining special provisions. When the North, Canada and the Nordic countries included, reached agreement without consulting the South, the South understandably felt excluded from negotiations. Krishnamurti judged that "... the final results of the Tokyo Round...fell lamentably short of the commitments made in the 1973 Tokyo Declaration on most issues of interest to developing countries."[30] A graduation clause was adopted over the South's objections. Although the Round highlighted Southern issues, particularly special treatment and non-reciprocity, gains for the South were small. Even those small gains were negated by limitations, vagueness, and reluctant implementation in the North, protectionism and the formation of a European free trade area. The Tokyo Declaration stated that the South would receive special and preferential treatment "...where feasible and appropriate." A new 'Enabling Clause' dispensed with the need for a special waiver for Southern preferential trade arrangements, but might require prior consideration by the GATT.[31]

As the South perceived Northern unwillingness to negotiate or form an equitable trading system, its unity faltered. UNCTAD V in 1979, which opened in the critical last phase of the Tokyo Round, was divisive. OPEC refused to discuss energy and there was no consensus on debt.[32]

Just as international economic growth had been industry-driven, so was the 'response' to the industrial change and monetary crisis. Regional agreements began to substitute for global ones. The industrial shift encouraged the formation of regional economic blocs in the North, shifting TNC investment away from the South to opportunities within Northern blocs as TNCs raced to ensure inclusion. Production regionalized—excluding developing countries, especially those geographically distant from major economic regions, from the investment/ production/ consumption cycle. The TNC tendency to regionalize for reasons of industrial efficiency was strongly reinforced by currency instability. Regional agreements offered governments shelter from global shortcomings and offered TNCs the means to create their own currency stability through integration within regional blocs. As economic agreements between Northern states allowed freer movement of goods and money within regions, TNCs avoided repeated currency exchange costs by integrating investment, production, advertising, and consumption within regions.[33]

A growing consensus emerged among the North's closely allied government and business leaders. They agreed that increased competition would allow markets to function properly. Decision-makers ignored a fundamental flaw of the free market system: the market does not work because the *pricing system does not reflect tremendous social and environmental costs of production or armed conflict*. The prices are therefore not "right." (The costs of warfare are even more devastating and long-lasting than those of inappropriate industy. *The "right" price would cover the human, environmental and financial costs of armed conflict; an 'efficient' market would require the cessation of armed conflict.*) Rather than addressing these core issues, decision-makers blamed domestic government intervention for the market's poor function and imposed cuts on government spending while attempting to strengthen the private sector.[34] Canada followed suit, struggling to get its own growing deficit under control. International fiscal and political pressures were to have an increasingly negative effect on the quality of its aid.

5.5. The 1980s

In the 1980s, the North faced economic chaos but continued to evade systemic resolution of the fundamental problems. The 'frontier' mentality thrived, preventing the North from facing squarely the problems of the international system. Regionalization, bringing abundant Japanese and European investment into the US and Europe, kept the North primed with a sense of increasing power.

The NAM, the UN Committee on Development Planning, the Brandt Commission, and a Commonwealth study group all supported a new Bretton Woods but US recalcitrance continued to be a major obstacle. With speculation increasing in foreign exchange markets, major currencies continued to fluctuate. The Eurodollar market moved increasingly huge amounts of money, growing from $600 billion/day in 1988 to $1 trillion/day in 1993. With such volumes of money beyond government control, national fiscal and monetary policies weakened dramatically.[35]

In trade negotiations, the South continued to push against the proverbial Northern 'brick wall'. North-South relations became so polarized that the two groups could not agree even on the basic framework for Global Negotiations (set for 1981 but cancelled). The North maintained that extant specialized agencies—where power reflected financial input—should make substantive decisions, while the South felt that such decisions were the right and duty of the General Assembly, based on one-country/one-vote. Although the Pearson rerport, the Brandt reports and UNCTAD (1983) had all recommended an ITO encompassing GATT and UNCTAD, the trade system foundered while trade negotiations stalled.

UNCTAD unanimously adopted, and the General Assembly approved, a set of principles and rules on RBPs which UNCTAD was to implement. However, with GATT members continuing to avoid discussion of RBPs, practical application was difficult. A commodity agreement was reached, but the victory rang hollow for the South; the new Common Fund gave the North power to block commodity decisions with "significant financial implications." In any case, the Common Fund did not enter into force until 1988, by which time the International Tin Agreement's collapse had already destroyed the South's expectations for commodity arrangements.[36]

In response to the G-77's calls for trade reform, a GATT ministerial meeting took place in 1982, two years after the Tokyo round's end. Ministers, who observed that the multilateral trading system was "seriously endangered," were to review long-outstanding items important to the South including the GSP, tropical products, quotas and tariffs, export credits, and the MFA.Krishnamurti was optimistic about the results, claiming decisions made at the meeting brought the GATT closer to effectiveness and transparency, encouraged North-South and commodity trade, addressed structural adjustment and trade policy, tariffs, special treatment for the South, and textiles. Rossen's appraisal was quite different: "...if anything...," he judged, "...the Ministerial Session has left the trading system in greater disarray than before." Later events indicate that Rossen's observations were more accurate, if less diplomatic: the US imposed new tariffs and quotas; Canada targeted the South's most important export industry, textiles and clothing.[37]

The GATT's Uruguay Round began in 1986, set to last until 1990. The GATT's support for the South's liberalization would be critical to government ability to sustain reforms; the South needed negotiating credit for liberalizations introduced before the baseline date of June 1986. When Canada joined with other middle powers Australia and New Zealand to help the South draft a declaration, a coalition of nearly fifty countries grew. Major G-7 powers, the US, Japan and the EEC, were broadly supportive. Whalley credits the resulting coalition with the Uruguay Round's successful launch, which "...would likely not have occurred without it."[38]

