INSTITUT C.D. HOWE INSTITUTE

COMMENTARY
NO. 394

Diplomacy, Trade and Aid: Searching for "Synergies"

The death of over 1,100 workers in a collapsed Bangladesh garment factory – and the inadequate host-country governance it reflected – provides lessons for making Canada's foreign aid work.

John Richards

The Institute's Commitment to Quality

About The Author

John Richards
School of Public Policy,
Simon Fraser University and
Fellow-in-Residence,
C.D. Howe Institute.

C.D. Howe Institute publications undergo rigorous external review by academics and independent experts drawn from the public and private sectors.

The Institute's peer review process ensures the quality, integrity and objectivity of its policy research. The Institute will not publish any study that, in its view, fails to meet the standards of the review process. The Institute requires that its authors publicly disclose any actual or potential conflicts of interest of which they are aware.

In its mission to educate and foster debate on essential public policy issues, the C.D. Howe Institute provides nonpartisan policy advice to interested parties on a non-exclusive basis. The Institute will not endorse any political party, elected official, candidate for elected office, or interest group.

As a registered Canadian charity, the C.D. Howe Institute as a matter of course accepts donations from individuals, private and public organizations, charitable foundations and others, by way of general and project support. The Institute will not accept any donation that stipulates a predetermined result or policy stance or otherwise inhibits its independence, or that of its staff and authors, in pursuing scholarly activities or disseminating research results.

Finn Poschmann
Vice-President, Research

Commentary No. 394
November 2013
International and Trade Policy

$12.00
ISBN 978-0-88806-915-3
ISSN 0824-8001 (print);
ISSN 1703-0765 (online)

The Study In Brief

In the 2013/14 budget, the Minister of Finance made a surprise announcement: the decision to merge CIDA with the (renamed) Department of Foreign Affairs, Trade and Development. A sensible move? If the intent is to link CIDA projects to Canadian resource developments overseas, probably no. If the intent is to respond to widespread criticism of CIDA's past performance – by the Auditor General among others – probably yes.

In a seemingly unrelated event, in April 2013 a garment factory collapsed near Dhaka killing over 1100. This event highlighted the poor level of governance exercised by the government of Bangladesh over safety standards. There is a prominent Canadian connection to this tragedy. Loblaw Companies Ltd. buys most of its Joe Fresh stock from Bangladesh – and some items came from the collapsed factory. Major importers in Europe and North America have decided the status quo is no longer viable. Loblaw has joined other major importers in accepting financial and supervisory responsibility for factory remediation. This is a major, if belated, exercise in corporate social responsibility.

Bangladesh has for decades been a "country of focus" for Canadian aid. Beyond that fact, the link between these two decisions is the problem of "weak governance" in many low-income countries, Bangladesh included. How can aid be made to work in countries with weak governance? How can firms engage in trade with such countries in a responsible way?

The *Commentary* discusses several tactics for more effective aid delivery and the potential for corporate social responsibility in a context of weak host country governance. The potential for a "win-win" outcome from Canadian investment in developing countries is much greater in the manufacturing than the resource sector. The *Commentary* also includes an Appendix on recent trends in development economics.

C.D. Howe Institute Commentary© is a periodic analysis of, and commentary on, current public policy issues. Michael Benedict and James Fleming edited the manuscript; Yang Zhao prepared it for publication. As with all Institute publications, the views expressed here are those of the author and do not necessarily reflect the opinions of the Institute's members or Board of Directors. Quotation with appropriate credit is permissible.

To order this publication please contact: the C.D. Howe Institute, 67 Yonge St., Suite 300, Toronto, Ontario M5E 1J8. The full text of this publication is also available on the Institute's website at www.cdhowe.org.

In tabling the 2013/2014 federal budget, Finance Minister Jim Flaherty mentioned the government would integrate the Canadian International Development Agency (CIDA) into the (renamed) Department of Foreign Affairs, Trade and Development.

The Budget Plan (Canada 2013, 240) offered only a brief rationale for this surprise move, based on the assertion that integration will offer foreign policy and trade "opportunities for synergies with our development assistance."

A month later, in April, a seemingly unrelated event took place. Over 1,100 garment workers died in the rubble of a Bangladesh garment factory that collapsed in Savar, near Dhaka. Among the firms purchasing garments from the collapsed factory was Loblaw Companies Ltd., a major Canadian importer of ready-made, low-cost garments manufactured in Bangladesh for its Joe Fresh brand. Loblaw subsequently signed the *Accord on Fire and Building Safety in Bangladesh*, a document drafted following the disaster by a coalition of European union federations and the International Labour Organization.[1] Signatories to the *Accord* have undertaken to organize inspection of Bangladesh factories and finance necessary improvements for the manufacturers with which they contract.

Over the last decade, in response to criticism that CIDA was spreading itself too thin in too many places, the agency constructed a changing list of approximately two dozen "countries of focus." Bangladesh has been on all versions of the list.[2] Beyond that, is there a link between the government's attempt to redefine CIDA's role and corporate concerns about Bangladesh garment factories? The answer, I suggest in this *Commentary*, is yes. The link lies in the problem posed by "weak governance" in many of CIDA's focus countries. Admittedly, the quality of a country's governance or its institutions (I use the terms synonymously) is an ambiguous idea, which deserves a separate discussion. In the Appendix, I attempt to unpack the concept.

The decision to bring CIDA directly under Foreign Affairs may reflect the present government's desire to link aid spending to securing advantages for Canadian firms engaged in international trade, in the resource sector in particular. More on that theme later. However, the decision also reflected frustration among many observers in Ottawa – independent of political persuasion – that CIDA in its former configuration had been unable to demonstrate in its countries of focus whether Canadian development aid has been generating benefits that would not otherwise have been realized. (See Box 1, a summary of the Auditor General's critical evaluation of CIDA conducted in 2009.) For example, a CIDA grant may lead to

I thank Daniel Schwanen, Jon Scott, Finn Poschmann, Azim Essaji, Aidan Vining, David Welsh, Larry Herman and an anonymous reviewer for comments on earlier drafts. The usual caveats apply. There is no suggestion they share my analysis and conclusions.

1 For a description of the tragedy, see Wikipedia (2013).

2 The current list includes 21 countries plus 14 nations in CIDA's Caribbean Regional Program. Sixteen of these 35 countries are among the 72 low-income countries discussed below.

Box 1: The Auditor General's Critique of CIDA

Frustration has been widespread among many, both in and out of government, at CIDA's inability over the past decade to demonstrate results or provide a coherent account of its strategy in the countries in which it is concentrating its development aid. The following observations contained in the latest Auditor General's review of CIDA, in 2009, are still today representative of thinking among many parliamentarians, senior government officials and Canadians engaged in development activities:

> 8.50 CIDA's priority sectors have always been broadly defined, which further complicated its attempts to focus. Identified priorities such as health, governance, or private sector development can encompass a wide range of overlapping programming areas …
>
> 8.51 In the years immediately following the release of its 2002 Policy Statement on Strengthening Aid Effectiveness, the Agency did not develop a specific action plan to help it focus its aid in specific sectors. Nor did it set precise and measurable targets for country desks to achieve. In 2005, the Agency began an initiative to assess its intervention in a number of sectors, beginning with a stock-taking exercise. By the end of March 2006, the Agency had produced draft strategic direction papers intended to provide clear and consistent policy guidance for six priority sectors. The initiative as a whole was never completed. We note that yet another stock-taking exercise was taking place at the time of this audit [in 2009].
>
> 8.52 Our analysis of data the Agency provided us did not reveal any meaningful trends that would indicate that the Agency as a whole has been achieving a narrower focus since 2002 …
>
> 8.53 The lack of clear direction and action plans, coupled with broadly defined and shifting priorities, has led the Agency to a situation where, in our view, it is not realizing the benefit of its intended goal to focus its aid more narrowly. That goal is to create a more meaningful Canadian contribution to a country or region. Instead, the lack of direction has confused CIDA staff, recipient governments, and other donors, effectively undermining the Agency's long-term predictability. Changes in priorities have little impact on projects that are already under way and have often meant that project wording, but not project design, is changed to fit the priorities of the day (OAG 2009).

Throughout, the Auditor General's report intersperses brief responses by CIDA. In response to the above, CIDA stated:

> To achieve greater sectoral focus, the Minister of International Cooperation announced new thematic priorities in May 2009. These thematic priorities are: increasing food security, stimulating sustainable economic growth, and securing the future of children and youth …. (OAG 2009.)

It is hard to envision any project that these "thematic priorities" proscribe. This was not a response likely to satisfy skeptics desirous of focus and assessment of CIDA's impact.

the training of additional nurses in a developing country. But they may have been trained without the grant. Perhaps the quality of their training is poor, in which case they do not materially improve health services. Maybe the cost per nurse is exorbitant due to corruption, which the presence of aid may exacerbate.

The second decision, a newfound corporate commitment to improving social and working conditions in Bangladesh, recognizes that business leaders have in the past ignored consequences of the country's weak governance.

Whether inside or outside Foreign Affairs, CIDA should retain its core goal of enhancing the social and economic development of whatever are the selected "countries of focus." However, CIDA's tactics must evolve. Canadian diplomats should play a larger role in tackling political obstacles to effective aid, whether in negotiating trade agreements or assuring the success of development projects. Canadian corporations could play a role in improving the host country's legal and regulatory environment. And CIDA could be more open with Canadians about the obstacles to development-aid success posed by weak governance. Perhaps, having done this, there will turn out to be "synergies" that enhance Canada's trade.

Following this introduction, the *Commentary* proceeds as follows. For readers interested in the evolution of development economics and its attempt to incorporate institutional analysis, I suggest reading the Appendix first. Readers primarily interested in the policy implications for aid agencies in the regulatory failure evident in the Bangladesh garment sector may choose to proceed directly to the next section. Following that is a discussion of options for CIDA in its new configuration within Foreign Affairs. The section discusses the potential of corporate social responsibility (CSR) and several tactics for more effective delivery of aid.

