

Spring 2013



## Report of the Auditor General of Canada

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### CHAPTER 4

#### Official Development Assistance through Multilateral Organizations



Office of the Auditor General of Canada

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OAG

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Office of the Auditor General of Canada  
Distribution Centre  
240 Sparks Street  
Ottawa, Ontario  
K1A 0G6

Telephone: 613-952-0213, ext. 5000, or 1-888-761-5953

Fax: 613-943-5485

Hearing impaired only TTY: 613-954-8042

Email: [distribution@oag-bvg.gc.ca](mailto:distribution@oag-bvg.gc.ca)

*Ce document est également publié en français.*

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Cat. No. FA1-2013/1-4E-PDF

ISBN 978-1-100-22106-9

ISSN 1701-5413

## **CHAPTER 4**

### **Official Development Assistance through Multilateral Organizations**

## Performance audit reports

This report presents the results of a performance audit conducted by the Office of the Auditor General of Canada under the authority of the *Auditor General Act*.

A performance audit is an independent, objective, and systematic assessment of how well government is managing its activities, responsibilities, and resources. Audit topics are selected based on their significance. While the Office may comment on policy implementation in a performance audit, it does not comment on the merits of a policy.

Performance audits are planned, performed, and reported in accordance with professional auditing standards and Office policies. They are conducted by qualified auditors who

- establish audit objectives and criteria for the assessment of performance,
- gather the evidence necessary to assess performance against the criteria,
- report both positive and negative findings,
- conclude against the established audit objectives, and
- make recommendations for improvement when there are significant differences between criteria and assessed performance.

Performance audits contribute to a public service that is ethical and effective and a government that is accountable to Parliament and Canadians.

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# Official Development Assistance through Multilateral Organizations

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## Main Points

### What we examined

The *Official Development Assistance Accountability Act* (2008) establishes that Official Development Assistance (ODA) is to contribute to poverty reduction, take into account the perspectives of the poor, and be consistent with international human rights standards. Official Development Assistance is not a distinct government program. More than a dozen federal departments report spending on ODA through their individual mandates and programs.

Our audit examined federal spending on Official Development Assistance delivered through multilateral organizations. Most of our audit work was conducted at three departments that collectively accounted for more than 90 percent of federal government spending on ODA: the Canadian International Development Agency, Department of Finance Canada, and Foreign Affairs and International Trade Canada. We did not audit the multilateral organizations that receive funds.

We examined whether federal departments ensure that funding to multilateral organizations reflects the government's international assistance priorities and is consistent with the *Official Development Assistance Accountability Act*. We also examined whether the departments obtain and analyze sufficient information to report on spending of ODA delivered through multilateral organizations, as required under the Act.

Audit work for this chapter was completed on 5 March 2013. More details on the conduct of the audit are provided in **About the Audit** at the end of the chapter.

### Why it's important

Canadian aid is important to people living in poverty around the world. It plays a key role in the future of Canadian security and prosperity. It also makes a significant contribution to establishing Canada's place internationally and promoting Canadian values.

The Government of Canada reported to Parliament that \$5.2 billion was spent on Official Development Assistance in the 2010–11 fiscal year. More than half of that amount, about \$3 billion, went to

multilateral organizations, which play a significant role in both delivering aid and fostering international development cooperation. The effectiveness of Canadian aid delivered through multilateral organizations depends on how well these organizations are managed and can deliver results.

### What we found

- Departments responsible for the money spent on Official Development Assistance delivered through multilateral organizations have established priorities for working with these organizations and have monitored their performance. They also work with international partners to assess whether multilateral organizations are achieving common objectives, such as the implementation of the Paris Declaration on Aid Effectiveness (2005).
- Official Development Assistance that the federal government provides to multilateral organizations has a central focus on poverty reduction. However, the spending proposals and other reviews we examined did not identify how the assistance met two of the three key conditions for the provision of ODA—taking into account the perspectives of the poor, and being consistent with international human rights standards. Decision makers do not have all the information they would need to determine that the conditions in the Act are respected.
- Government reports to Parliament contain limited information on the actual results being achieved with Official Development Assistance to multilateral organizations. The annual statistical report on the disbursement of ODA lacks clarity, and we identified some inaccuracies. As a result, in some cases, the report may not clearly convey how ODA is spent. For example, government departments are expected to report spending on aid in the year Canada gives money to multilateral organizations, but it is not clear in the report that the organizations may not immediately use these funds to deliver aid in developing countries.

**The departments have responded.** The departments agree with our recommendations. Their detailed responses follow the recommendations throughout the chapter.



## Introduction

### Spending on Official Development Assistance

**Official Development Assistance (ODA)**—International assistance that is administered with the principal objective of promoting the economic development and welfare of developing countries, that is concessional in character, that conveys a grant element of at least 25 percent, and that meets the requirements set out in the *Official Development Assistance Accountability Act*, or that is provided for the purpose of alleviating the effects of a natural or artificial disaster or other emergency occurring outside Canada.

Source: *Official Development Assistance Accountability Act*

**4.1** The Government of Canada reported to Parliament that it spent \$5.2 billion on **Official Development Assistance (ODA)** in the 2010–11 fiscal year. Although 14 federal departments and agencies reported spending on ODA, three accounted for more than 90 percent of the total amount spent (Exhibit 4.1):

- The Canadian International Development Agency (CIDA) is the federal government’s lead development organization and manages development assistance.
- The Department of Finance Canada (Finance Canada) plays a major role in Canada’s participation with international financial development institutions and provides debt relief to developing countries.
- Foreign Affairs and International Trade Canada (DFAIT) is responsible for the federal government’s international affairs.

**4.2** About 93 percent of the federal government’s spending reported as Official Development Assistance is allocated from the International Assistance Envelope (IAE). This is a government-wide pool of money through which CIDA, Finance Canada, and DFAIT manage funding for international assistance. Other departments and agencies, such as the Royal Canadian Mounted Police (RCMP) and National Defence, may also have money allocated through the IAE for their work overseas. For example, the RCMP has been undertaking international activities, such as training police officers in Afghanistan and Haiti.

### Multilateral organizations

**4.3** Multilateral organizations are international institutions that are created and governed by member countries. Many of these organizations conduct all or a significant part of their activities in favour of promoting development and providing aid to developing countries, and they work toward internationally agreed-upon objectives, such as the United Nations Millennium Development Goals (2000). The organizations include multilateral development banks (for example, the World Bank and the Asian Development Bank), United Nations agencies, and regional groupings (for example, the Pan-American Health Organization).

**Core funding**—Financial support to organizations that is not tied to specific projects or activities but rather is used by the recipient to fund its core programs. The whole amount or a portion thereof may be reported as ODA depending on the nature of the organization.

**4.4** Of the \$5.2 billion the Government of Canada reported to Parliament as ODA in the 2010–11 fiscal year, about \$3 billion was paid to multilateral organizations and the funds that they administer (Exhibit 4.2). Canada provides **core funding** to support the general programs, administration, and management of multilateral organizations. It also provides funding that is earmarked for specific projects and initiatives.

