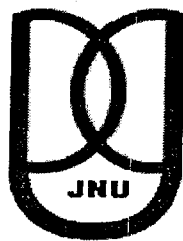


A Survey of Official Development Assistance Policy of CANADA

**Dissertation submitted to Jawaharlal Nehru University in
partial fulfillment of requirements for the degree of
MASTER OF PHILOSOPHY**

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CERTIFICATE

Certified that dissertation entitled "**A Survey of Official Development Assistance Policy of Canada**" submitted by me in partial fulfillment of the requirements for the award of the degree of **MASTER OF PHILOSOPHY** has not been previously submitted for any other degree of this or any other degree of this or any other university and is my own work.

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We recommend that this dissertation may be placed before the examiners for evaluation.

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TABLE OF CONTENTS

PREFACE	i-vii
CHAPTER I	1-28
EVOLUTION OF THE IDEA AND POLICY OF ODA IN CANADIAN FOREIGN POLICY	1
CONCEPT, NATURE AND SIGNIFICANCE OF ODA	1
APPROACHES TO THE STUDY OF CANADIAN AID	11
AIMS AND GOALS OF CANADIAN ODA	13
EVOLUTION OF ODA IN CANADIAN FOREIGN POLICY	21
CHAPTER-II	29-59
NATIONAL INTEREST AND ODA DURING THE PIERRE TRUDEAU PERIOD	29
INSTITUTION-BUILDING AND ORGANISATIONAL SET UP	29
CANADIAN ODA DURING 1950S AND 1960S	30
ODA SERVING 'NATIONAL INTEREST' UNDER PIERRE TRUDEAU	37
CHAPTER III	60-81
THE 'AID FATIGUE' IN THE 1980S	
CHANGING BASES OF ODA	60
A STRATEGY FOR INTERNATIONAL DEVELOPMENT COOPERATION	65
THE AID FATIGUE IN THE 1980S	70
SHARING OUR FUTURE: ODA POLICY REVIEW 1987	77
CHAPTER IV	82-98
THE 1990S: ROLE AND REORGANISATION OF CIDA	82
STRUCTURAL ADJUSTMENT INTO CIDA	87
FOREIGN POLICY REVIEW: 1994-95	93
CLASH OF INSTITUTIONS: DFAIT'S TAKEOVER BID OF CIDA	98
CHAPTER V	103-110
SUMMARY AND CONCLUSIONS	103
BIBLIOGRAPHY	110

PREFACE

In a very general understanding, the word 'aid' implies a flow of financial resources. The Official Development Assistance (ODA) is basically aid from the governments of the wealthy countries to poor ones. It doesn't include private contributions or private capital flows and investments. The main objective of ODA is to promote development in poor countries.

Aid for development may be conceived as a foreign policy objective in its own right or as an instrument to achieve other objectives. Its roots could be traced in domestic politics or in foreign policy setting. It is moulded in a setting in which traditions, norms and interests of both the domestic and the external environment influence the outcome.

Aid is one way for rich countries to transfer resources to developing countries and is among the most effective ways in reducing poverty in poor countries. A shallow look may give us the feeling that the aid is committed basically as part of philanthropy by wealthy and developed countries, but a closer look at the whole process may as well reveal the entrenched interests of wealthy countries behind their philanthropy.

Aid can take many different forms, and the Official Development Assistance is only one of them. In fact, it is not even the largest source as the matter of fact is that more than half of the total aid flow comes from private sources. Aid can also be categorised into grants or loans and grants,

in particular have always been the major form of official development assistance.

Foreign aid and assistance is an integral part of the Canadian foreign policy. As the second of the twin pillars in the Canadian international hierarchy of international activity, development aid and assistance became elevated through the post-1945 years to the status of a Canadian vocation. It was built on the idea of a distinctive area of specialized interest and expertise through which Canada could differentiate itself from other countries. For Canadian foreign policy the delivery of development assistance programmes toward the global community was a serious signal of Canadian interest and willingness to take on an ambitious set of international responsibilities.

The onset of Cold War in Asia framed Canada's decision to involve into the Colombo Plan for South and South-east Asia. As an element of foreign policy, it was of little importance in comparison to Cold War issues. However, during the peak of Canadian liberal internationalism, humanitarian motives were heavily emphasised as primary justifications for ODA. During this period, the Canadian ODA expanded in terms of geographical reach, level and volume. The coming of prime minister Pierre Trudeau with a nationalistic manifesto for change was thought as reversal of earlier policies. However, even during Pierre Trudeau's period the ODA level and volume did not decline as earlier thought. Rather, under Trudeau

Canada became more conscious of demands of Third World. The decade of 1980 saw change of government in Canada with Conservatives under Brian Mulroney coming to power. His term saw the general decline in the economic competitiveness of Canadian economy which had its impact on aid policies with budgetary cut-backs and coming of structural adjustment policies (SAP). The decade of 1990 saw a further decline of Canadian ODA in a changed international context where the discourse on development took an altogether different turn. The period also was the struggle between Department of External Affairs (DFAIT) and CIDA over policy making.

This study "A Survey of Official Development Assistance Policy of Canada" looks into the history of development assistance programme of Canada, right from its evolution in the 1950. The Official Development Assistance (ODA) has been over the years an important component of Canadian foreign policy.

Canadians believe that ODA represents a serious commitment of Canada towards the international community in alleviating poverty and promoting economic and social development in the developing countries. Canadian claims in this regard are partially true as the effectiveness of their ODA is undermined by pursuance of divergent and multiple objectives. Canada tends to ignore that the official development assistance policy serves its own interests more rather than the interests of recipient countries.

The present study intends to look into such aspects and attempts to analyse how the official development assistance policy has evolved over the years. The approach of the present study would essentially be historical and analytical.

The present study is mainly based on secondary sources mainly in the form of books and available articles published in academic journals. However, wherever available and possible, primary sources have been used to substantiate the arguments. The absence and inaccessibility of quality sources was always a major problem during this research work. The present study takes a historical and analytical approach, and covers the subject in five chapters, with each chapter containing a number of sections.

The introductory Chapter “Evolution of the Idea and policy of ODA in Canadian Foreign Policy” presents the evolution of ODA in Canadian foreign policy. Its first section discusses the concept, nature and significance of ODA in general. The second section contains the approaches to the study of Canadian ODA. The third section focuses on the aims and goals of the Canadian ODA. The fourth section deals with the evolution of ODA in Canadian foreign policy.

The second Chapter “National Interest and ODA during Prime Minister Pierre Trudeau’s Period” focuses on Trudeau’s tenure and the changes he brought into the ODA policy. The first section of the chapter begins with a general introduction dealing with the early significance of ODA

in Canadian foreign policy. The second section focuses on the institution and organisational set-up which were created and finally created as Canadian International Development Agency (CIDA) for the delivery of ODA. The third section deals with the situation of ODA in the 1950s and 60s. The fourth section of the chapter discusses the coming of national interest in Canadian foreign policy and its consequences on ODA policy.

The third Chapter “The ‘Aid Fatigue’ in the 1980s” looks into the growing aid fatigue of 1980s. The first section discusses the changing bases of ODA in a different international context marked by détente, demands of New International Economic Order (NIEO) and the oil-crisis. The second section discusses the policy paper of CIDA published in 1975 as it was the first comprehensive document supposed to guide Canadian ODA for the next five years. The third section deals with the decade of 1980s as it was marked by a diminishing Canadian economy and coming of new ideas advocating structural adjustment programme, globalisation and liberalisation with privatisation. The last section of the chapter discusses the 1987 review of ODA policy under the Brian Mulroney government.

The fourth Chapter “The 1990s: Role and Reorganisation of CIDA” will bring the changed situation of 1990s on international level with profound impact on ODA policies. The first section in this chapter deals with the coming of structural adjustment policies and programmes into the CIDA and its impact on ODA policies and programmes. The second section deals

with the 1994-95 foreign policy review undertaken by the Liberal government under Jean Chrétien. The third and final section of the chapter discusses the struggle between the Department of Foreign Affairs and CIDA for the greater control over ODA policy and programmes.

The concluding Chapter presents the overall summary of the study and makes some broad observations by way of the conclusions derived from the present research.

In conducting this research, I have received precious insights from my supervisor, Professor Abdul Nafey. His research skills, humane nature and professionalism have helped me at every step in undertaking this research work. His continuous guidance since my M.A. days and suggestions has made this work to be an academically contributive one. I express my sincerest gratitude to him. I am also indebted to Professor Christopher S. Raj of our centre for encouraging in my academic endeavours.

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This work would not have completed without the support of my family. I am deeply indebted to my father, mother and sister for continuously expressing faith in me and bearing with me. I am indebted to the almighty god for his blessings; without which I could have never completed this work. Needless to say, the mistakes in the present work belong to me only.

Date: July,22,2004

AJAY KUMAR VAISHNAV

CHAPTER - I

EVOLUTION OF THE IDEA AND POLICY OF ODA IN CANADIAN FOREIGN POLICY

The present chapter is divided into four sections and will first begin with a general discussion of the concept, nature and significance of official development assistance (ODA). The second section will focus on the kinds of approaches employed in the study of Canadian aid which would be followed by a discussion of aims and goals of Canadian ODA in the third section. The fourth section will discuss the evolution of ODA in Canadian foreign policy.

1. CONCEPT, NATURE AND SIGNIFICANCE OF ODA

In a very general understanding, the word 'aid' implies a flow of financial resources from donor countries to recipient countries. Aid is one way for developed countries to transfer resources to developing countries and is among the more effective ways in reducing poverty in poor countries. The transfer of resources occurs between states and in some cases, if it is multilateral aid is mediated by international agencies.

The notion that states have welfare responsibilities beyond their borders is embedded in the 1945 founding charter of United Nations (UN), which called upon member states to "employ international machinery for the promotion of the economic and social advancement of all peoples." Over

the next few years, members funded several new UN agencies to take on humanitarian and developmental mandates. Later on, though not envisioned at that time, the creation of multilateral financial institutions like International Monetary Fund (IMF) and the World Bank along with regional banks became main conduits for dispersal of multilateral aid.

Bilateral or government-to-government assistance to developing countries began with Point Four of US president Harry Truman's inaugural address in January 1949. It proposed that the US commit itself to "a bold new programme for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas." In 1950, the US Congress passed the 'Act for International Development'. In the same year the Colombo Plan was created for South and South-east Asia.

In 1969, the Western donors agreed to define official development assistance as: those flows to developing countries and multilateral institutions provided by official agencies, including state and local governments, or by their executive agencies, each transaction of which meets the following tests:

First, it is administered with the promotion of the economic development and welfare of developing countries as its main objective. And,

second, it is concessional in character and contains a grant element of at least twenty-five per cent. ¹

The ODA is basically aid from the governments of the wealthy countries to poor ones. It doesn't include private contributions or private capital flows and investments. The main objective of ODA is to promote development in poor countries.² However, any aid policy serves multifarious interests including particular national interests of donor country. It is considered as one of the more effective methods of promoting economic and social development in the poor countries and overcoming global poverty. However, the fact is that ODA is not the largest source of aid as more than half of the total aid flow comes from private sources. The two main characteristics that distinguish ODA from other flows of financial resources from industrial countries to developing countries are:

First, that it is provided both directly and indirectly to developing countries which could be either at bilateral level or through multilateral aid agencies. When it is provided bilaterally it is not determined by market returns but purely motivated by the interests and objectives of donor countries.

¹ David R. Morrison, *Aid and Ebb Tide: A History of CIDA and Canadian Development Assistance* (Waterloo: Wilfred Laurier, 1998), p.4.

² A programme for action under the auspices of the United Nations- 'Agenda 21' was agreed and adopted by the world's governments meet on the occasion of the Earth summit in Rio de Janeiro in 1992. Amongst other things, this included an Official Development Assistance (ODA) aid target of 0.7% of gross national product (GNP) for rich nations, roughly 22 members of the OECD (Organization of Economic Cooperation and Development), and known as the Development Assistance Committee (DAC).

Second, ODA is provided on highly concessional terms. Almost ninety per cent of ODA comes as grants and are charged at fairly low interest for long periods if given as loans.³

These two features make ODA particularly attractive to developing countries and make it more preferable over other sources of external finance. Developing countries need foreign resources in order to supplement their domestic resources which in turn, will raise the rate of domestic investment. ODA supplements domestic savings and it can do it in a manner in which other forms of external inflows cannot do. The advantage with ODA is that it can be used to finance such activities that market based sources of funds will not be able to do.

The link between development and aid was, until recently, based upon a fundamental assumption that poverty can be alleviated only through industrialisation. Capital is a fundamental need for industrialisation. However, this is what is most scarce in a poor country. The aid system can provide this. The theory is that once capital is available, the rest will automatically follow. The initial stages of development in a developing country will require state intervention in order to develop physical and social infrastructure through increased public investment and expenditure. These are basic elements of any development programme and will have to be financed from official sources as very little or even no private funding would

³ Arjun Sengupta, "Official Development Assistance- The Human Rights Approach" *Economic and Political Weekly*, 13 April 2002, pp. 1424-1436.

be available from the market based sources. The ODA as the only form of foreign savings can finance such public expenditures. This makes ODA a more effective means of covering the savings gap to finance the rate of investment needed to realise a higher rate of growth in developing countries.

Apart from sufficient capital, any country will also need technically skilled population and infrastructure. These two factors can immensely increase the capacity to derive benefits that follow from aid. These two factors were behind the success story of Marshall Plan in post-Second World War European reconstruction efforts, while the lack of these two factors has impeded the growth opportunities available from aid elsewhere. Development assistance also brings with it necessary technical and managerial expertise, which is necessary to develop basic physical and social infrastructure in a developing country.

In the present era of globalisation and free flow of capital and goods, ODA could still be the most reliable source of foreign capital as the low-income countries, not capable of attracting private capital flows through projects with high marketable and reasonably low-risk private returns, will largely be bypassed by private capital flows. The private investors seeking highest market returns will move towards more advanced developing countries capable of offering larger returns. Under such conditions, ODA could still play a major role in reducing the disparities in the rates of development of the different developing countries.

The concessional nature of ODA makes it particularly valuable to low-income countries as it allows them to use it for activities whose benefits are widely dispersed and cannot be captured to pay for its cost. This allows low-income countries to escape from borrowings in international markets and entering into debts and accumulating liabilities over the years that will have to be paid off over a number of years.

ODA has often been considered for financing the so-called global public goods whose services benefit mankind in general, rather than any particular country, and are non-excludable and non-rival between different countries.⁴ These include peace-keeping, prevention of contagious diseases, research into medicines and vaccines, the limitation on carbon emissions, and preservation of bio-diversity.⁵ Such global public goods need collective international action requiring international public expenditure which could be provided by ODA.

To describe 'aid' as a flow of financial resources from donor countries to recipient countries is an oversimplification.⁶ There are two reasons for this: first, there is often a counter flow of resources in the reverse direction by virtue of both 'tied aid' and capital flight. Second, countries do not send and receive aid. On the donor side, the quantity and quality of aid are shaped by the contending economic, political and institutional objectives of

⁴ *ibid*, p.1425.

⁵ *ibid*.

⁶ James K. Boyce, "Unpacking Aid" *Development and Change*, vol.33, no.2, 2002, pp.239-246.

government agencies and their domestic constituents. On the recipient side, aid flows not to countries as a whole but rather to specific individuals, groups and classes within them. An analysis of how aid is deployed to serve diverse donor-country interests, and how its distribution affects balances of power among competing recipient-country interests, is particularly crucial in understanding the dynamics of conflict and the current globalisation of violence.⁷ Whether by design or by default, aid tilts power balances, strengthening some individuals, groups and classes relative to others. While donors may ignore the impact of aid on power structures in the recipient country, this does not mean that their aid is or can be neutral. On the contrary, the default setting for aid is to flow to those who wield power. In this way, aid does play and can be used as an instrument to influence the domestic power configurations and internal political balances, at least in the case of very poor countries.

Aid can take many different forms, and the ODA is only one of them. However, ODA does exclude military aid. ODA resource transfers may be in the form of cash, kind or expertise. Aid can be categorised into loans, grants and technical co-operation and they are in particular the major forms of ODA. 'Aid Loan' is a loan extended on soft terms, characterised by a low interest rate and a long maturity. 'Grant Aid' is bilateral co-operation extended to support infrastructure and development projects, social sector activities in various sectors, including health, education etc. with an aim to

⁷ *ibid.*

benefit basic human needs. 'Technical Co-operation' involves the transfer of technical expertise, knowledge and the transfer of technology with the aim of contributing directly to the human-resource development of the recipient country. This may include the exchange of experts or training programmes for nationals of recipient country. The areas covered by technical cooperation are diversified and could mainly include such sectors as agriculture, education, health, industry, infrastructure and environment.

Canada provides ODA in the forms of development projects, commodities and technical co-operation. The projects have been the most important component of Canadian bilateral aid over the years. The commodity aid entails donations of commodities or lines of credit that enable recipients to obtain goods up to a specified value. The food aid has been a mainstay of Canadian aid under this category for years.

A remarkable feature of all aid policies is that they respond in some way or the other to a particular set of basic objectives in a particular historical context or circumstances. Aid policies evolve and accumulate over time and cannot therefore be properly analysed in anything other than a historical context.⁸ For instance, the Marshall Plan for European recovery was in response to check the spread of communism. Similarly, Colombo Plan was based on a similar logic for South and South-east Asian region.

⁸Real P. Lavergne, "Determinants of Canadian aid policy" in Olav Stokke (ed.), *Western Middle Powers and Global Poverty* (Motala, Sweden: The Scandinavian Institute of African Studies, 1989), p.34.