Like previous GATT rounds, it purported to address Southern problems. Among the objectives of the 1986 Declaration were: improving access to markets by less-developed parties (A.i), taking account of commodities problems (A. iii), and improving the indebted countries' ability to meet their financial obligations (A.iii). Negotiations were to be transparent and mutually beneficial to all parties. There was implicit admission to past illegalities in the provision for standstill and rollback of protectionism. The principles of favorable treatment (B. iv) with special attention for LLDCs (B.viii), and non-reciprocity for the South (B.v) were repeated, as was the principle of graduation (B.vi). Special attention was to be given the liberalization of processed and semi-processed tropical products. Agriculture and textiles and clothing were to be eventually integrated into the GATT.[39]

What seemed to be Southern gains were little more than mirage. Despite promises in the 1986 declaration, the GATT did not address those long-outstanding items which had been included in the ITO, such as commodity arrangements and restrictive business practices. Nor did the GATT address new issues critical to the South: structural adjustment, high technology trade, finance-trade linkage, or workers' rights. The US, threatening to boycott the Round, insisted on the inclusion of new categories: intellectual property rights, investment and services.[40]

It cannot be said too many times: the North, which holds the power to initiate or to resist systemic change, chooses to do the latter. The South, lacking options, suffers disproportionately from this reluctance to systemic change. The G-7, the only body during the 1970s and 1980s with the power to provide creative leadership towards global change, carefully treated pro-South concessions as exceptional cases. In line with this tendency, the North resorted to case-by-case debt relief to defuse opposition instead of instituting monetary reform which would have resolved a fundamental systemic problem, even though France continually pushed for a new monetary system. When the US belatedly admitted the need for monentary reform and suggested hosting a second 'Bretton Woods' conference, Britain and Germany objected. Thatcher called the idea "jabberwocky" and it was not pursued.[41]

The G-7 quickly rejected the Brandt Report, with its call for urgency and demands for systemic change, as costly and unwise, and the report was "... filed and forgotten...". As Nyerere observed: "The real powers of the North were simply not interested (in its recommendations). They no longer had any desire even to appear willing to discuss fundamental change in the structure of international trade and finance."[42] Even when Southern issues were dealt with, it was on a piece-meal basis. Although in 1985 the G-7 agreed on an 'international follow-up of lasting measures' for Ethiopia and commissioned a study on aid, G-7 members failed to heed their own call for 'lasting measures.' They did not follow-up the aid study they had commissioned. Instead of systemic reform, the North restricted its actions to country-specific or issue-specific action. They did not honour their commitments to roll back protectionism and they refused to cooperate to address the debt crisis. Consequently, debtor countries remained unable to ease pressures through trade. Only in 1987 was a G-7 summit devoted to N-S issues. That particular year it was a pre-election summit; because coming elections in member countries traditionally prohibited decisions for action, an element of 'safety' allowed leaders to discuss measures to assist the poorest debtor countries while sparing them of pressures to follow through on the fruits of that discussion.[43]

G-7 tendencies to react, to compromise, to resort to damage control, and generally avoid the resolution of fundamental problems combined to form a structural barrier against decisions that favoured the South—indeed against any multilateral reform. The G-7's resistance to tackle complex global problems is particularly discouraging as they held the power to 'kickstart' important positive changes. Because they are a small group of similar states, in-depth discussion should have been possible. Because the group includes the world's most powerful states, it could provide essential leadership for change. Instead, the group tended to reach summit 'harmony' through middle-of-the-road policies.[44]

Besides providing a potential forum for international management and reform, G-7 summits played two other important roles. They brought issues on to (and kept issues off of) the *international agenda and public agendas*. And they educated heads of state, and the public through press coverage, about international issues. An eager press transformed G-7 summits into potentially *powerful public educators*, enabling G-7 leaders to transmit their biases through publicity and statements. Although France and, to a lesser extent

Canada, attempted to put North-South issues on the G-7/global agenda/curriculum, they met with little success. The G-7, rather than fulfilling summitry's educational role, misused it, biasing and limiting the education of state leaders, the media, and the public.

US negative leadership. What Putnam and Bayne refer to as "subjective hegemony" was very apparent within the G-7, and this became extremely important to development issues. US behaviour, formerly as hegemon and later as "cultural hegemon," heavily influenced the international context in which developing countries found themselves, and limited Northern middle powers' ability to affect that shape. France, Canada, Italy, and the EC called unsuccessfully for fulfillment of Western IDA pledges—blocked by US refusal to pay—and promoted allocating new SDRs. When France argued for more generous treatment of Third World debtors, pointing out that case-by-case treatment of the debt forced severe adjustments in debtor countries, the US countered with the familiar argument that the answer to the debt problem lay in increased North-South trade. The US argued that only increased exports would allow the developing countries to pay their debts and suggested that the GATT's next rounds focus on North-South trade through joint meetings of trade and finance ministers.[45] Thus, the US diverted talk of debt alleviation by touting North-South trade calling for decreased protectionism, all the while increasing protection of its own industry.