**Exhibit 4.1** Official Development Assistance (ODA) spending by federal organization

Federal organization	2010–11 fiscal year (\$millions) (unaudited)	
	Total ODA	ODA delivered through multilateral organizations
Canadian International Development Agency	3,591.7	1,990.0
Department of Finance Canada	846.6	821.6
Foreign Affairs and International Trade Canada	326.6	155.8
International Development Research Centre	170.0	6.0
Citizenship and Immigration Canada	135.7	–
Royal Canadian Mounted Police	36.6	–
National Defence	16.5	–
Health Canada	13.4	13.4
Environment Canada	9.7	9.4
Human Resources and Skills Development Canada (Labour Program)	1.9	1.8
Natural Resources Canada	1.8	–
Industry Canada	1.1	1.1
Parks Canada	0.5	0.1
Transport Canada	0.3	0.3
Government services supporting CIDA activities	28.4	–
<b>Total</b>	<b>5,180.8</b>	<b>2,999.5</b>

Sources: Compiled using information contained in the Report to Parliament on the Government of Canada's Official Development Assistance (2010–11), CIDA's Statistical Report on International Assistance (2010–11), and data provided by departments. (This data is unaudited.)

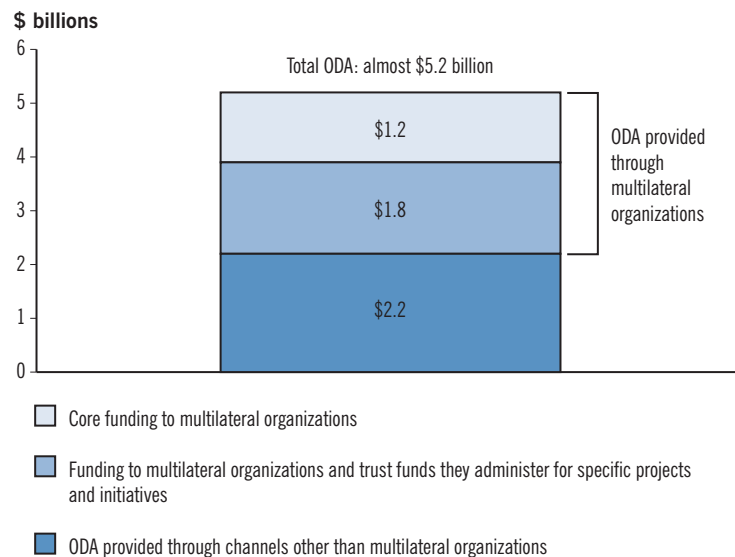
**4.5** Given the challenges of global poverty and the amount of financial resources channelled through multilateral organizations, the federal government recognizes that success toward reducing poverty in other parts of the world will depend on how well these organizations perform. As Canada sits on governing bodies of multilateral organizations, it has a role to play in ensuring that they are well managed and achieve their objectives.

#### Accountability for Official Development Assistance

**4.6** In 2008, Parliament passed the *Official Development Assistance Accountability Act* with the stated purpose of ensuring that ODA is provided

- with a central focus on poverty reduction;
- in a manner consistent with Canadian values, Canadian foreign policy, the principles of the Paris Declaration on Aid Effectiveness (2005), and sustainable development; and
- to promote international human rights standards and democracy.

**Exhibit 4.2** Spending on Official Development Assistance (ODA) provided through multilateral organizations in the 2010–11 fiscal year



Sources: Compiled using information contained in the Report to Parliament on the Government of Canada's Official Development Assistance (2010–11 fiscal year), CIDA's Statistical Report on International Assistance (2010–11), and data provided by departments. (This data is unaudited.)

### Focus of the audit

**4.7** The overall objective of the audit was to determine whether the responsible federal departments promote Canadian development priorities and assess, on an ongoing basis, the effectiveness of spending on Official Development Assistance delivered through multilateral organizations, and whether they have assurance that the government's spending is consistent with the *Official Development Assistance Accountability Act*.

**4.8** The audit focused on whether

- the allocation of funding spent on Official Development Assistance is consistent with the *Official Development Assistance Accountability Act* and Canada's development priorities;
- federal departments obtain and analyze information to determine if the funding they provide to multilateral organizations is achieving identified objectives; and
- federal departments work together to identify and implement strategies for providing funding to multilateral organizations that are working to advance international assistance objectives consistent with Canadian priorities.

**4.9** Our audit work covered federal government spending on Official Development Assistance delivered through multilateral organizations. While several departments reported spending on ODA, most of our audit work was conducted at the three departments that collectively accounted for more than 90 percent of federal government spending on ODA: the Canadian International Development Agency, Department of Finance Canada, and Foreign Affairs and International Trade Canada.

**4.10** Our audit selected 18 multilateral organizations and 19 individual projects. The government's reported ODA payments to these 18 multilateral organizations during the 2010–11 fiscal year collectively represented 83 percent of total reported ODA payments to multilateral organizations. The audit also included an examination of spending proposals prepared by departments, as these are key documents that they use to provide recommendations and supporting rationale for spending.

**4.11** More details about the audit objectives, scope, approach, and criteria are in **About the Audit** at the end of this chapter.

## Observations and Recommendations

### Funding and oversight

#### Funding allocations are consistent with government priorities

**4.12** Most of the government's reported spending on Official Development Assistance (ODA) is through allocations from the International Assistance Envelope (IAE). The government practice is to budget and allocate money to the IAE; ODA does not exist as a separate budget item. We examined how money is allocated within this envelope in order to determine whether spending is consistent with government priorities.

**4.13** The deputy heads of the Canadian International Development Agency (CIDA), the Department of Finance Canada (Finance Canada), and Foreign Affairs and International Trade Canada (DFAIT) coordinate an annual exercise to allocate available IAE money. This results in an overall submission to Cabinet that contains recommendations and supporting rationale for allocating funds. In recent years, the government has reported having spent about 96 percent of the IAE annually on Official Development Assistance.

**4.14** We reviewed the analysis contained in IAE submissions to Cabinet between 2008 and 2010. We found that they provided senior departmental officials and Cabinet members with a high-level view of the proposed initiatives, indicating where the available money was being allocated and identifying the government priorities that were being addressed.

**4.15** Our audit also examined the individual project spending proposals and found that they demonstrated a link to government priorities. As well, we noted that departments have carried out reviews of their ongoing participation with multilateral organizations to ensure that their core funding remains relevant to Canada's interests.

#### Assessment of the conditions under which ODA may be provided is incomplete

**4.16** According to section 4(1) of the *Official Development Assistance Accountability Act*, Official Development Assistance may be provided only if the competent minister is of the opinion that it

- contributes to poverty reduction,
- takes into account the perspectives of the poor, and
- is consistent with international human rights standards.

**4.17** CIDA officials explained that the Act was not meant to limit the government's ability to provide international assistance. They stated that money is neither allocated for, nor spent on, Official Development Assistance; rather, it is spent on international assistance, some of which is later reported to Parliament as ODA if it meets the conditions in the Act. Finance Canada and DFAIT officials are of the same view.