Policies which are created in response to some particular conjuncture of influences or political leadership tend to endure even as circumstances change, while policies also respond to acquired experience and perceptions of policy effectiveness, so that results obtained from one set of policies become determinants of new policies at a subsequent stage.⁹

Aid for development may be conceived as a foreign policy objective of a country in its own right or as an instrument to achieve other objectives. Its roots could be traced in domestic politics or in foreign policy setting. It is moulded in a setting in which traditions, norms and interests of both the domestic and the external environment influence the outcome. A shallow look may give the feeling that aid is committed basically as part of philanthropy by wealthy and developed countries, but a closer look at the whole process may as well reveal the entrenched interests as policy objectives of wealthy countries behind their philanthropy.

Aid policies may serve multiple objectives like charitable, economic and political. Different parties within the donor countries could have different priorities. There are divergent interests within donor countries. For example, a prime concern of the private business sector is securing contracts for the supply of goods and services. The political muscle of commercial interests is reflected in the fact that about half of bilateral aid is generally tied to purchases of goods and services from the donor country.

⁹ *ibid.*

Other priorities of business sector normally include access to raw materials and the favourable treatment of foreign investment. Trade unions may place greater priority of supporting labour standards and workers' rights overseas, not only out of international solidarity but also out of fear of competition from foreign producers taking advantage of exploitative working conditions. Humanitarian organisations call for targeting aid to people in need, regardless of considerations of donor self-interest.

In practice, however, geo-political concerns often play an important role in donor priorities. Aid allocations by multilateral and bilateral agencies were 'dominated by politics' during the Cold War as best demonstrated by the Marshall Plan and the Colombo Plan. The collapse of the Soviet Union has increased the space for donor attention to issues of 'good governance and democracy' in recipient countries. In the case of US, however, strategic self-interest has remained the single strongest influence on the allocation of aid in the 1990s; with Israel and Egypt being the two top recipients.

The establishment of aid programmes by developed countries is also often interpreted as an international projection of their domestic income redistribution mechanisms.¹⁰ From this point of view, the aid policy and the welfare state are seen as responses to market-induced disparities between rich and poor. Foreign aid thus appears as an international institution some

¹⁰ Alain Noel and Jean-Phillippe Therien, "Welfare Institutions and Foreign Aid: Domestic Foundations of Canadian Foreign Policy" *Canadian Journal of Political Science*, 27, September 1994, pp.529-58.

what akin to the 'safety net' provided by the social policies applied at the national level by the governments of developed countries.¹¹ What follows from this analogy is that a country which is generous towards its own citizens tends to be generous towards the poor countries.

2. APPROACHES TO THE STUDY OF CANADIAN AID

One can identify three major analytical frameworks for the study of Canadian aid policy. They are 'statist', 'neo-Marxist' and 'liberal' frameworks.

- (i) The 'statist' interpretation lays its emphasis on the role of the state and relative autonomy of state structures in the formation of Canadian aid policy. This approach is linked to the realist school, which views the state as the central actor in the analysis of international relations. This view holds that aid is a policy instrument designed to advance the power and influence of the donor state which in turn is related to the domestic sphere in so far as it reflects the interests of the social groups forming the government and bureaucracy. Such a view disregards the role of altruism as a major factor explaining Canadian aid policy as generosity is perceived to be an individual trait which cannot be raised easily to the state level; while at the same time it stresses the role of political determinants over economic ones.

¹¹ *ibid.*

- (ii) The 'neo-Marxist' model views aid as a modern form of colonialism which serves the interests of dominant class in the society. It sees state as subordinated to the imperatives of defending capitalism, of maintaining the North's domination over the South and of enhancing its reach and penetration in external markets. The aid policy serves the interests of the national bourgeoisie as they wield decisive influence on foreign policy making bodies and persons. This view too underplays the role played by humanitarian factors while paying too much attention to economic and commercial interests of dominant classes in the formation of aid policies.
- (iii) The 'liberal' approach gives priority to the humanitarian and altruistic factors with significant influence of civil society in development aid and assistance. It minimises the role of political and economic factors as the driving force behind aid policies. This idea stems from the 'notion of social consensus' which sees Canada as a middle power sharing responsibilities for maintaining harmony in the international system by providing aid and assistance which serves the mutual interests of both developed and developing countries.¹² According to this approach, at the domestic level the aid policy is the manifestation of collective will of Canadian society. The government gives shape to this generosity and altruism of Canadian public in the form of specific policies.

¹² *ibid*, p.529.

These three principal approaches stress the determining influence of different political, economic and humanitarian factors on the formation of ODA policy in Canada. The 'statist' approach stresses on the role and interests of Canadian state and bureaucracy; the 'neo-Marxist' model pays its attention towards the class as a factor and capitalism; while, the 'liberal' model focuses on the altruistic part of Canadian civil society. They also see development assistance primarily as a foreign policy phenomenon while underplaying the domestic context in the formation of aid policies. All the three approaches are mutually exclusive and downplay the role of other factors yet; however, one may find all the models useful in any analysis of Canada's ODA policy and as it will be seen in next section which deals with aims and goals of Canadian ODA that different factors have guided the policy formation at different times.

3. AIMS AND GOALS OF CANADIAN ODA

A study of motives or determinants behind Canada's objectives of the aid programme is important in the context of the present study because there continues to be much debate in Canada over the 'true' aims and objectives behind Canadian ODA. The usual method of examining the Canadian government's ODA policies is by referring to the different motives underlying the ODA programme. Three motivations are commonly put forth viz. philanthropic or humanitarian; economic and political. The Canadian interest is assumed to be impelled by a mix of all these three motives. There

is little agreement on exactly which mix of these motives best explains Canada's interest in ODA. However, despite the vociferousness of the debate over which motive is 'dominant', this model, with its trinity of interests, has proved to be an exceedingly durable device for framing the analysis of development assistance policy and programmes.¹³ It is continuously used by all those who try to examine the Canadian aid policies.

(i) Philanthropic motive is invoked to explain the Canadian interest in international development assistance in terms of humanitarian concerns. The Canadian international development aid policies are product of impact of ethical values on its foreign policy. In this regard, the Canadian foreign policy is guided by the philosophy of 'humane internationalism'.¹⁴ The core of 'humane internationalism' is an acceptance of the principle that citizens of the industrial nations have moral obligations towards peoples and events beyond their borders. In the context of development assistance, this implies responsiveness to the needs of the Third World as regards social and economic development.

'Humane internationalism' implies:

"First, the acceptance of an obligation to alleviate global poverty and to promote social and economic development in the Third World. Second, a conviction that a more equitable world

¹³Kim Richard Nossal, "Mixed Motives Revisited: Canada's Interest in Development Assistance" *Canadian Journal of Political Science*, vol.21, no.1, March 1998, p.36.

¹⁴ The philosophy of humane internationalism is in strong contrast to realist internationalism, which is based on the world view of anarchic international relations, in which states pursue, and should pursue, only their own national interests.

would be in the best long-term interests of the Western industrial nations. And finally, the assumption that meeting these international responsibilities is compatible with the maintenance of a socially responsible national economic and social welfare policy."¹⁵

'Humane internationalism' too has instrumentalism or self-interest in it; nonetheless, its core principle remains a belief in humanitarian values and ethics including respect for the dignity of man. It is motivated, in the first place, by compassion, that is, the moral obligation to alleviate human suffering and meet human needs across national, political and cultural borders. In the 1960s, 'humane internationalism' was reflected in the so-called 'Pearson Report', which expressed the view that expanded trade, investments and aid would set off self-generating, social and economic development in the Third World before the turn of the century and that international agreements and institutions would be conducive to the creation of peace, equity and stability.¹⁶

While many opinion polls conducted in Canada have shown that Canadians support foreign aid primarily for humanitarian reasons, still humanitarian considerations are considered to be secondary determinant vis-à-vis political and economic motives behind aid policies. Certainly at its inception, Canadian development assistance was not significantly

¹⁵ Olav Stokke, "The Determinants of Aid Policies: General Introduction" in Olav Stokke (ed.), *Western Middle Powers and Global Poverty* (Motala, Sweden: The Scandinavian Institute of African Studies, 1989), p.11.

¹⁶ *ibid.*

determined by ethical influences.¹⁷ However, from mid-1960s onwards there was rapid expansion of aid programme with a sustained effort to ensure that foreign aid reached and helped the poorest people and countries. At about same time there was an upsurge of public support for strong social-welfare programmes in Canada. Similarly, the aid programmes of developed countries are seen as an international projection of their domestic income redistribution mechanisms, a sort of 'safety net' at international level.¹⁸ This is attributed to the rise of welfare state and the link that has developed between welfare institutions and foreign aid in domestic polities of developed countries. This ethical development was an essential precondition for the major humanitarian thrust of Canada's aid programme in the following decade. There developed an intellectual and ideological environment in Canada which resulted in greater responsiveness of Canadian public opinion, and with it public policy towards the welfare of those in poverty. Also, there was a substantial increase in the number and strength of Canadian non-governmental organisations (NGOs) working on Third World issues.

These developments had bearings on government when it declared the aid policies as a humanitarian rather than a Cold War enterprise. Thereafter, the External Aid Office was formed as the Canadian International Development Agency (CIDA) in 1968. A major foreign aid

¹⁷ Cranford Pratt, "The Impact of Ethical Values on Canadian Foreign Policy" *Canadian Foreign Policy*, vol.9, no.1, fall 2001, p.43.

¹⁸ Alain Noel and Jean-Phillippe Therien, n.10, p.529.

programme was also an indication of a different foreign policy style for Canada with concern for less fortunate people beyond their borders. Significantly, this approach has repeatedly been stressed by the policy recommendations offered by each of the three major parliamentary committees that reviewed the Canadian aid policies since 1975.¹⁹

(ii) It is said, domestic commercial interests have always exercised a claim on Canada's ODA. From the initial tying of Canadian aid to domestic procurement to the later introduction of transfer mechanisms specifically designed to promote Canadian commercial objectives in recipient countries, there has been an aid/trade dimension to Canadian ODA.²⁰ Under this motive, aid is said to be impelled by economic concerns because ODA involves government expenditures within the domestic economy, development assistance is assumed to be motivated by a concern to advance the material well-being of the donor - either the donor's economy writ large or, more commonly the interests of the capitalist class.²¹ Likewise, it is often argued that development assistance programmes are motivated by the long-term prospect of an expansion of commercial trade with the developing states of the South. The ODA gives boost to Canadian exports and trade. In

¹⁹ These were: the Parliamentary Task Force on North-South Relations 1980; the Standing Committee on External Affairs and International Trade on Canada's Official Development Assistance Policies and Programs, 1987; and the Special Joint Committee Reviewing Canadian Foreign Policy 1994.

²⁰ Martin Rudner, "Trade cum Aid in Canada's Official Development Assistance Program" in B. Tomlin and Molot Maureen, (ed.), *Canada among Nations, 1986: Talking Trade* (Toronto: James Lorimer, 1985), p.127.

²¹ Alain Noel and Jean-Phillippe Therien, n.10, p.36.

short, developmental philanthropy has always been tempered by the deliberate search for domestic returns.

It has been argued that the Canadian aid programme has in fact become more commercially oriented over time. Commercial priorities, directed towards facilitating the countries of the South to become better customers for Canadian goods and services, had existed below the surface even through the prime minister Lester B. Pearson's (1963-68) tenure. This became even more evident during prime minister Pierre Trudeau's (1968-79, 1980-84) tenure and its desire to pursue the 'national interest' through more tangible means. The onset of tough economic times allowed this motive to come into full view by the late 1970s. Similarly, the organisational changes which were carried out in CIDA during 1970s and 1980s confirmed that these economic concerns have become fully integrated into CIDA's policy-making process. This was further evident through the decline in share of ODA to multilateral agencies vis-à-vis bilateral aid. At the same time, increasing recourse has also been made to such development institutions as the NGOs and International Development Research Centre (IDRC), and the share of ODA being allocated through more commercial channels such as government-to-government aid. Extended economic bilateralism became key to Canadian internationalism.²²

²² Martin Rudner, n.20, p.129.

The main instrument for this is aid 'tying', and over half of Canadian ODA remains tied. Support for Canadian commercial interests is also provided through the use of mixed credit arrangements and through occasional political intervention in support of favoured projects or in contract allocations. Tying can be understood as the aid programmes sop to influential business interests and to others, in and out of the government, who would otherwise not support the aid programme.²³ The role of tying in this regard is to achieve a greater degree of consensus on the aid programme as a whole.²⁴

(iii) Canada's embrace of ODA programmes can be explained through what are broadly termed 'political motivations'; using transfers of goods and services to achieve the security/diplomatic objectives of foreign policymakers.²⁵ These have ranged from the general (seeking to avert 'communist expansionism' in Asia or promoting political stability in the Third World during the 1960s and 1970s) to particular (seeking to deter Francophone states in West Africa from flirting with the international aspirations of the Québec government or trying to punish a recipient state for 'wrong-doing').²⁶

Canadian foreign aid is an integral part of Canadian foreign policy; and that both the level and the allocation of aid are considerably influenced

²³ *ibid.*

²⁴ *ibid.*

²⁵ Kim Richard Nossal, n.13 p.36.

²⁶ *ibid.*

by international political considerations. There is no doubt that Canadian aid is an arm of Canadian foreign policy and this is hardly surprising in view of the fact that by far it is the most important aspect of Canada's relationship with the developing countries.²⁷ What it implies is that the diplomatic presence and significance of Canada is felt in many developing countries just because of the ODA. It is very easy to understand that aid has enabled Canada to increase its influence in the Third World, if one considers that until, the middle of the twentieth century, the Canadian presence in these countries was very limited. Canada is the only G-7 country without a colonial past. Its trade links with developing countries are also much weaker than those of most developed countries. Aid has appeared as a key instrument for the extension of Canada's external influence and for the diversification of its economic relations with different regions and countries in the world.

For Canada, probably more than for other countries, aid has helped consolidate a clear identity within the international order. Aid has enabled Canada to develop its leadership in the international system. By taking advantage of its ties to the Western Hemisphere and of its cultural links with the Commonwealth and La Francophonie, Canada has used development assistance as a mechanism for globalising its presence on the world scene.

²⁷ Real P. Lavergne, n.8, p.70.

Canada uses its foreign aid for domestic political purposes as well. The best example in this context is Canada's aid programme in French-speaking Africa. During the Cold War, Canadian aid was widely used for strategic purposes both in Asia and Europe. It was part of a wider strategy within North Atlantic alliance as 'burden sharing' by allies. Canada through its role and contributions showed that it was not a 'free rider' within the alliance. Although, with the end of Cold War, the geo-political considerations for Western aid may have evaporated; still the strategic objectives play a vital role. The most recent example is aid in Afghanistan. Though it could be described with humanitarian determinant too, but the predominance of Western strategic interests in the region especially US interests in the region can not be ignored.

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4. EVOLUTION OF ODA IN CANADIAN FOREIGN POLICY

Foreign aid and assistance is an integral part of the Canadian foreign policy. As the second of the twin pillars in the Canadian hierarchy of international activity, development aid and assistance became elevated through the post-1945 years to the status of a Canadian vocation.²⁸ It was built on the idea of a distinctive area of specialised interest and expertise through which Canada could be differentiated from other countries. For Canadian foreign policy the delivery of development assistance programmes



²⁸ The first of the twin pillars in the Canadian hierarchy of international activity is peacekeeping. Peacekeeping has been central to the definition of Canada's national identity, role and influence in the world. Peacekeeping remains a crucial element in and symbol of Canada's world-view.



toward the global community was a serious signal of Canadian interest and willingness to take on an ambitious set of international responsibilities.²⁹ The Canadian willingness to take international responsibilities was embedded in the idea of 'functionalism' espoused during post-Second World War peace conferences.

As a patterned form of behaviour in international sphere, 'functionalism' served as a 'core organising principle' in Canadian foreign policy. The concept had as its foundation the notion that responsibility in select areas of international politics and organisation should commensurate with specialised interests, resources and task-related experience of countries. Functionalism enhanced Canada's status in international system viz. to distinguish it from minor powers. It gave Canada the self-confidence that it is a power of some consequence and stature. It had instrumental value too, as it legitimised the application of issue-specific strengths and skills possessed by Canada. On the basis of this criterion, Canada could marshal its time and energy in a compartmentalised way which later on gave Canada its capability and functional value in peacekeeping activities. The ODA too was a manifestation of functional principle in Canadian foreign

²⁹ The Canada now was prepared to play more active role in international sphere. But, at the same time, Canada knew its limitations that its capability will decline in future vis-à-vis other great powers who, for the time being were exhausted and demolished because of Second World War. That is why Canada carved space for itself in international sphere under the phrase of 'middle power'. The middle power gave Canada sense of self-satisfaction and solved its identity crisis. While there is certainty in the concept of great powers, the idea of middle power has been criticized as being nebulous and protean in nature. There are no definite parameters on which a middle power can be described, identified and differentiated. The functionalism was espoused in this context and served as theoretical basis for idea of middle powers and in particular for Canada.

policy, as Canada was capable enough to mobilise resources for developing countries. It was initially motivated by strategic considerations in a bipolar world and also as 'burden-sharing' role of Canada within North Atlantic Treaty Organisation (NATO). Canadian foreign policy during this period was concentrated in the Western efforts to reconstruct Europe and shore up the economies of fellow NATO members. While at about same time in Asia, the victory of communists in People's Republic of China in 1949 further increased the anxieties of Western allies. The Korean War and the role played by the communist guerrillas in that war further infuriated the West. Such worries led to the formulation of Colombo Plan and Canada as a responsible member of Western allies played an important role in it, both in diplomatic and monetary terms.