The US had provided leadership in establishing a multilateral system, including a monetary regime, and in assisting Europe's and Japan's recovery. It then abdicated its leadership role, blocking the ITO and later refusing to support the monetary regime or to participate in forming a new regime. Finally, when the South demanded equitable participation, the US turned on the multilateral system as a whole. It then began a campaign of 'negative leadership,' leading the North away from empathizing with the South, forging an 'us-them' attitude. By identifying the South as an adversary, it was able to invalidate the concepts of 'equity' and 'justice' in the global framework. Thus, the US, supported by the UK, regularly blocked discussion of North-South issues at G-7 summits, and issues of the South lost the brief high priority of the 1970s. Especially with Reagan's participation, the G-7's attitude towards North-South issues changed from benevolent anxiety to cynicism. Leaders blamed OPEC for "ruining" the South and disabling Northern capacity to help. The US withdrew support for proposals to form a new energy affiliate in aid of developing countries and to increase World Bank contributions.[46]

In addition to blocking pro-South action, the US blocked the South's progress by refusing to cooperate with other Northern states in building a healthy global economy. Other G-7 states often criticized the US for unilateral acts and policies which did not consider other states. When the US received sharp criticism for its high interest rates, it was defended only by the UK. Even the Trilateral Commission in the 1970s had acknowledged the privilege accorded the US position by the Bretton Woods system, and criticized US neglect of international economic developments—particularly its failure to consult before acting where its leading trading partners were concerned.[47] The US was perceived as having managed trade after the mid 1970s often through unilateral economic and trade decisions. The US was cavalier and isolationist in its trade management, refusing to consider other Northern economies, not to mention Southern economies. US economic measures of 1979 triggered the 1981-1982 depression and contributed to soaring US dollar exchange-rates by 1985. Both the US real interest rate and the US dollar climbed sharply. As a result, the South's debt burden grew "suddenly and enormously."[48] The increased pressure placed on Canada by US trade management prompted increased federal pressures on CIDA to commercialize aid (see chapter 3).

5.6 The 1990s

Despite normative progress within the Security Council regarding and the Right to Development in the early 1990s, the outlook for the South is not promising. Where it enters the North's collective mind, Southern development is regarded mainly as a threat to be contained, and aid as an unnecessary expense. Eastern Europe and the former Soviet Union are successfully competing for the same finite resources that the South needs. Direct foreign investment, which has since the mid-1980s grown more quickly than trade, continues unregulated.[49] Regionalization is both cause and result of burgeoning investment, as TNCs scramble for inclusion within the major regions and forego investment in countries outside those regions, shifting future potential investment away from areas not explicitly linked with the major economic regions of the North. Mexico's current crisis warns of the dangers of integration, and underlines the crucial importance of monetary reform. Clearly *reforms of global trade and investment, and of the international monetary system are essential.*

5.7. The South's options

The GATT reported in 1992 that 63 LDCs had significantly lowered import barriers since the beginning of the Uruguay round. The South's current interest in North-South manufactures trade and a liberal international trading system is reminiscent of its attitude of the 1960s, before disillusionment set in. Unfortunately, the North, including Canada, places enormous obstacles in the way of expanding Southern export. The North's isolation of policy areas allows it to force the South's liberalization through structural adjustment policies, on one hand, while increasing barriers to their exports on the other. This policy isolation reflects and supports close relations between Northern states and their industrial sectors. Protectionism and the fervent support of the 'free market' serve private interests. Howell and Wolff predict that, even if all state protectionism were to be dropped, strong protectionism would continue—because protectionism can be, and has been, extensively privatized. Howell and Wolff provide a telling example calling privatized protectionism "...one of Japan's most successful trade tactics."[50]

Howell and Wolff point out that the GATT's dispute resolution procedures demonstrate two basic false assumptions: (1) that economies are similar and share objectives, and (2) that the rules to be followed are clear and well-established. An important failure of the GATT which works against the South's equitable inclusion in trade is its failure to *accommodate interaction between diverse social and political cultures.* Lack of a successful mechanism for interface leads to friction. It does not *address private protectionism.* It is open to interpretation. It does not deal effectively with subsidies, *cartels*—which have been important to many countries' successful development (see chapter 4), industrialized countries' protection of infant industries, agriculture, or intellectual property. Nor does it deal with the effects of increasing *regionalization.*[51]

Also, a general Northern shift into higher technologies may bring opportunities for the South to expand industry and export in lower technology areas. But such a scenario holds uncertainties and dangers. The market for lower technologies may disappear or be restricted to Southern consumers. A transfer of lower technology is likely also to be a transfer of environmental degradation. A key motivation for industrialized countries' expansion into higher technology is to discontinue the pollution of heavy industrialization.

Oman's suggestion for 'deep international policy integration,' i.e., *international integration of social and environmental policies*, to improve international trade and investment transactions is good advice.[52] However, social and environmental policy areas are the very areas which have been rendered 'invalid' by Northern 'frontier' perceptions of global relations. Progress on the environmental and human rights fronts and in the UN Security Council suggests that the North's conceptual boundaries may be weakening slightly, lending hope for the future One can hope that we are witnessing the beginning of a fundamental attitude shift in the North. However the data presented in chapter 4, especially Northern attitudes on structural adjustment, seem to belie suggestions of a coming acceptance of social needs, like justice and equity, at the highest decision-making levels.