**4.18** In our view, because section 4(1) of the Act stipulates that ODA "may be provided only if" the Minister is of the opinion that the three conditions have been met, this opinion needs to be formed before payments are made. That is, the Act's conditions apply to both the provision of payments and how they are later reported.

**4.19** We therefore examined documentation prepared by departments to support project and core funding to identify how the conditions of the Act had been considered. We also examined the framework used to allocate the International Assistance Envelope (IAE) across the government, as well as assessments and reviews conducted by federal departments related to their funding to multilateral organizations.

**4.20 Poverty reduction.** We found that all project spending proposals we examined demonstrated a clear focus on reducing poverty as described in CIDA's Policy on Poverty Reduction and the Millennium Development Goals (2000). About half of the proposals for core funding showed a link to poverty reduction, and we found additional key departmental documentation that identified how the activities funded by Canada contributed to reducing poverty.

**4.21 Perspectives of the poor.** A study conducted by CIDA found that the success of development projects is linked to the adequacy of consultation with intended recipients. More than half of the project spending proposals we reviewed indicated that local communities had been consulted. Most proposals also indicated that the recipient government had been involved.

**4.22** However, none of the core funding proposals we examined provided a clear picture of how the multilateral organizations had taken the perspectives of the poor into account. CIDA officials informed us that an indicator they use of whether a multilateral organization is considering the perspectives of the poor is the degree to which the multilateral organization's program strategy for a developing country is aligned with the development strategy of that country's government. When multilateral organizations present country strategies for approval by the oversight body, CIDA officials assess the strategies for consistency with those of the respective developing

countries. We found that while this assessment provides important information at the strategic level, it provides little information at the operational level to demonstrate how perspectives of the poor have been considered.

**4.23 Human rights standards.** The CIDA policy on Human Rights, Democratization and Good Governance (1996) recognizes Canada's adoption of the United Nation's Declaration on Human Rights (1948) as the cornerstone of international human rights standards (Exhibit 4.3). The policy states that every project provides Canada with the opportunity to promote human rights. The policy also recognizes the risk of unintended negative impacts of aid—for example, the displacement of indigenous populations.

#### Exhibit 4.3 Examples of human rights

- Entitlement to rights and freedoms without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth, or other status.
- Right to life, liberty, and security of person.
- Freedom from torture or cruel, inhuman, or degrading treatment or punishment.
- Equality before the law and entitlement to equal protection without any discrimination.
- Right to marry and to found a family.
- Right to own property.
- Freedom of thought, conscience, and religion and to manifest religion or belief in teaching, practice, worship, and observance.
- Freedom of opinion and expression.
- The will of the people as the basis of the authority of government; this shall be expressed in periodic and genuine elections.
- Right to work, to free choice of employment, to just and favourable conditions of work.
- Right to equal pay for equal work.
- Right to form and to join trade unions.
- Right to a standard of living adequate for the health and well-being of self and family, including food, clothing, housing and medical care, and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age, or other lack of livelihood in circumstances beyond one's control.
- Entitlement of motherhood and childhood to special care and assistance. All children, whether born in or out of wedlock, shall enjoy the same social protection.
- Right to education. Education shall be compulsory and free, at least in the elementary and fundamental stages. It shall promote understanding, tolerance, and friendship among all nations and racial or religious groups.

Source: United Nation's Universal Declaration on Human Rights (extracts have been adapted for brevity)

**Gender equality**—The principle referring to the right of women and men to enjoy the same status and have equal opportunity to realize their full human rights and potential to contribute to national, political, economic, social, and cultural development, and to benefit from the results.

**4.24** We reviewed selected proposals for core funding and for projects delivered through multilateral organizations to determine whether department officials included an assessment of consistency with human rights standards. We found that the proposals for both project and core funding contained no assertions about specific rights along the broad spectrum of international human rights standards, with the exception of **gender equality**, for which departments included an assessment of whether this was incorporated into the policies and programs of the multilateral organization being funded.

**4.25** We discussed with CIDA officials this lack of consideration of consistency with international human rights standards in the spending proposals. We noted that CIDA conducts an analysis of the human rights situation when developing its overall program strategy for individual countries. Officials provided us with examples showing a range of human rights issues in the countries where CIDA operates and explained that they consider the findings of these country-level analyses as CIDA plans and chooses projects to fund. This includes projects aimed at promoting human rights that are delivered through multilateral organizations.

**4.26** However, we found that the project proposals did not address how the funded projects would be delivered in a manner consistent with international human rights standards. We noted that these country-level analyses do not demonstrate how ODA provided through core funding to multilateral organizations is consistent with international human rights.

**4.27 Other assessments of the conditions of the Act.** Our audit included a review of the analysis contained in submissions to Cabinet for the government-wide allocation of funds from the International Assistance Envelope (IAE), because this is where high-level funding decisions are made and most of the spending from the IAE is reported as ODA. We noted that the IAE management framework sets the criteria for department officials to consider in preparing proposals for IAE allocations and that these criteria do not include consideration of the three conditions of the Act—contributing to poverty reduction, taking into account the perspectives of the poor, and being consistent with international human rights standards. While the Act does not require consideration of these three conditions when departments are allocated funding within the IAE, in our view departments may be missing an opportunity to demonstrate and inform ministers about how these conditions are met at an early decision-making stage.



**4.28** We also examined the reports of various department assessments and reviews of the selected multilateral organizations. With the exception of limited reviews by Finance Canada of its own spending, none of the reports contained an analysis of the three conditions of the Act.

**4.29 Recommendation.** Federal departments should demonstrate how funding provided to multilateral organizations and reported as ODA meets the three conditions of section 4(1) of the *Official Development Assistance Accountability Act*.

**The Canadian International Development Agency's (CIDA) response.** Agreed. CIDA prepares due diligence assessments of its key multilateral partners, which is identified in this audit as a good practice. Building on the current due diligence practice, CIDA will expand the assessments to include reference to how the organizations meet the three conditions of section 4(1) of the *Official Development Assistance Accountability Act*. CIDA's multilateral due diligence assessments are updated regularly and inform all investment decision making, including project funding decisions.

**The Department of Finance Canada's response.** Agreed. The Department of Finance Canada already performs this analysis and will work to enhance its depth.

**Foreign Affairs and International Trade Canada's (DFAIT) response.** Agreed. DFAIT will implement this recommendation in two ways. First, the Department will ensure that input into the Report to Parliament on Canada's Official Development Assistance for 2013–14 is reviewed against the criteria set out in the *Official Development Assistance Accountability Act*, including sections 4(1) and 4(1.1). In addition, for future Official Development Assistance projects, DFAIT will ensure that multilateral partners meet the three conditions set out in section 4(1) or comply with section 4(1.1) should the projects be in response to disaster or emergency outside Canada, during the due diligence assessment phase of project review.

#### **Departments assess and work with multilateral organizations to promote the effective use of aid funds**

**4.30** To determine whether the government obtains and analyzes information about the effectiveness of ODA delivered through multilateral organizations, we examined selected spending on 19 federally funded projects and the provision of core funding to 16 multilateral organizations. These organizations, collectively,

accounted for 83 percent of the ODA that the federal government reported spending through multilateral organizations during the 2010–11 fiscal year.