The Colombo Plan for Co-operative Economic Development in South and South-east Asia developed out of a meeting of Commonwealth foreign ministers in Ceylon in 1950. It was a comprehensive programme of foreign aid. It had a much broader political and cultural agenda, and cannot be understood from a humanitarian perspective alone. It was motivated by international security priorities, particularly of US led Western alliance. Initially conceived and projected as 'Marshall Plan' for South-east Asia, the Colombo Plan was often portrayed simply as a reconstruction plan for Asian countries damaged by Second World War. The Colombo Plan was an attempt to counter 'communist expansion' in the newly independent nations of South-east Asia by raising living standards and therefore removing the

conditions likely to create popular sympathy for 'communist forces'. More significantly, the Colombo Plan with its 'modernist' assumptions about the importance of development, technology and social progress was to be a vehicle for the transmission of 'Western values' particularly of 'liberal capitalist democracy'.³⁰

The Colombo conference was, at least superficially, simply another conference in the series of discussions between Commonwealth representatives which had been taking place since 1944. The Colombo meeting, however, significantly differed from other meetings in at least three ways. Firstly, with European reconstruction plan and Japanese peace treaty, the ramifications of communist victory in China with its potential impact on the whole region were to be discussed.³¹ It was later concluded that 'communism' represented the main threat to the stability of the region and with the victory of communist forces in China seen as inevitable, the security of neighbouring countries could not be guaranteed, unless these countries received economic and political assistance from outside, they were likely to 'fall easy victims to communism'.³²

³⁰Daniel Oakman, "The Seed of Freedom: Regional Security and the Colombo Plan" *Australian Journal of Politics and History*, vol.4, no.1, 2000, p.68.

³¹ At this point it is worthwhile to look at the US objectives in the region. USA mainly had four objectives in the region. First, China was to remain separate from the USSR and eventually to be removed from the sphere of Soviet influence. Secondly, Japan was to remain aligned with the West, but with limited military capabilities. Thirdly, India was to be kept out of the orbit of Soviet policy, and finally, South-east Asian countries were to retain their autonomy and be allowed to develop into fully independent nations, aligned with the Western countries and 'capable of contributing to the economic, political and military strength of the West'.

³² Daniel Oakman, n.30, p.69.

Secondly, this was the first time that representatives from the newly independent Asian countries of Pakistan, India and Ceylon were included in the council and given the opportunity to discuss their views on regional issues. Finally, for the first time, Commonwealth meeting was convened in Asia to discuss Asian issues.

Canadian aid first developed as a distinct element of Canadian foreign policy with the introduction of the Colombo Plan. The Colombo Plan for Co-operative Economic Development in South and South-east Asia was initiated by and for the Commonwealth countries of Australia, New Zealand, Great Britain, Canada, India, Pakistan and Sri Lanka. The plan was a development assistance programme with specific projects arranged bilaterally and was later joined by other countries, including the United States. Canada's initial contribution was twenty-five million dollars.

The Commonwealth meeting in Colombo gave Canada for the first time sustained exposure to the problems of global poverty. The decision to support the Colombo Plan was the government's first major undertaking in the area of economic development in the Third World. More importantly, it encouraged policy makers to shift their attention to the problems of economic development in the Third world. For a number of years the shift was not matched by a corresponding shift in funds. Through much of the 1950s, NATO members continued to receive the largest percentage of Canadian ODA. This can be explained, in part, because of the government's

overriding interest in supporting collective defence in Europe and in response to demands for increased defence spending from its NATO allies. There emerged a significant competition between aid to NATO and aid to the Third world, and during much of the fifties and sixties NATO prevailed.

For almost the first decade of Canada's development aid programme, Ottawa "stared obsessively" toward Asia. The fixation was understandable and, in the light of available recipients and Canada's own view of its proper diplomatic universe, normal. The main reason behind Colombo plan was to stop 'communist threat' to South and South-east Asia. Asia was where the worries were. After the 1948 coup de Prague had hardened Western resolve to hold the non-communist side of the 'Iron Curtain' through NATO, the focus of imminent communist danger shifted, with Mao's triumph in October 1949, to China's soft, sub-continental underbelly. And however smug and clever Canada's rationalisations for aid became in later years, it is well to recall that the Colombo plan crystallised essentially to stop the Red and Yellow perils.³³

This was clearly evident from Lester B. Pearson's speech to the house of Commons as Canada's secretary of state for external affairs on 22 February 1950:

"Communist expansionism may now spill over into South-east Asia as well as into the Middle East....it seemed to all of us at the conference that if the tide of totalitarian expansionism should flow over this general area, not only will the new nations lose the national independence which they have secured so recently, but the forces of the free world will have been driven off all but a relatively small bit of the great Eurasian land mass....If South-east Asia and South Asia are not to be conquered by communism, we of the free democratic world...must demonstrate

³³ Keith Spicer, "Clubmanship Upstaged: Canada's Twenty Years in the Colombo Plan" *International Journal*, vol.25, no.1, winter 1969-70, p. 24.

*that it is we and not the Russians who stand for national liberation and economic and social progress".*³⁴

Similarly, prime minister John Diefenbaker (1957-63) commented, "50 million dollars a year...would be cheap insurance for Canada...to halt communism in Asia."³⁵

Another reason for aid to Asia was the sense of fraternity to English Commonwealth. Asia, until Ghana and Nigeria emerged from Africa to freedom in 1957 and 1960, encompassed the whole non-white independent Commonwealth. But, another factor which helped in a disguised way to Canada to pay attention towards English Commonwealth countries in Asia was the non-emergence of 'quiet revolution in Québec'. Although this was a post-1960 phenomenon, nonetheless, it played a significant influence in shaping Canadian aid policies towards French speaking Africa in later years. Quebec's nationalists had not yet started their post-1960 'quiet revolution' with its concurrent demand for a 'bicultural' foreign policy.³⁶ Also, by now Canada hasn't yet found its Western hemispheric solidarities.

To sum up the whole discussion, the Cold War and decolonisation in Asia framed Canada's decision in 1950 to offer capital and technical assistance through the Colombo Plan for Co-operative Economic Development in South and South-east Asia. The Canadian ODA policy could best be analysed with the help of 'trinity of motives' viz. philanthropic,

³⁴ *ibid*, p.25.

³⁵ *ibid*.

³⁶ *ibid*, p.26.

economic and political as different motives have guided the ODA policy over the years. The next chapter will discuss the evolution of Canadian ODA through the decades of 1950s and the 1960s. The chapter will also look into the creation of organisation and its structure for the dispersal of aid. The chapter will be focusing on the declining Canadian economic capacity and how ODA was going to serve the national interests in the 1970s.

CHAPTER – II

NATIONAL INTEREST AND ODA DURING THE PIERRE TRUDEAU PERIOD

The previous chapter discussed how the Cold War strategic objectives in Asia framed Canada's decision to involve itself in the Colombo Plan. It was mainly the result of Canada's burden-sharing role within the Western alliance. The previous chapter also discussed the aims and goals behind the Canadian official development assistance (ODA) policy. The present chapter will focus on the gradual evolution of Canadian ODA through the decade of 1950 to 1960 along with the creation of institutions for the dispersal of ODA policy and programmes. Then the chapter will discuss the impact of prime minister Pierre Trudeau and his term in office as it was only during his tenure the Canadian foreign policy underwent a major review.

In Canada's post-Second World War international relations, development assistance to the emerging Third World at first took a backseat to diplomatic and security issues. Canada's foreign policy was more preoccupied with the Cold War, fear of Soviet expansion, American leadership of the Western alliance, the decline of Britain, European reconstruction, North Atlantic Treaty Organisation (NATO), the United Nations Organisation (UNO) and the Commonwealth during what is often portrayed as the golden age of Canadian 'liberal internationalism'. It was

mainly the link between security and the Commonwealth that initially had put foreign aid on Canada's public policy agenda. However, Canada's decision to join the Colombo Plan was tempered less by enthusiasm and more by caution and fiscal parsimony.¹ Initially, there was uncertainty in commitment to foreign aid. There was also a lot of organisational confusion. The development assistance as an activity was still marginal in terms of overall governmental operations. However, the parliamentary appropriations for ODA grew. The geographical scope of bilateral assistance spread from former British colonies in the Indian sub-continent to other regions of Asia, and to newly independent members of the Commonwealth in Africa and the Caribbean.

1. INSTITUTION-BUILDING AND ORGANISATIONAL SET-UP

Although the Colombo Plan and foreign aid were seen as short-run and transitory still institutional mechanisms were needed to coordinate training, recruitment of experts, and other aspects of technical aid as well as for administering prospectively much large sums of money for capital projects.² A kaleidoscope of acronyms ensued. A five-person Technical Cooperation Service (TCS) was set up within the Department of Trade and Commerce with responsibility for technical assistance under the Colombo Plan and United Nations Expanded Programme of Technical Assistance (UNEPTA) in September 1950. Two months later, a permanent Inter-

¹ David R Morrison, *Aid and Ebb Tide: A History of CIDA and Canadian Development Assistance* (Waterloo: Wilfred Laurier, 1998), p.27.

² *ibid*, p.30.

departmental Group on Technical Assistance (IGTA) was formed to consider future policies and procedures in the light of Canadian resources, and to supervise the work of TCS. It was a twenty-five member body and its members were drawn from nine departments and agencies under the chair of external affairs.

In September 1951, the TCS was absorbed within a new International Economic and Technical Co-operation Division (IETCD) of Trade and Commerce. With the IGTA retaining oversight of technical assistance, responsibility for capital allocations and projects was shifted to a smaller Inter-departmental Group on Capital Assistance (IGCA), also known as the Colombo Plan Group. IGCA was chaired by external affairs which represented the interests of trade and commerce, finance and the bank of Canada. Funding decisions for multilateral aid remained with individual departments and were not considered within this framework. IETCD is less remembered for its marginality in the hierarchy of foreign policy. It was plagued by organisational confusion, continual staff turnover, and low morale. These problems were worsened by fragmentation of responsibilities for the implementation of capital projects among various agencies outside IETCD.

This basic state of disarray prevailed until 1960. Among myriad organisational changes, two stand out as being particularly noteworthy. Firstly, the TCS and its successors gradually took over policy-making as

well as administration in the sphere of technical assistance. The IGTA gradually ceased to function. Secondly, in 1958, the IETCD was upgraded within trade and commerce as the Economic and Technical Assistance Branch (ETAB).

However, by the end of 1960s, there was realisation that foreign aid would be a long-term phenomenon among Western countries. Also, there was American pressure for greater burden-sharing and for reorganisation or establishment of aid ministries and agencies in several Western countries. The growth of Canadian ODA and unsatisfactory institutional arrangements for aid policy and delivery also prompted efforts in Ottawa to develop a stronger and a more coherent organisational framework for the aid programme.

The ETAB proposed in February 1959 that it assume the major role in policy formation. However, the Colombo Plan Group came to a different conclusion which led to drafting of a proposal by Wynne Plumptre, assistant deputy minister of finance for economic and international affairs, citing the inadequacy of administrative arrangements. The draft proposal was presented jointly in the cabinet meeting by the secretary of state for external affairs, the minister of trade and commerce, and the minister of finance. The cabinet memorandum stated:

“Canada’s aid programmes have grown substantially in terms of total money expended, in terms of geographic area covered and in terms of their importance as a manifestation of this country’s foreign policy. In view of their growth, these Canadian

programmes seem bound to come more and more under public surveillance not only at home but also in foreign countries where they are likely to be subject to comparison with similar efforts by other donors, old and new, friendly and unfriendly...In the present three-way sharing of responsibility powers are not clearly defined. Consequently, there have been delays in reaching inter-departmental agreement and this, in turn, has impeded the eventual policy decisions on issues both large and small. There is, therefore, an urgent need for improved administrative arrangements if Canada's aid programmes are to achieve their maximum effect".³

On 24 August 1960, the cabinet approved a recommendation to "bring the administration of aid programmes under the supervision and control of...the minister responsible for economic aid votes in Parliament and for Canadian external relations.⁴ An External Aid Office (EAO) was to be established, headed by a director general reporting to the secretary of state for external affairs and acting in consultation with an External Aid Board.

The new arrangements took effect on 1 November, 1960. The director general was given the rank of deputy minister, and EAO was charged with responsibilities that went well beyond the uncertain mandates of IETCD and ETAB. The director general was named as chair of the External Aid Board which replaced the Colombo Plan Group. Its other members were the deputy ministers of finance, trade and commerce and external affairs, and the Canadian executive director of the World Bank. Its first director general was Herbert Moran. He introduced many operational improvements but was not

³ibid. p.40.

⁴ibid.

able to bring a dynamic policy vision to the job. Broad matters of policy were left to external affairs, with trade and commerce and finance continuing to play active roles as well. As a result, EAO functioned as an implementing agency just like IETCD and ETAB. It also remained largely a bilateral operation.

The creation of EAO in 1960 reflected the concerns of Canada in this area, even though Canadian government's 'fair share' to total ODA efforts of Western countries came only by mid-1960s. The EAO under its first director general, Herbert Moran, was able to overcome much of the organisational and administrative chaos which preceded before its formation. However, EAO remained as a rudimentary operation with limited capacities for planning and supervising field operations. By 1966, Canada became a significant donor in terms of funding levels. A new loan scheme with soft repayment obligations was added to what was essentially an all-grants programme. The earlier tight-fisted attitude to multilateral institutions also gave way to more generous levels of support. The aid programme now dispersed to African countries and Latin America as well.

A creative policy role for EAO was hindered as well by rapid programme growth, especially in Moran's last three years. The overall approach to delivery changed much less than the level of activity. Formal policy remained one of responding to recipient country requests. Laudable in principle, this approach was often lamentable in practice because

decisions were taken without any systematic study of conditions in developing countries or of Canadian capabilities. Capital and technical assistance activities remained functionally separate, and even the linkages among programmes for education, training, and recruitment of experts were weak, creating conflict and wasteful duplication of effort. For most of the period, operations personnel had only indirect contacts with the field: written communications with missions abroad and debriefings of returned advisers and contractors.

The rapid growth in parliamentary appropriations for development assistance after 1963 and the strong commitment of prime minister Lester Pearson (1963-68) and later on of prime minister Pierre Trudeau (1968-79, 1980-84) to meet international aid targets opened the door in the late 1960s to unprecedented dynamism in both organisational and programming terms. The period and its legacies are inextricably connected with the leadership of Maurice Strong, who succeeded Herbert Moran as director general of the EAO in September 1966. Maurice Strong spearheaded the efforts to transform EAO into an agency that would take responsibility for multilateral as well as bilateral aid, and help shape Canada's trade and other policies towards developing countries. The creation of the Canadian International Development Agency (CIDA) in 1968 symbolised these ambitions.

The presence of Maurice Strong as an energetic entrepreneur at the top of the hierarchy, made the whole operation subject to a fundamental rethinking. Strong recruited some remarkably able people from the private and public sectors to take on various responsibilities. Now more and more people travelled abroad and more of them were posted to Canadian embassies and high commissions. Now, the project and the recipient country emerged as fundamental units of operation. The aid planners now became more conscious towards the social dimension of development and technical assistance programmes were expanded. Maurice Strong also stimulated significant innovations in responsive programming and public outreach with the establishment of the non-governmental organisations NGO and business programmes, and in development research with the creation of the International Development Research Centre (IDRC).

During the later half of 1960s, development assistance came under increasingly sharp attack. American contributions started declining after 1964 and even more after US involvement in Vietnam. There were questions raised from both right and left wing elements about the value of ODA. The right was criticised it as an unwarranted and wasteful intervention in the marketplace that undermined capitalism, while left viewed it as a tool for strengthening the capacity of capitalism to exploit and underdevelop the Third World. Within this context, there was awareness in Canada as well that aid was not just a short-term phenomenon. It would have to be integrated more into governmental apparatus on a more

permanent basis, and that multilateral trade, and other issues would have to be more closely attuned to Canada's foreign aid efforts. By 1968, the EAO had developed some sort of autonomy in developing policies in their sphere, with all credit going to its director general, Maurice Strong. It was because of his ability to pursue prime minister Trudeau that EAO was renamed as Canadian International Development Agency (CIDA) in 1968. Trudeau explained the step as an effort to stress the true objectives of the Canadian aid programme.

2. CANADIAN ODA DURING 1950s AND 1960s

From 1950 to 1960, there was an uncertainty in commitment to foreign aid with organisational confusion. The development assistance as an activity was marginal in terms of overall governmental operations but still parliamentary appropriations grew. Meanwhile, the geographical scope of bilateral assistance spread from former British colonies in the Indian sub-continent to other regions of Asia, and to newly independent members of the Commonwealth in Africa and the Caribbean. A few ambitious capital projects were undertaken, a modest technical assistance programme was launched, and arrangements were made for delivering food, community, and emergency aid. The stage was set for bilateral aid on a high degree of concessionality, but the arrangement brought with itself the idea of 'tied aid' which was wedded to the procurement of Canadian goods and services. These two became lasting norms of Canadian aid for years to come. The

stage was also set for extensive involvement in multilateral aid programmes, not so much by contribution levels, which were small, as by active participation in a growing number of organisations.

In this period, Canada was comparatively a small donor vis-à-vis other Western countries. Canada was under strong pressure to contribute more. Canadian bilateral aid grew from \$25.3 million in 1951-52 to \$61.2 million in 1959-60. Canadian contributions to multilateral programmes were \$5.8 million. This period saw both successes and failures in Canadian aid programmes. This was more due to poor policies and ineffective organisation. Still, under such conditions the aid bureaucracy worked very hard. During this period Canadian aid policy was marked by certain features.