Regional trade arrangements like the North American Free Trade Agreement (NAFTA) and the EC pose a serious threat to global trade. The countries of southern Africa face the biggest risk of exclusion. The exclusionary potential of regional agreements increasesthe South's need to guarantee inclusion in multilateral trade, especially when combined with SAP pressures to export. Oman recommends two options: (1) that countries of the South join Northern blocks; and (2) that they form their own regional groups to minimize exclusion and its negative impact. Both options, he claims, will attract investment and strengthen leverage for negotiation.[53]

Oman's argument for regional inclusion is convincing, until one *looks at the social effects of integration in a free market system where there is no protection of the poor.* Although inclusion in regional agreements does attract investment and promises prosperity, Mexico's experience of 'inclusion' in NAFTA illustrates the need for *caution and alternative forms of development.* From 1982 to 1989, Mexico attempted to integrate into the global economy to reduce dependence on US economy, but was unable to attract sufficient foreign investment. This led to Mexico's 1989 decision, previously "politically unthinkable," to seek a free trade agreement with the US. Mexico joined the GATT in 1986, and signed NAFTA in 1992, along with attached agreements on labour, the environment, and safeguards on import surges.

NAFTA connected the Mexican and US economies, but, as an offspring of the US 'frontier mentality' and modernization approach to development, ignored the social consequences of close integration with the US economy. The people of Mexico suffered dramatic consequences. A huge trade deficit pressured the government to devalue the peso, with disastrous results. Major agricultural reforms in 1991 were expected to rob subsistence farmers of access to land. On the positive side, since NAFTA Mexico has seen a return in flight capital and investment flows and Asian investment began to flow into Mexico.[54]

There is a very real danger that European economic integration will create an impenetrable de facto trade barrier against non-European imports, including those of the South. Although officially the EC embraces the GATT, in reality its policies are non-transparent, it manages and protects its trade and industry, and it is lax on antitrust enforcement. Lower income EC countries which often compete directly with Southern manufacturers have the advantage of 'cohesion fund' assistance and are likely to call for protectionism against numerous items including footwear, garments and textiles, products of great importance to the South. National quotas may be replaced by EC-wide quotas, thus further increasing protectionism. Asia's share of world output has grown from tremendously since 1960, and Asian LDCs are more likely to be successful in trade and in attracting investment than are LDCs of the Americas or, especially, Africa. China in particular is quickly gaining capacity in manufactures of interest to the South, like textiles and footwear, threatenting to crowd out smaller Southern exporters.[55]

Rossen and Oman call for South-South regionalization to strengthen the South's capabilities. Oman claims closer South-South relations will help states coordinate and stabilize policy, and points out that cooperation on competition policy is essential. In Oman's view, regionalization will increase the South's leverage, collective credibility and bargaining power and will strengthen competition by expanding markets. Rossen agrees that national self-reliance in small LDCs requires regional and/or subregional cooperation, especially in establishing intermediate and capital industry.[56]

Oman suggest sthat South-South regionalization can weaken oligopolies and allow domestic industry to gain strength, although he also demonstrates that oligopolies previously successfully blocked such regionalization. Oman's suggestion begs the central question: in what way are the South's devastated economies of today stronger than they were in the 1950s to 1970s? As Oman points out, the South, especially Latin America and Africa, attempted South-South regionalization in the 1950s to early 1970s. Those efforts were blocked by TNC market segmentation, which discouraged intra-regional trade and caused the inefficient production. Small producers were unable to reach foreign markets. By the mid 1970s TNCs had come to dominate trade and regional marketing schemes were abandoned. The only possible advantage the South may have gained, according to Oman, is the fact that the global reshaping of industry may have weakened oligopolies' hold on the South as their focus shifted to the North.[57] Nevertheless, it is true that South-South cooperation will strengthen the South and increase the possibility of equitable interaction with the global environment.

To act wisely and in concert, *the South requires a stable source of sound expertise and a secretariat.* The meeting of these two requirements requires multilateral action, and the UN is well placed to provide this type of leadership. The North-South dialogue, which began in transitory belief in the power of a unified South, briefly promised inclusion and global understanding. Those promises disappeared when the North refused to allow the South equitable participation in global decision-making and trade. Without a secretariat, current information and expertise on global matters, the South is hobbled in its attempts towards South-South cooperation and/or integration with the North-dominated global economic system.

There is much for the South and its advisors to address. The inequitable global structure leaves large economic, trade and political gaps, through which the South falls. The unregulated nature of TNCs and the Eurodollar market affect the South negatively. GATT is ill-defined and does not allow for the interaction of different economies. North-dominated influential bodies control the international agenda and public education. Leadership from the US and UK has largely been replaced by obstructionism. The international monetary system has been in chaos for decades.

It is urgent that monetary disorder by replaced by monetary order. Exchange rates, based on balance of payments and capital flows, are vulnerable to capital mobility, speculation, and private interests. Floating exchange rates allow countries which can 'manage' their exchange rates leverage over those which cannot. Instability alters trade patterns, increases the risks inherent in international trade and borrowing and lowers economic efficiency. Responses to real or anticipated fluctuations disrupt trade and production and invite protectionism. Costs of currency instability are greater for the South and present severe social costs. Exchange risks are pushed onto weaker economies; although Northern countries are better equipped to adjust, smaller countries receive the greatest pressure to adjust.[58]

Makhijani and Browne propose an exchange rate system based on the domestic price of comparable consumer goods. This would reflect the true value of goods and labour. Such a system, they claim, would be equitable and provide stable, non-inflational currencies. There would be no currency market. Currencies would be exchanged through central banks or through a world central bank. Further examination of this matter is beyond the scope of this paper, but it is essential that *experts in monetary matters explore alternatives and establish a coherent monetary system.*