Regulating Bangladesh's Garment Sector – the potential for better governance

In 1971, when Bangladesh seceded from Pakistan, it had no garment industry. Four decades later, Bangladesh is, after China, the world's largest exporter of garments, proof that the threshold quality of governance needed for labour-intensive manufacturing to take off is not demanding. In 2012, the sector employed four million people and generated nearly US$20 billion in export earnings, over three-quarters of Bangladesh's total (BGMEA 2013).

Although data on garment industry profits are not available, they are undoubtedly handsome. On the other hand, wages are low – the minimum is under US$40/month at the prevailing exchange rate. Working conditions resemble those described by Marx and Engels in mid-19th century English textile factories. However, in 21st century Bangladesh, no matter how low the wages and harsh the working conditions, the garment industry has enabled millions of Bangladeshi – over four-fifths of them women – to achieve higher incomes than they could in their home villages. Furthermore, the prospect of garment sector employment, an occupation where literacy commands a premium, is a major factor in increasing girls' interest in pursuing formal education (Heath and Mobarak 2011).

Expansion of the sector helps explain why the country's per-capita GDP exceeds that of most Sub-Saharan countries. But its average per-capita GDP between 2006 and 2010 of US$1,400 still places Bangladesh well below the median (US$1,900) for the 72 low-income countries discussed in the Appendix.[3] By contrast, India's 2006 to 2010 average per-capita GDP (US$2,700) was well above the median. The best-performing South Asian economy was Sri Lanka's – its average per-capita GDP (US$4,100) was near the upper bound.

To match Sri Lanka's present per-capita level in the next 25 years, Bangladesh would have to sustain an annual per capita increase in GDP

3 The 72 comprise all countries with available data whose average 2006-2010 per-capita GDP in purchasing-power parity US dollars was below $4,800. This threshold is the 2006-2010 average for World Bank designated low- and medium-income countries.

approaching 5 percent.[4] Over the last three decades, per capita growth has averaged below 3 percent. It is highly unlikely that the growth rate can reach 5 percent without major improvements in the country's infrastructure, power sector, education system, regulatory quality and rule of law – which, like safety improvements in the ready-made garment sector, will not take place without better governance.

The lack of reasonable safety regulation on the part of Bangladeshi authorities condemned not only 1,100 in the collapsed factory; more than 100 garment workers died by fire in late 2012. Revulsion among consumers in high-income countries at such loss of life has persuaded most large-scale importers to conclude the status quo in Bangladesh no longer tenable. In what may turn out to be an important precedent, they have assumed responsibility for safety standards independent of the Bangladesh government.

Fearful of loss of access to Western markets, and embarrassed that the owner of the collapsed factory is a prominent local politician allied to the governing party, the Bangladesh cabinet has responded with unusual resolve. In a joint statement with the European Union, the Bangladesh government endorsed the *Accord* (BGDEUILO 2013). It is preparing an increase in minimum wages (*Daily Star 2013a*, *Daily Star* 2013b, Greenhouse and Yardley 2013). It has also enacted legislation easing the restrictions on union formation in the garment sector and required garment manufacturers selling within Bangladesh to establish a modest benefit program for employees (Mahmood and Zain 2013, Greenhouse 2013b). And it has begun to document the extent of unsafe factories. The costs of remediation have been estimated at US$3 billion over the next five years (*Daily Star* 2013) – a large sum in absolute terms but small relative to the value of five years of export earnings.

At time of writing (October 2013), approximately 80 major European and a few North American garment importers, including Loblaw, have signed the *Accord* (IndustriALL 2013b). It entrusts Bangladesh garment factory safety to a steering committee composed of an equal number of representatives from unions representing garment workers and from garment importers, with a chair designated by the ILO. Notable is the absence on this committee of any Bangladesh government representative.

The steering committee is responsible for inspection and remediation. A key provision requires signatory firms to:

> . . . negotiate commercial terms with their suppliers, which ensure that it is financially feasible for the factories to maintain safe workplaces and comply with upgrade and remediation requirements instituted by the Safety Inspector [selected by the steering committee]. Each signatory company may, at its option, use alternative means to ensure factories have the financial capacity to comply with remediation requirements, including but not limited to joint investments, providing loans, accessing donor or government support, through offering business incentives or through paying for renovations directly. (IndustriALL 2013a.)

The impact of the *Accord* may be limited because many prominent US importers, notably Walmart and GAP, refused to endorse it. Their stated reason was that it would make them liable in US courts to potential class actions initiated on behalf of garment workers who may at some time in the future be injured. The argument is not specious. Several legal scholars agree that such litigation might well succeed in US courts, although probably not in Europe (Greenhouse 2013a).

4 Annual increases of 4.6 percent, if sustained for 25 years, would raise per-capita GDP from $1,400 to $4,100.

The pressure on US importers to respond to the tragedy has nonetheless prompted 17 major US and Canadian importers to launch a separate initiative, the *Alliance for Bangladesh Worker Safety*. Among the Canadian participants are Canadian Tire and Hudson's Bay. It entails that the signatories spend US$42 million to inspect factories and compensate displaced workers, and offer $100 million in low-interest loans to finance factory remediation (CBC 2013, Rupp 2013). Unlike the *Accord*, the *Alliance* contains no measures to facilitate union formation in garment factories, and firms can more readily withdraw from it.[5]

This tragedy has triggered another diplomatic response. The United States has suspended beneficial tariff treatment for imported Bangladesh products under the Generalized System of Preferences (GSP) program (The White House 2013) and stated its moral support for the *Accord* (United States 2013).[6] This suspension does not directly affect the vast majority of garment trade between the two countries because garments are not covered by the US GSP program, but the decision adds pressure on the Bangladesh government – and on US garment importers – to remedy the situation.

The textile sector has figured prominently in the early stages of industrialization for many countries, including Britain, the first country to experience such a transition. There are obvious parallels with Bangladesh today. The history of the sector in 19th century Britain began with several decades of ineffectual regulation. In the 1830s, a wave of revulsion at weak governance swept Britain. One focus of contemporary reforms concerned the textile sector. The iconic 1833 *Factory Act* is important, not only because it banned child labour under age 9, limited the hours children ages 9 to 13 could work to a maximum of 8 hours per day and imposed a 12-hour daily ceiling on working children under 18. It also required children under age 13 to receive at least two hours education per day. The *Act* created an embryonic regulatory agency to enforce compliance (United Kingdom 2013). If the recent Bangladesh industrial tragedies initiate an analogous break in the tradition of ineffectual regulation, its garment worker deaths will not have been in vain.

A Search for "Synergies"

Below, I survey the potential for corporate social responsibility and three development-aid tactics directed at governance issues. I acknowledge readily that many associated with CIDA are fully aware of the dilemmas posed by introducing aid programs in countries with poor governance and have informally addressed the obstacles over the decades. The present reorganization of CIDA is an appropriate time to address them openly, to place host country governance front and centre.

Corporate Social Responsibility (CSR)

Implicit in the rationale for reorganizing CIDA contained in the Budget Plan is that Canadian aid should support host country trade openness. In a recent British parliamentary survey of bilateral development aid, the case is presented more fully (United Kingdom 2012). As context, the UK report notes that aggregate remittance income from developing countries' diaspora (which includes nationals temporarily working abroad) exceeds total official development aid by a factor of three and that foreign investment in developing countries exceeds aid by a factor of six.

5 *The New York Times* (2013) has published a summary of the two initiatives.

6 The US decision to suspend Bangladesh eligibility for the GSP program followed extensive Congressional and departmental reviews of workers' rights in that country (for example, see Menendez 2013 and Urbina 2013). Significantly, the reviews began before the recent tragedies occurred.

Given its new mandate and the present crisis of confidence, CIDA could, for example, support those associated with the *Accord* or those working within the Bangladesh government, and construct a credible industrial safety regime. Coincidentally, the consortium behind the *Accord* has chosen a former senior Winnipeg municipal official as chief safety inspector responsible for factory inspection (Wazny 2013). The success of a CIDA initiative here would require a diplomatic as much as a technical input.

Meanwhile, the Savar garment factory tragedy is not the only recent embarrassing incident among Canadian corporations engaged in Bangladesh. In an ultimately unsuccessful bid to win the general engineering contract for a massive $3 billion bridge crossing the Padma River, a former executive of now-disbanded SNC-Lavalin International Inc. was allegedly willing to arrange a multi-million dollar bribe to senior Bangladeshi politicians and officials. Exposure of the alleged bribe by the World Bank has led to criminal prosecution of the executive – who claims innocence and denies the allegations – as well as other business people with ties to Bangladesh and indefinite postponement of the project (*The Daily Star* 2012, Seglins 2013).

The presence of foreign corporations may, in some instances, enhance the quality of host country governance. By subscribing to either the *Accord* or the *Alliance* major garment importers now acknowledge having previously accommodated inadequate governance and accept some responsibility to rectify the situation. In other instances, such as the saga of the Padma River bridge, foreign corporations apparently abetted an exercise in large-scale corruption.

The UK's Department for International Development (DFID 2009) has been a long-standing supporter of linking aid and CSR. For example, DFID has championed the Extractive Industries Transparency Initiative (EITI 2013a), an international initiative whereby resource companies undertake to reveal all payments to governments in host countries and EITI-compliant host governments undertake to reveal all such receipts. For its part, the Canadian government has recently undertaken to oblige all Canadian firms in the resource sector to abide by EITI transparency rules (EITI 2013b).