The most notable was the Commonwealth factor in the distribution of aid especially in geographical terms as it was mostly confined to Indian sub-continent.⁵ India and Pakistan received the largest share was obvious, as Canada had diplomatic missions in these countries while the absence of diplomatic missions in other countries was an obstruction for ODA funds. Also, once the momentum for aid was established in these two countries, it was natural and logical that they will remain as major recipients in future. The ability of governments of India and Pakistan to persuade Canadian

⁵ From 1950 to 1960, India received \$148.4 million (53.8%) and Pakistan \$100.6 million (36.5%) of Canada's \$275.8 million contribution to Colombo Plan countries. Ceylon and Malaysia received 6.5 and 1.1 per cent respectively (and Singapore much less), leaving just 2 per cent for non-Commonwealth countries.

officials of superior absorptive capacity with plans and programmes was an additional advantage over other countries. But still roots for a widely dispersed aid programme were planted and as decolonisation proceeded in Africa and the Caribbean, new candidates for Canadian aid emerged. The enthusiasm of Commonwealth reached its peak during John Diefenbaker's prime ministership (1958-1963). During the Commonwealth Trade and Economic Conference in Montreal in September 1958, Diefenbaker used the occasion to announce a major expansion of the Canadian aid programme.⁶

The second noteworthy trend during first decade of aid programme was related to terms and conditions. Two features that defined the quality of Canadian bilateral aid were put firmly in place during the programme's first decade. The first was related to high level of concessionality. Canadian decision-makers strongly favoured providing aid on all-grants basis. This was done in order to avoid adding to the debt load of recipient countries.⁷ The second feature was a strong determination to keep the aid programme firmly tied to the procurement of Canadian goods and services.

⁶ First, the annual commitment to the Colombo Plan itself was increased from \$35 million to \$50 million for each of the next three years. Secondly, a new West Indies Aid Programme was launched to provide \$10 million over five years in capital and technical assistance to the Commonwealth Caribbean. Thirdly, Ghana's independence and the anticipated emergence from colonial rule of Nigeria and other British African territories prompted a new Commonwealth Technical Assistance Programme to provide funds to Commonwealth countries outside the Colombo Plan area; an initial \$500,000 was committed for 1959-60. Finally, the Montreal Conference gave birth to the Commonwealth Scholarship and Fellowship Plan, which involved exchanges among the industrialised countries of the Commonwealth, but was conceived mainly as a technical assistance programme for Third World members.

⁷ This was in contrast to other donors which typically made much of their ODA available in the form of loans.

During this period Canada lent little support for multilateral assistance programmes. In 1957, developing countries secured the United Nations General Assembly's approval for a Special United Nations Fund for Economic Development (SUNFED) that was to provide substantial low-interest capital for developmental purposes. The Western donors were reluctant to fund a multilateral development bank which they could not be sure of dominating. Canada joined the United States and the United Kingdom as the only members of the General Assembly to vote against SUNFED, which subsequently "died on the vine for lack of donors".⁸ Canadian authorities were cautious about other multilateral initiatives, but they did support the US efforts in establishing alternatives to SUNFED that were more amenable to Western control and broadened the base of burden-sharing: first, the UN Special Fund in 1958, and then the International Development Association (IDA) as a soft loan window within the World Bank.⁹ Canada, during this period did not give a look of sympathetic, initiative-taking and accommodation-seeking middle power with a professed vital stake in the multilateral aid system. Still, the 9.2 per cent of Canadian aid channelled to multilateral organisations in 1959-60 was almost twice the 4.9 per cent average of all Western donors in 1960.

The idea of aid during this period lacked any coherent sense of what the enterprise was about. The notion of development as an investment-

⁸ David R Morrison, n.1, p.37.

⁹ *ibid.*

driven process leading to a “take-off to self-sustaining growth” became closely identified with W.W. Rostow. There were debates about how growth will take place and the dominant idea was that growth lies in support for industrial growth through roads, railways, power and irrigation dams, and other major infrastructural projects. During this period Canadian bilateral aid was at first dominated by major capital projects.¹⁰ However, later on, the Asian drought led to the initiation of food aid as well. Aid programmes also began to supply industrial commodities. With passage of time the theory that ODA fills the two gaps in developing economies-investment related shortages in local savings and trade-related shortages in foreign exchange, got recognition. Food and commodity aid helped fill both of them. Food and commodities accounted for almost as much of Canada’s bilateral programme as capital projects during the 1950s. Wheat aid was included in the first bilateral allocation to India in 1951-52.¹¹ Non-food commodity aid was introduced in 1954 after the government of Pakistan requested industrial raw materials and consumer goods. Technical assistance, education and training, the provision of Western expertise was seen as a minor priority in the development canon of the early 1950s. In Canada’s

¹⁰ In fact, almost one-third of all Canadian Colombo Plan aid during the 1950s, and close to two-thirds of capital assistance, was absorbed by just three massive undertakings-the Warsak hydro and irrigation scheme in Pakistan and, in India, the Kundah hydro development and steam locomotives.

¹¹ The Indian government was reluctant to see the shipment count towards Colombo Plan commitments. Even Canadian authorities found it difficult to rationalize food aid as developmental. But US came up with a new approach that the donated wheat would be sold in ration shops in India and Pakistan to generate funds to finance local costs of capital projects.

case, technical assistance lagged far behind capital and commodity aid, accounting for less than 4 per cent of total bilateral ODA during the 1950s.

By the end of 1950s, American government launched a campaign to increase both the number and contributions of other Western donors.¹² American efforts to extend burden-sharing led to the creation of the Development Assistance Group within the Organization of European Economic Co-operation in 1960. In 1961, it was institutionalised as the Development Assistance Committee (DAC) of the reconstituted Organization for Economic Co-operation and Development (OECD).¹³ The US administration of John F. Kennedy pushed member countries to adopt a “Resolution on the Common Aid Effort” in March 1961. It urged for an expansion of the aggregate volume of resources made available to the less developed countries and to improve their effectiveness. The resolution stressed the importance of putting development assistance on an assured and continuing basis, and called for a study of the principles on which governments might most equitably determine their respective contributions to the common aid effort. The idea of a quantitative target for resource

¹² The US was then providing approximately three-fifths of ODA. With pressure building on the national balance of payments, US Congressmen were growing tired of shouldering the world aid burden so largely by themselves.

¹³ Although DAC lacked formal authority, yearly meetings and periodic working groups became important focal points for exchanging perspectives and experiences among aid donors. Annual reports of the DAC chairman published by the secretariat in Paris became the leading source of statistical data on development assistance and other North-South flows, and a barometer of current thinking within the international aid establishment. Member countries agreed at the outset to submit themselves to regular reviews by representatives of other donors.

transfers from rich to poor countries gained currency during this period.¹⁴ In proclaiming the 1960s the United Nations Development Decade, the UN General Assembly also set two specific objectives: achieving a 5 per cent annual growth rate in the developing countries by 1970s, and increasing resource transfers as soon as possible to 1 per cent of the combined national incomes of industrial countries.

The increase in Colombo Plan support and new Commonwealth African and Caribbean initiatives in 1958, along with creation of the External Aid Office in 1960, suggested that the Canadian aid programme was poised for a period of rapid growth. However, the Conservative government under prime minister John Diefenbaker (1957-1963) mired in economic and other domestic difficulties, reduced contributions to the Colombo Plan from \$50 million to \$41.5 million in each year of 1962-63 and 1963-64. Support for Commonwealth Africa and the Caribbean was increased by about \$3 million over earlier annual levels, but the overall reduction was substantial. ODA/GNP ratios calculated subsequently revealed a drop from 0.20 per cent in 1960-61 to 0.13 per cent in 1962-63. Officials were embarrassed by 1962 DAC figures that showed Canadian aid as a percentage of GNP falling well below that of other members. Canada's DAC delegate reacted defensively. At this stage, American pressure on Ottawa to increase aid and assume broader responsibilities in the Western hemisphere outside the Commonwealth was producing counter results.

¹⁴ The World Council of Churches called for a commitment of 1 per cent of national income.

There was growing conflict between Diefenbaker and president Kennedy over defence policy which extended to aid as well. With sharp recession and growing unemployment in Canada, the prime minister became ever more determined to resist Kennedy's admonitions to increase defence and aid spending. Canadian-American relations featured prominently in the 1963 elections. Both Diefenbaker and Howard Green (the secretary of state for external affairs) reacted angrily to an official report on the American aid programme that made comments about other donors, including the desirability of a larger Canadian programme. Howard Green saw it as "another case of Americans trying to tell Canada what to do".

With the victory of liberals in 1963 elections, ODA programme regained its lost momentum. The new prime minister Lester B. Pearson (1963-68) supported greater commitment to aid programmes. The major innovation of his term was a loan scheme with an initial ceiling of \$50 million per annum that would undertake development lending on very soft no-interest terms, fifty years repayment, and a ten-year grace period. Grants were increased as well. In 1965, DAC endorsed the UN target of 1 per cent of donor country's GNP for transfers of private and official sources of finance to developing countries. Pearson accepted it for Canada in 1966 but without specifying a date for its achievement.¹⁵

¹⁵ At that stage, even after three years of aid budget growth, Canada stood third among fifteen DAC donor countries in per capita income, yet only thirteenth in the net flow of private and official resources to developing countries expressed as a percentage of national income. However, when DAC later did retrospective calculations on ODA as distinct form

A significant development that occurred during this period was the desire to expand and diversify the Canadian aid programme to various parts of the globe. Keeping in tune with this view several new programmes were launched in the early 1960s. The basis for further diversification was by now well established. Still only seven Asian countries were receiving more than \$1 million as Canadian bilateral aid since 1950. Ten other Colombo Plan recipients had received token amounts; and programmes had been started in Ghana, Nigeria, and the then West Indies federation. By the end of the 1962-63, 97 per cent of all bilateral assistance had gone to just four countries: India, Pakistan, Ceylon and Malaysia. Four years later, there were fifty-nine active bilateral recipients (not including regional programmes): eleven under the Colombo Plan, five in the Commonwealth Caribbean, thirty-four in Africa, and nine in Latin America. Though the presence was token only in many of these countries, but programming had nonetheless begun. Despite this proliferation, allocations remained heavily concentrated in the Colombo Plan area, especially India and Pakistan.¹⁶

During this decade, a Special Commonwealth Africa Aid Programme (SCAAP) was created as a new umbrella for already established aid programmes. Ghana and Nigeria were the focal points for the SCAAP.

other transfers, Canada in 1966 ranked sixth (out of seventeen DAC members) in dollar volume, accounting for 3.12 per cent of DAC ODA, up from 1.39 per cent in 1960. In relative terms, at 0.33 per cent of GNP, the ranking was ninth, below the DAC average of 0.41 per cent. Still, the Canadian percentage represented a jump from 0.16 per cent and last place (out of nine) in 1960.

¹⁶ In 1965-66, India received \$39.9 million and Pakistan \$19.4 million, compared to less than \$20 million for all of Africa; within that continent, only Nigeria (\$3.8 million), Ghana (\$2.0 million) and Tanzania (\$ 1.1 million) received more than \$1 million.

Although less overt than at the birth of the Colombo Plan, Cold War rivalries played a role in the expansion of Canadian aid in Commonwealth Africa. Nowhere was this more apparent than in Tanzania, where foreign policy disputes with Britain, the US, and West Germany led the governments of those countries to urge greater Canadian involvement as a counterweight to growing Chinese aid. As earlier in Ghana and Nigeria, development assistance was supplemented by military support. By the mid-1960s, bilateral programming was also beginning in Zambia, Malawi, Botswana, Lesotho, and Swaziland.

The Canadian passion for English Commonwealth served as a catalyst for an extension of Canadian aid to francophone Africa. The coincident timing of the Canadian government's new Commonwealth initiatives, Quebec's 'quiet revolution' and the decolonisation process within the French and Belgian colonial empires led to critical commentary from French-speaking journalists and intellectuals. Such a situation was not ignored by Ottawa as Pierre Dupuy, ambassador to France, was sent on a fact-finding mission to several newly independent French-speaking African countries. The result was a new venture in educational assistance by External Aid Board, obviously guided by "national interest". While, the Canadian ODA to the Americas beyond the Commonwealth Caribbean was the result of US pressures. Though Diefenbaker's government resisted it, but eventually Pearson government had to take steps that eventually culminated in creation of a full regional programme for Latin America. Even though it took

time for Canada to commit itself bilaterally to individual countries in the region nonetheless, Canada provided loans through Inter-American Development Bank (IADB).

During this period the terms of Canadian bilateral aid became marginally harder with the introduction of loan programme, DAC lauded Canada for its commitment to substantial concessionality, highlighting the conscious policy of ensuring that Canadian aid did not add to mounting debt in developing countries. However, Canada was unyielding to DAC pressure on the issue of procurement tying. The programme continued to remain tied to the purchase and use of Canadian goods and services. During this period food and commodity assistance continued to match capital projects in importance, especially in the Colombo Plan area. Capital projects in all geographic areas continued to be predominantly in transportation, especially locomotives and power generation and transmission. The guiding philosophy of Canadian aid that is, growth through capital and technical transfers, remained unchanged. The hesitation in support to multilateral aid system was giving way to active support by Canada. Canada accepted the notion of burden-sharing within Western alliance and middle-power multilateralism was extending from sphere of security into that of aid. Support was increased for existing UN agencies and Canada for a time became the second largest donor to United Nations Relief and Works Agency for Palestinian Refugees (UNRWA) and United Nations High Commission for Refugees (UNHCR). Canada

concentrated its energy into creation of the United Nations Development Program (UNDP) which was the result of 1965 merger of UNEPTA and the UN Special Fund. The director general and EAO were reluctant to offer more than moral support to voluntary support to voluntary agencies involved in international development.

By mid-1960s the small bilateral programme which was concentrated in a handful of Asian countries in the 1950s had already expanded to almost sixty recipients. By 1970-71, government-to-government aid was being channelled to seventy-two countries with seventeen in Asia, fifteen in anglophone Africa, twenty-one in francophone Africa, twelve in the Caribbean Commonwealth, and seven in Latin America. Regional programmes for the University of the West Indies and the East African community were also started. Despite this expansion ODA allocations remained still highly concentrated in the Colombo Plan area, especially India and Pakistan.¹⁷ While most Canadian ODA in the Colombo Plan area continued to go to Commonwealth countries, the one Asian country explicitly selected for an enlarged presence during this period was Indonesia.¹⁸ Within Commonwealth Africa, the Canadian presence in Ghana, Nigeria and East Africa was extended southward to small bilateral

¹⁷ India received \$103.1 million and Pakistan \$47.5 million in 1970-71, compared to \$54.4 million for all of Africa. In Africa, the largest country totals were Ghana with \$7.0 million, Nigeria with \$6.6 million and Tunisia with \$5.5 million. Four other countries received over \$4 million were: Sri Lanka, Guyana, Algeria and Colombia.

¹⁸ Two factors behind such a decision were: first, recent discovery of oil and communist expansion in Vietnam. While, other was that Indonesia as a nation of far flung islands had developmental needs that matched Canada's commercial and technical capabilities.

programmes in Zambia, Malawi, Botswana, Lesotho and Swaziland. Gambia and Sierra Leone were the only Commonwealth countries that were by and large excluded.

Standing out among the mix of foreign policy, domestic commercial, and developmental factors contributing to geographical expansion was an intensification of the drive to enhance Canadian aid presence in francophone Africa.¹⁹ The small francophone Africa programme, expanded after the liberals returned to power in 1963. It was part of a larger 'bi-lingual and bi-cultural strategy' to counter the alternative nationalist strategy of Quebec leaders for enhancing provincial autonomy. There was little interest of Canada in France's former African colonies. The water crossed, when in January 1968, to the dismay of the federal government of Canada, the government of Québec accepted an invitation to a meeting in Libreville, Gabon, of education ministers of France and the French African states. During this period the French Canadians came out of their relative isolation and had begun to take an interest in other French-speaking people around the world. At the same time, the government of Québec began to assert its right to represent French Canadians internationally, thereby challenging federal exclusivity in foreign affairs. In federal view, it posed a threat to Canada's national unity. Quebec's aspirations forced the federal

¹⁹ David Dewitt and John Kirton see it as a marked shift in the thrust of Canadian foreign policy from "liberal internationalism" to "complex neo-realism". To them, this transition was initiated in the 1960s when significant Canadian aid began to be deployed in specific francophone countries for the domestic political purpose of meeting the challenges to Canadian foreign policy from Québec and France.

government to defend its own interests, touching off an intense struggle over responsibility for foreign affairs that lasted throughout the 1960s. The matters were further complicated by support from France for Québec's aspirations, and peaked in the years after Charles de Gaulle, president of France, made his famous 'vive le Québec libre' speech in July 1967.²⁰

Canada suspended diplomatic relations with Gabon. Amid intense international and domestic political negotiations over the next two years, the development assistance programme in former French colonies was the primary vehicle for expanding official Canadian presence in the region. It proved to be an effective way of ensuring that French-speaking African states understood Ottawa's position on external relations. Politically, the drive into francophone Africa brought more French Canadians into CIDA and their active involvement in aid work abroad. More immediately, French African states became more helpful to Ottawa. Government leaders in Cameroon, the Ivory Coast, Niger, Senegal and Tunisia stated publicly that they would support the federal position and not negotiate with the provinces.

The Canadian involvement in Latin America during this period was more the result of hemispheric politics and greater involvement in the immediate neighbourhood. There was pressure from Canadian business interests in winning capital projects under the IADB scheme. Also, there

²⁰ Robin S. Gendron, "Educational Aid for French Africa" *International Journal*, vol. LVI, no. 1, winter 2000-2001, p.19.

was pressure from religious groups particularly from Roman Catholic orders in Québec with their long history of missionary work in Latin America, for a Canadian technical assistance programme there.

