Global Affairs Canada Affaires mondiales Canada

Evaluation of International Assistance Programming in Middle-Income Countries—2014-15 to 2020-21

Evaluation Report

Prepared by the Evaluation Division (PRA)

Global Affairs Canada

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Canada

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Acronyms and abbreviations

ASEAN	Association of Southeast Asian Nations
CFOB	Chief Financial Officer (Global Affairs Canada)
CIDP	Canadian International Development Platform
CPI	Corruption Perceptions Index
DAC	Development Assistance Committee
DFI	Development Finance Institution
FCM	Federation of Canadian Municipalities
FDI	Foreign Direct Investment
FSS	Field Support Services
GDP	Gross Domestic Product
HDI	Human Development Index
MIC	Middle Income Country
MSMEs	Micro, Small and Medium Enterprises
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goals

Executive summary

This evaluation examined Global Affairs Canada’s international assistance programming across a sample of 10 middle-income countries from 4 geographic branches for the period 2014-15 to 2020-21. The objectives were to support the operationalization of policy guidance and determine the key enabling factors of effective programming and transition in these contexts. This report presents the evaluation findings, conclusions, recommendations and considerations to support decision making for policy and program improvements.

The department had policies that supported programming for transitioning middle-income countries to become more self-sufficient economic partners, but programs were limited in their ability to operationalize them. Middle-income countries in transition were optimal locations to increase complementarity across assistance and trade programming streams and to explore innovative financing approaches to increase Canada’s opportunities and streamline its vision. While long-term, flexible and joined-up planning in middle-income countries sometimes occurred, corporate processes did not support this systematically.

Across the sample of middle-income countries, Canadian assistance programming achieved important results in the sectors of economic growth and inclusive governance with cross-cutting gender impacts. The department secured private-sector funding to achieve greater assistance objectives with existing budgets, including through the Colombia development program’s incremental use of innovative finance programming tools, successfully delivered short-term and longer-term technical assistance, and effectively provided trade and development nexus programming. Technical assistance was of growing interest to middle-income countries as they seek new and expanded relationships and forms of cooperation with donors. However, the department’s use of these mechanisms had not yet been fully maximized due to limited staff capacity and expertise in innovative finance, significant corporate support required (within the limitations of the department’s grants and contributions management framework), slow or uneven access to corporate technical assistance mechanisms, and the limited strategic integration of trade and development streams.

Bilateral programming in middle-income countries presents an opportunity for Canada to have greater regional impact through private-sector partnerships and regional and triangular cooperation, to engage directly on global public goods such as climate change, and to build resilience to external shocks to safeguard assistance gains. The department’s strong relationships and development contributions in middle-income countries, including in gender equality and women’s empowerment, and strong demand for Canadian expertise and models of governance and public service strongly position Canada for continued engagement in middle-income countries as they transition away from traditional donor-recipient relationships.

Summary of recommendations

1. Adapt and implement joint development, trade, and diplomacy planning tools and processes at both the country and regional level in ways that are flexible and specific to middle-income country needs and operating contexts.

2. Clarify how the department’s policy guidance and strategies across development and trade streams are meant to complement each other and how they should be applied to advance harmonized objectives in middle-income countries.

3. Support the incremental use of innovative finance mechanisms in middle-income countries that allows for the time, resources and development of capacity needed for country programs to integrate them into their work.

Evaluation scope and methodology

Evaluation scope and objectives

Sample middle-income countries by region

Evaluation scope

This thematic evaluation covered the period 2014-15 to 2020-21 and focused primarily on the department's bilateral development programming in a sample of 10 middle-income countries across Europe, Arctic, Middle East and Maghreb, the Americas, Sub-Saharan Africa, and Asia-Pacific regions. The evaluation took into account trade relations and strategic policy relevant to programming in middle-income countries. It provided insight into opportunities in which Canadian engagement can support the achievement of the Sustainable Development Goals. Other Canadian government departments engaged in relevant mechanisms in middle-income countries, such as technical assistance or innovative finance, were not included within the scope of the evaluation.

Objectives

- Support the operationalization of the department's Productive Partnerships for Transition policy guidance under its Where We Work Approach, including the identification of mechanisms, tools, processes and good practices that can contribute to sustainable development and transition work in middle-income countries.
- Determine the enabling factors of effective programming and transition in middle-income countries and provide a prospective view of opportunities for future Canadian engagement in middle-income countries.

Evaluation approach

The evaluation used an iterative approach to data collection in which country-level information was first collected to understand country partners, activities, results and other OECD DAC donors' engagement. Preliminary analysis at the country-level provided insight into the next regional-level of data collection, which was, in turn, collected and analyzed to determine the evaluation's case study approach. Each level of data collection was summarized and validated with evaluation stakeholders within the department.

Evaluation sample of middle-income countries

The evaluation covered a sample of 10 middle-income countries spanning all the department's geographic branches: **Ukraine, Egypt, Morocco, Ghana, South Africa, Indonesia, Philippines, Vietnam, Colombia, Peru.** These countries were primarily selected based on indicators of economic development, human development, and governance, as well as the availability of relevant data from past evaluations. They represented a wide range of development needs and contexts. The department's average annual official development assistance disbursements for these bilateral programs over the evaluation period varied widely, ranging from an average of $71 million per year for Ghana to $6 million per year for South Africa.

Evaluation questions

Questions
Q1. What good policies and programming have donors implemented to evolve engagement in middle-income countries in transition? 1.1 What policies, plans and approaches have donors developed to guide their engagement and transition in middle-income countries? 1.2 What financial, technical cooperation and other operational mechanisms have donors used to support transition in middle-income countries? 1.3 What are the lessons from donor transition programming in inclusive governance, economic growth and gender equality in middle-income country contexts?
Q2. To what extent have Global Affairs Canada's policies and programming contributed to sustained development progress in middle-income countries in transition? 2.1 What policies, principles, planning tools and operational mechanisms has Canada used to plan for transition in middle-income countries? 2.2 What have been Canada's key results and lessons for transition through policy dialogue and programming in economic growth, inclusive governance and gender equality in middle-income countries? 2.3 What internal and external factors have enabled or limited Canada's engagement in facilitating transition in middle-income countries? 2.4 How well does Canada's engagement in middle-income countries reflect international good practices and principles for transition?
Q3. What opportunities are there for Canada to evolve new partnerships in middle-income countries in transition? 3.1 What is Canada's comparative advantage working toward transition in middle-income countries? 3.2 What are key considerations for Canada to move toward transition in middle-income countries?

Methodology

This thematic evaluation leveraged departmental and global knowledge to provide a robust evidence base to answer the evaluation questions. The evaluation's iterative approach used mixed-methods to inform 3 phases of data collection. Each phase built on evidence and analysis of the previous phase.

Geographic reviews (country level and regional)

In-depth profiles of 10 sampled countries across 4 geographic programming branches and in-depth review of regional groupings of countries to aggregate practices and lessons:

- 242 internal and external documents reviewed
- 25 departmental staff and specialists interviewed
- 14 Global Affairs Canada evaluations reviewed
- 6 decentralized project evaluations reviewed
- 4 International Assistance Policy Coordination (PVP) knowledge exchange sessions observed

Thematic case studies

Thematic case studies on key tools and mechanisms identified through geographic reviews and used by the department for programming in middle-income countries, namely technical assistance, innovative finance and the trade and development nexus:

- Data previously collected from the geographic reviews (documents, interviews, evaluations)
- 175 internal and external documents reviewed
- 14 departmental staff and specialists interviewed
- 5 staff from implementing partners interviewed

Scan of other donor practices

A scan of bilateral donor lessons and good practices through a literature review and follow-up interviews with policy and finance teams in Organisation for Economic Co-operation and Development Assistance Committee (OECD DAC) member countries:

- 7 donor countries (Australia, Denmark, France, Germany, Netherlands, Sweden, Switzerland)
- 82 policy documents, blogs, websites, and evaluations reviewed
- 16 bilateral donor staff and specialists interviewed

Literature Review

Review of academic literature, publications by practitioners and partners and other secondary documentation on key themes for middle-income countries (lessons learned for planning and delivering international assistance, partnerships and engagement, climate change programming and the response to COVID-19):

- 77 external reports and publications reviewed
- Global knowledge-sharing events observations

Financial and reporting data analysis

Financial analysis of Canada's investments and funding in middle-income countries as well as quantitative analysis of open-source data and indices from the following:

- Global Affairs Canada Chief Financial Officer
- Global Affairs Canada Strategia data
- Government of Canada (e.g. Statistics Canada) data
- OECD official development assistance data
- World Bank official development assistance and trade data
- other (e.g. CIDP, HDI, CPI) data

Stakeholder consultations

Consultations with internal stakeholders to validate results, opportunities and gaps identified through the other levels of data collection and analysis, for example, geographic reviews, thematic case studies, donor scan , literature review, financial data:

- 9 departmental staff and specialists consulted

Evaluation Limitations and Mitigation Measures

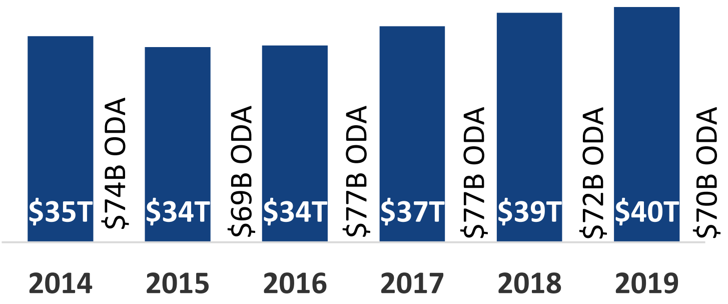
Limitations	Mitigation Measures
Diversity of middle-income countries The sampled middle-income countries had many differentiating characteristics, such as levels of human development, income levels, population size, governance and economic performance, and levels and types of vulnerabilities to shocks and crises. This posed a challenge to generate findings that were relevant and applicable to a wide range of contexts and issues.	**Noted varying features and focused on common needs** The evaluation highlighted the varying features of the sampled middle-income countries and demonstrated how the department's international assistance had taken these features into account for planning and programming. It also focused on common challenges and needs and the use of common tools and mechanisms for transition.
Multiple programs included in the scope of the evaluation Due to the size of the object of the evaluation, the evaluation's scope focused primarily on programming across all geographic branches of the department. This resulted in the scoping out of program interventions that were not directly relevant to the evaluation's 2 key objectives. This resulted in challenges for coordination with stakeholders and ensuring that all relevant stakeholders were involved appropriately in the evaluation.	**Established a steering committee for the evaluation** The evaluation team established a Director General-level steering committee with focal points and working-level contacts from the various branches. The evaluation team kept the working-level contacts informed of decisions and data collection throughout the evaluation process. The committee and working-level contacts supported the evaluation work and the coordination of the management response and action plan.
Lack of policy or program to evaluate over the evaluation period Although the Productive Partnerships for Transition pathway was introduced in 2017, there was no specific policy guidance on the "Where we Work" approach until the Productive Partnerships for Transition guidance note launched in 2021. There was no unifying policy or program and associated results to evaluate over the evaluation period.	**Used recent guidance and best practices as a benchmark** The evaluation team used the recent Productive Partnerships for Transition guidance note as a frame of reference against which to assess the implementation of Canadian programming in a sample of middle-income countries. The evaluation team also included as a distinct line of evidence, lessons and good practices among a sample of OECD donors.
Impact of COVID-19 Access to programming teams was impacted by the heavy burden of work created by the COVID-19 pandemic. Program staff were not able to fully engage in a full data collection effort. Primary data collection with local stakeholders could not occur due to ongoing travel restrictions.	**Maximized the use of existing data and collected data virtually** In addition to maximizing the use of existing data and evaluative evidence to manage the need for in-person interviews or other engagements, the evaluation team relied on virtual data collection. This included virtual interviews, consultations and meeting observations.

Background

Background

Global context

Middle-Income Countries Annual Economic Output (GDP) & Net ODA (Can$ Equivalent), 2014 to 2019



Source: World Bank – World Development Indicators & OECD - Query Wizard for International Development Statistics (2022)

Lower middle-income countries	Upper middle-income countries
2015 to 2021 Corruption perception rankings averaged from	2015 to 2021 Corruption perception rankings averaged from
Low 20 Democratic Republic of the Congo	**Low 16** Equatorial Guinea Venezuela
High 57 Cabo Verde	**High 60** Botswana

Global (all incomes) ranking averages ranged from a **Low 14** North Korea to a **High 89** Denmark and New Zealand.

Source: Transparency International - Corruption Perceptions Index (2021)
Note: The Corruption Perceptions Index results are given on a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean.

Middle-income countries remain diverse but demonstrate similar economic opportunities

Middle-income countries are located on every continent and, according to the OECD DAC, consist of more than 90 diverse countries. In 2021, they were home to an estimated 75% of the world's population and 62% of the world's poor. They represent the largest group of developing countries, account for about one third of global economic output (GDP), and are major engines of global growth. Some have established stable foundations for economic growth. Others remain vulnerable and struggle with regional instability and conflict, refugee migration, climate change and the diversification of market commodities. They represent diverse contexts and include fragile and post-conflict states, small island states, and emerging economies.

Middle-income country classifications are defined in 2 levels by the World Bank: countries with a gross national income per person of between US$1,046 to $4,095 (approximately Can$1,327 to $5,195) for lower middle-income countries and US$4,096 to $12,695 (approximately Can$5,196 to $16,104) for upper middle-income countries. From 2014 to 2020, the annual economic output for middle-income countries gradually increased and totalled Can$219 trillion for the evaluation period, while official development assistance levels fluctuated and totalled Can$438 billion. Their increased economic presence in regional and global forums provides them with a greater visibility and need to lead their own development agendas. They are united by their strong demand for financing, knowledge, and innovation to tackle poverty and inequality, promote growth and sound economic policies, address climate change, support basic infrastructure, and establish robust institutions.

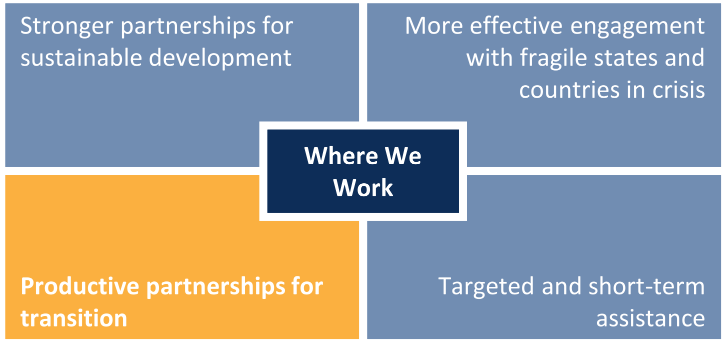
Middle-income countries face challenges to development progress and risk backsliding

Many middle-income countries have unfinished development agendas and risk being "trapped" in middle-income status if they do not further accelerate their own economic, social and structural transformation. The average annual corruption perception index score for middle-income countries over 2014 to 2021 was 36, well below the global average of 43 for that period and an indication of serious corruption challenges. While some middle-income countries have made considerable progress in closing the human development gender gap, many continue to struggle and find themselves near the bottom of the Gender Inequality Index. Additionally, middle-income countries are high polluters with carbon, oil and gas accounting for almost 80% of their primary energy supply. They are also heavily impacted by the effects of climate change, including natural disasters, climate migration, and health impacts. From 2016 to 2018, annual carbon emissions in middle-income countries increased more than 3% as opposed to a decrease of 1% in emissions in high-income countries. Some middle-income countries have also been downgraded to lower income classifications due to negative shocks, such as the COVID-19 pandemic, and face the risk of further loss of their poverty reduction gains.

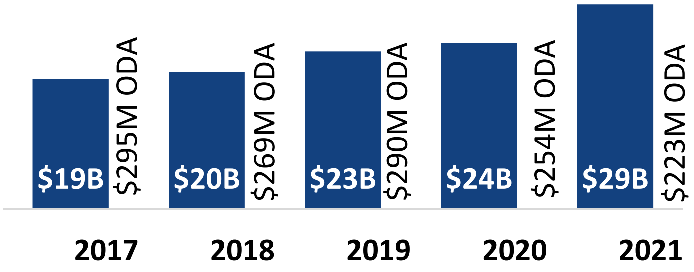
Background

Canadian engagement

Partnership pathways ("Where We Work")



Sampled Middle-Income Countries Canadian Trade and ODA (Can$ Equivalent), 2017 to 2021



Source: World Bank – World Integrated Trade Solution (WITS) data (2022)

Canada's Productive Partnerships for Transition

The Feminist International Assistance Policy categorizes the department's geographic engagement along 4 context-based, responsive and flexible partnership pathways. Among these, the Productive Partnerships for Transition Pathway focuses on supporting more democratic, inclusive and accountable governance and sustained economic growth in middle-income countries to help them become fuller, more self-sufficient economic partners. Departmental guidance on this pathway (2021) outlines a series of best practices that middle-income country bilateral development programs should incorporate into their engagement priorities. These include: 1. using the multidimensional poverty and gender inequality indicators to assess progress; 2. planning for transition of Canadian engagement through the use of intersectional analysis and increased policy advocacy work; 3. using expanded and innovative tools and approaches such as technical assistance, triangular cooperation, trade relations and agreements, innovative finance instruments (such as sovereign loans, results-based financing), increased localization and inclusive governance programming; 4. investing in participatory coordination among stakeholders; 5. regularly communicating transition plans to reinforce long-term relationships; and 6. mitigating development risks to secure investments and future results.

Disbursements in middle-income countries

From 2014-15 to 2020-21, Global Affairs Canada provided almost $10 billion in official development assistance to over 90 middle-income countries, accounting for slightly less than half (44%) of all ODA. This support was primarily disbursed through grants and contributions. The 10 sampled countries received a combined average of $281 million per year of Canadian ODA over this period; Canadian executing agencies received 52% of all disbursements, of which 17% were through private sector organizations. The top 5 Development Assistance Committee (DAC) sectors for bilateral programming (excluding humanitarian) in the sample countries were government and civil society (34%), agriculture, forestry, fishing (19%), education (10%), health (7%), and industry, mining, construction (6%). Some programming focused on the environment and climate action (5%), and gender equality and the empowerment of women and girls (3%).

Trade with middle-income countries

Canadian trade with the sampled middle-income countries grew steadily over 2017 to 2021, totalling US$90 billion (approximately Can$114 billion) over the period and focused on precious materials, electrical and energy equipment, and cereals. Canada was the 10^{th} largest provider of foreign direct investment in middle-income countries from 2014 to 2017. The top 3 providers were the Netherlands, Japan and the United States.

Background
Defining Transition

> *"...**all stages of transition are equally important** and decisive for any country's capacity to achieve the SDGs. Assistance to partner countries should start at the earliest stages of transition and never be abandoned but continuously adjusted, both quantitatively and qualitatively, in response to the evolution of partners' needs."*
>
> (OECD. Transition Finance - Introducing a new concept. March 2019)

Transition for middle-income countries is not an exit, but rather a breaking out of traditional interpretations of development to include expanding relationships and new forms of cooperation with partners.