**4.31 Monitoring progress and results of projects.** We found that Canadian officials monitored the progress of funded projects. They received project information from the multilateral organizations, such as financial statements, progress reports, monitoring reports, and evaluation reports. For 16 of the 19 projects that we examined, Canadian officials participated in governing bodies established by the multilateral organizations to provide ongoing project oversight and decision making. Department officials also visited the recipient countries to observe and monitor the progress of projects. We found that where information provided to us by department officials showed that projects were not meeting objectives, the officials had noted the problems and worked with the multilateral organizations to identify and implement corrective action.

**4.32 Considering capacity when providing project funding.** The Treasury Board's approved terms and conditions for CIDA's delivery of assistance recognize that when developing recommendations for project funding, it is a good practice to assess the multilateral organization's capacity to deliver results. Overall, this practice was in place. In 15 of 19 projects we examined, we found that the spending proposal had included an assessment of the organization's capacity to carry out the project. For example, a proposal to provide \$100 million for a World Health Organization (WHO) project for tuberculosis diagnosis, treatment, and care in underserved areas considered the WHO's track record in combatting tuberculosis and its ability to carry out the project.

**4.33 Considering performance when providing core funding.** The primary source of information used by Canadian officials to carry out their oversight responsibilities as board members and to exercise stewardship over the provision of core funding originates from documents provided by the multilateral organizations. These may include strategic plans, annual reports, financial statements, independent evaluations, and audit reports.

**4.34** Our examination of proposals to provide core funding to multilateral organizations included a determination of whether past performance was considered before recommending continued funding. We found that in the government documents we examined for the 16 organizations in our sample to which Canada provides core funding, performance was a common theme as measured by aid effectiveness.

The majority of the proposals included an assessment of past performance and capacity, drawing on information from a variety of sources. For example, six of the proposals discussed the progress of the multilateral organization in implementing recommendations from past evaluations.

**4.35 Assessing multilateral organizations.** We examined whether departments conduct assessments of multilateral organizations to determine whether core funding provided to them continues to meet Canadian government objectives. We found that several departments have carried out assessments of their participation in multilateral organizations, which government officials used as input in deciding whether to continue providing the organizations with core funding.

**4.36** We also found that Canada participates in assessments with its international partners. For example, through CIDA's efforts, Canada helped develop and participates in a joint initiative known as the **Multilateral Organization Performance Assessment Network (MOPAN)** that conducts assessments of individual multilateral organizations. MOPAN focuses on the characteristics that are believed to contribute to organizational effectiveness and on whether these characteristics are demonstrated by the multilateral organization. These assessments have identified strengths and weaknesses and have provided recommendations for improvement to the multilateral organizations. We noted that CIDA officials have used the findings of these assessments in their own analyses of multilateral organizations when considering whether to continue core funding.

**Multilateral Organization Performance Assessment Network (MOPAN)**—A network of donor countries with a common interest in assessing the organizational effectiveness of the major multilateral organizations they fund. MOPAN members agree to carry out joint assessments, share information, and draw on each other's experience in monitoring and evaluation.

**4.37** CIDA has prepared due diligence assessments of many multilateral organizations, including all 16 organizations receiving core funding from Canada that we examined as part of this audit. These assessments include consideration of important factors such as the organization's capacity, strengths and weaknesses, use of results-based management, gender equality embedded in its programming, environmental governance, anti-corruption policies and practices, and audit systems. In our opinion, these assessments are an example of a good practice to provide senior government officials with information about the management framework of multilateral organizations.

**4.38 Implementing Paris Declaration principles.** One of the stated purposes of the *Official Development Assistance Accountability Act* is to ensure that ODA is provided in a manner consistent with the internationally agreed-upon Paris Declaration on Aid Effectiveness (2005), which sets out principles on how aid should be delivered to

increase its effectiveness. We examined whether departments have assurance that the multilateral organizations they fund have implemented these principles.

**4.39** We found that CIDA has analyzed the progress being made by the selected multilateral organizations in implementing the Paris Declaration principles. CIDA officials took these results into account when setting priorities for promoting change at individual multilateral organizations. According to the documentation provided by CIDA, all of the multilateral organizations included in our sample are either signatories to the Paris Declaration or otherwise recognize its principles. This documentation also indicated that while multilateral organizations have made progress in implementing the principles, their work is not complete. For example, while many multilateral organizations have started to produce information on results, others still need to work on improving their reporting on results.

**4.40 Representing Canada on governing bodies.** We met with senior government officials and examined department documentation for 16 multilateral organizations to which Canada provides core funding. Through membership in governing bodies, Canadian officials have been able to exercise oversight on projects and initiatives to influence effective management of the money provided to these organizations.

**4.41** We found that departments work together to represent Canada at the multilateral organizations and to promote effective management at these organizations. For example, the documentation prepared by department officials identified specific areas where Canada has had a positive influence at most organizations in our sample, particularly in the areas of promoting gender equality, implementing results-based management, and strengthening evaluation functions.

**4.42** We found that departments had identified Canadian priorities and established strategies for managing their engagement with multilateral organizations. For example, CIDA had prepared strategies for all of the organizations in our sample to which it provides core funding and for some additional organizations to which it provides only project funding. The purpose of these strategies is to set out CIDA's overall objectives and priorities, including its direction in enhancing the effectiveness of its involvement with multilateral organizations. In addition, Finance Canada, in its annual report to Parliament—Canada at the International Monetary Fund and the World Bank—identified priorities it established for these two multilateral organizations and reports on their progress made on these priorities.

**4.43** We found that Canadian representatives work jointly with those of other countries to promote effective management of multilateral organizations, to follow up on whether improvements have occurred, and to contribute to independent reviews of some organizations. For example, Canada and Denmark have jointly developed an institutional strategy for the United Nations High Commissioner for Refugees to strengthen this organization's capacity.

## Reporting on Official Development Assistance

### More complete reporting on results achieved through core funding is needed

**4.44** Reporting on results is important to provide transparency and accountability for how government spends public funds to achieve results for Canadians. One goal of the government's policy statement entitled Canada's Aid Effectiveness Agenda (2010) is to demonstrate to Parliament and Canadians that results are being achieved. This is further supported in the Treasury Board's Policy on Transfer Payments, which requires departments to demonstrate the effectiveness of government spending.

**4.45** Our audit examined the main reports produced by departments to identify whether information is being provided on the results achieved with the more than \$1 billion in core funding (see Exhibit 4.2) provided to multilateral organizations.

**4.46** Each department produces a Departmental Performance Report (DPR) annually to report on program results. As some of the spending under these programs may be considered ODA, we reviewed DPRs to identify ODA results. We found that since these DPRs are designed to highlight programs as a whole, the portions related to spending on ODA are not specifically highlighted. Therefore, while we found that these reports contained examples of ODA payments to multilateral organizations, they contained little information on what had been achieved.