The terms of the Canadian aid programme remained highly concessional during this period. The proportion of the bilateral programme allocated to loans rose from 38.5 per cent in 1965-66 to 50.8 per cent in 1969-70 and to 49.6 per cent in 1970-71. A new category of harder development loans were introduced with terms of 3 per cent interest, 30 years maturity, and a 7 year grace period. As for procurement tying, some loosening of restrictions was announced in 1966, which were further enhanced in 1968. Canadian policy still though remained to reject quite firmly to move towards greater general untying or towards allowing purchases from developing country suppliers. In this regard the DAC gave enjoiners to Canada. Technical Co-operation (earlier called as Technical Assistance) remained a high priority, but it did not increase as capital projects and commodity aid. Food aid fell from over 50 per cent to under 30 per cent of Canadian ODA. Most of it was in the form of wheat and flour, although the dairy lobby successfully pushed for greater use of skimmed milk. CIDA tried to portray food aid in a positive light and made a conscious effort to look more closely at the developmental implications of the programme. The bulk of bilateral allocations in all regions continued to go into large-scale infrastructural projects in the spheres of transportation, communications, power generation, and irrigation. Commodity aid remained

an important form of Canadian assistance in India, Pakistan and other Colombo Plan recipients. Multilateral aid flows grew quickly during the period and it became public policy to enhance the level of Canadian contributions. ODA channelled multilaterally rose from \$34.0 million in 1965-66 to \$47.3 million in 1966-67, and reached \$67.5 million by 1970-71. Canada continued to play an active role in UN agencies including discussions on reforming UNDP. Support was given as well to the establishment in 1967 of a Commonwealth Technical Assistance Program, forerunner of the Commonwealth Technical Cooperation Programme founded at the Commonwealth Heads of Government meeting in Singapore in January 1971.

3. ODA SERVING 'NATIONAL INTEREST' UNDER PIERRE TRUDEAU

Prime Minister Pierre Trudeau (1968-79, 1980-84) came to office committed to an overall review of Canadian foreign policy. With their resounding electoral victory, Trudeau and his government embarked on a full-scale re-examination of foreign policy with Trudeau taking a keen personal interest. In a statement announcing the review, the government gave notice that Canada would no longer act as "an international scout boy," and that its national interests would henceforth come first and that

Canadian foreign policy would be "the extension abroad of national policies."

21

He called for a reconsideration of Canadian foreign policy, as he believed that Canada's post-war internationalism has neglected Canadian national interests. Yet such rhetoric did not prevent Canada from being responsive to the concerns of Third World countries under Trudeau. During this period, a relatively new objective which found voice in foreign policy agenda was a desire to project abroad Canada's image as a 'bi-lingual and bi-cultural' country and to foster new links especially with francophone countries. This was the time when Quebec had started to affirm its own identity and interests within the Canadian federation. It was both a response to French Canadian demands and to some extent the result of infighting between Quebec and Ottawa for recognition as the legitimate representative of French Canadian interests abroad. This resulted in a strong increase in the amount of aid being directed to Francophone countries after 1970. Also, under the influence of economic motivation promoted by Trudeau, there developed the consideration that aid policy should serve the Canadian economic, commercial and trade interests as well.

The decision to conduct a thorough revision of Canadian foreign policy was taken in the first instance on the personal initiative of prime

²¹ 'Pierre Elliott Trudeau and Canadian Foreign Policy', Canada World View, Issue 10, winter 2001 <http://www.canschool.org/relation/history/8trude-e.asp>

minister himself, but it was related to fundamental changes in the international environment which had already come to the attention of policy makers. Some of these transformations challenged the premises of Canadian policy by appearing to diminish the government's capacity for performing its accepted roles in the international system. The most significant development was the final recovery of Western Europe from the wreckage of Second World War, and the other development was the emergence of a substantial array of new members of the international community in the 1960s. Both these developments taken together had the effect of reducing Canada's relative political influence in the very contexts that had hitherto provided the most hospitable arenas for the pursuit of Canadian diplomacy namely, the North Atlantic Treaty Organisation (NATO) and the United Nations (UN).

In May 1968, prime minister Trudeau announced that a re-assessment is necessary 'because of the changing nature of Canada and of the world around Canada.' The recovery of Europe, the emergence of the Third World, the growth of pluralism among the communist powers and of détente in East-West relations, the increasingly evident problems of the developing countries, the isolation of the People's Republic of China; all these suggested the need for a thorough and comprehensive review of Canadian foreign policy. The government's approach would be realistic and based on pragmatism. In its examination of Canada's fundamental interests and capabilities, it would take a hard look at the Canadian role in both

NATO and North American Defence (NORAD). At the same time, it would consider ways of joining with the Europeans in new forms of partnership and co-operation in order to strengthen international security, to promote economic stability on both sides of the Atlantic and in other regions of the world, and to balance our own relations in the Western hemisphere. It had also a major aim of maintaining mutual confidence and respect in our relations with the US, without diminishing our Canadian identity and sovereign independence²². An attempt would be made to explore new avenues of increasing our political and economic relations with Latin America and to consider ways of expanding the impact of Canadian aid programmes in the developing countries generally. The government would continue its support for the UN and its agencies, but some benefit might be derived from a shift of emphasis.

²²Canada-U.S. relations remained troubled throughout the Trudeau era. From the U.S. perspective, the sources of friction included Canada's apparent gradual exit from NATO and its conciliatory approach to Cold War adversaries. In Latin America, Canadian foreign policy diverged sharply from that of Washington in relation to U.S. client states, such as Chile, El Salvador and Guatemala. In the Caribbean, Canada differed from the United States in maintaining diplomatic and trade ties with Cuba. In the same region, Canada condemned the US military action against Grenada. In economic and trade relations, disagreement focused on Canadian measures which were never very effective to control foreign investment viz., Canada's imposition of energy export taxes, complaints about trans-border air pollution originating in the US and measures to protect Canadian cultural industries. Despite the strains, the Canada-U.S. relationship remained intact. However, two incidents in the early 1970s demonstrated Canadian vulnerability vis-à-vis its giant neighbour. In 1971, the Nixon administration sought to right its balance of trade problems by slapping a surcharge on imports, including from Canada. As a result of the uncertainties created by the US actions, the Trudeau government adopted a policy known as the "Third Option"-a foreign policy under which Canada aimed to reduce its vulnerability to the United States by increasing its trade ties with other regions. Trade agreements were negotiated with Japan and Europe, but despite them Canada was not able to diversify its economic relations and remained closely tied to the US as ever. Trudeau's 'third option' was given up finally with the signing of free trade agreement with the US in 1987-88.

In 1968, Trudeau agreed to Maurice Strong's request to incorporate an international development component that CIDA would lead in preparing. Planning Division within CIDA was assigned detailed responsibility in this regard. However, much of the critical appraisal aspect of existing policies and new ideas was given to academicians. Consequently, they prepared papers on key themes and presented in seminars chaired by Maurice Strong and under the auspices of CIDA. The main issues discussed were like purposes of development assistance, level, terms, multilateral aid and donor coordination, geographical allocation, sectoral concentration, the role of the private sector, and trade and other alternatives to direct aid.

On purposes of Canadian aid, considerable attention was devoted to the motives and objectives of Canadian aid, in part to achieve a clearer sense of direction for Canadian efforts, and in part to develop a convincing public rationale for an expanding programme at a time when 'aid fatigue' was growing, especially in the US. In the discussions, view emerged that political motives were much more important than any other motive and that foreign aid may be used to induce the underdeveloped countries to accept the international status quo or change it in Canada's favour. Foreign aid should provide Canada the opportunity to lead underdeveloped countries to rational political and economic developments. The political motive was presented in terms of security, desirability of an enlarged Canadian "role in the international community of nations", and promotion of national unity

and identity within Canada.²³ Three objectives within political motives clearly emerged. First, to establish within the recipient countries those political attitudes or commitments, military alliances or military bases that would assist Canada or Canada's Western allies to maintain a reasonably stable and secure international political system. Second goal was to establish markets for Canadian products and services. And the last objective identified was relief during famine and personal misery.

The government's white paper, 'International Development' was subsequently drafted within CIDA and a cabinet-approved version was published in 1970 as one of the six booklets comprising 'Foreign Policy for Canadians'. On motives and objectives, the white paper followed the structure of the earlier discussed papers. The section on motives was grounded in an extension of positive liberalism to the international sphere.

It stated:

*"The government regards the economic and social development of developing countries as the primary objective of the Canadian development assistance program....toward this objective, all allocations and commitments of development assistance funds should be measured chiefly against criteria relating to the improvement of economic and social conditions in the recipient countries"*²⁴.

If development goals were primary, others were presumably secondary, but the document did not say so explicitly; nor did it raise the possibility of conflicts among them. Rather, it emphasised that the

²³David R. Morrison, n.1, p. 87.

²⁴ Quoted in *ibid*, p.92.

development assistance programme must be sensitive and relevant to other Canadian objectives like supporting the conduct of external relations, linking Canada's efforts to the common ends of developed countries, giving greater opportunities for expression of Canadian know-how and experience, and making Canadian goods and services more widely known and used.²⁵ The document reaffirmed some existing policies such as generous loan terms, increased support for non-governmental organisations (NGOs) and business involvement, and creation of International Development Research Centre (IDRC). On procurement tying in the bilateral programme and the overall share of multilateral aid, further untying was foreseen and a strong commitment to multilateral institutions was expressed, in a pledge to increase within the next five years the proportion of multilateral assistance to 25 percent of the overall programme.

To sum up, the Canadian ODA though not very large in the beginning in quantitative terms expanded in the later years. The creation of CIDA in 1968 as overall coordinator of Canadian ODA finally ended the search for an effective institution for the implementation of aid programmes and policies. While the changes in the international situation made it imperative for Canada to give a fresh look at its foreign policy which in turn, had its impact on the aid policy as well. There was a greater demand for integration of national interests with the ODA policy. The next chapter will discuss the situation of Canadian ODA in the 1970 as the decade progressed. The CIDA

²⁵ *ibid*, p.93.

published its first policy paper in the same decade; meanwhile the changes, particularly in international relations and economics were challenging the discourse on development. Simultaneously, the aid fatigue was growing among the western donors and gap in the incomes between developed and even within developing world was increasing. The next chapter will focus on these themes.

CHAPTER - III

THE 'AID FATIGUE' IN THE 1980s

The previous chapter discussed the evolution of Canadian official development assistance (ODA) programme which had made steady progress in the decades of 1950s and 1960s. It also discussed the changing international situation which forced the Trudeau government to undertake a comprehensive foreign policy review. However, by 1970s, Canadian prosperity which was based on the post-War economic boom started to decline. This had its repercussions on the ODA policy as well, with the proportion of aid being directed reduced to the poor countries. Meanwhile, the declining competitiveness of Canadian economy led to aid cutbacks in 1978-79, and to an increased emphasis on the economic benefits which might be derived from aid policies. This chapter will focus on these aspects with the demand for structural reform by developing countries. The present chapter will also discuss the growing 'aid fatigue', the impact of neo-liberal ideas and the change of government in Canada on ODA policies.

1. CHANGING BASES OF ODA

After Maurice Strong's retirement, prime minister Trudeau (1968-79, 1980-84) appointed Paul Gerin-Lajoie as the new director general of CIDA.

The appointment was significant as it removed a strong nationalist from provincial politics.¹ It also ensured a vigorous expansion of Canadian aid to francophone Africa and Latin America and also, injected enthusiasm into a project to have CIDA and ODA programme reflect Canada's cultural and linguistic duality. In 1975-76 the total Canadian ODA exceeded \$900 million reaching 0.53 per cent of ODA/GNP target. This was in response to Canada's promise to make steady progress towards the 0.7 per cent ODA/GNP target. Meanwhile, CIDA was having managing problems with an expanding budget and the agency was facing increased public scrutiny and criticism at home. Also, other departments' ambitions were now coming increasingly in its way. Internationally, the conflicts between developed and developing world had also intensified over the call of developing countries for a New International Economic Order (NIEO). At the same time, both industrial and developing countries were experiencing painful adjustments in their economies. Doubts were growing about the appropriateness of Western aid efforts and their apparent urban and industrial biases at a time when there were severe food shortages in many developing countries. These factors stimulated imaginative rethinking about Canada's role in international development.

Paul Gerin-Lajoie was sensitive to these issues and supported creativity and experimentation. He also continued with Maurice Strong's efforts to secure a central role for CIDA in influencing Canada's non-aid

¹ Paul Gerin-Lajoie was one of the architects of Quebec's Quiet revolution.

relations with developing countries. All these concerns converged and got published in CIDA's policy paper 'Strategy for International Development Cooperation 1975-80'. The paper enshrined progressive rhetoric on assisting the poorest countries, meeting basic human needs, and untying to permit procurement in developing countries. Still, the obstacles confronting a grand policy framework were greater. But the new CIDA president failed in maintaining managerial control over the agency. There happened major administrative changes; there was organisational infighting and serious weaknesses in operational effectiveness and financial accountability. There were questions in parliament by opposition members. The agency's discomfort was heightened by press reports of 'horror stories' in the field. While at home, there was criticism of CIDA and its policy and programmes, on international front, developing countries were raising demands for the structural reforms represented in the form of demands for NIEO.

The demands for NIEO were based on the assumption that the prevalent international order perpetuates and aggravates international inequalities and that new relationship should replace the older patterns of dependence and unequal exchange. The advocates of NIEO were developing countries. They argued that the developed countries had moral obligations towards the less developed countries and that it is in their own interest to encourage the promotion of growth and development in the poor countries in order to expand their markets.

The demands for NIEO were provided by the then international situation where the gap between the rich and most poor countries continued to grow in the 1970s. Meanwhile, simultaneously the differentiation within the developing world was increasing as East Asia's "four little tigers" (South Korea, Taiwan, Hong Kong and Singapore) earned the acronym of newly industrializing countries (NICs) due to their rapid industrialisation. On the other hand, the oil-exporting countries gifted with non-renewable energy resources, secured enormous hard currency surpluses after the Organization of Petroleum Exporting Countries (OPEC) raised oil prices dramatically in 1973 and 1974, and some other non-oil, though resource-rich developing countries were able to adjust to the oil shock. However, others suffered a severe imbalance in their international payments that was magnified by a sharp downturn in commodity prices after 1974. The worsening plight of very poor nations was reflected in their designation by the United Nations (UN) as 'Least of Less Developed Countries' (LLDCs). Most of these were situated in sub-Saharan Africa and South Asia the areas which were also hit hard by food shortages.

Another catalyst for differentiation was a burgeoning Euro-dollar surplus which was the result of Nixon administration's decision to withdraw from the fixed exchange rates system in 1972, which was the result of Bretton Woods system which came out after the post-Second World War negotiations between the allied powers. This was further magnified by the infusion of recyclable petro-dollars. The upper and middle-income countries

were able to have access to this surplus through commercial bank loans at low rates of interest and supplementing support from official aid sources of aid. But the worst sufferers were low-income countries as they remained almost solely dependent on ODA as a source of external financing.

The flow of DAC aid in the 1970s failed to keep pace with economic growth in the donor countries.² The largest donor, the US reduced its proportionate effort from 0.31 to 0.22 per cent, while Arab OPEC countries became major contributors of multilateral and bilateral aid. Meanwhile, despite diverging economic interests and ideological and regional conflicts, governments of developing countries continued efforts within the Group of 77 to develop a common agenda for international structural reform. The Non-aligned Movement (NAM) meeting in Algiers in 1973 called for a New International Economic Order (NIEO). A year later, the sixth special session of the UN General Assembly adopted a programme of action designed to level the playing field between North and South. As one of its objectives, the NIEO called for preferential access to markets in industrial countries for developing country exports. This North-South debate, focusing on NIEO proposals was dragged on over the course of decade by developing countries in the hope that industrial countries would make concessions. The US and most OECD members were determined to resist these efforts of developing

² Although Norway, Sweden and the Netherlands surpassed the 0.7 per cent target, the average in 1977 was 0.31 per cent, down from 0.34 per cent in 1970.

countries as unwarranted interventions in the marketplace. Meanwhile, positions hardened on both sides.

The discourse on development assistance shifted considerably, but more towards conceptual aspect. The failure of “trickle down” theory became apparent everywhere.³ The World Bank intervened and made donor countries to embrace a commitment to meet the basic human needs (BHN) of those living in absolute poverty especially in the poorest countries.⁴ The concept of BHN legitimised poverty reduction as a fundamental goal of development assistance. Aid donors too came to respect developmental small-scale community-based projects. Organisationally, this meant larger share of ODA for non-governmental organisations (NGOs) for the years to come.

2. A STRATEGY FOR INTERNATIONAL DEVELOPMENT COOPERATION

The changes in thinking about international development and the role of foreign aid influenced a lengthy and difficult process leading to publication in September 1975 of CIDA’s policy paper viz. ‘Strategy for International Development Co-operation 1975-80’. Several factors contributed to the strategy initiative. Though CIDA planners were not

³ It was most poignantly evident in South Vietnam which had been touted as a major aid success story by Americans before the war.

⁴ These needs were defined a productive employment, adequate nutrition, clean drinking water, shelter, primary health care and basic education.

confident with agency's human resources with rapid increases in aid volume, yet the new director had wanted to achieve a definite timetable for reaching the international ODA target of 0.7 per cent of GNP. Also, he was keen to see the CIDA playing a larger policy role in non-aid matters, especially enhancing market access for developing country exports. There was also the challenge of keeping development assistance on the political agenda during the period of minority government from 1972 to 1974.