Transition as a foundation of international assistance support is the movement from one development stage to another. Transition moves countries along a continuum of development that is routinely categorized by income level. Relying on income classification alone as the major factor for cooperation and resource allocation for middle-income countries, however, provides only a superficial view of a country's development. While a vital driver of sustainable development in middle-income countries, economic growth is usually matched with many of the same development challenges of low-income countries, as well as additional risks from increased integration within the global economy.

The Organisation for Economic Co-operation and Development (OECD) emphasizes that transition should not be mistaken for the concept of "graduation", which results in the ending of official development assistance (ODA) eligibility for a country. In this view, transition is not an "exit" from a country but rather a broadening of the goals and means to achieve these outcomes in a particular country. The OECD frames transition as the journey toward the achievement of sustainable development and which moves beyond the primary focus on changing income classification. It includes the importance of expanded new partnerships and forms of cooperation as a result of a country's changing needs and contexts.

Global Affairs Canada's Productive Partnerships for Transition policy guidance note defines middle-income countries in transition as countries with "relatively stable governance systems and capable institutions that have demonstrated a willingness to sustain economic and development gains and transition into fuller more self-sufficient economic partners". It further defines this group of countries as less dependent on aid and looking to expand diplomatic, trade and investment relationships.

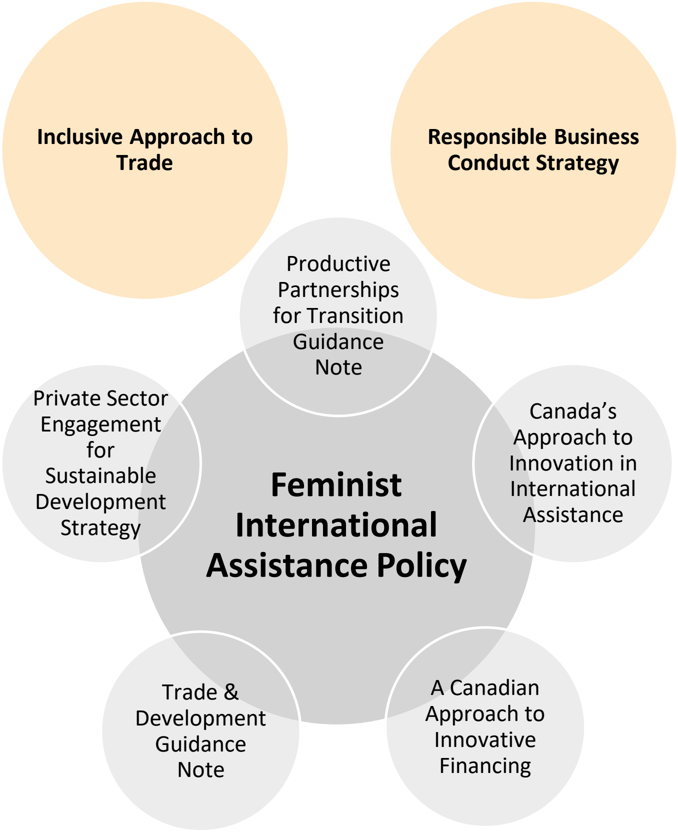
As middle-income countries increasingly seek to fund their development progress from domestic resources, they are often keen to see increased support through technical assistance, innovative financing, trade and foreign direct investment, in accordance with their own established priorities and identified needs. Across the evaluation's sampled middle-income countries, in addition to established forms of development cooperation, Canada has engaged in expanded relationships with technical assistance delivered through corporate mechanisms and field support services, development projects using private sector co-financing and other innovative financing, and in some cases, free trade agreements with chapters on trade-related development cooperation.

Findings

Policy and planning

Departmental guidance

Global Affairs Canada policy guidance relevant to middle-income country programs



Global Affairs Canada supported programming to transitioning middle-income countries through multiple policy guidance notes, but programs were limited in their ability to operationalize them.

The department developed over a half a dozen policy guidance notes and strategies relevant to middle-income countries on topics that include innovative financing, private sector engagement, innovation in international assistance and productive partnerships for transition within the Where We Work Approach. The most recent, a private sector engagement strategy will also have an implementation plan with accompanying operational procedures, tools, training and communications. Some of these guidance notes spoke to concepts of transition and demonstrate efforts to support work operating within the Aid for Trade nexus, particularly coherence in development and trade objectives. The Productive Partnerships for Transition guidance note, for example, raised the importance of a flexible approach to programming across diverse contexts. It noted that middle-income countries may fit within any and all partnership pathways, but did not clarify how this flexible approach should be operationalized or how to determine when a country program fits within a particular pathway at any one time. These guidance notes were developed separately with different teams across the department, which allowed for specialized input but did not always indicate how they were complementary or mutually reinforcing. Many of these guidance notes were written in the final years of the evaluation period, and significant changes to country program priorities or financing approaching in middle-income countries were yet to occur. Sampled bilateral program staff also identified having limited experience or technical knowledge of operational tools, which acted as barriers to implementing departmental guidance and new mechanisms in middle-income countries.

Like most bilateral donors, Global Affairs Canada did not have an explicit policy on engagement with middle-income countries; although some donors had flexible approaches or policy guidance suitable to programming in these contexts that the department has not used.

Relevant approaches or policy guidance for middle-income country engagement from studied donors include plans by the Netherlands to scale down development relationships in some middle-income countries and replace them with increased trade relationships. Germany has established distinct partnership country categories in its BMZ 2030 strategy, while also planning the transition to new relationships in countries that no longer receive direct cooperation through support to multilateral institutions, civil society, and the promotion of private investments. Sweden's "actor-driven cooperation" approach has embassy development staff remain on the ground as the decrease of development support is balanced with an greater focus on diplomatic and economic relations. Switzerland uses a lifecycle approach to engagement with priority countries, the last phase being when Swiss economic interests are at the forefront of the partner relationship. The role of traditional donors has also evolved as middle-income countries such as China, India, Indonesia and Brazil have become emerging donors.

Policy and planning

Country-level planning

Identified Canadian inputs for engagement with middle-income countries

While long-term, flexible and joined-up planning in middle-income countries did sometimes occur at the regional and bilateral levels, corporate processes did not support this type of planning systematically.

Development assistance planning tools, such as the Country Vision template in place since 2018, kept development assistance priorities and timelines separate from broader engagement in the country and the region. Development-focused tools did not integrate trade and development work; there was limited staff knowledge of the priorities of other streams, partnerships and engagements. There was also a lack of incentives or dedicated funds for cross-stream collaboration. Exceptions included the Ukraine country program, which had a 3-year Integrated Peace and Security Plan (2021 to 2023) that bridged diplomatic engagement, trade, humanitarian assistance, peace and stabilization and development assistance. However, this plan required support from the Peace and Conflict Advisory Unit, which was only available for countries experiencing peace and security fragility. The Colombia program had a 12-year investment plan (2018 to 2030) linking development, economic and political engagement, and aiming to transition away from a traditional delivery model, though it was a development-driven initiative and limited by a lack of long-term planning processes to match its needs. Regional programming was mostly planned separately from bilateral programs, although some demonstrated cross-stream and complementary planning, including trade-related Pan-Africa regional development projects, the Maghreb-focused Transition Fund based on cross-stream priorities within the Deauville Partnership, and the ASEAN program's cross-stream planning.

Differing from Global Affairs Canada, several donors had flexible country-level planning with country-level delegated authority, multi-year budgets, and tools or financial structures.

The flexible planning approaches of donors allowed for tailored plans for individual middle-income countries, allowing for adjustments as theses MICs transition. Switzerland's country-level plans were flexible to evolving country needs, focused on long-term results and were supported by decentralized programs and multi-year funding that allowed for innovative projects, funding mechanisms and partnerships. Denmark's strategic country frameworks used an adaptive management approach that identified strategic objectives and outcomes but did not specify engagements. These frameworks were designed to adapt over 5 years with flexible budgets to facilitate adaptation. Sweden's decentralized country-level engagement included high levels of delegated authority to field staff with local contextual knowledge to allow for the flexibility to respond to changing needs. To improve coherence, Germany and Australia have used integrated performance frameworks with indicators to measure results across streams, carried out joint planning and monitoring to identify entry points for the trade and development nexus, and conducted mapping exercises to identify opportunities for private sector engagement.

Activities

Canadian engagement activities

Departmental data highlighted common target audiences and complementary activities and sectors between international assistance and diplomatic streams. Trade activity data were less comparable due to differing reporting, with available trade data showing different areas of focus from internationals assistance and diplomatic activities.

Ghana

International assistance activities focused on economic growth, gender equality and health. Diplomacy focused on gender equality and governance. Women's empowerment-related activities figured prominently for both development and diplomacy. Over half of all trade activities were focused on mining and education.

Colombia

International assistance activities focused on education, sustainable economic growth and promoting Canada's global image. Diplomacy work focused on promoting human rights, and peace and security. Both trade and international assistance focused on education. Other trade activities included agriculture, clean technology, mining, and corporate social responsibility.

Peru

International assistance and diplomacy activities focused on democracy and governance. Diplomacy also focused on democracy and the rule of law, elections reform, and anti-corruption activities. International assistance activities also focused on inclusive governance, gender equality and climate change. Trade focused on education, mining, defence and security, and infrastructure.

Morocco

International assistance and diplomatic activities predominantly focused on gender equality. Diplomacy also focused on democracy and the rule of law, and climate change. International assistance also focused also on inclusive governance. Trade activities were focused primarily on education, and agriculture and processed foods.

South Africa

International assistance and diplomacy activities both focused on Canada's global image, gender equality, and democracy and governance. Half of all trade activities focused on mining, information and communication technology, education, and clean technology.