The potential of CSR remains uncertain. Is it a voluntary assumption by multinational firms of obligations beyond the obvious interests of shareholders? To be effective globally, should such social obligations be imposed by high-income countries on their respective multinational firms? Even if imposed, can the obligations be implemented?[7] Despite being a supporter, DFID's expectation of CSR's potential, particularly in the resource sector, has been highly qualified. In a CSR report, DFID concluded:

> Oil, gas and mining industries have been important engines in driving growth in countries such as Botswana, which has used the wealth from its diamonds to lift itself into the middle-income bracket and its citizens out of poverty. However, in many countries, natural wealth has led to conflict and poverty. Of the world's 20 most mineral-dependent states, 11 are heavily indebted poor countries and five have had civil wars since 1990. (DFID 2009,4.)

Why is the so-called "resource curse" a widespread phenomenon in low-income countries with large resource endowments (Besada 2013)? Countries with high-quality governance have benefited from exploitation of their resource endowments. But governance in most low-income countries is weak, and the potential to generate large resource rents

7 For a sample of academic analysis of the relevance of CSR to development policy, see Blowfield and Frynas (2005) and Jenkins (2005).

typically promotes corruption, often exacerbates political instability and generally worsens governance quality (Collier 2010).

Nigeria and Bangladesh are two developing nations with similar large populations. But a major difference between them is the former's large oil reserves. In terms of government efficiency, political stability and rule of law, the World Bank governance indicators place Nigeria considerably lower than Bangladesh, itself hardly a demanding benchmark.[8] Bangladesh's "voice and accountability" score in the same set of indicators is also much superior to Nigeria's, although Bangladesh is considered somewhat more corrupt and to have slightly worse regulatory quality than Nigeria. Meanwhile, Nigeria's petroleum sector revenues place its per-capita GDP above that of Bangladesh and just above the sample median, but little of that income benefits the typical Nigerian.

The potential exists for both a resource company and a host country population to realize benefits from petroleum and mining projects, but Nigeria demonstrates the obstacles to such a win-win outcome. By contrast, labour-intensive manufacturing has been the first rung on the ladder for many countries that have risen above low-income status in the last two centuries. Manufacturing offers the potential to increase labour productivity among a sizable fraction of the labour force, as opposed to a very small number with most resource projects. Manufacturing also creates a widespread demand for workers with literacy and numeracy skills associated with primary or primary plus lower-secondary education. Expansion of the textile sector has the additional benefit of employing mostly women, contributing to gender equality and creating a larger labour force for future economic growth.

If a Canadian trade-and-aid strategy is to be successful, it should encompass Canadian firms engaged with the manufacturing sector. Encouraging trade with countries having a comparative advantage in labour-intensive manufacturing – as distinct from resource extraction – is likely an important key to the strategy's potential success. Perhaps Canada's recent requirement for resource companies to abide by EITI regulations will increase the possibility of a win-win outcome in resource projects, but such an outcome cannot be assumed.

More Effective Aid Delivery

Given its new mandate, CIDA will presumably place a greater emphasis on aid and trade than in the past. However, CIDA will continue to finance development projects intended to improve the quality of social services and governance in countries of focus. Here, I discuss briefly three tactics pertinent to improving the effectiveness of traditional aid.

Delivery of Aid via NGOs as opposed to Host Country Governments

This first tactic is hardly new and is not without problems. The short-term disadvantage is that aid delivered by multiple NGOs risks being uncoordinated. The long-term disadvantage is that, in a post-colonial era, NGOs enjoy limited legitimacy in the eyes of host country governments.[9] These should be legitimate concerns

8 For a description of the World Bank Worldwide Governance Indicators (WGI), see the Appendix.

9 An unfortunate example of the legitimacy problem is the fate of Muhammed Yunus, founder of the Grameen Bank, one of the major Bangladesh NGOs. Grameen Bank, best known for its microfinance initiatives, also runs many social enterprise activities in the health and education sector. Fearful of Yunus's support for the military intervention in 2007-2008, the present government has removed the Nobel Prize winner from his position within the NGO he founded (Richards 2011).

for CIDA. On the other hand, NGOs are often much more efficient at delivering programs than the national government bureaucracy. In assessing aid delivery in any "country of focus," the relative advantage of relying on both government and local NGOs needs to be assessed.

The value of NGOs in aid delivery can be seen when comparing experiences in Bangladesh and Pakistan, countries that share many characteristics. Both are populous (over 150 million each); both are very poor (average 2006-2010 per-capita GDP in Pakistan was US$2,300 and in Bangladesh $1,400); both are majority Muslim countries in South Asia with a history of weak governance and political instability. (Pakistan's WGI 2006-10 rank in terms of political stability among the 72 low-income countries is 69, Bangladesh's 58). However, they display major differences in terms of population health outcomes.

Not only are basic Bangladesh population health statistics better than Pakistan's, they are better than India's. The current total fertility rate per woman in Bangladesh (2.2) is well below that in Pakistan (3.4) or India (2.6). Infant mortality is also lower (38 per 1,000 live births) than in Pakistan (70) or India (48). And life expectancy at birth (69 years) is four years higher than in either India or Pakistan. Four decades ago, in 1971, when it seceded from Pakistan, Bangladesh life expectancy at birth was below 40 years.[10]

The main explanation for these differences lies with the existence in Bangladesh of several very large, efficient NGOs, whose funds derive in part from international donors. Pakistan lacks the equivalent. The two largest in Bangladesh are the Grameen Bank and BRAC.[11] These NGOs have pioneered many public health initiatives (such as oral rehydration therapies and introduction of village health workers) and have generated positive spillover effects in the government health ministry. BRAC operates 30,000 primary schools that educate nearly 10 percent of the country's children. BRAC's role in Bangladesh is sufficiently large and multi-dimensional that it is, in effect, a parallel government (Smillie 2009). The interaction of the formal government and large NGOs in Bangladesh is worthy of further analysis.

"Cash-on-Delivery" (COD) Aid

Over the last decade, CIDA has embraced Results Based Management in its program delivery. The agency has developed a tradition of requiring very detailed "logic models," pre-specified "deliverables" and "outcome measures" for every project. However, many of these outcome measures are, in effect, input measures. If, for example, the outcome of a CIDA project is the building of a primary school, that does not necessarily mean that the local teachers attend more diligently, or are better trained, or that teaching materials are available or that politicians stop meddling in the selection of teaching staff. Ultimately, it may not mean any improvement in children's performance on basic tests of reading and arithmetic.

CIDA's imposition of complex reporting requirements for NGOs and host governments generates high overhead and administrative costs.[12] Furthermore, projects are frequently designed

10 All undated population health statistics refer to 2010 and are drawn from the World Development Indicators (World Bank 2012a).

11 Formerly known as the Bangladesh Rural Advancement Committee, it is now universally known by its acronym. In terms of annual budget, BRAC is reportedly the world's largest NGO.

12 Based on experience with CIDA contracts at Simon Fraser University, "overhead" plus "administrative" costs are nearly one-quarter of total project cost.

with rigidly defined intermediate stages that prevent managerial flexibility. The Washington-based Center for Global Development, a major think tank, has for many years advocated simpler contracts based on more meaningful outcome measures. DFID is currently experimenting with results-oriented, so-called cash-on-delivery (COD) project contracts in three countries (Rogerson 2011).

In point form, the Center for Global Development has outlined the key features of a COD contract:

Key features

- Payment for outcomes, not inputs;
- Hands-off funders, responsible recipients;
- Independent verification;
- Transparency through public dissemination; and
- Complementary with other aid programs.

Basic steps

- Two parties negotiate and sign a medium-term (for example, five-year) contract;
- Recipient government pursues its own strategy;
- Recipient government collects and reports data (for example, annually);
- Funder arranges independent audit (for example, annually);
- Funder makes payment for confirmed results (for example, annually);
- Third party finances research (optional). (Birdsall et al. 2010.)

An example helps illustrate the potential as well as the pitfalls of cash-on-delivery aid. In a traditional aid project, a donor negotiates with a host country the building of several schools, the training of a specified number of teachers, and so on. From the perspective of increasing the qualifications of a country's future labour force, these are inputs.

A cash-on-delivery contract might instead entail a negotiated payment for every student completing primary school in a region of the country, over and above the number completing in a benchmark year. The donor and host government agree on a means to verify completion and to publish outcome results disaggregated to the school level. The advantage to the donor is to target a meaningful outcome; the advantage to the host country is no donor constraint on how schools are organized and much-reduced reporting. Cash-on-delivery may also enhance the scope for beneficial competition between government and non-government suppliers of education services.

The disadvantages of cash-on-delivery aid in the education example turn on potential conflicts over verification of student competencies and the end-loading of donor funds (a feature that applies to all COD projects). The tactic requires that the host government incur the project costs and only receive the donor funds if the outcome is met.

High-Profile Monitoring of Outcomes

Provided the host country has a reasonably free media, a potentially effective tactic for enhancing aid effectiveness is that a civil society organization regularly survey outcomes independently of government, and run high-profile campaigns to publicize disaggregated results (Gormley and Weimer 1999, UNICEF 2012). Primary education is an ideal candidate for "naming and shaming."

From the limited attitudinal surveying undertaken in low-income countries, respondents (i.e., parents) at all education levels attach a high priority to their respective government realizing universal primary education.[13] Publicizing school

13 The World Values Survey (WVS 2012) has posed questions about the priority that respondents think should be accorded to various MDGs. In a sample of 7,000 people in 12 low-income countries, most of them included in our sample, 56 percent afforded a "top priority" to their respective country realizing universal primary education; 34 percent afforded it a "high priority."

outcomes may generate sufficient popular pressure that host country political elites limit the extraction of bribes from the educational sector and pursue efficient school management both within schools and at higher administrative levels.[14] This approach requires widespread distribution of results, by type of school and by region. It also entails regular reporting of "gaps" relative to expected academic achievement at particular grades. The most prominent example of this tactic is Pratham Foundation (2013) in India. Less well known internationally are similar campaigns in Pakistan (SAFED 2013) and in Bangladesh (Nath and Chowdhury 2009).