The need for a new aid policy review seemed even more urgent when CIDA was confronted by a major initiative from the Department of Industry, Trade and Commerce (IT&C). In 1968, IT&C had produced a lengthy position paper defining its "basic role" in the aid programme as ensuring "that Canadian bilateral aid allocations make the maximum possible contribution to Canadian economic development, without compromising the contribution of these allocations to Third World development".⁵ IT&C advocated for a broader strategy for creating new developing country market for Canadian goods and services especially those high in value added and technological sophistication.

The strategy reasserted the primacy of development objectives, promising to concentrate assistance, "in those countries which are at the lower end of the development scale...and which are most severely affected by

⁵ David R Morrison, *Aid and Ebb Tide: A History of CIDA and Canadian Development Assistance* (Waterloo: Wilfred Laurier, 1998), p.106.

current world economic conditions".⁶ Although non-developmental goals were not mentioned explicitly, still the strategy quoted the phrase in the 1970 white paper which said about being sensitive to other national objectives, and stated that the programme would be compatible with the government's foreign policy.

The paper pleaded for increased aid to developing world and simultaneously advocated reforms in trade, monetary and other aspects. It also stressed that Canada was favourably placed to support the evolution of a new relationship between industrialised and developing countries.⁷ Canadian interests converged with developing countries on issues like orderly marketing arrangements and stable prices for primary export commodities, a non-discriminatory multilateral trading system, sovereignty over natural resources, and reforms of international shipping and the law of the sea. The policy paper also reaffirmed the government's determination to achieve the official UN target of 0.7 per cent of GNP. The report made a strong case for greater concentration among fewer recipients. It suggested that the number of countries receiving significant amounts of government-to-government assistance be reduced to fifty by 1980.

⁶ Quoted in *ibid*, p.108.

⁷ It seems that Canada as a typical middle power wanted to play the role in mediating between the industrial countries and developing countries. Canada as a middle power was aware of the problems of both sides. Canada was industrialised, yet on no par with other Western countries. The nature of its industries being as 'branch-plant' industries of Western multi-national and trans-national corporations made it vulnerable like other developing countries.

As the policy process unfolded, the CIDA witnessed phenomenal growth and extraordinary pressure to disburse funds. There were \$50 million and \$30 million cuts from planned levels by 1973-74 and 1975-76. But still, annual appropriations increased on average by 15 per cent. It was \$383.4 million in 1970-71 and reached to \$783.7 million in 1975-76. During 1975-76, ODA as a percentage of GNP reached 0.53 (0.55 in the 1975 calendar year), the highest level up to that time or since.⁸ But, the ODA/GNP ratio declined to 0.49 in 1976-77. The total disbursements in the fiscal year 1976-77 were \$963.3 million. In accord with evolving policy and sensitivity about differentiation within the developing world, allocations to LLDCs were raised from 12 per cent of bilateral aid in 1972 to 18.9 per cent in 1975 and, with the classification of Bangladesh as a LLDC, to 28.1 per cent in 1976.

Multilateral aid increased more than six fold from 1970-71 to 1976-77, from \$67.5 million to \$422.1 million. The absolute growth was larger than that of the bilateral programme, and the multilateral share of Canadian ODA rose from 19.5 per cent in 1970-71 to 36.7 per cent in 1975-76, and a high point of 43.7 per cent in 1976-77. Still marginal in the CIDA's overall activity, the NGO programme was given steady encouragement from the new director general. Despite qualms in Treasury

⁸ Canada's performance among DAC donors actually dropped in relative (GNP) terms from fifth in 1970 to eighth in 1975, but remained the sixth-largest in volume terms, almost overtaking the British programme and accounting for 6.36 per cent of DAC flows (up from 4.85 per cent in 1970).

Board about financial control, disbursements rose from \$9.1 million in 1970-71 to \$42.2 million in 1976-77. Two important programming initiatives were taken during this period. One was the International Non-Governmental Programme (INGO), founded in 1974 to provide funding for the development work of international voluntary organisations. The other innovation was an experiment in support of NGO development education activities, approved with great reluctance by Treasury Board in July 1971.

Paul Gerin-Lajoie remained in office until early 1977. He was succeeded by Michel Dupuy, a career diplomat, and served till 1980. Michel Dupuy's term was important as two aspects of organisational reform preoccupied CIDA during his tenure. The first was externally imposed and involved creation of extensive procedures for financial planning, accounting and monitoring, along with closer oversight of CIDA's activities by Treasury Board and the Comptroller General. The second was internally driven and focused on a "corporate review" of management structures. This type of review had been initiated shortly before Paul Gerin-Lajoie's departure. The catalysts for both were the Auditor General's 1976 report and the mounting parliamentary and press concerns about waste and mismanagement within the CIDA.

Budgetary stringency became a fact of life during the Michel Dupuy's presidency. The official commitment to 0.7 per cent of GNP, though not formally abandoned, was increasingly becoming meaningless. Even before

severe restraint began in 1978, the Trudeau government had backed away from the pledge in the strategy to achieve annual increases in the proportion of ODA to GNP. The GNP ratio dropped from 0.49 per cent in 1978-79 to 0.47 per cent in 1979-80. The allocations to the LLDCs actually were raised from 28.1 per cent of bilateral aid in 1976 to 38.8 per cent in 1979. It again slipped back to 34.5 per cent in 1980. The share of government-to-government aid channelled to Africa (where most LLDCs are located) continued to rise, reaching 48.7 per cent in 1979-80; this compared to 40 per cent to Asia and 11.2 per cent to the Americas.

Soon after the liberals under the Pierre Trudeau regained power in the February 1980 elections, Michel Dupuy was appointed as Canada's ambassador to the United Nations and replaced at CIDA by Marcel Masse. Michel Dupuy's term was difficult, both for CIDA and the aid programme. From developmental perspective, it was unquestionably a time of retreat. Both liberal and conservative governments failed on the commitment to move steadily towards the ODA/GNP ratio of 0.7 per cent. The policies and programmes under ODA policies now tilted more heavily towards the pursuit of commercial and political interests of Canada. While, in CIDA the greater preoccupation with financial and managerial accountability left little time and scope for creativity and risk-taking.

3. THE 'AID FATIGUE' IN THE 1980s

The previous section discussed the evolution of Canadian ODA in the 1970s. Economically, the 1970s as a decade was harsh on Canada with severe consequences on the aid programme, leading to aid cutbacks in 1978-79, and to an increased emphasis on the economic benefits which Canada might derive from her aid programmes. The previous section also discussed the CIDA policy paper of 1975 'A Strategy for International Development Cooperation 1975-80' which was by far the most comprehensive policy statement ever on Canadian ODA. This policy paper formalised many of the objectives being pursued under Paul Gerin-Lajoie and committed Canada to what was in large part a basic needs orientation to aid policy. The strategy did not change the fundamental goals of Canadian aid, but it did specify measures and reforms intended to make Canadian aid more effective as a developmental tool. But, subsequent events took a rather different direction and the developmental momentum was lost somewhere. And as the decade of 1980 progressed, the 'aid fatigue' was growing among Western donors further aggravated by the increasing fiscal deficit. Under such conditions the neo-liberal ideas were gaining currency with calls for expenditure reduction and structural adjustments. This section will discuss these themes.

Marcel Masse, the CIDA's fourth president in 1980, inherited an agency that was dispirited by retrenchment and involved in organisational

infighting. CIDA was confronting decline of its autonomy vis-à-vis other departments. CIDA's developmental ethos was subordinated to financial accountability and the other commercial and foreign policy goals of Canada. The criticisms in parliament and in media projected negative images of Canadian aid. Marcel Masse sought to confront these problems by challenging the CIDA to rethink its mission and many of its policies and practices. Also, in the early 1980s, there were indications that some of the developmental momentum lost in recent years might be regained. The key factor in this regard was the return to power of Pierre Trudeau in February 1980 elections. In the wake of the Brandt report, Trudeau recovered some of his earlier interest in the Third World. He also became briefly as a spokesman for the Third World at the Ottawa summit of 1981 and the Cancun conference in Mexico. Canada continued to express a special commitment towards the poorest countries, and it was instrumental in achieving a consensus among the aid donors to commit 0.15 per cent of GNP to thirty-seven 'Least Developed' countries in 1982.⁹

It was at this time that the Trudeau government finally committed itself to a specific date for meeting the 0.7 per cent ODA/GNP target established by the United Nations.¹⁰ The target was supposed to be met in

⁹ Real P. Lavergne, "Determinants of Canadian Aid Policy" in Olav Stokke, (ed.), *Western Middle Powers and Global Poverty* (Motala, Sweden: The Scandinavian Institute of African Studies, 1989), p.46.

¹⁰ A Parliamentary Task Force on North-South Relations was created under Herb Breau as Chairman. The task force argued that an increased ODA budget was essential for a credible prime ministerial initiative. The Cabinet agreed to restore progress towards the 0.7 per cent target.

two stages, reaching 0.5 per cent by 1985 and 0.7 per cent by 1990. The first target was achieved by Canadian government but the harsh economic times and government cutbacks later on towards the end of the decade made a shambles of the latter target.

Canada's ODA rose by half a billion dollars from \$1,308.1 million in 1980-81 to \$1,797.1 million in 1983-84. This was a time of high inflation. In constant 1988 \$US, the increase was substantially less—from \$1,554 million in 1980 to \$1,697 million in 1983. Even though Canada's GNP fell during the 1982-83 (thus suppressing the GNP denominator), the ODA/GNP ratio rose only slightly. Following a DAC decision to allow administrative expenses to count in ODA totals, the ratio for the 1983 calendar year was 0.45 per cent, compared to a recalculation of 0.43 per cent for 1980. At a ratio for 0.45 per cent in 1983, Canadian ODA contributions remained well above the DAC average, which at 0.36 was slightly below the 1980 level. These shifts were reflected in an increase in Canada's percentage of overall DAC donor flows from 3.94 in 1980 to 5.18 in 1983¹¹.

Canadian ODA remained highly concessional and closely tied to Canadian procurement even during the early 1980s. The critics continued to press for greater untying and the major issue for the aid bureaucracy was the use of ODA for trade promotion. By now, it became a common practice

¹¹ In comparative terms, Canada passed the Netherlands in total contributions in 1983, regaining sixth place among DAC donors, but remained in ninth place in GNP ratio (except in 1981 when the standing was eighth). The Netherlands, Norway and Sweden all exceeded 1.0 per cent of GNP during some of these years, becoming the first DAC members to do so.

within OECD countries to offer aid funds in parallel with promotional export financing to help their firms win major contracts in richer developing countries. ODA channelled through the voluntary sector rose 119 per cent from \$89.7 million in 1980-81 to \$197.3 million in 1983-84. Increasingly, CIDA looked to the voluntary sector not only for political support and effective grassroots programming, but also for programme management capabilities. CIDA intensified efforts to devolve labour-intensive responsibilities to external executing agencies. Country focus was part of this thrust, as was the introduction of block funding for some larger NGOs.

Marcel Masse remained in office till 1983 and was succeeded by Margaret Catley-Carlson. She assumed office when Western aid programmes were in the doldrums. She remained in office till 1989 and devoted enormous time and energy to enhance support and participation for CIDA. She also conveyed stronger, more positive images about ODA and Canadian efforts to parliamentarians, the media and though harder to reach the general public.¹² Her original mandate included an instruction to sell the concept of foreign aid to Canadian public. She was a vigorous defender of the aid-trade connection and considered a commercial return for Canada as an important selling point. There were as well growing international and domestic pressures to make ODA more sensitive to environmental sustainability, human rights performance and the role of women in development.

¹² David R. Morrison, n.5, p.221.

Margaret Catley-Carson's tenure as the president of CIDA coincided with the deepest recession that Western economies were facing since the Second World War. Certainly this was not propitious for foreign aid in Canada or the other OECD member countries. Although Asia was witnessing promising prospects in economy and East Asia's "four tigers" were experiencing spectacular growth, development in Africa and Latin America was endangered by an enormous debt overhang. Simultaneously, there happened the collapse of oil and other commodity prices and the industrial countries started following trade protectionism. Aid fatigue was on the rise in the North once more, fuelled by harder times, a sense that much ODA had been futile and the neo-conservatism of Margaret Thatcher and Ronald Reagan.¹³ The North-South dialogue had already collapsed by this period.

During this period the focus of development assistance in Canada had undergone a marked shift towards a more systematically integrated foreign aid/trade strategy. The subsequent policy changes tended to associate development assistance more closely with efforts at promoting industrial and export development in Canada in conjunction with more broadly focused support for development among a select list of recipient countries. The hallmarks of the new directions in strategy included the 1984 creation of an Aid/Trade Fund by the federal government, which was followed by the establishment of a Business Co-operation Branch in CIDA to manage

¹³ *ibid*, p.223.

relations with the Canadian private sector in the context of development assistance.¹⁴ These new departures had an underlying assumption which was widely shared in government and industry, that aid-stimulated export activity could enhance the international competitiveness of the Canadian economy, which would, in turn, augment the flow of private-cum-public sector resources to developing countries.

Meanwhile, there was change of government with Brian Mulroney's conservatives coming to office in September 1984 elections. The year 1984 represented a year of culmination, transition and new beginnings as for Canada's role in international development is concerned. The year marked, in retrospect, the final devolution of the goals and priorities espoused in the 1975 'A Strategy for International Development Cooperation 1975-80', the first comprehensive official statement of Canadian development assistance strategy and the point of departure for prospective changes that the newly elected progressive conservative government might bring to Canadian development assistance policy.¹⁵

After coming to the office, the conservatives were at last able to undertake the examination of Canada's aid programme which they had sought to criticise as opposition. The process began with a general review of

¹⁴The Aid/Trade Fund was intended to channel one-half of the increase in Canada's official development assistance, up to the original 1990 (later on 1995) target of 0.7 per cent of GNP (or about \$1.08 billion annually in current money values), towards aid-assisted export promotion to developing countries.

¹⁵Martin Rudner, "The Evolving Framework of Canadian Development Assistance Policy" in Brian W. Tomlin and Maureen A. Molot, ed., *Canada Among Nations: 1984*, (Toronto; James Lorimer, 1985), p. 125.

foreign policy within the bureaucracy in 1984, and ended with publication in 1988 of the first official strategy for the Canadian development assistance programme since Paul Gerin-Lajoie thirteen years earlier. The new strategy under the title of 'Sharing Our Future' emerged from a process of wide public consultation and parliamentary inquiries and study. The strategy was the result of a report of the House of Commons Standing Committee on External Affairs and International Trade, 'For Whose Benefit?' chaired by William Winegard. The committee report had concluded that the purposes of Canadian ODA were confused and that the order of priority among political, commercial and development objectives had become unclear. It offered a detailed set of recommendations, some of which attempted to define the Canadian vocation of international development by clarifying Canadian interests in ODA and by stipulating the purposes of development assistance.

4. 'SHARING OUR FUTURE': ODA POLICY REVIEW 1987

The review process placed a distinctive stamp on the strategy that emerged, giving it a populist perspective and a public appeal that defines a special place for international development assistance in the matrix of foreign policy.¹⁶ The new strategy altered the way the ODA programme would operate in key policy areas of eligibility, goal determination, aid administration, and resource allocations among various programme

¹⁶ Martin Rudner, "New Dimensions in Canadian Development Assistance Policy" in Brian W. Tomlin and Maureen A. Molot, (ed.), *Canada Among Nations: 1988*, (Toronto; James Lorimer, 1989), p. 149.

components. It invoked a fundamental change in eligibility. Except those countries deemed ineligible on political, human-rights or economic grounds, all developing countries qualify as eligible for Canadian ODA.¹⁷ The bilateral government-to-government assistance would concentrate on a select number of countries (this would involve such countries where already major programmes were ongoing). However, all developing countries would qualify for some form of Canadian ODA support through other programme components like multilateral, NGO and industrial co-operation programmes which were described as the 'Partnership Programme'. The essence of the Partnership Programmes is the delivery of ODA through a variety of autonomous, other-than-governmental channels. These include Canadian and international NGOs, public institutions (such as universities), development crown corporations, multilateral organisations (including food aid and international financial institutions). Human rights will play a prominent role in determining eligibility according to the new strategy and cabinet will be responsible for annual assessment of human rights as part of its determination of ODA channels and levels of assistance for each prospective recipient country. The countries assessed as of violating human rights will cease to receive Canadian ODA or it will be reduced.

The goals of Canadian ODA as identified by the new strategy were not derived from any distinctive model of development. ODA programming

¹⁷ The exception category countries at that time were Cuba, Iran, Kampuchea, Libya, Laos and Vietnam.

under the new strategy emphasised human-resource development as the so-called "lens", through which all Canadian development assistance efforts will be focused. What was expected from this approach was the shift away from large-scale capital projects and towards human-resource development activities. Each CIDA bilateral geographic programme will evolve its own distinctive programme goals within this framework of strategic goals for Canadian ODA. For instance, CIDA programme goals in Asia aimed at building up viable institutional linkages between Canada and Asia which would promote Asian development objectives and thus lead to more intensive Canadian involvement, economically and nationally, in the Asia-Pacific region.

Among the most prominent and indeed controversial elements of the new strategy was its decentralised approach to CIDA programme delivery. It was widely believed within political arena that CIDA's staff, decision-making authority and information resources were concentrated at headquarters. The new ODA strategy placed emphasis on decentralisation of Canada's aid programme as its key to operational efficiency, aid effectiveness and managerial responsiveness. The management structure of CIDA bilateral programmes will be redeployed to recipient countries, with up to a quarter of the aid staff eventually being posted to the field.