Ukraine

International assistance and diplomacy activities focused on democracy and the rule of law. Trade activities focused on education, and agriculture and processed foods.

Egypt

International assistance activities focused on economic growth. Diplomacy focused on Canada's global image and democracy. Gender equality and women's empowerment figured prominently for both streams. Trade activities focused primarily on education, and agriculture and processed foods.

Vietnam

International assistance focused on economic growth, gender equality, education, and climate change. Diplomacy activities were varied and included democracy, freedom, human rights, and the rule of law among the top areas of focus. Trade activities focused on education, agriculture and processed foods, information and communication technology, trade promotion, and clean technology.

Philippines

International assistance activities focused on sustainable economic growth. Diplomacy focused on democracy. Trade activities were diverse, focusing on agriculture and processed foods, education, clean technology, and engagement with ASEAN.

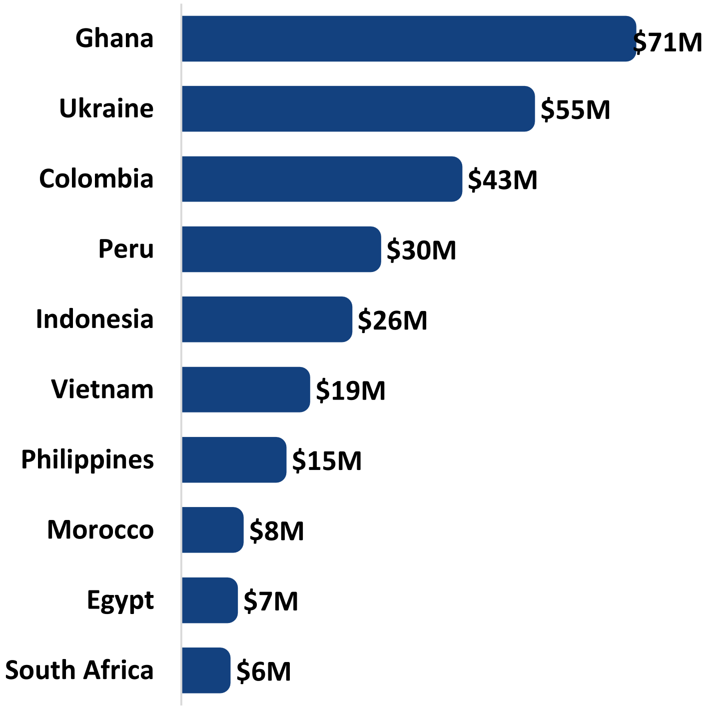
Indonesia

International assistance activities focused on gender equality, which were also among the top areas of focus for diplomacy. Trade activities focused on engagement with ASEAN, and agriculture and processed foods.

Results

Development cooperation results

Average Annual Departmental Bilateral ODA (Can$ millions) in sampled MICs, FY 2014-15 to 2020-21



Source: Global Affairs Canada, CFO Stats FY 2014-15 to 2020-21 (2022-02-02)

Sampled middle-income country development programs achieved results in economic growth and governance, with evidence of cross-cutting gender impacts.

The Productive Partnerships for Transition guidance note recognized 3 action areas of the Feminist International Assistance Policy as particularly relevant for safeguarding the long-term development gains achieved in middle-income countries. These were Gender Equality and the Empowerment of Women and Girls (Action Area 1), Growth that Works for Everyone (Action Area 3), and Inclusive Governance (Action Area 5). The bilateral development programs in the 10 sampled middle-income countries demonstrated important results in economic growth and/or governance, with demonstrable positive impacts on women regardless of disbursement amounts.

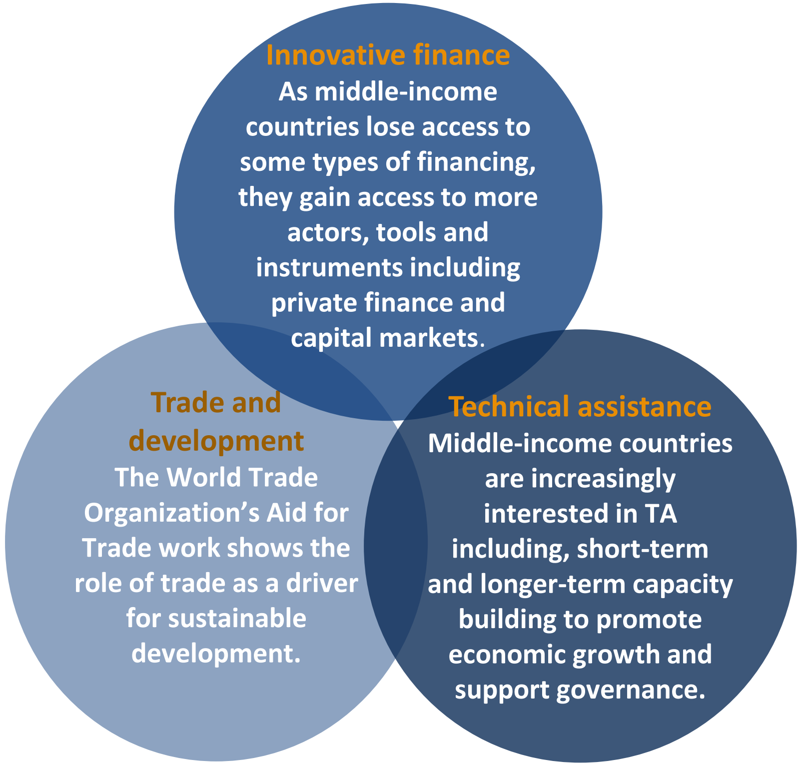
In Ghana, agricultural programming led to improved incomes and livelihoods for farmers. Support to entrepreneurs, many of them women, helped them grow their businesses. In the Philippines, programming strengthened financial resilience through community co-ops, access to insurance, group savings and livelihood diversification, while economic activities improved women's financial independence and confidence. In Vietnam, agriculture programming contributed to increased market efficiency and competitiveness, supported human resource development, and improved infrastructure, and helped integrate gender equality considerations in businesses. In Colombia, Global Affairs Canada contributed to the economic advancement of vulnerable groups by improving employment opportunities, creating linkages with markets and facilitating access to credit and promoting rural women's economic development. In Egypt**,** Canada provided support for skills development and job creation. Programming supported youth entrepreneurs in the recycling sector and helped small and medium-sized enterprises expand operations to specifically work with women entrepreneurs. In Ukraine, Canada helped to strengthen the banking sector, diversify trade channels and improve the business environment. Women gained access to finance, and acquired new knowledge and networks.

In South Africa**,** Canadian support strengthened government capacity to provide quality, gender-equitable services, improved government treasury capacity, increased public-private collaboration, and helped improve anti-corruption capacity. In Indonesia, Global Affairs Canada helped increase awareness about women's under-representation in politics, and strengthened the skills of women candidates and parliamentarians in outreach, constituency relations, campaigning, messaging and fundraising. In Peru, programming helped strengthen institutional capacity, integrate gender issues into national policies, increase women's role in decision-making, protect the rights vulnerable groups, and improve the competitiveness of farming cooperatives and small producers. In Morocco, Canada helped augment the capacity of local governments, modernize work methods and improve the performance of employees, structures and organizations, with notable results in terms of an increased participation of women.

Results

Mechanisms to achieve results

Middle-income country programs are poised to integrate innovative mechanisms to facilitate results for Canada's development assistance investments.



These mechanism are complementary and often interconnected in their approach and requirements to achieve results.

Though not widespread, the department's use of innovative finance programming in middle-income countries mobilized private-sector funding to advance development aims.

The Colombia program mobilized $7 million from the private sector to develop lending services for rural women and youth and $20 million from Canadian and Colombian companies to increase the incomes of families farming cacao and create sustainable livelihood alternatives. The Peru program mobilized over $5 million from extractive-sector companies, which helped family farmers become more financially independent and supported rural co-operatives. At a regional level, the Asia branch's Canada-Asia Trade and Investment for Growth (TRIGR) program's INFRONT project mobilized US$3.60 (approximately Can$4.57) of private capital for every US$1 (approximately Can$1.27) of Canadian funding and supported the creation of 15,500 jobs. Pan-Africa regional initiatives, such as the Africa Renewable Energy Initiative (AREI) and the Africa Risk Capacity (ARC) aim to deliver climate finance.

Canada successfully delivered short-term and longer-term technical assistance in areas such as inclusive trade, public service delivery and human rights in middle-income countries.

Many bilateral programs used a combination of multi-bilateral and project-based technical assistance to achieve development goals. In Vietnam, technical assistance increased government capacity for trade agreement obligations, procurement and economic impact assessments, and increased the knowledge of Vietnamese businesses and their access to Canadian markets. In Ukraine, technical assistance improved government capacity to plan and implement reforms, improved efficiency by introducing a results-based monitoring system modelled on the Canadian government's framework, and increased efficiency and inclusiveness of public services. Implemented in Egypt and the Middle East and Maghreb region, the World Bank multi-donor trust fund for the Micro, Small and Medium Enterprise Technical Assistance Facility for the Middle East and North Africa reached over 250,000 enterprises with highly skilled expertise and a collaborative approach to address needs. In Peru, technical assistance supported the Human Rights Ombudsperson's Office to develop its capacity and policies. Canadian experts also supported women's rights organizations, increasing female capacity and policy influence.

While there was limited evaluation evidence on the effectiveness of programming for Aid for Trade, existing evidence showed positive results for trade-related technical assistance.