Conclusion

Designing development aid programs with due attention to problems of governance and pursuing serious application of corporate social responsibility to trade initiatives inevitably raise the dilemma of one sovereign country intervening in the domestic affairs of another. In a post-colonial age, donor motivations are often suspect in the eyes of those running host country governments. There is no avoiding the dilemma. Here, the role of skillful diplomacy can be crucial. Given their knowledge of the complexity of host country politics, senior diplomats can help CIDA prioritize programs in terms of probable institutional obstacles. They can help overcome some of these obstacles while offering advice on others that are sufficiently entrenched that they must be endured.

I conclude with the chastened observation of Paul Collier, a development economist who spent most of his career in Africa:

> The left seems to … regard aid as some sort of reparations for colonialism. In other words, it's a statement about the guilt of Western society, not about development. … The right seems … to equate aid with welfare scrounging. In other words, it is rewarding the feckless and so accentuating the problem. Between these two there is a thin sliver of sanity called aid for development. We used to be that poor once. It took us two hundred years to get to where we are. Let's try to speed things up for these countries.
>
> Aid does tend to speed up the growth process. A reasonable estimate is that over the last thirty years it has added around one percentage point to the annual growth rate [of per capita GDP] of the bottom billion. This does not sound like a whole lot, but then the growth rate of the bottom billion over this period has been much less than one percent per year. (Collier 2007,100.)

Will the reconfiguration of Canada's development programs within a new Department of Foreign Affairs, Trade and Development help deliver assistance that "speeds up the growth process?" We can be hopeful. It at least offers new possibilities.

14 In many northern Indian states, in Pakistan and in Bangladesh, political parties expect newly appointed teachers in government schools to contribute a sizable sum to the governing party. Based on personal communications in Bangladesh, the standard contribution by a newly appointed government primary school teacher is approximately Taka 6 lakhs, equivalent to US$7,500. In turn, government school teachers can expect to supplement their salary with *boksheesh* paid by parents. The majority of parents pay for supplementary out-of-class tutoring for their children, usually undertaken by their children's teachers (Pratham Foundation 2013,4-5).

Appendix
Governance and Development: An Introduction

The federal government created CIDA in 1968. At the time, people expected that newly independent countries, having rid themselves of colonial shackles, would naturally achieve rapid social and economic development. Prevalent economic development theories cited inadequate domestic savings as the major constraint. Having no colonial past, Canada was in an ideal position to provide financial support and advice.

As the decades passed, it became harder to sustain the emphasis on inadequate domestic savings. Some development economists, most notably Jeffrey Sachs (2005), continue to argue that a dramatic increase in high-income country aid budgets would kick-start virtuous cycles of rising prosperity, better social services and better governance in all but a small number of the most dysfunctional states. Today, Sachs's optimism is a minority position.

By the 1980s, prominent development economists such as William Easterly (2006) focused on the consequences of policies pursued by host governments. In summarizing Easterly's analysis, it is only a slight exaggeration to say that he concludes development aid – as opposed to emergency humanitarian aid – can never achieve anything of substance. If host country elites have short-term partisan goals, he argues, if they are not interested in free markets and honest regulators, if they are indifferent to the basic education and health of their fellow citizens, if they are unwilling to tax themselves to provide for decent social services and infrastructure, then donor aid is pushing on a string. If, on the other hand, domestic elites create institutions to contain partisan excess, provide honest regulation, enable free trade and put in place reasonable tax and spending regimes, their societies will grow economically – and don't need aid.

If poor policy is the problem, then the role of donors is to advise host governments on better policy. Initially, this took the form of a cookbook of instructions outlining what a reform-minded government in a low-income country should be doing: reinforcing property rights and the rule of law, reforming tax collection and raising adequate government revenue that obviates the need for foreign aid. Also included in the recipe was eliminating barriers to free trade, maintaining macroeconomic stability by balancing budgets, controlling the money supply and so on.

This set of instructions came to be known as the Washington Consensus. Most of the countries that achieved substantial economic growth in the last quarter of the 20th century are in East or Southeast Asia (China and the East Asian "tigers"). They adopted at least some of the advice, especially openness to trade. However, many resisted the advice to open their capital markets, a wise decision as it turned out. In the wake of the 1998 financial crisis, those that had resisted (for example Malaysia) fared much better than those (for example Thailand) that had not. In general, the discretionary role of the state in all these countries, China most notably, was much larger than envisioned by Washington Consensus advocates.

What remains relevant from the 1989 Washington Consensus exercise is not any specific list of optimal policies but an emphasis on the overall potential of host country institutions to abet or retard economic development. While there is now a massive literature inspired by institutional analysis, it would be an injustice not to mention Douglass North (1990), winner of the 1993 Nobel Prize in economics. Institutions, in his terms, embody the "rules of the game" for collective action. The rules may be formal or informal and people within particular institutions may or may not obey the explicit rules. What matters in the context of development economics is that the rules of the game differ among countries, and these differences are important in understanding whether a particular country experiences rapid growth or stagnates. Seemingly obvious, viewing institutions as constellations of people playing the game in different countries according to different rules has generated many insights.

To provide a better intuition to this perspective on development, I summarize a recent monograph by Dani Rodrik (2013), a prominent academic whose work is anchored in institutional economics. In *The Past, Present, and Future of Economic Growth*, Rodrik models the economy of a typical low-income country at an early stage of development. The imagined country has a relatively large low-productivity sector (comprising agriculture and informal activities), a small manufacturing sector (employing at most 5 percent of the labour force) and a modern service sector (providing services such as education and health, finance and transportation). These services may be provided by the state or by private firms, but due to a variety of "market failures" private markets will not provide most of them adequately unless a reasonably competent government regulates private supply and supplements private with public supply. Economic growth is driven in this model by two fundamental dynamics:

- **The movement of labour from the traditional low-productive sector to higher productivity labour-intensive manufacturing and this sector's ability to converge on international productivity levels:** The importance of the manufacturing sector lies in its potential to increase dramatically the productivity of large numbers of workers drawn from the low-productivity traditional sector. Initially, the rewards from manufacturing are captured overwhelmingly by employers but, over time, unions emerge and the rewards are more evenly distributed.
- **The quality of governance in the modern service sector:** The manufacturing sector will, in early stages, usually rely on exporting a large share of its output. Whether the production is sold domestically or externally, the sector requires reasonably efficient transportation infrastructure (roads, rail, ports). It also requires primary education for a majority of workers, along with secondary and tertiary education for a minority. If the quality of governance is low, the consequence is poor infrastructure and low worker education, which constrains the rate of manufacturing growth.

In sum, the modern service sector may enable or hamper growth of manufacturing employment, and the quality of services provided by this sector depends on the country's overall institutional quality. (See Figure A1)

Another prominent development economist whose analysis incorporates institutional analysis is Paul Collier (2007), quoted in the conclusion. In the best known of his books, *The Bottom Billion*, he divides the world population into three parts: nearly two billion enjoying living standards realized by those of high-income countries, four billion most of whom are poor but living in countries realizing rapid economic development and the "bottom billion" who have suffered ineffective governance and whose economic development has been erratic and, overall, slow. In these countries the obstacles to development are fiendishly complex, in large part because of governance inadequacies.

When considering these varied approaches, the Easterly view is excessively negative. In many countries, aid delivered via NGOs yields benefits that would clearly not exist in their absence. Yet much of his critique rings true. Since the target of development aid is the bottom billion, effective aid requires policy that transparently assesses the problems posed by the weak institutions of host governments. It requires an understanding of where markets could work but cannot because of the political environment. It requires frank discussion of the obstacles posed by political instability, ineffective government delivery of basic services and – as the recent Bangladesh garment factory tragedies make obvious – inadequate or inadequately enforced regulation.

A development-oriented government in a country with weak institutions lacks the resources to attack simultaneously all obstacles – it must choose. It may launch campaigns to uproot organized corruption but only in particularly crucial sectors

Figure A1: Summary of Economic Growth Prospects

		Rate of Growth of Manufacturing Employment	
		slow	*rapid*
Quality of Public Institutions/governance	*low*	No or very little growth	Episodic growth
	high	Slow growth	Rapid, sustained growth

Source: Adapted from Rodrik (2013).