Monetary order would bring numerous positive consequences for the South which would be better able to predict development costs. Commodity prices would increase. Southern wages and purchasing power for imports would increase. Southern production bottlenecks, described by Helleiner, would be freed by increased access to essential foreign exchange, allowing production to capacity and infrastructure maintenance. Debt burdens would be substantially lightened. The South would reduce and possibly eliminate the need for ODA, removing a source of developmental distortion and leaving states free to make their own development decisions.[59] The market would run more efficiently because the 'price' would be closer to 'right.' Of course, *prices would still not reflect future maintenance costs, or social and environmental costs of production, trade and armed conflict; those costs would still need to be addressed before a free-market system could become equitable.*

5.8 Canada within the international non-ODA context

The foregoing establishes that it is the 'non-development' pro-North environment which shapes the South's course . The powerful countries of the North have shut out equity concerns, preferring to compromise among themselves instead of rather than resolving global problems. The following section focuses on Canada's role in this imbalanced North-South relationship. Where does Canada stand in this vast and complex undertaking of development and development assistance? Its record is mixed. In multilateral fora, Canada has shown leadership in advocating environmental protection and women's issues, and supported assistance for refugees and policies for poverty-alleviation.[60] Our actions however have been less generous than our rhetoric.

Canada's early foreign policy focused on developing an identity independent of the British empire. After WW II, Canada fought for representation on international bodies. Having achieved this, it moved on to focus on "systemic peace." This foreign policy goal combined with Canada's relationships with the Commonwealth and with the US prompted Canada to engage in ODA. Canada since then has supported some pro-South issues, but especially since joining the G-7 has not strayed far from mainstream Northern attitudes.[61]

As time went on, Canadian foreign policy concerning international stability became less concerned with equity, except on a rhetorical level, and increasingly concerned with economic benefits. Canada's support for pro-

South issues waned. The record is convoluted. In the mid-1960s, Canada opposed preferential market access for Southern products, avowedly out of a commitment to multilateralism, but also for commercial reasons.Yet it doubled multilateral aid contributions between 1966 and 1967. At the same time, the government markedly increased its use of export credits, and received criticism from the OECD for including those export credits, whose purpose was to promote export, as part of ODA.On the other hand, the Pearson report in 1969 commended us on our proposal to form the IDRC and for substantial improvement of aid loan terms.[62]

In the 1970s, Canada committed to the 0.7% ODA goal, but set no date—although other OECD countries did.That commitment encouraged expansion of Canada's bilateral budget and the addition of new countries to the list of recipients. CIDA supported the NIEO—the support did not reach beyond the aid agency—but the government protected the domestic textile industry and joined in negotiations for Multifibre Agreements. Later, the government designated Sri Lankan shirts as disruptive and restrained their imports, although they comprised only 0.02% of total Canadian imports of that particular product.[63]

Canada's participation in the Commonwealth and la Franchophonie, whose memberships include both Southern and Northern states, exposes it to North-South discussion, and this exposure encourages pro-South attitudes. Canada's participation in the Like Minded Group (LMG) of countries illustrates the Canadian broader position in development and aid. Canada was a founding member of LMG, which formed to support the South on issues necessary to its successful development. The group met from 1975 to 1987. Its first action was effective: the group forced through a compromise on commodities. Thereafter thoug its role diminished, as immediate economic national interests undermined Canada's earlier internationalist concern, and that of other members, for equitable development. In 1977, Canada and other members refused to support Norway in what they regarded as an extreme proposal. As Lovbraek observes, this refusal was "... an omen of how limited the like-mindedness of the group's members really was." The group preferred to discuss 'interesting ideas' without follow-up and had difficulties coming to agreement and action.

The group was unable to maintain even an image of staunch pro-South support. Core countries argued that the group lost credibility when some of its members—including Canada—failed to meet the 0.7% ODA target set at the UN.Although members valued their image as internationalists, the LMG did not push for further reforms; the non-Nordic members feared the group would exert greater pressure to support reformist measures. Pratt points out that: "Of no country was this truer than Canada, whose officials displayed an undeniable impatience and hostility towards the reform internationalist lobbying of the Dutch and the Scandinavians."[64]

In the 1980s the group became increasingly heterogeneous, and civil servants, who lacked the power to make decisions, rather than politicians began to attend meetings. Meetings became little more than North-South 'stocktaking.' As time progressed, members moved closer to the mainstream OECD ideology. Global negotiations became a focus in 1980, when the LMG attempted to persuade the South to limit its agenda, coordinate positions and identify strategies. However, Cancun 1981 came and went and nothing changed, exept that Canada's prime minister ceased to demonstrate his personal motivation to support the South. In 1984, when the US moved to limit multilateral development institutions, the LMG lost the desire to mediate between Northern hard-liners and the G-77 and dropped global N-S issues.[65]

To Canada, with a dominant market-oriented ideology, the G-7 weighs more than other multilateral groupings, and economic considerations weigh more than considerations of justice or humanitarianism. The broad disparities between, first of all, Canada's general ODA rhetoric and established ODA policy (chapter 1), and secondly between ODA targets and ODA recipients (chapter 2), reflect Canada's liberal nature and explain why the South's development is not high in the government's priority structure. Thus, when in 1977, Canada achieved G-7 status, it increased its commercialization of ODA (see chapter 4).

However these fora do not make crucial global decisions. The G-7 does, and it is membership in the G-7 which carries most weight in defining Canada's foreign policy priorities. The G-7 enhances Canada's international image and self-image. It brings Canada into the global power centre, providing close, non-military, alliance with a select group of the world's most powerful states. As a member of the G-7, however, Canada plays a limited role. Canada and Italy are excluded from the G-7's core group of financial experts, which is known as the G-5. Trudeau, as host of the 1981 G7 summit, was unsuccessful in his attempts to steer discussion to North-South relations in anticipation of the Cancun summit. This failure marked the end of his, and Canada's, efforts to influence North-South policy, although Canada commendably continued to press for multilateral norms on women's and environmental issues and towards disarmament.