Evidence of the effectiveness of Canada's Aid for Trade programming was limited, as some larger Aid for Trade programs and projects had not been evaluated. Although limited to qualitative data, existing evidence noted positive results related to trade-related technical assistance. The Expert Deployment Mechanism for Trade and Development supported the advancement of the Canada-ASEAN free trade agreement and improved the ability of trade policy experts and negotiators to respond to technical assistance requests, while the Canadian Trade and Investment Facility for Development improved the capabilities of regional organizations to support competitiveness, economic integration and growth that is climate-smart and gender and socially inclusive.

Implementation mechanisms

Innovative finance

The Sovereign Loans Program

In 2018, Global Affairs Canada created the Sovereign Loans Program to provide low interest government-to-government loans for periods of up to 10 years to countries in which Canada has an existing relationship. It was designed with 3 primary objectives:

1. Addressing persistent market failures and increasing access to markets for the poor and most vulnerable.
2. Investing in gender equality to help transform social norms and promote women's empowerment.
3. Mobilizing additional private and public finance for existing initiatives that benefit the poor and build markets.

The Sovereign Loans Program is managed centrally through the Innovative Finance Bureau with input as needed from bilateral country programs. As of 2022, the Program has not yet issued funds, however, work is under way to establish a first sovereign loan.

The Colombia program demonstrated that innovative financing at the bilateral level can be incrementally achieved based on strategic planning, capacity building, and market scoping.

Innovative finance, particularly the blended finance subset, consists of financial structures and mechanisms that mobilize, govern or provide funds that support the delivery of official development assistance and furthers the Government of Canada's assistance priorities. By establishing a strong foundation for innovative finance at the bilateral level, the Colombia program increased its programming reach with a variety of innovative finance tools. It began with integrating innovative finance in strategic planning and using Field Support Service (FSS) budgets for training or scoping market opportunities. This provided staff with the basis of a skillset to engage the private sector and develop new innovative financing partnerships, such as private sector co-financing projects through the grants and contributions channels, a results-based financing project, and the early development of a sovereign loan.

Most of the department's bilateral middle-income country programs did not use innovative financing tools and their recent experience with innovative finance highlighted challenges.

Innovative finance was not widely adopted by bilateral programs. The Colombia program's experience highlighted limitations for other programs to consider. Challenges included gaps in skills or expertise among staff in areas such as: private sector partner due diligence, negotiation, risk management, private sector incentives, and results-based management. Significant time and resources were also needed to identify private sector partners, build relationships, and establish indicators and targets. The Colombia program's use of non-standard programming, namely result-based financing projects in which funds are released upon the successful completion of outcomes, also required significant corporate support to establish appropriate financial authorities and were not easily replicable. Limited evidence on the effectiveness and added-value of innovative finance was also noted by stakeholders, reflecting a wider trend among donors.

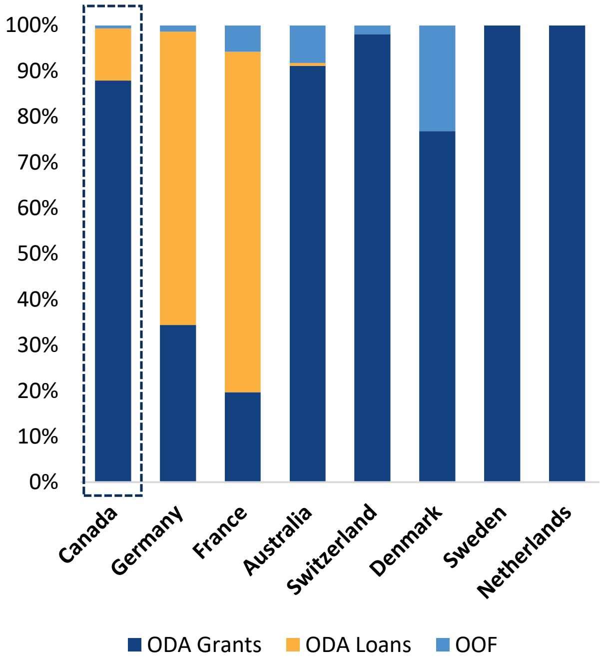
Unlike other donors, Global Affairs Canada did not have an incremental approach to innovative financing that focused on determining feasibility for private sector partnerships.

France and Germany have dedicated the bulk of their financing towards middle-income countries through sovereign loans for the past 3 decades. With the exception of Australia, sampled donors primarily used their Development Financing Institutions (DFIs) to pursue innovative financing. In Sweden, program staff have the flexibility to explore potential partnerships with a wide range of stakeholders and partners based on their ability to achieve development results. Sweden's international development agency, whose primary innovative financing tool is guarantees, undertook a feasibility study to determine which financing mechanisms to use. Germany took an approach whereby a challenge is identified and private sector partners are convened to discuss potential solutions, supporting critical thinking and innovative solutions.

Implementation Mechanisms

Innovative Finance

Donor ODA grants, loans and other official flows to sample MICs, 2015 to 2019



Source: OECD Data (2022)
Note: Other official flows (OOF) include grants for commercial purposes; official bilateral development transactions with a grant element lower than 25%; and official bilateral transactions that are primarily export-facilitating in purpose. In addition to ODA loans, ODA grants could also be used to deliver innovative financing.

The role of bilateral programs in delivering repayable contributions was limited due to the inherent complexity of, and lack of expertise required for, repayable programming.

The department's mandate and capacity for repayable contributions resided mainly in the multilateral branch and included the International Assistance Innovation Program, the Sovereign Loans Program, and the Climate Finance program. While the former 2 programs were established toward the end of the evaluation period and results could not yet be assessed, the Climate Finance program has included large and complex disbursements to multinational development banks and funds. About 70% of the department's $2.65-billion of disbursements in climate finance delivered between 2016 and 2021 was in unconditional repayable contributions, with the top implementing partners being the International Bank for Reconstruction and Development, the International Finance Corporation and the International Fund for Agricultural Development. At the regional level, the Pan-Africa program has helped manage a $150-million unconditionally repayable contribution under the Africa Renewable Energy Initiative and a $40-million contribution to the African Risk Capacity agency to support climate risk insurance. At the bilateral level, programs were authorized to use conditional repayable contributions, although their use was limited since they were not conducive to the use of existing standardized tools, required significant financial, contracting and legal support, and strong support for project assessments, structuring, negotiations and monitoring, for which there was limited internal capacity. However, in 2021, the Department launched a pilot to develop non-complex bilateral projects with conditionally repayable contributions.

Global Affairs Canada engaged in innovative finance as a department and did not rely on Canada's development finance institution and did not have a clear understanding of its added value.

Many donors consider the use of innovative finance as a component of the mandates of their development finance institutions, which hold expertise in the design and management of innovative financing instruments. Bilateral development finance institutions with the largest number of blended finance commitments from 2015 to 2020 were those of the Netherlands (96), the United States (35) and France (31). Canada uses both Global Affairs Canada and Canada's development finance institution FinDev Canada to deliver large-scale innovative financing. For instance, FinDev Canada provides US$489 million (approximately Can$618 million) in commitments to 32 clients in Latin America and Africa, while Global Affairs Canada is responsible for implementing significant climate financing commitments. Global Affairs Canada can provide greater concessional financing, while FinDev Canada needs to be financially sustainable. They operated independently of each other, and there was a lack of clear messaging on how these 2 organizations fit within a coherent whole-of-government approach or framework for innovative finance. In order to deliver innovative finance, Global Affairs Canada had to develop internal processes and expertise that already existed in FinDev, making it difficult to clearly identify the value-added of Global Affairs Canada's use of innovative finance.

Implementation mechanisms

Technical assistance

Canadian Trade and Investment Facility	Expert Deployment Mechanism for Trade and Development
Strategic planning, policy and operations Trade and investment in Asia	Innovative Finance Bureau Free trade agreements, investment promotion, agreement negotiation and implementation
$11.5M (2018 to 2021)	$16.5M (2018 to 2025)
Support to Ukraine Reforms in Governance (SURGe)	**Technical Assistance Partnership (TAP)**
Embassy of Canada to Ukraine (KYIV) Subnational and national governance reform	Feminist International Assistance Policy action areas for all development assistance countries.
$24.9M (2019 to 2026)	$19.6M (2021 to 2025)

Note: Other mechanisms include the Expert Deployment Mechanism for Climate Action in Africa, the Canada-Caribbean Expert Deployment Mechanism, Field Support Services Projects, the International Police Peacekeeping and Peace Operations Program (under the Canadian Police Arrangement), the Civilian Deployment Platform, the Deployment of Humanitarian Experts, the Rapid On-set Humanitarian Emergency Experts Fund, the United Nations Disaster Assessment and Coordination Mechanism.

Global Affairs Canada had numerous corporate mechanisms to deliver technical assistance in middle-income countries, but strong demand for available resources and uneven access limited their ability to fully address partner needs for technical expertise.

It was not possible to know the total amount of Canadian technical assistance provided to middle-income countries through the department's various programming channels since it was not always distinctively tracked in disbursement data. However, significant funding has been allocated to 4 key technical assistance mechanisms active in the evaluation's sample of middle-income countries: the Canadian Trade and Investment Facility, the Expert Deployment Mechanism for Trade and Development, the Technical Assistance Partnership (TAP) and the bilaterally focused project-based Support to Ukraine Reforms in Governance (SURGe). Others included peace and security technical assistance mechanisms such as the Civilian Deployment Platform and the International Police Peacekeeping and Peace Operations Program.

A strong demand for technical assistance from bilateral programs resulted in highly competitive selection processes for these corporate mechanisms and in some cases strained the capacity of the mechanisms to process applications. For instance, the Canadian Trade and Investment Facility had to close its application process in 2020 to work through a backlog of applications. The Technical Assistance Partnership approved less than half of all applications in 2021 (with lower middle-income countries accounting for the largest share of approved applications). Interviews with stakeholders confirmed that the strong need for technical assistance in middle-income countries exceeded the available funding levels of corporate mechanisms, limiting the ability of country programs to respond to partner technical assistance needs or requests.