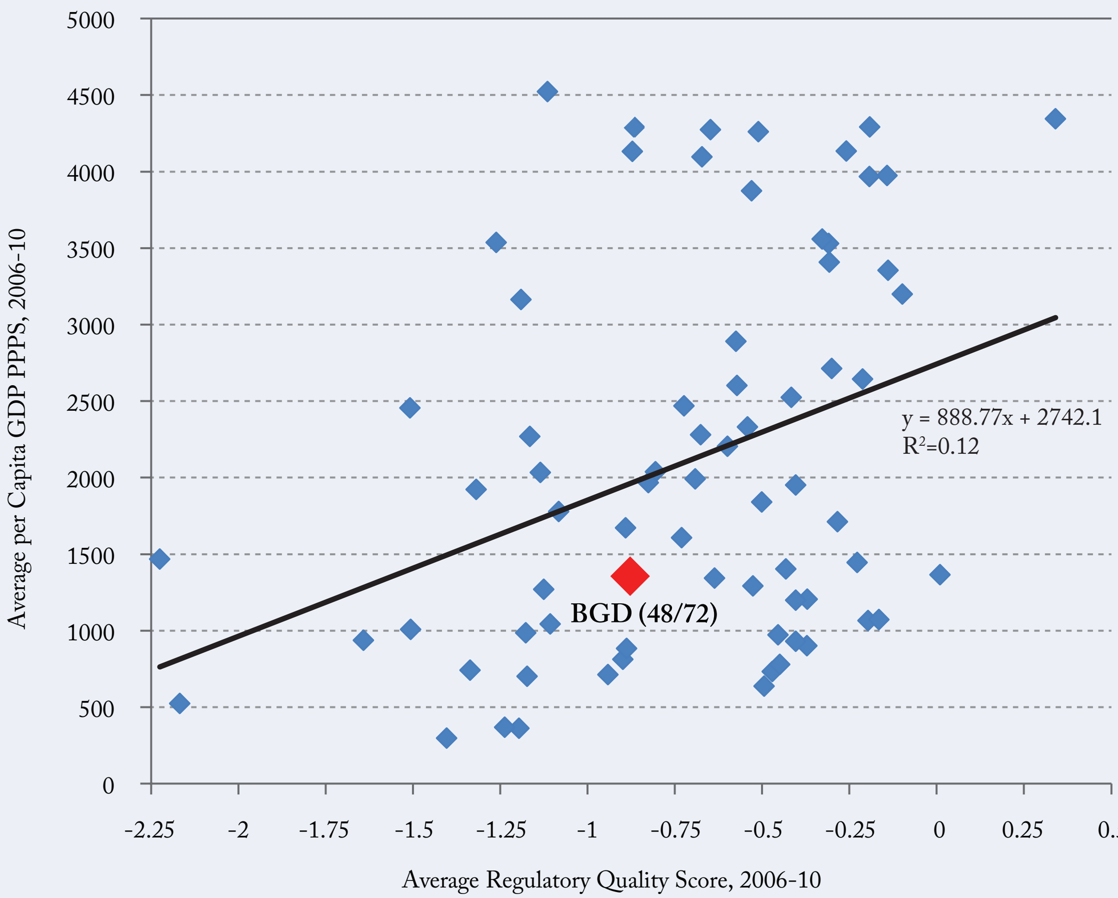
(ports being a classic example). It may address corruption in provision of public services not by a head-on conflict with public sector unions but by enabling private participation in what hitherto was a public-sector monopoly (many examples exist in the domain of utilities, health and education).

There is a great deal of evidence indicating that better institutions or governance, however measured, contributes to better social and economic outcomes. Admittedly, both the definition and measurement of institutional and governance quality is controversial. Probably the most comprehensive measures are the World Bank's Worldwide Governance Indicators (WGI). The WGI define six dimensions, each of which is a composite of multiple cross-country surveys:

- **Government Effectiveness**, capturing perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.
- **Voice and Accountability**, capturing perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free media.
- **Political Stability and Absence of Violence/ terrorism**, capturing perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism.
- **Control of Corruption**, capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as capture of the state by elites and private interests.
- **Rule of Law**, capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police and the courts, as well as the likelihood of crime and violence.
- **Regulatory Quality**, capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. (Kaufmann et al. 2010.)

The panels of Figures A2 and A3 illustrate the bilateral relationship between a particular governance dimension and one of two important outcomes, per-capita GDP and primary-school completion rates. The 72 countries illustrated comprise all those with average 2006-2010 per-capita GDP below $4,800 (See Table A1). This upper threshold is the average per-capita GDP measured in 2005 purchasing-power parity dollars realized by all low- and middle-income countries

Figure A2a: Per Capita GDP by Regulatory Quality, 2006-2010



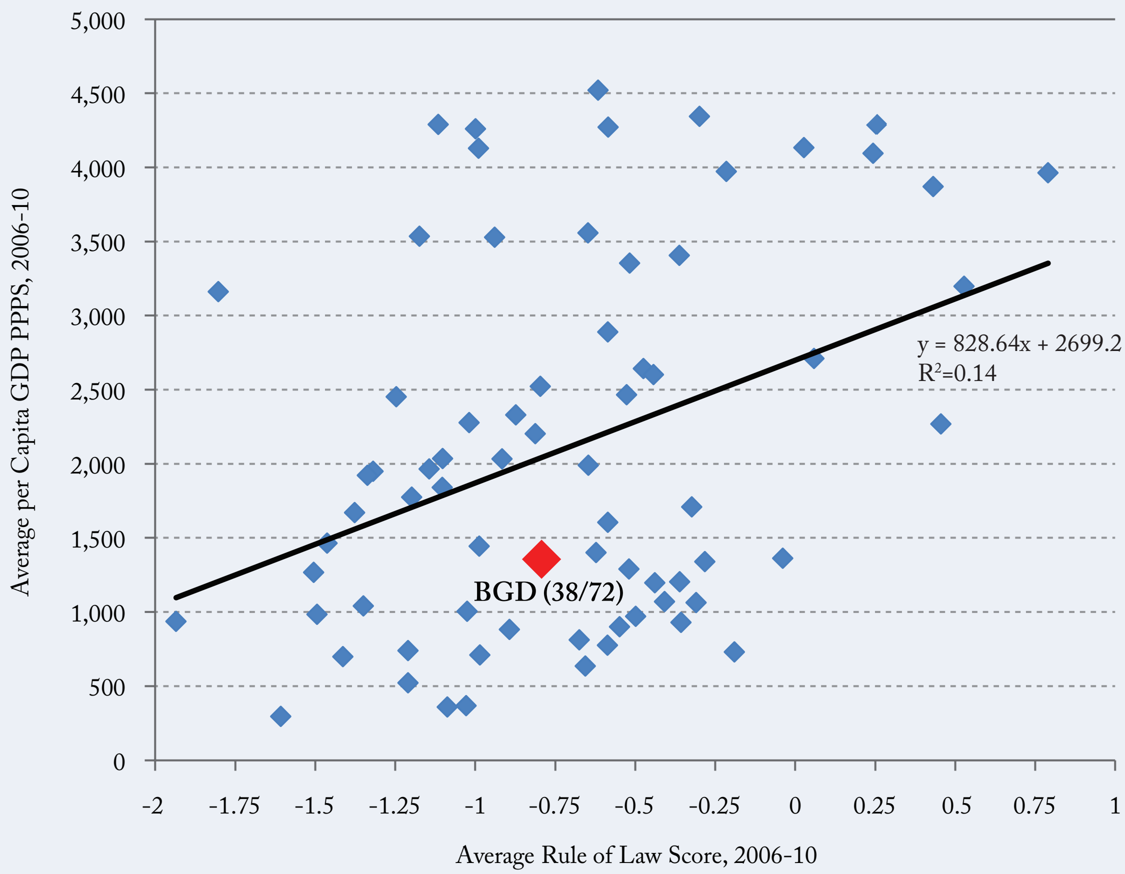
Source: Author's calculations from World Bank (2012a, 2012b).

over the half-decade. To give a sense of proportion, it is less than 15 percent of the comparable Canadian per-capita GDP.

The WGI scores include virtually all the world's approximately 200 countries. Independently for each year and each dimension, scores are normalized such that they have a mean of zero (and standard deviation equal to one). A country's score on each dimension is an estimate of its performance relative to the world average. This normalization procedure implies no change from year to year in average global quality of governance – the emphasis is on countries' relative positions.

The illustrated scores of the 72 low-income countries are based on five-year averages of their WGI scores in each dimension. If, five years running, a country hypothetically achieved the average score on each dimension (relative to all countries measured by the WGI), then its average 2006-2010 scores would all be zero. Not surprisingly, governance scores are higher among high-income countries; among these low-income

Figure A2b: Per Capita GDP by Rule of Law, 2006-2010



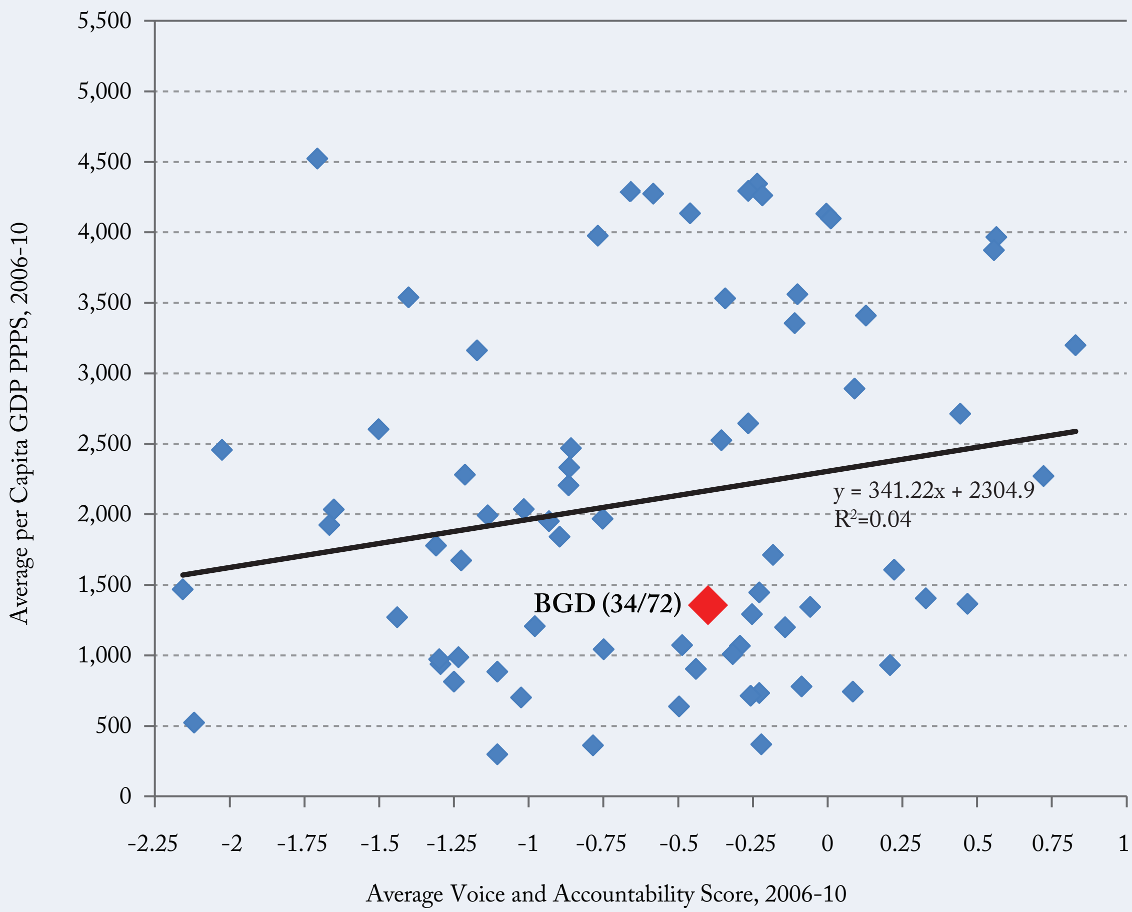
Source: Author's calculations from World Bank (2012a, 2012b).

countries, the averages on each dimension are below zero. Nonetheless, the range of scores is broad, and some low-income countries realized scores above the corresponding world average.