In 1988, DAC criticized Canada for its lack of support for SAPs. The Conservatives' re-election realigned Canada's ODA with the World Bank/IMF approach, although Canada's stance was tempered by Joe Clark's (then minister of External Affairs) concern for its impact on the poor. We then endorsed structural adjustment programs, despite the devastating effects they had on the poor, softening our stand by calling for 'adjustment with a human face.'[66]

Canada's aid record reflects, not the traditional 'multilateralist' image, but anti-reform, pro-commercial attitudes. Stokke and Pratt claim that, despite participation in the Commonwealth, le Franchophonie, and the LMG, Canada has never espoused reform internationalism.Pratt explains that Canada's dominant culture is economic liberalism, which does not allow for the interventionism required by reform internationalism. Canadian societal values are humane only to the extent that they do not interfere with the free market. While humane internationalism has no impact on Canada's trade policies, Canada's trade policies have marked impact on ODA policy. This has been fairly constant through different governments.[67] Although Canada vaguely wishes the South well, the government is not willing to effect changes, either domestically or multilaterally, that would result in more equitable participation in global economics.

Effective ODA—that is, ODA which is untied and supports local participatory action—would require a clear shifting of priorities on the part of the Canadian government. ODA as it is currently delivered brings economic returns to some Canadians and the government actively supports and encourages the status quo. The Canadian share of the development goods and services market increased as aid commercialized, growing from $US 23.4 M (1973) to US $105. Canada's involvement in IFIs strengthens the international position of Canadian development suppliers. Canada, along with Britain and France, is noted for their high tying of aid. At the other end of the scale are West Germany and the Scandinavian countries, which disburse through multilateral agencies or put procurement contracts up for international bidding. In 1987 tied aid remained a bigger proportion of Canada's exports to the Third World than for most DAC members. After that, although tying restrictions were loosened, CIDA reportedly grew increasingly reluctant to support projects not using Canadian personnel and Canadian technical personnel increased.[68]

While it is true that Canada's scope for political influence is limited, economic factors have mitigated the government's political support for the South. Canada competes with the South for investment resources, and in commodity and manufactures trade and the perception exists that pro-South efforts str in conflict with Canadian economic interests, and therefore with Canada's national interest. With a well-educated populace and small industrial base, Canada has been well-placed to attract investment shifting out of the South and so benefited from the industrial shift. *Without public and media pressure, and with the concepts of equity and justice rendered effectively invalid internationally, there is no incentive for the Canadian government to deflect investment back to the South or increase the South's competitive strength.* Canada has therefore obstructed commodity arrangements and promoted protectionism.[69]

5.9. In summary

The 1950s and 1960s were a time of great expectations in the South, as states gained independence. In the 1970s, it looked as though power might be shared with the South in a new world order. The monetary system collapsed, but easy borrowing delayed the effects for some. For others, however, soaring interest rates and volatile currencies severely weakened their economies. The 1980s devastated the South. The debt load appeared to be insurmountable. The North-South dialogue had broken down, and it became clear that the South would be unable to gain the power to direct its own development. As the industry shifted from Fordism to a more flexible mode, investors focused on the North. Economic regions formed, excluding the poorest countries of the South, especially southern Africa. The North was uninterested in encouraging economic stability by renewing the monetary system. When Communism crumbled, attention and resources were diverted from the South to the East.

Necessary reforms. At the level of commerce and power discussed in this chapter, the South's development is viewed as a threat to be contained. The North refuses to share power and wealth and therefore excludes Southern issues and consideration of an equitable multilateral system from the global agenda. The poorest countries of the South are excluded from economic regions and thus from hopes of future industrial investment and equitable participation in trade.

The South has no choice but to strive for inclusion—in the GATT and in the economic regions of Europe, Asia and America. It may be able to assist this process by strengthening South-South cooperation towards developing regional policy and increasiang political and economic leverage. The South must encourage indigenous innovation, and develop its unique skills and products. However, without multilateral, bilateral, and domestic protection for the poor people of the South, global integration is likely to be disastrous for them.

Equitable participation must become a valid and integral concept in global decision-making. The establishment of a currency system which does not leave states at the mercy of unsound financial markets is crucial; a new global monetary system must stabilize currencies. *It is urgent that enlightened economists examine the issue to establish an equitable and stable monetary system. International production, trade and investment must be guided by a global system of laws. In the interim, it is essential that the anti-South biases entrenched in global trade be compensated for with policy and mechanisms.*

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1 Makhijani, op. cit., suggests the concept of social costs; see pp. 47-51. See Postel and Flavin, op. cit., p. 171 for discussion of environmental costs.