Canada's new ODA strategy also established six priority objectives for the development assistance effort. To simplify them, they were poverty

alleviation; structural adjustment; the status of women in development; promotion of environmentally sound development; food security; energy availability. Apart from these six priority areas, the new ODA strategy expressed population policy and urbanisation as the two other two issue areas of future concern. The new strategy affirmed the government's commitments to maintain an ODA/GNP ratio of 0.5 per cent until 1990-91, and then move towards 0.6 and 0.7 per cent in 1995 and 2000 respectively.¹⁸

But, then in 1988 when conservatives returned to office, ODA was cut by almost six per cent in their first budget of the term and thereafter it became a regular feature year after year. However, the new strategy remained as a formal commitment and its components were now seemed to be no longer viable. An ambitious programme to decentralise components of CIDA's decision-making started to unravel, beset as well by inter-departmental conflict and managerial resistance within the CIDA. Margaret Catley-Carson's departure as president in June 1989 was yet another factor in the strategy's loss of momentum.

To summarise, the Canadian ODA started slowly in 1950s but made a steady progress by the end of 1960s. However, with the beginning of 1970s,

¹⁸ Although the Canadian government was formally committed to raising Canadian aid to 0.5 per cent of GNP by 1985, Canadian ODA declined 2.0 per cent which was the third worst among DAC countries. Between the 1983-84 and 1988-89 (the year before the fiscal axe fell), Canadian ODA grew from \$1,812.0 million to \$2,930.7 million, an average increase of 8.9 per cent a year. In 1984 and 1985, Canada was the fifth largest DAC donor, ahead of the United Kingdom, but then fell to seventh behind both Britain and Italy

the Canadian economic competitiveness declined vis-à-vis other Western countries. The review of foreign policy led to the publication of CIDA's strategy paper in 1975 which committed itself to the development needs of developing countries. However, again in the 1980s, Canada was not able to achieve its commitments as promised in the 1975 paper. Internationally, the aid fatigue was rising as there was either little change or no-change in the plight of developing countries. This led to the demands for structural reforms by developing countries in their favour. The 1980s saw the coming in prominence of neo-liberal and neo-conservative ideas with their call for structural adjustments in national economies in order to march towards development path. The next chapter will discuss the changed international situation in the 1990s and how Canadian ODA evolved in that period.

CHAPTER - IV

THE 1990S: ROLE AND REORGANISATION OF CIDA

The previous chapters discussed how the Cold War and decolonisation in Asia framed Canada's decision in 1950 to offer aid and assistance through the Colombo Plan for Co-operative Economic Development in South and South-east Asia. A reserved player in Western aid efforts in the 1950s, the Canadian government became more enthusiastic in the 1960s, a time of optimism, idealism, and prosperity when support for international development captured the imagination of growing numbers of Canadians. However, by the late 1980s, Canada slashed its ODA from 0.5 percent to a mere 0.26 percent of the gross domestic product (GDP). The Conservative government of Brian Mulroney devised a fresh strategy for ODA in 1987; still the ODA faced the budgetary cuts in 1990s.

The present chapter will discuss the impact of 1987 strategy after it was launched in 1988. The government's fiscal deficit was increasing thereby seriously constraining the implementation part of 1987 strategy. At about the same time, the changes coming in international politics and economics were bringing new strategies of development in the form of structural adjustment programmes (SAPs) which were creating their impact on ODA policies. This was the period when the world witnessed the collapse

of communism and the end of super-power rivalry with the disintegration of Union of Soviet Socialist Republics (USSR). After that, the chapter will discuss the aid situation in the 1990s under the liberal party regime of Prime Minister Jean Chrétien and the struggle between DFAIT and CIDA for greater control by DFAIT over policies and programmes of CIDA.

The new 1987 strategy policy had set new criteria of eligibility for aid which widened the scope of the programme. It asserted that human rights issues would be carefully assessed in determining a country's eligibility for aid. Also, a number of initiatives were proposed to improve aid delivery including the recommendation to decentralise CIDA's staff and decision making to bring the administration of the programme closer to the Third World recipients. Human resource development was supposed to be made the "lens" through which all aid programmes would be considered. The role of women in development and environmental issues would be incorporated into the CIDA's programme. The restrictions which had tied a great deal of procurement of Canadian sources would be loosened. The new strategy would seek to foster partnerships between Canadian individuals, groups, organisations and firms on the one hand and their Third World counterparts on the other to undertake various development activities. And most importantly, the new strategy was not based on any particular theory or paradigm of development.

The 1987 strategy 'Sharing Our Future' though was not based on any particular theory of development; still it does reflect the dominant development ideology shared by a wide segment of Canadian society.¹ The dominant ideology is that set of ideas and values which are widely shared by the majority of the members of a society. In Canada, the views embodied in liberalism, social democracy and classical conservatism are all contained within this dominant ideology. The reflection of this Canadian ideology was however, embodied in many aspects of the new aid policy. The policy encouraged the participation and development of profit-making businesses in Canadian development activities. The policy emphasised the role of self-help within the framework of a market economy. It gave a strong priority to the development of human resources through education and skills training, as a means of achieving poverty alleviation and greater upward social mobility. Its vision believed that a better society can be achieved in a series of incremental steps only.

Margaret Catley-Carson remained CIDA's president till 1989. She was succeeded by Marcel Masse, now in his second term as CIDA's president. He served the agency till 1993. This was a period of turmoil within the CIDA and uncertainty for Canadian ODA. Internationally, conventional wisdom about foreign aid was challenged by the fall of the Berlin wall and the break-up of the Soviet Union, the rise of regional trading blocs and global financial

¹ Robert E. Clarke, "Overseas Development Assistance: the Neo-Conservative Challenge" in Maureen A. Molot and Fen O. Hampson (ed.), *Canada Among Nations 1989* (Ottawa: Carleton University Press, 1990) p.194.

markets, and growing anxiety about the fragility of efforts to achieve sustainable development.² Meanwhile, the conservative government facing budgetary deficits reduced the aid budget. At the same time, the public sympathy for ODA was decreasing and business community was advocating fiscal restraint.

In the period between his first and second term as CIDA president, Marcel Masse had served at the International Monetary Fund (IMF). CIDA was by now excessively preoccupied with operational details and insufficiently focused on policy reform in developing countries. Marcel Masse challenged CIDA to rethink its mission and to adapt to changing circumstances. Masse tried to encourage and promote the post-Cold war ideas of development together with the human rights, democratic development and good governance in CIDA's policies and programmes. The sweeping changes at the global level, budgetary cuts and Marcel Masse's agenda together with foreign policy pressures made 'Sharing Our Future' even more irrelevant as a set of guidelines for the 1990s. Still, the profile of aid programmes changed as more bilateral aid was untied; with a significant shift from infrastructural projects to human resource development while much higher levels of aid were kept to support structural adjustment programmes in Africa and the Americas. The poverty alleviation became a serious issue but operational deficiencies stunted the effectiveness.

² David R Morrison, "*Aid and Ebb Tide: A History of CIDA and Canadian Development Assistance*" (Waterloo: Wilfred Laurier, 1998), p. 313.

Increasing attention was being paid to the development of private sector and in ways that assumed mutual benefits for recipient countries would flow from greater activity by Canadian firms.

The sudden collapse of communism in Eastern Europe and the passing of apartheid in South Africa marked the end of an era in North-South political relations framed by the Cold War and struggles for decolonisation. As a new multi-polarity based on regional economic blocs replaced superpower rivalry, the notion of a "Third World" lost its meaning. The disappearance of bi-polar politics removed from developing countries a security umbrella under which they could profess non-alignment and pursue independent policies and developing strategies. In the absence of a credible Soviet model, debt further ensured that the choice now lay between full integration in the global capitalist economy or total isolation and disengagement. Now, the geo-economics was on top of the international agenda and neo-liberal economic reforms in full bloom.

For four decades, the potential of ODA to promote human development had been limited in scope, flawed in conception, and weakened by conflicting objectives. The end of the Cold war brought hope for a peace dividend that would free up more funds for aid programming, as well as relieving it of the burden of East-West security concerns. Such a prospect soon disappeared with the tight-fisted attitude of Western countries as they lost interest in ODA with the disappearance of geo-political rationales and at

the same time, they were more preoccupied with their own fiscal and foreign deficits. The newer ethnic and regional conflicts diverted much of potential ODA towards into military assistance and emergency relief. Now, the Eastern Europe and the former Soviet republics became new competitors with Asian and African countries for already declining aid resources. Rather than a peace dividend, the collapse of communism brought politics out of the closet into official aid discourse: "democracy and good governance" joined "sustainability" and "private-sector development".³

1. STRUCTURAL ADJUSTMENT INTO CIDA

Marcel Masse's second term in CIDA was made with a specific purpose; and that purpose was effective implementation of structural adjustment programmes (SAPs). Masse believed that structural adjustment was the only way through which most developing countries can make real headway in their struggle towards development. In September of 1989, shortly after engineering the Guyanese programme, Marcel Masse became the president of CIDA⁴. In a speech in November 1989, he said, "structural

³ *ibid*, p.316.

⁴ Before his second term, Marcel Masse was serving as Canada's executive director at the IMF. At the time of his reappointment, he was chairing a support group to raise money to help Guyana to clear its debts with the Fund and the World Bank and so become eligible for structural adjustment funding. SAP require that, to be eligible for loan rescheduling and some kinds of aid, indebted countries have to restructure their economies in accordance with requirements set out by the international financial institutions. The required conditions are based on initiatives that open these countries to world capitalism. Restructuring usually requires the recipient countries to adopt a package of policy changes which involves across-the-board economic liberalization, enhancement of market forces wherever possible, a reduction in the role of the state and an increase in the economies' openness to external trade, capital flows and other economic inputs. Marcel Masse as

adjustment looks more relevant with each day that passes".⁵ He told his audience that "CIDA has taken the leap of faith and plunged into the uncharted seas of structural adjustment....Structural adjustment figures among the priorities for Canadian development assistance".⁶ While CIDA had over the years made some contributions to debt reduction for heavily indebted countries in the form of forgivable loans and the conversion of loans to grants, however, the new support for SAPs meant that from now onwards the stringent conditionality as applied in Guyanese case will be emphasised and endorsed in the Canadian ODA programme. Using SAPs in CIDA will imply moving away from projects to policy-based aid and closer co-ordination with the IMF and the World Bank.

Initially, his views were met with both surprise and scepticism both within CIDA and other governmental bodies. Most hostile were NGO representatives who for years had seen the IMF and the World Bank as the bêtes noires of international development. Masse though, soon softened his message and accepted to lay more emphasis on social costs of adjustment. He also started working on a new policy framework which proclaimed that the mission of CIDA is to support sustainable development in developing countries. Considerable efforts went into strengthening CIDA's environmental policies in advance of the 1992 UN Conference on

representative of Canada at the IMF was instrumental in organising a structural adjustment package for the small South American country of Guyana. Canada has been a strong supporter and advocate of SAPs.

⁵ Robert E. Clarke, n.1, p.203.

⁶ *ibid.*

Environment and Development-the Rio Summit. Masse was keen to reinvigorate country planning and he championed the creation of new country and regional policy frameworks. Though 1987 policy 'Sharing Our Future' remained as official policy, and the sustainable development framework was portrayed as a means for making it operational, however, strategy's significance waned in the context of recentralisation, budget cuts, Masse's new vision for CIDA and global systemic changes.

During this period CIDA was also facing problem of declining resources. Since the conservatives came back to power in 1984, aid budget was continuously falling in proportion to the GNP. In the 1989 budget the government appears to have abandoned earlier, internationally accepted targets for ODA growth to 0.7 per cent of GNP by 1990.⁷ The date to achieve this target had been previously rolled back twice by the Mulroney government, first to 1995 in the budget of November 1984, and then to the year 2000 in the budget of February 1986. In the 1989 budget the government appears to have abandoned this target altogether as there was no mention of it. The largest reductions in the 1989 budget were cuts to Canada's ODA allocations. The cut in Canada's ODA was to be about \$1.8 billion over the next five years.

The cuts energised the NGOs and they lobbied actively to protect the aid programme in 1990 budget. The February 1991 budget appeared

⁷ *ibid*, p.199.

relatively benign as the 5 per cent increase for 1991-92 preserved. However, announcement of a tighter 3 per cent cap for 1992-93 resulted in a further reduction in planned spending from 1991 to 1996 of \$1.6 billion, bringing total cuts since 1988-89 to more than \$4.5 billion. Moreover, ODA was rolled into a new 'International Assistance Envelope' (IAE), which incorporated assistance for Eastern Europe and the Soviet republics (all subsequently ruled by DAC as "non-ODA" category except for those in Asia). A sum of \$47 million for these new recipients was added to the 5 per cent ODA increase for 1990-91, but notice was given that the two components of the IAE would compete directly in future. Canada's share of total OECD development assistance dropped from 5.08 per cent in 1989 to 4.24 per cent in 1993. After having been the fifth largest donor in the mid-1980s, and seventh at the end of the decade, Canada slipped to eighth, behind the Netherlands. In ODA/GNP terms, Canada moved ahead of Belgium into sixth place. The government was still committed to an ODA ratio of 0.47 in 1994-95 but relied on 'creative accounting' to meet the target: debt relief and export development corporation (EDC) concessional credits would become part of "planned" ODA rather than incidental additions, and some environmental initiatives in developing countries funded outside of ODA cash would count as well. ⁸ The 1994-95 budget also abolished the Petro-Canada International Assistance Corporation.

⁸ David R. Morrison, n.2, p. 326.

The budget and the government's earlier 'Expenditure Control Programme' also forced organisational changes within CIDA itself. Anglophone Africa and francophone Africa were at last merged in a new Africa and Middle East branch, Business Cooperation and Special Programmes were reunited in a Canadian Partnership Branch, and more than forty senior and mid-level officials took early retirement.⁹ In Asia, with Cold War barriers coming down, modest programming was launched in Vietnam and Cambodia in 1990. Between 1989-90 and 1993-94, the proportion of bilateral aid channelled to least-developed and other low-income countries increased slightly at the expense of middle-income recipients. Though the percentage of GNP devoted to LLDCs continued to fall short of the 0.15 commitment, at 0.13 in 1992 it was above the DAC average of 0.08. Official targets for regional shares were altered after Canada joined the Organisation of American States (OAS) in 1990 and entered negotiations for the North American Free Trade Agreement (NAFTA). The aid to Asia was dropped to 37 per cent and the Americas were raised 18 per cent. Africa received about 48 per cent of actual disbursements in the early 1990s, while the America's share grew to 17.6 per cent in 1992-92, and Asia's fell below to 34.6 per cent. The first major test of Canadian government's aid allocations to human rights performance came in June 1989, when the Chinese government violently suppressed the pro-democracy movement in Beijing's Tiananmen Square. Canadian government

⁹ *ibid.*

immediately suspended five aid projects worth \$61 million. Later on, three more projects worth \$11 million were cancelled. Normalisation proceeded between the two countries slowly over the next two years. Nonetheless, China remained Canada's second-largest recipient of government-to-government assistance in 1991-92 and 1992-93, with flows of \$66.02 million and \$54.9 million respectively.

Marcel Masse departed in February 1993. The date coincided with the beginning of CIDA's twenty-fifth year. On twentieth anniversary in 1988 'Sharing Our Future' was launched and decentralisation was initiated. However, nothing of that sort happened during this occasion. The strategy was in tatters, decentralisation was dead, and poverty alleviation was being shunted aside by other priorities. The Canadian ODA was declining; CIDA's relations with external affairs were strained and CIDA employees were suffering from cutbacks and anti-government sentiment. Moreover, NGOs were angry and disillusioned with Masse's embrace of the neo-liberal agenda. Masse was succeeded by Joceylne Bourgon who served for five months. After Masse's departure there were three presidents in rapid succession. The same year was an election year which saw the change of government with Liberals under Jean Chrétien coming to power. The new Liberal administration was soon going to launch a comprehensive review of Canadian foreign policy. Amid unresolved questions about the nature of the post-Cold War world, and the role of foreign aid within it, the 1990s

continued as a time of uncertainty for CIDA and its partners at home and abroad.

2. FOREIGN POLICY REVIEW: 1994-95

In their election red book, the liberals had promised for a general comprehensive review of the Canada's foreign policy and public policy review of Canada's foreign aid priorities to ensure that a clear framework is in place for distributing Canadian aid. The liberals had castigated the Mulroney administration for budget cuts and a failure to live up to 'Sharing Our Future' and an effort to dismantle CIDA. The liberals promised for a stronger commitment to poverty alleviation as they considered it to be reflection of compassionate side of Canadian society. The foreign policy review was seen in CIDA as an opportunity to gain a more focused mandate at a time of budget cuts. There was also a strong desire to convince the members of parliament that the CIDA was serious about improving its effectiveness and accountability. Soon after the announcement was made, the CIDA did its internal review of ODA priorities. Among the revised priorities, prominent was the CIDA's pledge to address basic human needs which replaced the poverty alleviation and will involve building the human capacity of the poor and responding to emergency situations. Other priorities were to ensure full participation of women, democracy with good governance with respect for human rights, private-sector development, and

environmental sustainability. Except for structural adjustment these remained as major policy thrusts for CIDA during the early 1990s.