Given the focus in this *Commentary* on Bangladesh, the figures highlight that country's position in each scatterplot. It falls below the 72-country median for all but one dimension. The only dimension on which Bangladesh scores above the median (just above) is voice and accountability.

The trend lines imposed on the scatterplots are indicative. They should not be interpreted as a satisfactory measure of the incremental impact on either outcome Nonetheless, most attempts at multivariate cross-country analysis do attribute a significant role to governance. Of the six governance dimensions, the two most highly correlated with per-capita GDP are, not surprisingly, regulatory quality and rule of law (see Figure 2). Among these countries, the link between more democracy (proxied by voice and accountability scores) and higher per-capita GDP is weak, as is the link between political stability and per-capita GDP (not shown).

Figure A2c: Per Capita GDP by Voice and Accountability, 2006-2010

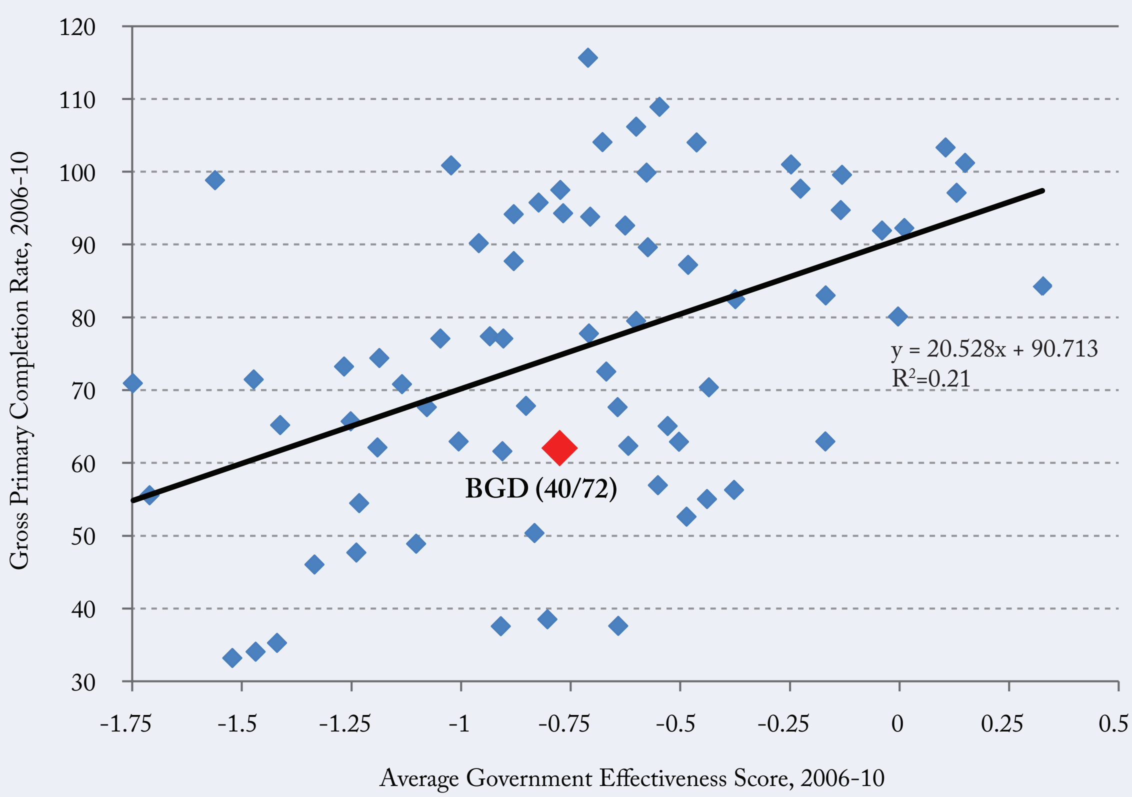


Source: Author's calculations from World Bank (2012a, 2012b).

Figure A3 plots the gross primary-school completion rate against the remaining three governance dimensions.[15] The governance dimension most relevant to a country's primary school performance is perception of overall government effectiveness in delivery of services. Less important is control of corruption. Among these countries, control of corruption and

15 The gross primary completion rate is calculated as the percentage of all students completing the last year of primary school relative to the total in the relevant age cohort (World Bank 2012a). This is a "gross" rate inasmuch as it includes all students completing, regardless of age. If a country undertakes an aggressive campaign to increase completion, the gross completion rate can readily exceed 100 percent for a number of years, until completion approaches 100 percent among children of the prescribed graduation age.

Table A3a: Primary School Completion Rate by Government Effectiveness, 2006-2010



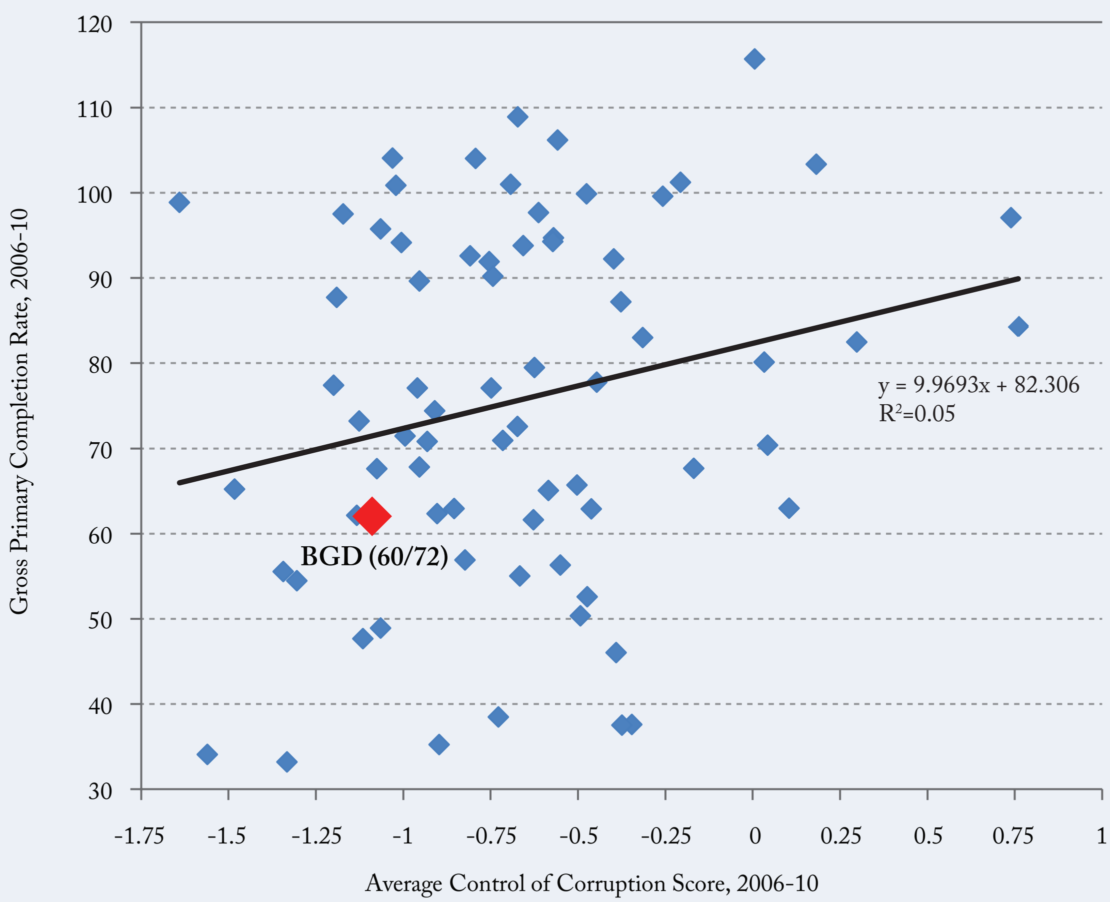
Source: Author's calculations from World Bank (2012a, 2012b).

government effectiveness scores are highly correlated, implying that controlling corruption is central to public perceptions of effectiveness.

In a multivariate analysis involving most of these 72 countries, a colleague and I found two governance dimensions – effectiveness and political stability – to be statistically significant in explaining primary-school completion rates (Richards and Vining 2013). Over a wide range, variation in political stability did not matter but it did among both the top and bottom quarter of countries. The (non-linear) trend line in the stability panel (Figure A3c) captures this result. Voice and accountability was not a significant factor.[16]

16 While governance matters, it is far from being the only relevant factor. The most important individual factor in explaining cross-country differences in primary-school completion was adult literacy; also important was per-capita GDP. In other words, basic literacy and higher incomes promote educational achievement in the subsequent generation. A normalized measure of spending per primary student was not significant.