2 Oman, op. cit., p. 109, n. 61

3 Discussion of the industrial Fordist to Flexible Industry crisis is based on Oman, op cit.

4 Ibid, p. 17

5 Mosley, op. cit., pp. 21-22; Rossen, op. cit., p. 261; Maizels, op. cit., p. 101; Berthoud, op. cit., p. 86

6 Dell, op. cit., p. 22; Rossen, op. cit., p. 262

7 Dell, op. cit., p. 25; Maizels, op. cit., p. 102

8 Krishnamurti, op. cit., p. 49; Whalley, op. cit., p. 111-112

9 Whalley, pp. 117-118

10 Rossen, op. cit., p. 268; Patel, op. cit., p. 128

11 Dell, op. cit., p. 13. Whalley, op. cit., pp. 112-113, 171-172

12 Whalley, op. cit., pp. 113, 172-173

13 Dell, op. cit., pp. 24, 28-30. Krishnamurti, op. cit., pp. 33, 35. Carnapas, op. cit., p. xix.

14 Shah, M.J., "The UN Code of Conduct for Liner Conferences: A Case Study in Negotiation, in the Context of the South-North Dialogue," in Cutajar, M. Z. (Ed.), *UNCTAD*, p. 229 n 26. Maizels, op. cit., p. 103. Whalley, op. cit., pp. 173, 182. Krishnamurti, op. cit., pp. 53, 55

15 Whalley, op. cit., pp. 113-115. Pearson, op. cit., pp. 84, 88, 90. Pratt, 1990, op. cit., p. 147

16 Oman, op. cit., pp. 13, 52

17 Ibid, op. cit., p. 31, 55

18 For examples, see: Nyerere, op. cit., pp. 197, 200-201 and Wallerstein, I., "The Art of the Possible, or the Politics of Radical Transformation," in D.B. Hadjor (ed.), *New Perspectives*, p. 39

19 Rossen, op. cit., pp. 260, 265

20 John Scali, Nixon's US representative at the UN. Quoted in Mittelman, op. cit., p. 45

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24 Putnam and Bayne, op. cit., pp. 77-78, 85-87

25 Shah, op. cit., p. 216

26 Carnapas, op. cit., p. xx. Shah, op. cit., pp. 213-227.

27 Krishnamurti, op. cit., pp. 38, 46-48. Maizels, op. cit., pp. 105-106

28 Haji, op. cit., p. 155. Putnam and Bayne, op. cit., pp. 183-190

29 Putnam and Bayne, op. cit., pp. 38-39, 126-129, 132-135, 181-183

30 Krishnamurti, op. cit., p. 56

31 Whalley, op. cit., pp. 103, 115, 175-178. Maizels, op. cit., p. 105. Krishnamurti, op. cit., pp. 42, 62. Rossen, op. cit., p. 263. Berthoud, op. cit., p. 83. Adebanjo, op. cit., p. 180

32 Whalley, op. cit., pp. 184-185

33 Oman, op. cit., pp. 13, 16, 33, 86

34 Putnam and Bayne, op. cit., pp. 95-99, 107. Oman, op. cit., p. 53

35 Oman, op. cit., pp. 12-13, 53-54

36 Whalley, op. cit., p. 186. Krishnamurti, op. cit., pp. 49-51, 63. Maizels, op. cit., p. 107. Helleiner, op. cit., p. 197

37 Whalley, op. cit., p. 177. Krishnamurti, op. cit., pp. 47, 57, 63. Rossen, op. cit., p. 265. Sachs, op. cit., p. 246. Savoie op. cit., pp. 299-300

38 Whalley, op. cit., p. 106

39 Ibid, pp. 92-95, 101

40 Ibid, pp. 88-90, 101, 125-128

41 Ibid, p. 200

42 Putnam and Bayne, pp. 118-121. Kinnock, op. cit., p. 66. Nyerere, op. cit., p. 203

43 Putnam and Bayne, op. cit., pp. 252-253

44 Ibid, pp. 257, 268

45 Ibid., pp. 183-190, 272-273

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57 Ibid, pp. 30, 47-48, 107-108 n. 51, 112 n. 68,

58 Makhijani, op. cit., pp. 121 n1, 122. Haji, op. cit., pp. 160-161, 166

59 Makhijani, op. cit., pp. 123-126, appendix

60 For example, see Protheroe, op. cit., p. 1994, 37-38, 41-42

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6. Conclusion

It is time to end the pervasive and increasing violence of poverty. This cannot be accomplished without the fundamental reshaping of international and Canadian aid policies and attitudes in global decision-making circles. This paper has discussed numerous systemic obstacles to successful development and assisting the poor. These obstacles exist at four levels: within CIDA, within the federal government, within the aid regime, and within the international economic and power structure. All levels promote top-down decision-making and capital- and import-intensive development, which is inappropriate, unsustainable, and destructive to the survival of indigenous people, economies, and cultures.

The aid regime and the Canadian government are themselves influenced and restricted by the international economic and decision-making structure, and transmit those pressures to CIDA. Canada's aid philosophy and broad policy has been determined by the international aid regime and Canada's foreign policy interests. The realities of aid are heavily influenced by Canada's economic needs, as reflected by non-aid departments whose role is the protection and enhancement of the Canadian economy. CIDA has the power to determine neither its policy nor its actions.

The international economic regime holds biases that hamper the South's development. The North persistently refuses to address the need for international social policy and law and calls for trade liberalization while protecting its own borders from Southern imports. The poor countries of the South face exclusion from international trade and investment structures, which have been heavily influenced by the private sector, while the aid regime forces recipients to integrate with those structures. Poor countries struggle to do so while bearing the brunt of an unstable monetary system.

The aid regime has attempted to develop the South through 'modernization,' which requires inclusion in the international economic system from which the South is at the same time excluded by systemic biases. Even when the regime adopted the 'basic human needs' approach in the late 1960s and early 1970s, it continued the patterns of modernization. Under structural adjustment in the 1980s and 1990s, the regime strengthened and enforced the modernization approach.

The international biases have encouraged and supported Canada's increasing commercialization of aid. International and domestic biases continue to reinforce capital- and import-intensive aid and development. As a result, projects tend to be large, top-down, and non-participatory, endangering and exploiting the poor. CIDA's lack of autonomy and severe disbursement pressures have caused it to acquiesce to the government's commercialization of aid.