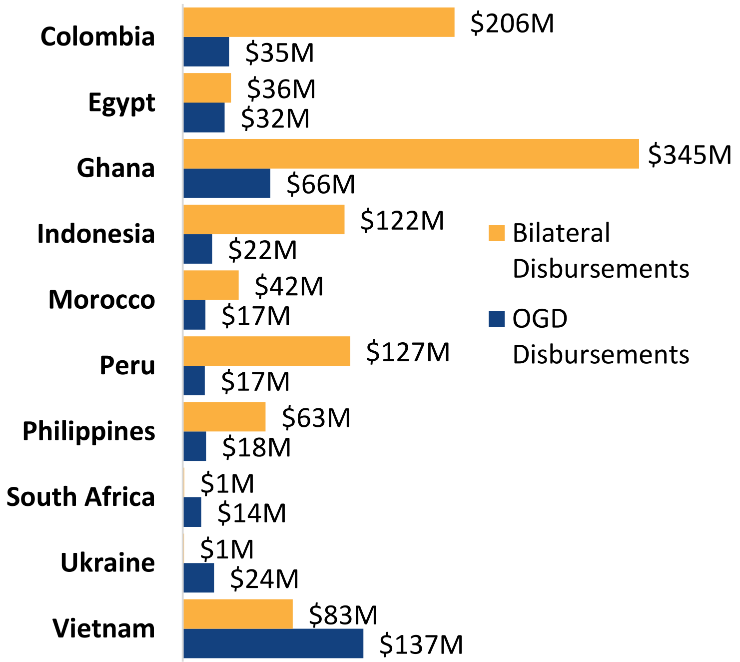
Access to corporate technical assistance mechanisms among bilateral programs in middle-income countries was unevenly distributed due to the strong demand that exceeded available resources and the varying degrees of success in meeting eligibility and technical merit criteria. Some bilateral programs were successful in accessing multiple mechanisms, such as the Vietnam and Peru country programs, which received funding from the Expert Deployment Mechanism for Trade and Development, the Technical Assistance Partnership, and the Canadian Trade and Investment Facility. Others such as Indonesia,[1] Egypt and Ghana had limited or no access to corporate technical assistance mechanisms despite identified needs. As an alternative (or in addition) to corporate technical assistance mechanisms, the South Africa, Ghana, and Peru country programs turned to field support services to deliver technical assistance. However, most of the middle-income country programs in the sample did not have sufficient discretionary funding to provide technical support to partner governments and civil society or the authority to respond in a timely manner.

[1]In 2021, the Expert Deployment Mechanism for Trade and Development's implementing entity started developing a Country Needs Assessment Plan to deliver technical assistance in Indonesia.

Implementation mechanisms

Technical assistance

Global Affairs Canada and other government departments ODA (in Can$ millions) in sampled MICs, 2015 to 2021



Source: Global Affairs Canada, Spectrum Data Report (2022)
Note: Disbursements include, but are not limited to, technical assistance.

Slow start-up processes for technical assistance mechanism limited the ability of bilateral programs to respond to needs in expertise as they arose in middle-income countries.

Many of the department's expert deployment mechanisms took several years to plan and make available. The Expert Deployment Mechanism for Trade and Development took 8 years to design and operationalize, in part due to lengthy negotiations between the department's development and trade streams.

Following 2 years of design and contracting to establish the Technical Assistance Partnership, it would take an expected 6 to 9 months to move a given technical assistance proposal to implementation. This included 3 months to approve a given technical assistance proposal and pass it on to the implementing entity that would in turn take 3 to 6 months to refine the technical assistance mandate in consultation with the recipient beneficiary local entity and start implementation. According to stakeholders, these long timelines limited the ability of programs to address strategic needs in a timely way. These timelines, which were also subject to the grants and contributions management framework in place, risked that government stakeholders would no longer require the specific short-term technical assistance originally requested. The initial design of the Support to Ukraine Reforms in Governance mechanism took roughly 1 year, and projects required about a year to design due to comprehensive and lengthy needs assessments and planning. However, the length of this process had a lesser impact since this mechanism was designed to deliver long-term assistance, in contrast to the other mechanisms that were designed to provide more rapid, short-term assistance.

Bilateral programs did not have a suitable framework or tools to fully understand or measure the results of the department's corporate technical assistance mechanisms, particularly long-term outcomes.

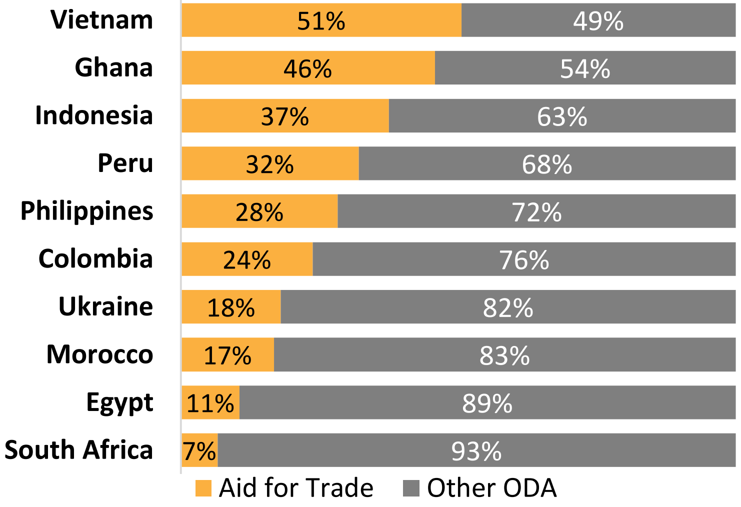
Global Affairs Canada staff perceived it difficult to measure and sustain results in technical assistance, particularly for short-term exchanges that produced outputs. The department's mechanisms mainly provided short-term technical assistance. The duration of a technical assistance deployment for the Technical Assistance Partnership ranged from 3 to 52 weeks, while technical assistance deployments from other mechanisms such as the Expert Deployment Mechanism for Trade and Development, the Canadian Trade and Investment Facility, and Support to Ukraine Reforms in Governance mechanism usually lasted from 6 months to a year. Project documents and interviews indicated that technical assistance managers and partners also often lacked the framework or right tools to measure and report longer-term or cumulative results and outcomes at the institutional or sectoral level over time. For example, the department did not have the tools to assess the aggregate impact of multiple years of technical assistance to Peru's Ombudsperson's Office, delivered through several channels and partnerships with the aim of transformational change at the institutional and sectoral (that is, human rights) levels.

Implementation mechanisms

Trade and Development Nexus

Aid for Trade was launched by the World Trade Organization (WTO) in 2005 to encourage bilateral, regional and multilateral donors to support requests for trade-related capacity building from beneficiary countries. Donors, including Canada, report on their disbursements pertaining to Aid for Trade, which form part of their regular ODA programming.

Aid for Trade as share of Canadian ODA in sample MICs, FY 2014-15 to 2020-21



Source: Global Affairs Canada, CFO Stats FY 2014-15 to 2020-21 (2022-02-02)

Canada's Aid for Trade in middle-income countries was generally consistent, though there was a shift away from upper middle-income countries, similar to other donors.

A key global initiative on bridging trade and development outcomes, Aid for Trade programming represented 23% all of total official development assistance from OECD donors in 2019. Canada was the 12th largest bilateral provider of Aid for Trade from 2015 to 2017. Similar to other donors, Canada's Aid for Trade disbursements to upper middle-income countries (such as Colombia and South Africa) decreased in proportion, but significantly increased to lower middle-income countries (such as Ghana and Egypt). Canada's Aid for Trade support focused on building productive capacity. This was generally consistent with other OECD donors, except for France and Germany that focused on economic infrastructure. While the department did not have an explicit Aid for Trade policy, its Trade and Development guidance note identified 6 potential thematic areas: gender and trade, data and digitalization, MSMEs, infrastructure, clean technology, and global value chains. Over the evaluation period, Aid for Trade represented an annual average of 31% ($94 million) of Canadian international assistance disbursements in sampled middle-income countries, though with strong variation between countries. SOCODEVI, MEDA and Développement international Desjardins were key implementing partners, representing 28% of all Aid for Trade funding.

Instances of structured collaboration across trade and development streams were primarily focused on communication and knowledge sharing.

The department established trade and development working groups for large projects or trade negotiations covering middle-income countries. For instance, the Pacific Alliance Working Group integrated trade and development specialists and included representatives from other government departments. The department also launched a Trade and Development network with staff from across streams. These groups were active, but focused on sharing task updates rather than developing strategic points of integration. The Expert Deployment Mechanism for Trade and Development's internal technical working group of trade and development staff did, however, have a more strategic focus. A new approach launched in the Vietnam program was the inclusion of trade and development staff under the same director. Despite program's interest in cross-steam collaboration, the grants and contributions management framework did not allow for trade program funding for trade and development activities. Among other donors, Sweden's department on innovative partnerships tackled barriers between trade and development work and engaged communications specialists to overcome cross-stream language barriers. Denmark's embassies relied on country task teams including all business streams and ministries implicated in a given country, and Country Strategic Frameworks to ensure all of its strategic interests are met. In Australia, the Department of Foreign Affairs and Trade used policy levers to help ensure that assistance investments complement trade interests.

Implementation mechanisms

Trade and Development Nexus

Canadian experiences in inclusive trade

Canada, along with New Zealand and Chile, co-created the **Inclusive Trade Action Group (ITAG)** in 2018, with Mexico joining in 2021. The objective was to increase inclusion within international trade policies to share more broadly the benefits of trade and investment.