Figure A3b: Primary School Completion Rate by Control of Corruption, 2006-2010

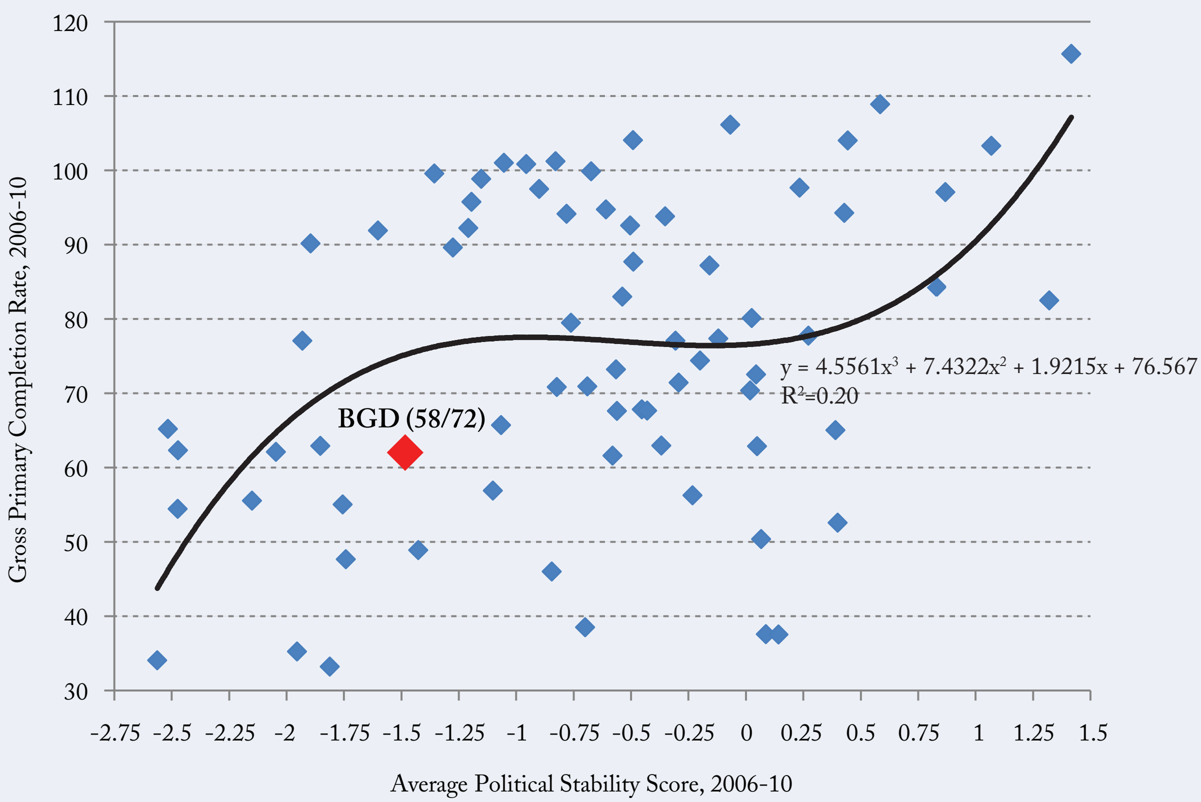


Source: Author's calculations from World Bank (2012a, 2012b).

Clearly, cross-national governance measures invite controversy. Some object that the WGI's six dimensions arbitrarily impose a particular definition of "good" versus "bad" governance. Kaufmann and colleagues (2007) acknowledge there is no universally accepted definition of governance, but make the reasonable claim that no definition could be constructed without incorporating some, if not most, of the WGI's six dimensions. If we accept their six dimensions and agree that the relative quality of governance matters, then it becomes relevant to assess the extent to which incremental differences among the various dimensions help explain their economic and social outcomes.

The basic source of most evidence on comparative governance derives from international surveys, and those responding to such surveys are disproportionately elites. Some critics are convinced that this produces a fatal bias (Oman and Arndt 2010). In response, Kaufmann and colleagues note

Figure A3c: Primary School Completion Rate by Political Stability, 2006-2010



Source: Author's calculations from World Bank (2012a, 2012b).

that some surveys do poll both elites and non-elites, and there exists a high correlation of elite and non-elite opinion within a country as to the quality of its national governance.

Sachs (2005) raises yet another concern. He does not object to measuring governance numerically via surveys. Indeed, he acknowledges "virtually all poor countries have governance and corruption indicators that are below those of the high-income countries." Rather, he believes it impossible to differentiate weak governance from poverty: "Governance and higher [per capita] incomes go hand in hand not only because good governance raises incomes, but also … because higher income leads to improved governance."

While correlation between good governance and higher incomes may be high, most of the dramatic cases of improved economic and social conditions over the last half-century involve a prior improvement in governance. The iconic example

Table A1: Countries with Average Per-Capita GDP, 2006-2010, below PPP$4,800

Afghanistan	Guinea-Bissau	Paraguay
Bangladesh	**Guyana**	Philippines
Benin	**Honduras**	Rwanda
Bhutan	India	Samoa
Bolivia	**Indonesia**	Sao Tome and Principe
Burkina Faso	Iraq	**Senegal**
Burundi	Kenya	Sierra Leone
Cambodia	Kiribati	Sri Lanka
Cameroon	Kyrgyz Republic	**Sudan**
Cape Verde	Lao PDR	Syrian Arab Republic
Central African Republic	Lesotho	Tajikistan
Chad	Liberia	**Tanzania**
Comoros	Madagascar	Timor-Leste
Congo, Dem. Rep.	Malawi	Togo
Congo, Rep.	**Mali**	Tonga
Cote d'Ivoire	Mauritania	Uganda
Djibouti	Moldova	Uzbekistan
Eritrea	Mongolia	Vanuatu
Ethiopia	Morocco	**Vietnam**
Fiji	**Mozambique**	**West Bank and Gaza**
Gambia, The	Myanmar	Yemen, Rep.
Georgia	Nicaragua	Zambia
Ghana	Niger	
Guatemala	Nigeria	
Guinea	**Pakistan**	

Note: $4,800 is the average 2006-10 per-capita GDP among low- and medium-income countries. The bolded countries are among CIDA's "countries of focus." PPP = Purchasing-Power Parity.

is China in the years following Mao's death. More recent examples are the post-1990 improvements in governance in Ethiopia and Rwanda.[17]

Undoubtedly in the long run, reverse causation arises: sustained better governance increases per-capita GDP and this leads to demands – often led by an emerging middle class – for further improvement in governance. However, over relatively short time periods, such as a decade, large sustained changes in governance can arise within low-income countries, and these changes are sufficiently independent of per-capita GDP to warrant an emphasis on governance as an independent factor.

17 In one simple test of reverse causality, my colleague and I regressed the change in average per-capita GDP (2006-2010) relative to the comparable average over the years 1996-2000, on average per-capita GDP and government effectiveness over the years 1996-2000. Among the 67 countries analyzed, these two variables leave much of the variance unexplained, but average 1996-2000 government effectiveness is statistically significant (at the 0.01 level), whereas 1996-2000 per-capita GDP is not (Richards and Vining 2013).

REFERENCES

Bangladesh Garment Manufacturers and Exporters Association (BGMEA). 2013. "RMG Export Statistics." Accessed at http://www.bgmea.com.bd.

Bangladesh, European Union and International Labour Organization (BGDEUILO). 2013. "Staying engaged: A Sustainability Compact for continuous improvements in labour rights and factory safety in the Ready-Made Garment and Knitwear Industry in Bangladesh." Joint statement of Government of Bangladesh, European Union and International Labour Organization. July 8.

Besada, Hany. 2013. *Doing Business in Fragile States: The Private Sector, Natural Resources and Conflict in Africa*. Ottawa: North-South Institute.

Birdsall, Nancy, Ayah Mahgoub, and William D. Savedoff. 2010. *Cash on Delivery: A New Approach to Foreign Aid*. Washington, DC: Center for Global Development.

Blowfield, Michael, and Jedrzej Frynas. 2005. "Setting new agendas: critical perspctives on Corporate Social Responsibility in the developing world." *International Affairs*, vol. 81 no. 3 pp. 499-513.

Canada. 2013. *Budget Plan 2013/2014*. Ottawa: Department of Finance.

Canadian Broadcasting Corporation. 2013. "Canadian, US retailers sign Bangladesh factory safety pact." July 10. Accessed at http://www.cbc.ca/news/business/canadian-u-s-retailers-sign-bangladesh-factory-safety-pact-1.1331947.

Collier, Paul. 2007. *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be Done About It*. Oxford: Oxford University Press.

————. 2010. "The Political Economy of Natural Resources." *Social Research*, vol.77, no.4: 1,105-1,132.

The[Bangladesh] *Daily Star*. 2012. "Padma bridge bribe was ready for 6." June 21. Accessed at http://archive.thedailystar.net/newDesign/news-details.php?nid=239177.

————. 2013a. "Man behind 381 deaths captured." April 29. Accessed at http://www.thedailystar.net/beta2/news/man-behind-377-deaths-captured.

————. 2013b. "Sweating Bangladesh Surveyor Races to Avoid Next Tragedy." May 25. Accessed at http://www.thedailystar.net/beta2/news/sweating-bangladesh-surveyor-races-to-avoid-next-tragedy.

Easterly, William. 2006. *The 'White Man's Burden': Why the West's Efforts to Aid the Rest Have Done So Much Ill and So Little Good*. New York: Penguin.

Extractive Industries Transparency Initiative (EITI). 2013a. "What is the EITI?" Accessed at http://eiti.org/eiti.

————. 2013b. "Canada commits to reporting requirements." June 13. Accessed at http://eiti.org/news/canada-commits-reporting-requirements.

Gormley, William, and David Weimer. 1999. *Organizational Report Cards*. Cambridge, MA: Harvard University Press.

Greenhouse, Steven, and Jim Yardley. 2013. "Global Retailers Join Safety Plan for Bangladesh." *New York Times*. May 14. Accessed at http://www.nytimes.com/2013/05/14/world/asia/bangladeshs-cabinet-approves-changes-to-labor-laws.html?ref=middleeast.