**4.47** Under the *Official Development Assistance Accountability Act*, the government is required to prepare an annual report to Parliament on Official Development Assistance that includes the total amount spent on ODA in the previous fiscal year, a summary of any activity or initiative under the Act, a summary of CIDA's Departmental Performance Report, and a summary of Finance Canada's report to Parliament—Canada at the International Monetary Fund and the World Bank. We found that these reports contained information on the provision of core funding and the activities of multilateral organizations but little information on what had been achieved.

**4.48 Recommendation.** Federal departments should enhance their reporting to demonstrate the results achieved through core funding to multilateral organizations.

**The Canadian International Development Agency's (CIDA) response.** Agreed. All of CIDA's multilateral partners publish annual reports, documenting the development and humanitarian results achieved during the year. Drawing on this information, CIDA will use future reports to Parliament as an opportunity to highlight better what multilateral partners have achieved. This is consistent with CIDA's primary goal in its Multilateral Effectiveness Strategy, which is to ensure that our partners deliver and report on results. The Agency is also enhancing information about results available on its website.

**The Department of Finance Canada's response.** Agreed. The Department of Finance Canada introduced a new section to report on results of the International Development Association in the *Report on Operations Under the Bretton Woods and Related Agreements Act* presented to Parliament in March 2012. Similar steps will be taken for the other World Bank organizations and in the *Report on Operations Under the European Bank for Reconstruction and Development Agreement Act*.

**Foreign Affairs and International Trade Canada's (DFAIT) response.** Agreed. DFAIT agrees with the recommendation while wishing to emphasize that, except for mandatory assessed contributions to multilateral organizations that are reported in the annual Departmental Performance Report, the Department spends very little in support of multilateral organizations' core funding. In 2010–11, for example, total DFAIT core funding was \$7.11 million, including \$6.96 million provided in support of the Francophonie. DFAIT will, as appropriate, highlight the results of future non-mandatory core funding in the annual report to Parliament.

#### **Reporting on Official Development Assistance spending needs to be improved**

**4.49** The government produces several reports that provide information about spending reported to Parliament as Official Development Assistance. In addition to the annual Report to Parliament on Official Development Assistance, the *Official Development Assistance Accountability Act* requires an annual statistical report on the disbursement of Official Development Assistance.

**4.50** To meet the requirement of the Act to issue an annual statistical report on ODA disbursements, the government uses its existing annual report entitled the Statistical Report on International Assistance to publish this information. In addition to including spending on ODA, this report also includes statistics on international assistance as well as expenditures at other levels of government (provincial and municipal). In preparing the statistics, department officials draw from international aid reporting standards.

**4.51** We did not audit these reports required by the Act, but during our audit we identified weaknesses in the Statistical Report. In particular, we raised concerns with department officials about how the statistics were calculated, and about unclear presentation and explanation of data. In our view, addressing these weaknesses could enhance the value of this information to Parliament.

**Trust funds**—Funding provided to multilateral organizations may be placed into trust funds. These funds are restricted to specific uses in accordance with administrative agreements between the multilateral organization and donors.

**4.52 Reporting of money in trust funds.** The federal government provides funding to multilateral organizations and to **trust funds** that they administer in advance of the delivery of aid to developing countries. The government recognizes that there are circumstances where advance payments may be necessary. Department officials informed us that some multilateral organizations have internal regulations that require the receipt of funding before development can get under way. They also pointed out that Canada has made early contributions to encourage other donors to provide their funding.

**4.53** We examined trust funds into which Canada has deposited money and noted cases, such as the following, where years passed before the money paid into these funds was used to deliver assistance:

- In March 2007, CIDA contributed \$115 million to a trust fund for future use by the Advance Market Commitment program for the supply of vaccines in developing countries as a signal to suppliers that the government was committed to this initiative. It was not until March 2010, three years later, that the program entered into agreements with vaccine suppliers.
- In March 2010, Finance Canada paid CAD\$48 million to a trust fund holding account for later use by the Private Sector Window of the Global Agriculture and Food Security Program. However, the multilateral organization that administers this program did not officially establish the program until March 2011, and Finance Canada informed us that the first expenditure from this trust fund to a developing country for US\$3 million was made only in August 2012—more than two years after Canada’s original contribution.



- By June 2011, the Forest Carbon Partnership Facility initiative had received contributions of US\$181.1 million from donor countries, including CAD\$40 million from CIDA in February 2011. Disbursements reported by this fund for the following year were only US\$5.4 million, with US\$21 million in total disbursements since inception of the fund.

**4.54** In keeping with established practice, government officials report money to trust funds as Official Development Assistance in the fiscal year that it is paid. However, additional information on the total amount of Canadian funding that sits unspent in these trust funds is not reported. During our review of financial documents, we estimated that the unused amounts in trust funds totalled more than \$500 million in 2011. Although not required by the Act, in our view transparency to Parliament would be improved if this information was made available.

**4.55** The Statistical Report on International Assistance shows Canadian spending by recipient country or geographic region in the year paid. As it may be years before the aid reaches these countries, it is not clear from the report when aid is actually received by the developing country. We found that the explanations in the Statistical Report do not disclose that there may be significant timing differences between when the amounts are reported as spent on a given developing country or region and when the aid is actually received. Therefore, readers of the report who are not aware of the complexities of international aid reporting standards used to compile this data may erroneously conclude that aid expenditures reported by country and region represent aid actually delivered in that year (Exhibit 4.4).

**4.56 Inaccuracies in reporting.** While it is the responsibility of CIDA to produce the Statistical Report, it does this by collecting detailed data from individual departments that spend money on ODA. Each department, including CIDA, is responsible for properly identifying its own ODA spending and providing the details to CIDA, which

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**Exhibit 4.4 Example of reporting for a payment made in advance of use**

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Finance Canada paid \$48 million in the 2009–10 fiscal year to a trust account for the Private Sector Window of the Global Agriculture and Food Security Program. This amount was properly reported as Official Development Assistance in that year. The Statistical Report reported the amount as given to 80 different countries, including \$1.4 million to Bangladesh. However, it was not until two years later that the first disbursement of US\$3.3 million from the fund was made to a company in Bangladesh. Therefore, readers of the report may erroneously assume that all 80 countries shared \$48 million from Canada in 2009–10. In fact, it was two years before any money was spent—only one country received money and this was an amount higher than originally reported.

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compiles the report. We found errors in the Statistical Report related to data provided by several departments. Although these errors were not material to the overall report, they do indicate that there is an opportunity to improve the process for compiling the figures.

**4.57** We noted that the Official Development Assistance figures reported to Parliament have included an imputed interest cost of \$4.5 million a year on advance payments made by CIDA, as the government has recognized that there is a cost in making advance payments. However, this amount has been reported for more than a decade, during which time the government has doubled the International Assistance Envelope (IAE) to \$5 billion and interest rates have fluctuated. Because this interest cost has not been updated, it is not known whether the current imputed interest cost for advance payments that is being reported to Parliament is accurate (Exhibit 4.5).

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**Exhibit 4.5** Example of an advance payment

Canada agreed to pay the African Development Bank (AfDB) US\$141.2 million in five annual instalments of US\$28.2 million. In March 2012, to use funds available at year end, Canada asked the AfDB if CIDA could make an advance payment of US\$28.2 million for the instalment that was not due until May 2014—more than two years before it was scheduled to be paid. This was accepted by the AfDB and in return the Bank will provide Canada with a discount of US\$178,200 to be applied against Canada's final payment in May 2015.