Reform is required at all levels if development is to help the poor rather than exploiting or excluding them. At the "non-aid" international level, the holders of power must accept the concept of equity. International monetary reform and redress of pro-North trade and investment biases are crucial. Monetary reform must stabilize currencies and reflect domestic values of goods and services. For the market to perform efficiently, prices must reflect true costs of products, including social and environmental costs. If these reforms are made, the need for ODA funds will be significantly reduced, as poorer countries will be placed more equitably within the international system. Canada should lobby toward these ends in international fora.

Aid's intent must change from the incorporation of recipients into the global economy to the enhancement of indigenous lifestyles. Both the international aid regime and CIDA must fundamentally change their aid practices, switching to a focus on small, participatory projects which involve beneficiaries in needs assessment, project identification, project design, project implementation, and project maintenance. This will result in appropriate and sustainable development and strengthen the social structure of recipient countries, as people are empowered and social institutions rebuilt.

In the short term, it is rarely possible to bring economic ben[illegible] to both donor and recipient. This is especially true when there is a poor fit between the technology the donor offers and the technology the recipient needs. Differences in wealth and in type of appropriate technology will continue to be great so long as the international system continues to be grossly inequitable. To address this problem, *Canada must stop asking ODA to serve the short-term national interest and turn instead to the long-term.* In the long term, it truly does serve the interest of Canada and the interests of world stability to allow the South equitable participation in the economic system.

CIDA's current goal, to be reached perhaps by 1997 or 1998 is to increase the proportion of ODA allocated to basic needs to 25% of ODA. It currently is even lower. *CIDA should direct a much higher percentage of ODA to basic human needs, including in the definition of basic human needs the right to participate in decision-making.*

If ODA is to assist the poor, it must do so directly. *CIDA must lose the 'hardware mentality' and its propensity to fund top-down decision-making.* Changes in Canada's federal government are needed to enable CIDA to concentrate on poverty-alleviation. CIDA can deliver assistance directly to the poor only when it is free of tying requirements and other domestic pressures to promote Canadian exports, and of short-term foreign policy goals. *The government must insulate CIDA from non-ODA pressures. CIDA in turn must shape policy consistently towards poverty-alleviation and ensure that policy is successfully implemented. Projects must be community-supportive and target women and children directly. Funding must be tailored to the specific project. Local costs must be covered.*

In order to limit what CIDA perceives as the high administration costs of small projects, *CIDA should increase its use of reliable NGOs,* which can deliver aid at a fraction of what CIDA spends o[illegible] similar aid. For example, effective NGOs use local personnel whenever possible. When they do use Canadian staff, staff are usually paid at local rates whereas CIDA pays much higher Canadian rates. NGOs are also able to tap the enormous good will and skills, often on a volunteer basis, of Canadians who are strongly committed to partnering local people towards achieving better conditions, and who respect indigenous knowledge and the need for indigenous needs assessment, involvement and people-centred institutions for sustainability. Finally, NGOs tend to be have grass-roots connections, unlike CIDA whose personnel have become distanced from the poor of recipient countries. Tellingly, many NGOs currently describe their goal as "global justice" rather than as "economic development."

Canada's foreign policy must be consistent in its support of equitable participation in the global economic and political systems. *The Canadian government must remove protectionist trade barriers, especially those on exports important to the South such as textiles and clothing. Further, CIDA must be allowed to actively assist LDC and LLDC exporters to penetrate the Canadian market. ODA should be concentrated on LDC and LLDC countries and* *on the poorest people within those countries.* More advanced developing countries should lose their status as aid recipients.

Projects—including the building of infrastructure—should be small and participatory, with local populations closely involved in selection, design, implementation and maintenance. Renewable energy sources should be utilized and technological devices should be small, simple, and easily maintained with local input. ODA should focus on areas of human development: health, education, and participation in decision-making.

CIDA has little vocal public support, and with funding for development education cut, this support can be expected to decrease further. CIDA defends the decision to cut development education with the claim that organizations actually involved in overseas ODA delivery are better placed to extend education to the Canadian public. However, CIDA does not require that development education be a component of aid delivery. *The program for development education should be reinstated, and the definition of development education should be expanded to allow education about the extensive political and economic change required before global justice can be achieved.*

Where the Canadian government uses ODA to gain leverage for change in recipient societies, *leverage should aim for change that facilitates popular participation in domestic social and economic development* rather than change aiming for restructuring the domestic economy for export. Examples of such conditionality include: requiring state investment in institutions that further the observance of human rights; and encouraging the use of a national language in polyglot countries.

Multilaterally, *Canada should continue to press for debt relief, disarmament and normative progress on women's and environmental issues.* However, the government should also press for reform in the international system. *Numerous reforms are critical: a new international monetary order which recognizes the domestic value of goods and services; lower interest rates, longer grace and repayment periods on IFI loans; prices which reflect the social and environmental costs of production, coupled with progress towards a truly efficient market that exorcises the staggering human, environmental and financial costs of arms production and trade and armed conflict; enlightened expert advice and up-to-date information to assist the South's participation in global trade, financial and political systems; preferential trade status for LDCs and LLDCs; an equitable global decision-making system; and a system of international law which protects the weak and vulnerable and gives them recourse in the event of political or economic persecution.*

With the North's ideology becoming increasingly market-oriented, the government is unlikely to make the necessary changes until it can no longer ignore the public voice. Representatives of the media must report on the situation of the South consistently and with more depth and analysis than is usually the case. Those members of the public who favor poverty-alleviation and yearn for global justice must make their voices loud and clear.

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