Greenhouse, Steven. 2013a. "U.S. Retailers See Big Risk in Safety Plan for Factories." *New York Times*. May 22. Accessed at http://www.nytimes.com/2013/05/23/business/legal-experts-debate-us-retailers-risks-of-signing-bangladesh-accord.html?hpw.

————. 2013b. "Under Pressure, Bangladesh Adopts New Labor Law." *New York Times*. July 16. Accessed at http://www.nytimes.com/2013/07/17/world/asia/under-pressure-bangladesh-adopts-new-labor-law.html?src=recg.

Heath, Rachel, and Mushfiq Mobarak. 2012. "Supply and Demand Constraints on Educational Investment: Evidence from Garment Sector Jobs and the Female Stipend Program in Bangladesh." New Haven, CT. Working paper, Yale School of Management.

IndustriALL. 2013a. *Accord on Fire and Building Safety in Bangladesh*. Accessed at http://www.industriall-union.org/bangladesh-accord-on-fire-and-building-safety-released.

————. 2013b. "Bangladesh Safety Accord implementation – moving forward." July 7. Accessed at http://www.industriall-union.org/bangladesh-safety-accord-implementation-moving-forward.

Jenkins, Rhys. 2005. "Globalization, Corporate Social Responsibility and poverty." *International Affairs*, vol. 81 no. 3 pp. 525-540.

Kaufmann, Daniel, Aart Kraay and Massimo Mastruzzi. 2007. *The Worldwide Governance Indicators Project: Answering the Critics*. World Bank Policy Research Working Paper, 4149. Washington, DC: World Bank.

————. 2010. *The Worldwide Governance Indicators: Methodology and Analytical Issues*. Washington, DC: The World Bank.

Al-Mahmood and Syed Zain. 2013. "Bangladesh Passes New Labor Law: Workers Granted More Leeway to Form Unions." *Wall Street Journal*. July 16.

Menendez, Robert. 2013. "A Cry for Worker Fairness." Reuters column. June 6. Accessed at http://www.foreign.senate.gov/press/chair/release/-menendez-op-ed-on-labor-issues-in-bangladesh-a-cry-for-worker-fairness.

Nath, Samir and Mushtaque Chowdhury. 2009. *State of Primary Education in Bangladesh* – Progress Made, Challenges Remained of which Nath and Chowdhury are the editors. Education Watch 2008. Bangladesh. Campaign for Popular Education.

New York Times. 2013. "Two Plans for Safety at Bangladesh Factories" September 1. Accessed at http://www.nytimes.com/interactive/2013/09/01/business/global/inspections-comparison.html?src=rechp.

North, Douglass. 1990. *Institutions, Institutional Change, and Economic Performance*. New York: Cambridge University Press.

Office of the Auditor General of Canada. 2009. *Strengthening Aid Effectiveness – Canadian International Development Agency*. Report of the Auditor General to the House of Commons. Chapter 8.

Oman, Charles, and Christiane Arndt, 2010. *Measuring governance*. Policy Brief no. 39. Paris: OECD.

Pratham Foundation. 2013. *Annual Status of Education Report*, 2012. New Delhi.

Richards, John. 2011. "CIDA, Governance and Muhammad Yunus." *Inroads* 29.

Richards, John, and Aidan Vining. "Achieving Universal Primary Education in Low-Income Countries: The Role of Good National Governance." Working paper available from authors.

Rodrik, Dani. 2013. *The Past, Present, and Future of Economic Growth*. Working Paper 1. Munich, Germany. Global Citizen Foundation.

Rogerson, Andrew. 2011. "What if Development Aid Really Rewarded Results? Revisiting the Cash-on-Delivery (COD) Aid Model." OECD Development brief. Paris: OECD.

Rupp, Lindsey. 2013. "Wal-Mart to Gap Group Starts $42 Million Bangladesh Fund." Bloomberg. July 10. Accessed at http://www.bloomberg.com/news/2013-07-10/wal-mart-to-gap-group-starts-42-million-bangladesh-fund.html.

Sachs, Jeffrey. 2005. *The End of Poverty: How We Can Make it Happen in our Lifetime*. New York: Penguin.

Seglins, Dave. 2013. "Former SNC-Lavalin VP charged in Bangladesh bribery probe." CBC News September 19. Accessed at http://www.cbc.ca/news/former-snc-lavalin-vp-charged-in-bangladesh-bribery-probe-1.1858961.

Smillie, Ian. 2009. *Freedom from Want*. Sterling, VA: Kumarian Press.

South Asian Forum for Education Development (SAFED). 2013. *Annual Status of Education Report Pakistan 2012*. Lahore, Pakistan.

United Kingdom. 2009. *DFID and Corporate Social Responsibility*. Department for International Development (DFID). London.

United Kingdom. 2012. *The Economic Impact and Effectiveness of Development Aid*. House of Lords Select Committee on Economic Affairs. London.

United Kingdom. 2013. *Reforming Society in the 19th Century*. Accessed at http://www.parliament.uk/about/living-heritage/transformingsociety/livinglearning/19thcentury/overview/factoryact.

United States. 2013. "Statement by the U.S. Government on Labor Rights and Factory Safety in Bangladesh." July 19. Accessed at http://www.state.gov/r/pa/prs/ps/2013/07/212209.htm.

Urbina, Ian. 2013. "Unions Press to End Favored Trade Status for Bangladesh." *New York Times*. May 30. Accessed at http://www.nytimes.com/2013/05/31/business/us-pressure-rises-to-end-bangladesh-trade-status.html?hp.

Wazny, Adam. 2013. "City planner bound for Bangladesh." *Winnipeg Free Press*. October 23. Accessed at http://www.winnipegfreepress.com/local/city-planner-bound-for-bangladesh-228889681.html.

The White House. 2013. "Technical Trade Message to Congress Regarding Bangladesh." June 27. Retrieved at: http://www.whitehouse.gov/the-press-office/2013/06/27/technical-trade-message-congress-regarding-bangladesh.

Wikipedia. 2013. "2013 Savar Building Collapse." Accessed at http://en.wikipedia.org/wiki/2013_Savar_building_collapse.

World Bank. 2012a. *World Development Indicators*. Washington D.C.

———. 2012b. *Worldwide Governance Indicators*. Washington D.C.

World Values Survey. 2012. WVS 2005-2008: Fifth wave. Lueneberg, Germany. Accessed at http://www.wvsevsdb.com/wvs/WVSAnalizeStudy.jsp.

Notes:

Notes:

Notes:

Recent C.D. Howe Institute Publications

November 2013	Blomqvist, Åke, Boris Kralj, and Jasmin Kantarevic. "Accountability and Access to Medical Care: Lessons from the Use of Capitation Payments in Ontario." C.D. Howe Institute E-Brief.
November 2013	Neill, Christine. *What you Don't Know Can't Help You: Lessons of Behavioural Economics for Tax-Based Student Aid*. C.D. Howe Institute Commentary 393.
November 2013	Dachis, Benjamin, and William B.P. Robson. "Equipping Canadian Workers: Business Investment Loses a Step against Competitors Abroad." C.D. Howe Institute E-Brief.
October 2013	Blomqvist, Åke, and Colin Busby. *Paying Hospital-Based Doctors: Fee for Whose Service?* C.D. Howe Institute Commentary 392.
October 2013	Found, Adam, Benjamin Dachis, and Peter Tomlinson. "What Gets Measured Gets Managed: The Economic Burden of Business Property Taxes." C.D. Howe Institute E-Brief.
October 2013	MacIntosh, Jeffrey G. *High Frequency Traders: Angels or Devils.* C.D. Howe Institute Commentary 391.
October 2013	Richards, John. *Why is BC Best? The Role of Provincial and Reserve School Systems in Explaining Aboriginal Student Performance.* C.D. Howe Institute Commentary 390.
September 2013	Poschmann, Finn, and Omar Chatur. "Absent With Leave: The Implications of Demographic Change for Worker Absenteeism." C.D. Howe Institute E-Brief.
September 2013	Goulding, A.J. *A New Blueprint for Ontario's Electricity Market.* C.D. Howe Institute Commentary 389.
September 2013	Boyer, Marcel, Éric Gravel, and Sandy Mokbel. *Évaluation de projets publics: risques, coût de financement et coût du capital.* C.D. Howe Institute Commentary 388 (French).
September 2013	Boyer, Marcel, Éric Gravel, and Sandy Mokbel. *The Valuation of Public Projects: Risks, Cost of Financing and Cost of Capital.* C.D. Howe Institute Commentary 388.
September 2013	Tkacz, Greg. *Predicting Recessions in Real-Time: Mining Google Trends and Electronic Payments Data for Clues.* C.D. Howe Institute Commentary 387.
August 2013	Gros, Barry. *Ontario Pension Policy 2013: Key Challenges Ahead.* C.D. Howe Institute Commentary 386.

Support the Institute

For more information on supporting the C.D. Howe Institute's vital policy work, through charitable giving or membership, please go to www.cdhowe.org or call 416-865-1904. Learn more about the Institute's activities and how to make a donation at the same time. You will receive a tax receipt for your gift.

A Reputation for Independent, Nonpartisan Research

The C.D. Howe Institute's reputation for independent, reasoned and relevant public policy research of the highest quality is its chief asset, and underpins the credibility and effectiveness of its work. Independence and nonpartisanship are core Institute values that inform its approach to research, guide the actions of its professional staff and limit the types of financial contributions that the Institute will accept.

For our full Independence and Nonpartisanship Policy go to www.cdhowe.org.

C.D. HOWE
INSTITUTE

67 Yonge Street, Suite 300,
Toronto, Ontario
M5E 1J8

Canadian Publication Mail Sales
Product Agreement #40008848