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**4.58** We also examined the reporting of \$292 million paid by Finance Canada in March 2011 to a trust fund for the Fast Start Climate Change Financing initiative. In accordance with the *Official Development Assistance Accountability Act*, this amount was reported as ODA in the year paid. However, one year later, only US\$17.5 million had been paid from the fund for program management and administration fees. Under this loan program, the government estimates that, after loan losses, management, administration, and other program costs, about \$200 million of the entire amount will be repaid to Canada. As the net cost to the government is therefore much lower than the amount reported as ODA, it would have been more transparent if the Statistical Report had disclosed the amount of money Canada expects will be returned.

**4.59** Furthermore, the entire payment of \$292 million was identified in the report as funded from the International Assistance Envelope. We found, however, that only \$92 million of that was actually an allocation from the IAE. Therefore, in this case, the reported funding used from the Envelope was \$200 million more than the actual amount.

**4.60 Reporting of other official international assistance.**

The Statistical Report on International Assistance not only serves to meet the government's obligation to report ODA under the *Official Development Assistance Accountability Act*, but is also used to report all Canadian international assistance expenditures—that is, it includes international assistance that does not qualify as ODA. Our audit noted cases where federal expenditures that could be considered as international assistance were not included in the reported figures. For example, the Statistical Report for the 2009–10 fiscal year did not include US\$200 million provided by Finance Canada to the World Bank Group's Global Trade and Liquidity Program for short-term trade loans to developing economies in low- and middle-income countries. In addition, the Statistical Report for the 2010–11 fiscal year did not include \$235 million in assessed contributions paid by DFAIT to support United Nations peacekeeping missions. Department officials explained that these items were not included in the calculation of international assistance because they were not funded from the International Assistance Envelope but from other means. Officials stated that the intent of reporting international assistance spending is to include all ODA and only those non-ODA activities that were funded from the International Assistance Envelope. This qualification, however, was not clearly disclosed in the Statistical Report and, therefore, readers may incorrectly assume that the Report shows all federal international assistance expenditures.

**4.61 Recommendation.** The government should improve the Statistical Report on International Assistance by

- clearly explaining how the reporting standards are interpreted in the information presented,
- ensuring that all the figures are calculated properly,
- providing additional information on loans expected to be repaid to Canada, and
- disclosing that payments made in advance of use may not be received by countries and regions in the year reported as Official Development Assistance.

**The Canadian International Development Agency's (CIDA) response.** Agreed. CIDA produces the Statistical Report on behalf of the Government of Canada with input from departments engaged in international assistance. The report is produced in accordance with international standards (Organisation for Economic Co-operation and Development—Development Assistance Committee) and in accordance with the requirements of the *Official Development Assistance Accountability Act*. Consistent with these standards, the Statistical Report records expenditures at the time of payment as opposed to when the funds are used by the recipient; therefore, certain figures in the Statistical Report are estimated or imputed. With regard to the example of the Advance Market Commitment, this initiative was specifically designed as an innovative mechanism to spur the private sector to develop new vaccines at a low cost for developing countries, by using funds secured in advance from donors as a guarantee of a future, viable market. As part of our continuous effort to improve the Statistical Report, CIDA will work with other government departments that provide data to enhance the quality and clarity of the report.

**The Department of Finance Canada's response.** Agreed. The Department of Finance Canada will continue to provide the information requested by CIDA to compile the Statistical Report on International Assistance.

**Foreign Affairs and International Trade Canada's (DFAIT) response.** Agreed. DFAIT acknowledges that there have sometimes been problems with the data provided to CIDA for the Statistical Report. Officials have worked quickly to resolve these errors as they have been identified and have worked closely with CIDA to note corrections in the Statistical Report. As part of ongoing efforts to improve the quality and accuracy of reporting, the Department is exploring options to put in place systems to better track and report on programming.

DFAIT will work with CIDA to review the contents of the Statistical Report to ensure that reporting standards are clearly defined and explained, especially with regard to what is included in reporting under the heading of “global peace and security” (projects funded under the International Assistance Envelope) and what is excluded (mandatory assessed contributions to the United Nations, including to UN peacekeeping operations, for example).

## Conclusion

**4.62** We concluded that responsible federal departments and agencies promote Canadian development priorities and assess the effectiveness of spending on Official Development Assistance delivered through multilateral organizations.

**4.63** The government has processes that prioritize and allocate funding for international assistance, most of which is ultimately reported as money spent on Official Development Assistance.

**4.64** Official Development Assistance that the federal government provides to multilateral organizations has a central focus on poverty reduction. However, we found that the approach adopted by the government does not provide decision makers with assurance on how two key conditions of the *Official Development Assistance Accountability Act* are met—taking into account the perspectives of the poor and being consistent with international human rights standards. Officials stated that the conditions of the Act apply only to the reporting of international assistance as ODA. However, in our opinion, the Act requires these conditions to be met before money is provided by Canada.

**4.65** Departments monitor and analyze the activities of multilateral organizations to determine if the funding provided achieves Canadian objectives. This involves assessing capacity and performance as well as periodically reviewing individual multilateral organizations.

**4.66** Federal departments recognize that they have a role to play in exercising oversight and promoting effective management at multilateral organizations. Departments have set priorities to guide their work with these organizations. CIDA has developed formal strategies for providing funding to multilateral organizations, focused on Canada's development priorities.

**4.67** Little information is provided to Parliament that demonstrates the results achieved with money spent through core funding to multilateral organizations. In addition, the annual statistical report on ODA disbursements needs to be improved for clarity and accuracy to provide Parliament with more transparency. For example, government departments are expected to report spending on aid in the year that Canada gives money to multilateral organizations, but it is not clear from the report that the organizations may not immediately use these funds to deliver aid in developing countries. We estimate that in the 2010–11 fiscal year, at least \$500 million was held in trust funds that was not reflected in the government's reports.

## About the Audit

All of the audit work in this chapter was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

As part of our regular audit process, we obtained management's confirmation that the findings reported in this chapter are factually based.

### Objectives

The overall objective of the audit was to determine whether the responsible federal departments and agencies promote Canadian development priorities and assess, on an ongoing basis, the effectiveness of spending on Official Development Assistance delivered through multilateral organizations, and whether they have assurance that the government's spending is consistent with the *Official Development Assistance Accountability Act*.

The sub-objectives were to determine whether

- the allocation of funding spent on Official Development Assistance is consistent with the *Official Development Assistance Accountability Act* and Canada's development priorities,
- federal departments obtain and analyze information to determine if the funding they provide to multilateral organizations is achieving identified objectives, and
- federal departments work together to identify and implement strategies for providing funding to multilateral organizations that are working to advance international assistance objectives consistent with Canadian priorities.