While CIDA was internally preparing itself for the review, the other Canadian agencies which had their interests too on stake started preparing themselves for the review. One such agency was the Canadian Council for International Cooperation (CCIC). CCIC developed certain position papers in close consultation with members NGOs from across the country. With a changing world before it, the CCIC gave a new concept of 'security' and defined it as "meeting human needs in a just and environmentally sustainable manner". It called for promotion of human rights in all of Canada's international relations, including trade and investment. Particularly on aid, CCIC criticised the SAPs and urged that fully 60 per cent of ODA be devoted to sustainable human development and poverty eradication in the poorest countries. It also urged that Canada should move away from the norm of a restricted government-to-government framework as a basis for development cooperation and should involve broader elements of civil society both at home and abroad. CCIC also challenged the government to increase to 5 per cent the share of ODA devoted to reaching out and engaging Canadians.

Another body which was interested in the foreign policy review was the 'Canada 21 Council'. It was a group of twenty distinguished business leaders, academicians, communicators and former politicians and

bureaucrats. It made several recommendations aimed at making Canadian ODA more effective. It suggested that Canada's comparative advantage in development assistance lay primarily in the development of social and human capital and the transfer of knowledge, skills, and technology which according to the agency will automatically address the underlying causes of poverty. Like CCIC it also recommended the increased involvement of NGOs, universities, colleges and other associations working in partnership with counterpart organisations of developing countries. However, it advocated for a careful monitoring of such non-governmental agencies as they tend to indulge in over-spending.

Similar sort of demands and recommendations were made by other agencies and institutions. However, an overall consensus emerged over the greater role and participation of civil society elements in the whole process. A Special Joint Committee Reviewing Canadian Foreign Policy was formed under the chairmanship of Senator Allan MacEachen (former secretary of state for external affairs under Prime Minister Trudeau). In the discussions, two alternative visions of Canadian foreign policy emerged. One was based on "global market agenda", while the other was the "global common agenda". Former focused on international trade and Canada's economic competitiveness and the latter was concerned with global security and the problem of world poverty. The Special Joint Committee tackled this question less through creative synthesis than by remaining inconclusive-a reflection of the difficulty of resolving contradictions, the hurried process, and the

government's wish to maintain ample freedom to manoeuvre.¹⁰ The chapter on the development assistance in the report deferred to the global commons agenda. Though in rhetoric, it still defined aid as an expression of the values and ideals of Canadians. It criticised CIDA of being excessively bureaucratic and confused with its objectives.

The committee's report gave enough space to the government for manoeuvring. The official government response came in the form of a White paper, 'Canada in the World', published in February 1995. The paper defined the key objectives of Canada as: first, the promotion of prosperity and employment; second, the protection of Canadian security, within a stable global framework; and finally, the projection of Canadian values and culture. Considerable amount of emphasis was put on integrating foreign policy with the new objectives including the programmes of international trade, diplomacy and international assistance. It was clear that ODA is subordinate to foreign policy objectives. The government agreed that an effective aid programme should focus on sustainability, human development and poverty reduction. Also, the aid programme must involve a wide range of partnerships with Canadians, international organisations and with the people and institutions of the developing world. The government also agreed to channel 25 per cent of ODA to basic human needs but dropped the reference to this as a minimum allocation. Structural Adjustment already dropped from CIDA's interim priorities was not reinstated. On human rights

¹⁰ *ibid.* p.387.

front, Canada will still uphold the respect for human rights but through multilateral forums. On aid volume and targets, the government said that it will make progress towards the 0.7 per cent target but only when the fiscal situation allows it. On geographical distribution, the paper said, Canada has important interests in all areas of the world thus, essentially rejecting geographical concentration. However, the white paper was silent on tied aid and the official response was still unyielding.¹¹

In comparison to the 1987 'Sharing Our Future', the 1995 white paper was even more stringent. It shied away from declaring the primacy of development and was less clear on the priorities assigned. It moreover, advanced a weaker position on human rights while not offering any concession on tied aid. Unlike the Conservatives, it did not commit itself even towards the 0.7 per cent target of ODA.

After 1992-93, the CIDA has had to deal with substantial budget cuts throughout the 1990s. In February 1994, the government announced a 2 per cent reduction in the International Assistance Envelope (IAE), followed by a frozen budget for two years. Meanwhile, Finance Minister Paul Martin gave indications for further cuts in federal spending. Paul Martin's February 1995 budget announced a three-year reduction of 20.5 per cent in the IAE. From the period 1988-89 to 1997-98, the decrease in ODA was 33 per cent.

¹¹ The liberal government resisted efforts to ease tying regulations that were spearheaded in DAC by Japan and the Netherlands.

CIDA was also scheduled for staff reductions of 200 over three years, that was about 15 per cent. Paul Martin's March 1996 budget reiterated plans for an ODA freeze in 1996-97 and a 6 per cent cut in 1997-98, dropping the IAE to \$2.1 billion from \$2.9 billion in 1994-95. For 1998-99, the finance minister projected a further massive reduction of \$150 million. Martin's next budget in February 1998 projected a zero deficit for the following year and heralded the prospect of fiscal surpluses thereafter. As a result of cutting more rapidly than most other OECD donors, Canada contributed only 3.19 per cent to DAC ODA in 1996, down approximately 5 per cent in the late 1980s and also the lowest since the 1960s. From a fifth position in ODA volume within DAC a decade earlier, Canada dropped to ninth in 1996. The poorest countries have been hit hard by Canada's declining generosity. The shares of Canadian aid channelled to least developed and other low-income countries remained relatively stable in the mid-1990s, but total Canadian aid to the least developed fell from 0.15 per cent of GNP in the mid-1980s to a mere 0.06 per cent in 1996.

3. CLASH OF INSTITUTIONS: DFAIT'S TAKEOVER BID OF CIDA

In February 1993, the Canadian NGOs, academicians and many others concerned with the quality of Canadian development assistance campaigned against the Department of Foreign Affairs and International Trade (DFAIT) to increase its control over the CIDA. Again, in during mid-

1996, DFAIT became active to subordinate CIDA in order to control its policy, this time not publicly. The present section will deal with the relation between the two agencies and the DFAIT's desire to exercise greater control over the CIDA.

The central insight which determined the initial and long-lasting arrangements for the management of Canadian development assistance was that of the first president of CIDA, Maurice Strong.¹² Maurice Strong was of the belief that CIDA would be best able to serve its objectives, not as a public corporation, or a separate ministry, or as a branch within department of external affairs, but as an agency of external affairs, headed by a president with the status of an under-secretary of state and directly responsible to the secretary of state for external affairs. He was of the view that any aspirations for greater autonomy would be unrealistic as no cabinet would be willing to delegate neither the control of activities of such significance to Canadian foreign policy nor the spending of such substantial amount of public money.

It has always been recognised that CIDA's pursuit of its development objectives is tempered by political considerations. For instance, the choice of recipients to receive Canadian aid and decisions about the amounts they are going to receive, have always been political decisions. Also, since, Michel Dupuy's appointment as president in 1976, all CIDA presidents have

¹² Cranford Pratt, "DFAIT's Takeover Bid of CIDA: The Institutional Future of the Canadian International Development Agency" *Canadian Foreign Policy*, vol. 5, no. 2, winter 1998, p. 1.

accepted that the political parameters within they must operate include the tying of major component of Canadian aid to Canadian goods and services. Also, CIDA's leadership struggled in distinct bureaucratic ways to expand the boundaries of CIDA's policy and operational autonomy. However, any victories that it won were temporary and that CIDA has been under increasing and successful pressure to ensure that its policies brought trade and international political advantages to Canada. Margaret Catley-Carlson, President of CIDA from 1983-89, aptly summarised CIDA's lack of policy autonomy in these words, "CIDA is a policy-taker, not a policy-maker".¹³

However, important event came in CIDA's life when the 1987 strategy paper advocated decentralisation measures for CIDA to ensure greater effectiveness in field operations. In 1989, Marcel Masse returned to CIDA as president (his second term in that capacity). Under his leadership, CIDA made a major effort to lessen external affairs supervisory overview of CIDA. In many ways what Masse tried to accomplish was a fuller realisation of Maurice Strong's perception of CIDA's role-a powerful policy-making and implementing body, responsible to the secretary of state, determining its own policies and priorities within boundaries broadly set by the government, sensitive to political and foreign policy objectives that were important to the government but largely free of detailed overview by foreign affairs.¹⁴ CIDA under Marcel Masse seemed well placed to accomplish its

¹³ *ibid.* p.2.

¹⁴ *ibid.*, p.3.

self-transformation. Masse's ambitious aspirations for a CIDA that would have far greater policy competence and autonomy were in fact confounded by external affairs itself. Both the minister, Barbara MacDougall and the department wanted a redefinition of the CIDA-DFAIT relationship that would significantly increase the control of latter over the Canadian aid policies.

With the coming of liberals, fresh look was given into this issue in the review of foreign policy. For the time being, status quo was maintained as the 1995 white paper did not make much change to the existing relationship. The drafting of 'Canada in the World' reflected this continuing division of responsibility. The minister and cabinet had thus rejected the efforts of external affairs to assert an expanded authority over Canadian aid policies. CIDA would continue to be a department of government, administering some 60 per cent of Canadian ODA. Its own specific mandate was part of the official government statement on Canadian foreign policy. CIDA was placed under the authority of the minister for foreign affairs, with a president who, because of having the status of a deputy minister, was responsible directly to the minister for the direction and management of CIDA. In these ways, the government demonstrated that development assistance would continue to be integral to Canadian foreign policy, while leaving CIDA with a significant measure of operating and policy autonomy.

Still, scope for confrontation was left as these institutional arrangements were not sufficiently defined. DFAIT regards itself inherently

as the senior partner in any relationship with most other units of government and on any new initiatives which it wishes to take on or recommend would require the explicit co-operation of CIDA as it is the agency which has the budgetary resources with which to finance initiatives in these fields. And to finance initiatives which DFAIT desires, CIDA is therefore pressed to move funds away from activities that are integral to its existing programmes. Under such circumstances, there is no wonder that tension will increase between the two departments. The tensions are going to be further compounded with the appointment for the first time a minister for international cooperation, with responsibility for CIDA. Such a move was not the product of what would make for either more effective aid policies or a more coherent foreign policy. Rather, the reasons were domestic and political.¹⁵

¹⁵ The Prime Minister wished to strengthen Quebec representation on the cabinet, created a new ministry, the ministry for international co-operation, for Pierre Pettigrew. When the Prime Minister moved Pierre Pettigrew to a different portfolio some eight months later, he did not return responsibility for CIDA to DFAIT. Instead, he continued with these new ministerial arrangements.

CHAPTER - V

SUMMARY AND CONCLUSIONS

The previous chapters discussed the general concept of aid, its nature and significance in development along with its evolution in the Canadian foreign policy. 'Aid' implies a flow of financial resources from donor countries to recipient countries. Aid is one way for developed countries to transfer resources to developing countries to promote economic and social development. Its main aim is development and alleviation of poverty. The official development assistance (ODA) is basically aid from the governments of the wealthy countries to poor ones. It doesn't include private contributions or private capital flows and investments.

Aid can take many different forms, and the ODA is only one of them. However, ODA does exclude military aid. ODA resource transfers may be in the form of cash, kind or expertise. Canada provides ODA in the forms of development project, commodities and technical co-operation. Aid policies do respond in some ways or in other to particular set of basic objectives in a particular historical context or circumstances and should be analysed in particular historical context. Also, the aid policies serve multiple objectives and this is true about Canada as well.

There are three major analytical frameworks used for the study of Canadian aid policy viz. 'statist', 'neo-Marxist' and 'liberal' frameworks. The

'statist' interpretation lays its emphasis on the role of the state and relative autonomy of state structures in the formation of Canadian aid policy. The 'neo-Marxist' model sees aid as a modern form of colonialism serving the interests of dominant class in the Canadian society. The 'liberal' approach gives priority to the humanitarian and altruistic factors with significant influence of civil society in the formation of aid policies. Even though mutually exclusive in their claims, all the three approaches are useful in the study of Canadian aid policy.

The aims and objectives of Canadian aid policy can be studied with the analysis of the underlying motives behind them. Three kinds of motives in general emerge and they are humanitarian, economic and political. There is little agreement on exactly which motive best explains Canada's interest in ODA and there continues to be much debate in Canada. However, in this study no particular motive emerged as dominant and guiding the direction of Canadian ODA. Rather, at different times different motives became dominant in influencing and shaping the Canadian aid policy.

The Cold War imperatives and the decolonisation in Asia made Canada to offer in 1950 capital and technical assistance through the Colombo Plan in this region. Certainly, it was not humanitarian motive rather politico-strategic motive which guided Canadian aid policy during this period and for the Asia. However, foreign aid was still not a central element of Canadian internationalism at this time, in comparison to Cold

War issues and the construction of the UN system. Foreign aid was of fairly minor proportions, and it was viewed as a temporary phenomenon not dissimilar to the Marshall Plan. The main motive behind the aid was its anti-communist instinct and also, the burden-sharing role of Canada within the NATO.

However, later on, the humanitarian instincts came to be heavily emphasised upon as the primary justification for foreign aid. Aid flows increased rapidly under prime minister Lester Pearson and foreign aid came to be recognised as a permanent feature of Canadian foreign policy. During this period humanitarian motives were invoked as primary justification for aid policy. ODA became yet another distinctive area of specialised interest and expertise for the so-called 'middle power' Canada. Through ODA Canada could differentiate itself from other countries and the delivery of development assistance programmes toward the global community was a serious signal of Canadian interest and willingness to take on an ambitious set of international responsibilities.

In the year 1968 Canadian International Development Agency (CIDA) was created with the aim of organisational approach towards the effective implementation of aid policies. In 1969, the new prime minister Pierre E. Trudeau called for a reconsideration of Canadian foreign policy, as he believed that Canada's post-Second World War internationalism has neglected Canadian national interests. Yet such rhetoric did not prevent

Canada from being responsive to the concerns of Third World countries during Trudeau regime.

During Trudeau's period, a relatively new objective which found voice in foreign policy agenda was a desire to project abroad Canada's image as a 'bi-lingual and bi-cultural' country and to foster new links especially with Francophone countries. This was the time when Quebec had started to affirm its own identity and interests within the Canadian Federation. It was both a response to French-Canadian demands and to some extent the result of infighting between Quebec and Ottawa for recognition as the legitimate representative of French-Canadian interests abroad. This resulted in a strong increase in the amount of aid being directed to Francophone countries after 1970. Under the influence of economic motivation promoted by Trudeau, there developed the consideration that aid policy should serve the Canadian economic, commercial and trade interests as well.

By 1970s, the Canadian prosperity based on the post-Second World War economic boom had started to decline. This had its repercussions on the proportion of aid being directed to the poor countries. The harsh economic climate of the late 1970s had its impact on the aid programme, leading to aid cutbacks in 1978-79, and to an increased emphasis on the economic benefits which Canada might derive from her aid. The CIDA published its policy paper 'A Strategy for International Co-operation' in 1975, the targets set in this paper remained an illusion.

In the context of diminishing economy and growing pressure of double-digit unemployment rates in the 1980's, there were various pronouncements reflecting the desire to use aid for commercial purposes. At the same time, at international level there was a recalibration in the international development agenda. There was growing 'aid fatigue' that is there was a general decline in the capacity of Canadian government vis-à-vis its national deficit, overload, finance and institutions. This led to the coming of private groups especially the NGOs to take over the development and assistance agenda. Simultaneously, during this period under the growing influence of neo-liberal and neo-conservative ideas there began the question of structural adjustment in aid recipient countries, as there was a general decline in the economic conditions throughout the world. The oil shocks, rising inflation and trade protectionism led the multilateral financial institutions to push for market-oriented policies at recipient countries. In aid discourse it meant call for strengthening of democracy, civil society and decentralisation at recipient countries.

In Canada, the Conservative government of Brian Mulroney has bought heavily into the idea of structural adjustment. Mulroney government looked at development assistance with a different lens. The appointments made during that period in CIDA reflected the desires of government to incorporate the changed agenda to suit its interests. Also, a whole new partnership was forged between the CIDA and the NGOs. The growing interaction with the NGOs (they were becoming popular in terms of their

efficiency and expertise in respective fields and of course, with their grass-root reach) was the result of delegation of responsibilities to societal actors as there were very strong criticism at home over growing inefficiency and bureaucratisation of CIDA and dominance of petty interests in the external aid. Now, funding of aid and assistance became increasingly channelled through the NGOs. This signified that the State was confining its role as a 'facilitator' rather than 'doer'. This type of offloading had some ideological flavour as it was found consistent with the neo-conservative political ideas of privatisation, liberalisation and globalisation.

While these changes were taking place, the debate over various issues related with aid and assistance policy deepened, especially the aspects of the relationship between government and the NGOs; the direction of dispersal of development assistance to different countries and regions; and the issue of 'conditionality'. Moreover, there started a struggle for the control and authority over aid policies between the CIDA and DFAIT. All these issues had their impact on the whole aid and assistance policies and prioritisation.

The return of the Liberals saw fresh attempts to recover some of the original sense of purpose associated with the ODA under the leadership of Jean Chrétien in 1992. The main gesture towards this sentiment was the promise in the February 1995 government statement on foreign policy, 'Canada in the World', that 25 per cent of the ODA would be targeted

towards 'basic human needs'. Chrétien government tried to blend development policy and programmes more comprehensively into its overall foreign policy agenda. On budgetary allocation the 1994 budget decreased 15 per cent of Canadian ODA. There was also an effort to balance the choice of aid to recipient countries with the commercial interests of Canada. The government also imposed a higher degree of control on the work of NGOs; later on with restricting the funding to Canada based NGOs. At bureaucratic level, the struggle between the Department of Foreign Affairs and International Trade (DFAIT) and CIDA resulted in latter accepting the supervisory role of the former, while at the same time retaining its functional/operational role vis-à-vis DFAIT.

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