In 2020, the group established the **Global Trade and Gender Arrangement (GTGA)**, which recognizes the importance of mutually supportive trade and gender policies and seeks to increase women's participation in trade to improve overall gender equality and women's economic empowerment.

The GTGA, which is designed to remove barriers to women's participation in trade, was involved in activities that included 3 events between 2020 and 2021 to support gender equality and women's economic empowerment and export opportunities for women entrepreneurs.

Trade agreement chapters promoting sustainable development, while non-binding, were an opportunity for trade and development streams to collaborate and pursue common goals.

Trade-related cooperation chapters in trade agreements, which include considerations for sustainable economic development, provided a basis for greater nexus collaboration between trade and development streams within the department. For instance, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a free trade agreement between Canada and 6 other countries in the Asia-Pacific region, contains chapters relevant to development. This agreement, which includes Vietnam as a ratified member and forms a trading bloc representing 13.5% of global economic output, also provides for cooperation and capacity-building initiatives through dedicated committees for members to engage with each other on issues related to the agreement's key elements. A joint meeting of the Cooperation and Capacity-Building and Development committees in 2021 resulted in the adoption of a template for collaboration and technical assistance activities among members, and information and experiences in implementing cooperation and capacity-building and development activities were shared.

Comprehensive and Progressive Agreement for Trans-Pacific Partnership development-related chapters	
Cooperation and Capacity Building Chapter	Promotes activities to unlock economic potential of less-developed members and encourages collaboration on financial or in-kind resources for cooperation and capacity building.
Development Chapter	Includes areas for collaborative work, namely broad-based economic growth, women and economic growth, education, science and technology, and research and innovation.

Bilateral free trade agreements between Canada and middle-income countries such as Peru, Colombia, and Ukraine have dedicated chapters on trade-related cooperation that in some cases established similar committees. The modernized Canada-Chile Free Trade Agreement's chapter on trade and gender is an example of the department's work toward integrated free trade agreements. This agreement established a gender committee to facilitate the removal of barriers to women's participation in trade and to share experiences in designing programs that encourage women's participation in national and international economies. In ongoing trade negotiations with the Pacific Alliance (a regional trade initiative created in 2011 by Chile, Colombia, Mexico and Peru) and Mercosur (a trading bloc and customs union comprising Argentina, Brazil, Paraguay and Uruguay), Canada has also advocated for dedicated chapters and provisions on gender, small and medium-sized enterprises and Indigenous peoples.

Opportunities

Partnerships and networks

Convergence Blended Finance

The global private sector network for blended finance funded in large part by Global Affairs Canada and managed through the Innovative Finance Bureau links opportunities at the country level with global investments.

1. Investment **Network** to market blended finance transactions.
2. Market-building tools to provide **training** and practical knowledge.
3. Design **Funding Facility** to develop new blended financing vehicles.

Partnerships with the private sector in middle-income countries are key to achieving greater development impact and are best advanced with a strategic approach and tools.

Donors increasingly look to partnerships with the private sector for access to capital, expertise, innovation, and core business to achieve development aims. Globally, in the 2018 to 2019 period nearly US$50 billion was mobilized from the private sector by official development finance interventions, with the majority directed to middle-income countries (88%). The department's engagement with the private sector has included partnerships in Peru and Colombia with extractives sector companies and development partners. Private-sector engagement has involved a shift to new programs, changes to administrative and legal systems, and the acquisition of new staff skills and cultures. The department's support to the Convergence platform provides the opportunity to support blended finance solutions on a global scale. For example, Convergence's Global Emerging Markets design funding window helped grantees to raise over US$650 million (approximately Can$826 million) of private capital for development. At a program level, good practices identified by sampled donors and stakeholders included thorough initial assessments to identify opportunities and complementary priorities, demonstrate the added-value of a particular investment, and clearly articulate returns on investment. Global Affairs Canada also launched a private-sector engagement strategy and will develop related procedures, tools, training and communications. Other donors have developed specialized divisions, training, tools, and policies to move toward new partnerships. Sweden developed a private sector engagement unit, Australia established an operational framework for engaging the private sector, and the Netherlands had private sector engagement entry points and metrics for development.

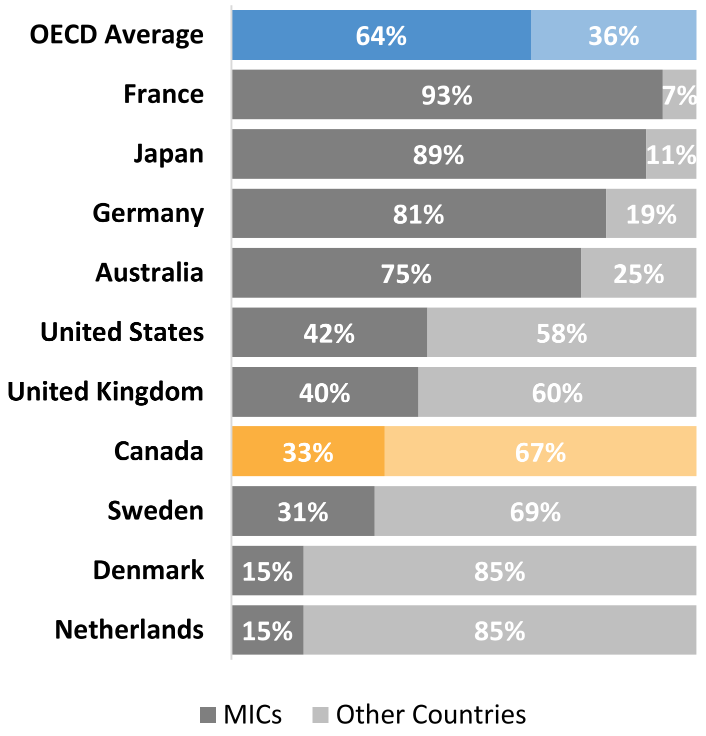
Regional and triangular cooperation are increasingly important to strengthen partnerships with middle-income countries and present the opportunity for greater regional impact.

In recent years, there has been a growing focus on triangular, regional, and south-south cooperation, and some middle-income countries have become themselves regional donors. Despite small average budgets, triangular cooperation projects have been used by donors such as Germany, Japan and the United States to develop middle-income country capacity, transfer technology, share knowledge and innovation, promote mutual accountability, and build new peer-to-peer partnerships. Canada contributed to the development of global guidelines on Effective Triangular Cooperation and engaged in triangular cooperation, including the Inter-American Program's trade capacity building in the Pacific Alliance, but did not use triangular cooperation as much. It had significantly fewer triangular cooperation projects in Latin America, for example, than Norway. Using the department's bilateral and regional programming (e.g. Pan-Africa, ASEAN) to deliver triangular cooperation could help to achieve a greater regional impact in middle-income countries.

Opportunities

Global public goods

Share of climate-focused bilateral ODA commitments to MICs vs other countries by top OECD climate donors, 2014 to 2019



Source: OECD Development Finance Statistics
Note: Data excludes bilateral or multilateral commitments not allocated by income category

Climate change adaptation and mitigation investments in middle-income countries provide a strong vehicle for the department to meaningfully contribute to global public goods.

Middle-income countries face significant challenges in sustainably managing their natural resources, reducing pollution and combatting climate change, and are extremely vulnerable to natural disasters. About 6% of the department's bilateral program funding to middle-income countries over the evaluation period focused on the environment and climate action, accounting for an average of $167 million per year in funding. In South Africa, Canada helped introduce climate change concepts with concrete policies and strategies at the municipal level through the FCM Building Inclusive Green Municipalities project. In Morocco, Canada aimed to improve the performance of forest worker co-operatives for the sustainable management and processing of rosemary and cedar through SOCODEVI's Focus on Women's Leadership project. At the multilateral level, Canada's $350-million pledge and disbursement to the Green Climate Fund during the evaluation period, while not limited to middle-income countries, is expected to reduce carbon emissions by over a billion metric tonnes and increase the resilience of 408 million people in developing countries. The Green Climate Fund, which has a program portfolio worth US$23 billion (approximately Can$30 billion) from 2015 to 2020, has approved programming in all sampled middle-income countries with the exception of Ukraine. Canada has provided $223.5 million to the second phase of the Canadian Climate Fund for the Private Sector in Americas to catalyze greater private investment for gender-responsive climate change mitigation and adaptation projects in Latin America and the Caribbean, which largely consists of middle-income countries.

Long-term strategic donor engagement and the promotion of global public goods in middle-income countries is key to increasing resilience to external shocks such as COVID-19.

The COVID-19 pandemic reversed progress in global poverty reduction and human development indicators across the world. The vast majority of the "new poor" induced by the pandemic are increasingly in middle-income countries where the pandemic has intensified pre-existing inequalities, poverty, weak governance and crumbling health care systems. While not limited to engagement in middle-income countries, Canada mobilized over $2.6 billion in international assistance in response to the COVID-19 pandemic, including flexible humanitarian funding, and pivoted programming. In South Africa, research from the Building Inclusive Green Municipalities project was used to map risks and vulnerabilities to the virus. However, sampled donors highlighted the need for a longer-term strategy to work with middle-income partners and noted that the lack of preparedness for external shocks is due in part to under-investment in global public goods. Long-term strategic support from donors to partner country systems and promotion of global public goods such as health care, and the integration of climate action in multi-sector development strategies, provides an opportunity to support resilience to shocks.