### Scope and approach

Our audit covered Official Development Assistance delivered through multilateral organizations. Due to the large number of multilateral organizations involved, our detailed audit work focused on a selection of organizations that were funded by the federal government, as reported in the Government of Canada's Statistical Report on International Assistance 2010–11. Our audit selected 18 multilateral organizations and 19 individual projects. The government's reported ODA payments to these 18 multilateral organizations during the 2010–11 fiscal year collectively represent 83 percent of total ODA reported payments to multilateral organizations (see the following table). We made our selection in a manner that would

- collectively total a large proportion (50 percent or greater) of the total amount spent through multilateral organizations,
- consist of a range of dollar amounts,
- involve several federal departments, and
- cover different types of multilateral organizations.

## Expenditures on Official Development Assistance provided to selected multilateral organizations

Multilateral organizations selected		2010–11 fiscal year (\$ millions) (unaudited)
1	World Bank Group and trust funds it administers	1,072.7
2	World Food Programme	302.7
3	United Nations Development Programme	182.8
4	United Nations Children's Fund	150.4
5	Global Fund to Fight AIDS, Tuberculosis and Malaria	150.0
6	African Development Bank	114.7
7	Asian Development Bank	112.7
8	World Health Organization	71.8
9	Inter-American Development Bank	61.4
10	Global Environment Facility	60.4
11	United Nations High Commissioner for Refugees	58.0
12	Pan-American Health Organization	46.9
13	Food and Agriculture Organization	44.7
14	Consultative Group on International Agricultural Research <sup>1</sup>	21.8
15	GAVI Alliance <sup>2</sup>	20.0
16	International Fund for Agricultural Development	16.2
17	United Nations Industrial Development Organization <sup>3</sup>	2.4
18	United Nations Human Settlements Programme <sup>3</sup>	0.7
<b>Sub-total</b>		<b>2,490.3</b>
Other organizations not selected for detailed audit work		509.2
<b>Total<sup>4</sup></b>		<b>2,999.5</b>

Notes:

<sup>1</sup> Does not include funding made directly to research centres associated with this group. Direct funding to centres is included in "Other organizations not selected for detailed audit work."

<sup>2</sup> Does not include money held by the World Bank to be subsequently transferred to GAVI Alliance for its Advance Market Commitment program.

<sup>3</sup> Payments shown are for projects. Canada does not provide direct support for core costs.

<sup>4</sup> The table provides figures for Official Development Assistance only, and does not include non-ODA payments to these organizations.

Sources: Compiled using information contained in the Report to Parliament on the Government of Canada's Official Development Assistance (2010–11), CIDA's Statistical Report on International Assistance (2010–11), and data provided by departments. (This data is unaudited.)

Our audit work covered Official Development Assistance spent by several federal departments, and most of this work was conducted at the three departments that spend the most through multilateral organizations: the Canadian International Development Agency, Department of Finance Canada, and Foreign Affairs and International Trade Canada (DFAIT). We conducted interviews with staff who have responsibilities for the selected multilateral organizations and aid projects. We examined department spending proposals for core funding of selected multilateral organizations and for selected projects. We also examined department documentation related to these organizations and projects.

We interviewed senior department officials responsible for managing the allocation process for the International Assistance Envelope (IAE)—the primary source of funds for spending reported as Canadian Official Development Assistance. We also met with officials of the Treasury Board of Canada Secretariat concerning its role with the IAE. In addition, we examined the analysis contained in submissions to Cabinet for IAE decision making.

During our audit, we collected and analyzed information from the International Development Research Centre, Health Canada, Citizenship and Immigration Canada, National Defence, and the Royal Canadian Mounted Police. We also met with officials at Agriculture and Agri-Food Canada, as it plays a lead role in Canada's relationship with the Food and Agriculture Organization.

To better understand the multilateral environment, we met with officials at the headquarters of several multilateral organizations located in New York City and Washington, DC: Inter-American Development Bank, World Bank, Asian Development Bank (American regional office), United Nations Children's Fund, United National Development Programme, Pan-American Health Organization, Global Environment Facility, and the Consultative Group on International Agricultural Research.

It should be noted that our conclusions about management practices and actions apply only to the Canadian federal government. We did not audit the records of the multilateral organizations.

## Criteria

Criteria	Sources
<b>To determine whether the allocation of funding spent on Official Development Assistance is consistent with the <i>Official Development Assistance Accountability Act</i> and Canada's development priorities, we used the following criteria:</b>	
Public funds are well managed by effectively planning, budgeting, and making decisions on the allocation, reallocation, and use of financial resources in a manner consistent with the <i>Official Development Assistance Accountability Act</i> .	<ul style="list-style-type: none"> <li>Results for Canadians: A Management Framework for the Government of Canada, Treasury Board of Canada Secretariat, 2000</li> <li>Policy on Financial Resource Management, Information and Reporting, Treasury Board, 2010</li> <li>Policy on Management, Resources and Results Structure, Treasury Board, 2010</li> <li><i>Official Development Assistance Accountability Act</i></li> </ul>
Departments have clear roles, responsibilities, and accountabilities for both financial management and stewardship of public resources with respect to multilateral organizations.	<ul style="list-style-type: none"> <li>Policy on Financial Management Governance, Treasury Board, 2009</li> </ul>

Criteria	Sources
<b>To determine whether federal departments obtain and analyze information to determine if the funding they provide to multilateral organizations is achieving identified objectives, we used the following criteria:</b>	
Performance information is used to demonstrate that assistance delivered through multilateral organizations is achieving objectives.	<ul style="list-style-type: none"> <li>• Policy on Transfer Payments, Treasury Board, 2008</li> <li>• Canadian International Development Agency (CIDA), Terms and Conditions for Transfer Payments, Treasury Board, 2007</li> <li>• Directive on Transfer Payments, Treasury Board, 2008</li> <li>• Policy on Evaluation, Treasury Board, 2009</li> <li>• Policy on Management, Resources and Results Structures, Treasury Board, 2010</li> </ul>
<p>As agreed to in the Paris Declaration and in compliance with government policy, there is harmonization and collaboration in collecting performance information</p> <ul style="list-style-type: none"> <li>• within and among government departments, and</li> <li>• with other key stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>• Policy on Transfer Payments, Treasury Board, 2008</li> <li>• Canada Making a Difference in the World—A Policy Statement on Strengthening Aid Effectiveness, CIDA, 2002</li> <li>• <i>Official Development Assistance Accountability Act</i></li> <li>• Criteria for Evaluating Development Assistance, Organisation for Economic Development and Cooperation (OECD), 1991</li> <li>• OECD Development Assistance Committee (DAC) Peer Review of Canada, 2007</li> <li>• Canada's Contribution to the Global Effort to Reach the Millennium Development Goals, CIDA, 2010</li> <li>• Canada's Aid Effectiveness Agenda—Focusing on Results, CIDA, 2010</li> <li>• The Paris Declaration on Aid Effectiveness, CIDA, 2005</li> </ul>
<b>To determine whether federal departments work together to identify and implement strategies for providing funding to multilateral organizations that are working to advance international assistance objectives consistent with Canadian priorities, we used the following criteria:</b>	
Departments have developed and implemented an overall strategy for guiding their working relationships with multilateral organizations, which includes the setting of Canadian priorities and objectives.	<ul style="list-style-type: none"> <li>• Managing Aid, Practices of Development Assistance Committee Member Countries, OECD, 2009</li> <li>• Report on Plans and Priorities, CIDA, 2010–11</li> <li>• Departmental Performance Report, CIDA, 2010–11</li> </ul>

Management reviewed and accepted the suitability of the criteria used in the audit. From the beginning of the audit, CIDA disagreed with our interpretation of section 4(1) of the *Official Development Assistance Accountability Act* (2008). In our view, the Act requires consideration of the three conditions before the money is spent, while CIDA's view is that the Act requires consideration of the three conditions only when deciding what to report as ODA after the money has been spent. We conducted the audit based on our interpretation of the legislation. After we concluded our audit, DFAIT and Finance Canada informed us that they are of the same view as CIDA.



**Period covered by the audit**

The audit focused on funding that was provided by the federal government to multilateral organizations during the 2010–11 fiscal year and reported in the Government of Canada’s Statistical Report on International Assistance 2010–11, the most recent version published at the time of our audit. In many instances, we examined government documentation created prior to 2010–11 because development initiatives often span several years.

Audit work for this chapter was substantially completed on 5 March 2013.

**Audit team**

Assistant Auditor General: Wendy Loschiuk

Principal: Dale MacMillan

Director: Daniel Thompson

Eve-Lyne Bouthillette

Genevieve Couillard

Sami Hannoush

Andrew Hayes

Mary Lamberti

For information, please contact Communications at 613-995-3708 or 1-888-761-5953 (toll-free).

## Appendix List of recommendations

The following is a list of recommendations found in Chapter 4. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
<p><b>Funding and oversight</b></p> <p><b>4.29</b> Federal departments should demonstrate how funding provided to multilateral organizations and reported as ODA meets the three conditions of section 4(1) of the <i>Official Development Assistance Accountability Act</i>. (4.16–4.28)</p>	<p><b>The Canadian International Development Agency’s (CIDA) response.</b> Agreed. CIDA prepares due diligence assessments of its key multilateral partners, which is identified in this audit as a good practice. Building on the current due diligence practice, CIDA will expand the assessments to include reference to how the organizations meet the three conditions of section 4(1) of the <i>Official Development Assistance Accountability Act</i>. CIDA’s multilateral due diligence assessments are updated regularly and inform all investment decision making, including project funding decisions.</p> <p><b>The Department of Finance Canada’s response.</b> Agreed. The Department of Finance Canada already performs this analysis and will work to enhance its depth.</p> <p><b>Foreign Affairs and International Trade Canada’s (DFAIT) response.</b> Agreed. DFAIT will implement this recommendation in two ways. First, the Department will ensure that input into the Report to Parliament on Canada’s Official Development Assistance for 2013–14 is reviewed against the criteria set out in the <i>Official Development Assistance Accountability Act</i>, including sections 4(1) and 4(1.1). In addition, for future Official Development Assistance projects, DFAIT will ensure that multilateral partners meet the three conditions set out in section 4(1) or comply with section 4(1.1) should the projects be in response to disaster or emergency outside Canada, during the due diligence assessment phase of project review.</p>

Recommendation	Response
<p><b>Reporting on Official Development Assistance</b></p> <p><b>4.48</b> Federal departments should enhance their reporting to demonstrate the results achieved through core funding to multilateral organizations. (4.44–4.47)</p>	<p><b>The Canadian International Development Agency’s (CIDA) response.</b> Agreed. All of CIDA’s multilateral partners publish annual reports, documenting the development and humanitarian results achieved during the year. Drawing on this information, CIDA will use future reports to Parliament as an opportunity to highlight better what multilateral partners have achieved. This is consistent with CIDA’s primary goal in its Multilateral Effectiveness Strategy, which is to ensure that our partners deliver and report on results. The Agency is also enhancing information about results available on its website.</p> <p><b>The Department of Finance Canada’s response.</b> Agreed. The Department of Finance Canada introduced a new section to report on results of the International Development Association in the <i>Report on Operations Under the Bretton Woods and Related Agreements Act</i> presented to Parliament in March 2012. Similar steps will be taken for the other World Bank organizations and in the <i>Report on Operations Under the European Bank for Reconstruction and Development Agreement Act</i>.</p> <p><b>Foreign Affairs and International Trade Canada’s (DFAIT) response.</b> Agreed. DFAIT agrees with the recommendation while wishing to emphasize that, except for mandatory assessed contributions to multilateral organizations that are reported in the annual Departmental Performance Report, the Department spends very little in support of multilateral organizations’ core funding. In 2010–11, for example, total DFAIT core funding was \$7.11 million, including \$6.96 million provided in support of the Francophonie. DFAIT will, as appropriate, highlight the results of future non-mandatory core funding in the annual report to Parliament.</p>

Recommendation	Response
<p><b>4.61</b> The government should improve the Statistical Report on International Assistance by</p> <ul style="list-style-type: none"> <li>• clearly explaining how the reporting standards are interpreted in the information presented,</li> <li>• ensuring that all the figures are calculated properly,</li> <li>• providing additional information on loans expected to be repaid to Canada, and</li> <li>• disclosing that payments made in advance of use may not be received by countries and regions in the year reported as Official Development Assistance.</li> </ul> <p><b>(4.49–4.60)</b></p>	<p><b>The Canadian International Development Agency’s (CIDA) response.</b> Agreed. CIDA produces the Statistical Report on behalf of the Government of Canada with input from departments engaged in international assistance. The report is produced in accordance with international standards (Organisation for Economic Co-operation and Development—Development Assistance Committee) and in accordance with the requirements of the <i>Official Development Assistance Accountability Act</i>. Consistent with these standards, the Statistical Report records expenditures at the time of payment as opposed to when the funds are used by the recipient; therefore, certain figures in the Statistical Report are estimated or imputed. With regard to the example of the Advance Market Commitment, this initiative was specifically designed as an innovative mechanism to spur the private sector to develop new vaccines at a low cost for developing countries, by using funds secured in advance from donors as a guarantee of a future, viable market. As part of our continuous effort to improve the Statistical Report, CIDA will work with other government departments that provide data to enhance the quality and clarity of the report.</p> <p><b>The Department of Finance Canada’s response.</b> Agreed. The Department of Finance Canada will continue to provide the information requested by CIDA to compile the Statistical Report on International Assistance.</p> <p><b>Foreign Affairs and International Trade Canada’s (DFAIT) response.</b> Agreed. DFAIT acknowledges that there have sometimes been problems with the data provided to CIDA for the Statistical Report. Officials have worked quickly to resolve these errors as they have been identified and have worked closely with CIDA to note corrections in the Statistical Report. As part of ongoing efforts to improve the quality and accuracy of reporting, the Department is exploring options to put in place systems to better track and report on programming.</p> <p>DFAIT will work with CIDA to review the contents of the Statistical Report to ensure that reporting standards are clearly defined and explained, especially with regard to what is included in reporting under the heading of “global peace and security” (projects funded under the International Assistance Envelope) and what is excluded (mandatory assessed contributions to the United Nations, including to UN peacekeeping operations, for example).</p>