Opportunities

Canada’s comparative advantage

Canadian commercial opportunities in sampled middle-income countries

Sector	Opportunities
Agriculture	Processed foods Beverages Technical training Technology Equipment
Natural resources	Mining Oil and gas Metals, minerals Forest products
Infrastructure	Building products Renewable energy
Defence and aerospace	
Education	
Information communication technology	
Science and technology	Life sciences Clean technology Sustainable technology
Power equipment	
Transportation	

Source: Market Insights, Doing Business series, Global Affairs Canada (2022)

Canada’s strong relationships with stakeholders and engagement in policy development and dialogue in middle-income countries provided a solid base for establishing new relations.

Canada has honed its skills in building bridges between development stakeholders in middle-income countries. For instance, the department established and supported donor coordination groups, which helped to build trust, credibility and strong relationships with stakeholders. Bilateral programs also contributed to developing national policies and programs and helped build civil society capacity for policy dialogue. In Peru, Canada helped increase the influence of women’s rights organizations in policy dialogue with government. In Ukraine, Canada supported the preparation of the National Economic Strategy and progress in the regulatory framework for small and medium enterprises. These relationships and contributions provided a base for new relations with middle-income countries, which increasingly seek a less traditional or visible role from donors.

Middle-income countries were interested in Canadian governance and administrative models and expertise in governance, gender, commercial industry, and climate change.

Middle-income country partners wanted to learn about and adapt Canadian models of governance and public service in areas such as planning and cooperation among various levels of government, inclusive service delivery, results-based management and gender-based analysis plus. Stakeholders indicated that there was strong and often unmet demand for Canadian expertise in priority areas for transition, including inclusive trade and economic growth, inclusive governance, and climate change and the environment. This presents an opportunity for Canada to engage with middle-income countries in areas of Canadian expertise or comparative advantage that link development assistance goals with longer-term domestic commercial interests as other donors, such as Australia, Denmark, Netherlands and Switzerland, have done.

Canadian programming in middle-income countries was largely driven by the Feminist International Assistance Policy, prioritizing gender equality and women’s empowerment.

The Feminist International Assistance Policy increased Canada’s profile and contributions to women’s rights and empowerment and supported Canada’s decades-long role in policy dialogue on gender equality in middle-income countries. Across countries in the sample, technical assistance projects used gender-based analysis plus and funded gender-focused deployments; innovative finance projects focused on women’s empowerment and access to resources; and trade agreements served to advance gender equality and women’s economic empowerment. However, the degree of relevance of the policy’s action areas and targets in middle-income countries varied, as partner countries increasingly sought donor support in accordance with their own established priorities and identified needs, rather than Canada’s international assistance policy priorities or necessarily within Canada’s comparative advantage of gender equality and women’s empowerment.

Conclusions

Conclusions

The department’s broadly defined policy guidance for middle-income countries and the lack of operational guidance and tools have left bilateral programs without a clear sense of where to begin.

The department created policy guidance documents relevant to programming in middle-income countries. These included the Productive Partnerships for Transition guidance note covering programming within 1 of the 4 key partnership pathways of the Where We Work Approach. These guidance documents provided relevant and detailed policy considerations, best practices and objectives (the “what” and the “why”), but lacked the operational guidance and tools needed for bilateral programs to effectively implement these across the various middle-income country contexts where they operate (the “how”). Clarity was lacking on how the various policy guidance documents complemented each other or could be applied across a variety of contexts, limiting the ability of bilateral programs to apply them in a reinforcing manner. While objectives and Canadian interests were articulated throughout policy guidance, bilateral program staff did not have the tools, knowledge or mechanisms in place to fully achieve what the guidance proposes. This hindered the ability of programs to apply a comprehensive policy framework or clearly articulate, either internally or to external stakeholders, the department’s approaches and objectives to support transition in middle-income countries.

Without flexible corporate processes to support long-term, joined up planning for transition, bilateral middle-income countries are missing opportunities that can support Canadian overall objectives in partner countries.

Most bilateral programs did not have long-term or trade-focused development country-level plans that fully identified or responded to middle-income country-specific transition needs. Existing corporate tools and funding mechanisms under the grants and contributions management framework were not designed in a way that would facilitate this, despite entry points among development and trade activities. While long-term or integrated planning occurred, it was limited and resulted from the initiative of specific bilateral programs outside of the typical use of corporate planning processes and tools. Other studied donors with expressed development and trade objectives and sustained use of innovative financing had supporting corporate structures and tools for the development of flexible, long-term plans driven by the context-specific needs and opportunities in middle-income countries. Donor best practices, as well as the experience of the department’s bilateral programs, demonstrated that the use of flexible corporate tools to facilitate or support (rather than frame) the planning process would better allow Canada to establish new relationships and seize emerging opportunities at the nexus of development, trade, and policy in middle-income countries.

Conclusions

The department's use of key innovative financing, technical assistance and trade and development mechanisms in middle-income countries was impactful but not yet maximized.

The department achieved important international assistance results in middle-income countries, including through the use of innovative finance, technical assistance and programming through the trade and development nexus. Bilateral programs had a long history of using technical assistance as part of their programming, whereas the use of innovative financing was new and limited to a select few examples. The successful use of these mechanisms at the bilateral level was facilitated by an incremental approach to innovative finance, a focus on partner country needs for technical assistance, and the establishment of trade and development working groups. Factors that limited further success were a lack of expertise and resources for the use of innovative financing tools at the bilateral level, the low responsiveness of corporate technical assistance mechanisms (that was limited by the grants and contributions management framework in place), and the low levels of strategic integration of trade and development objectives. There was a limited evidence base on the use of these mechanisms, which hindered the department's ability to fully capture or understand their results and value and to further plan for future success. As demand for these mechanisms grows in middle-income countries, increasing the capacity of bilateral programs to deploy and measure their effectiveness would better position the department to respond to partner needs, further achieve Canada's current objectives for development, trade and policy, and advance future goals and interests.

The department's comparative advantages provide opportunities to promote sustainable development toward transition and set the stage for new future commercial relationships.

Canada's engagement in middle-income countries presents the opportunity to strengthen its development impact through increased collaboration and partnerships with the private sector, as well as its regional impact through greater regional and triangular cooperation. Canada is also well positioned to contribute to the provision of global public goods and the safeguarding of development gains, including through its climate change programming. The department's comparative advantage in middle-income countries includes its strong relationships and convening power in partner countries, the strong demand among partners for Canadian models of governance and public service and Canadian commercial and sectoral expertise, and Canadian capacity to achieve results in gender equality and women's empowerment or apply gender analysis to key mechanisms. While Canada has demonstrated positive results in middle-income countries, including in areas of comparative advantage, the department's ability to seize opportunities in these contexts would be further strengthened by addressing its limitations in the implementation of policy guidance and planning processes and the use of key mechanisms of innovative financing, technical assistance, and the trade and development nexus.

Recommendations and considerations

Recommendations

1. Adapt and implement joint development, trade, and diplomacy planning tools and processes at both the country and regional level in ways that are flexible and specific to middle-income country needs and operating contexts.

2. Clarify how the department’s policy guidance and strategies across development and trade streams are meant to complement each other and how they should be applied to advance harmonized objectives in middle-income countries.

3. Support the incremental use of innovative finance mechanisms in middle-income countries that allows for the time, resources and development of capacity needed for country programs to integrate them into their work.

Considerations

Evidence on key mechanisms in middle-income countries: Global Affairs Canada staff noted a lack of expertise and capacity to monitor innovative finance initiatives or a framework to measure the long-term results of technical assistance in middle-income countries. The department could consider identifying ways to increase its evidence base on its use of key mechanisms to better understand their impacts and use for achieving the Sustainable Development Goals.

Coordination to improve technical assistance approaches in middle-income countries: Despite the existence of numerous technical assistance mechanisms in the department, a gap exists in the department's ability to determine fully what technical assistance is taking place on the ground and, importantly, the impacts/results and contributions of these activities to Canada's engagement in middle-income countries. As concepts, technical assistance and capacity building are widely interpreted across the department. The department could consider establishing a Community of Practice among groups mandated to oversee technical assistance to identify areas of better coordination within the department and with other government departments, determine definitions, and identify challenges and opportunities within the capacity building sector.

Institutional mandates for innovative financing: While Canada's development financial institution, FinDev, was outside of the scope of this country-level Global Affairs Canada evaluation, the evaluation noted the important role that both international development agencies and development finance institutions can play among other donors for the delivery of innovative financing. Given the operational risks and expertise needed to scale up innovative financing, the department could consider undertaking a comprehensive review of the relationship between Global Affairs Canada and FinDev to clearly identify the complementarities and overlap between FinDev's mandate and Global Affairs Canada's objectives for undertaking innovative financing.

Systemic barriers to cross-stream collaboration and the use of new mechanisms or approaches: The incentives, terminology, and outcomes of the department's development assistance, trade and diplomacy streams are not always well understood across streams. Capacity limitations (partly based on the department's current grants and contributions management framework) and a strong reliance on established ways of working also make it challenging to advance new tools or approaches in middle-income countries where the alignment of development and commercial objectives is increasingly relevant. Other donors have pursued strategies to soften the edges between types of engagement and business streams. Global Affairs Canada could consider finding new ways to address this organizational culture challenge, for instance, by establishing a high-level mandate to identify and work collaboratively toward solutions.

Links between regional and bilateral programming in middle-income countries: Departmental staff noted the value of the approaches that regional programs used with respect to development issues and funding to areas such as regional economic integration and climate change in middle-income countries. However, regional and bilateral programs planned separately, each sometimes unaware of the activities of the other, limiting opportunities to identify and contribute to common objectives. The department could consider finding ways to establish or improve coordination and collaboration between regional and bilateral programs to strengthen its engagement and impact in middle-income countries, including engagement in triangular cooperation.