

**UPDATE ON CANADIAN OFFICIAL DEVELOPMENT ASSISTANCE
Time for Canadian aid to really bounce back**

January 2016

***Issue:** This brief provides an update on Canada's aid spending across two different measures: the international assistance envelope (IAE) and official development assistance (ODA). While Canadian ODA or aid has taken a big hit in recent years, it would appear that overall Canadian aid or ODA has bounced back from \$4.86 billion in 2013-14 to \$5.67 billion in 2014-15. But a closer look at what has ushered in this sharp rise tells a different story. This brief looks at these numbers and reiterates the need for a real and predictable increase to Canadian aid.*

The International Assistance Envelope remains flat-lined

In Budget 2012, the government announced that the International Assistance Envelope (IAE)ⁱ – the budgetary basis of Canadian aid that goes to poverty reduction – would drop by more than \$350 million, from \$5 billion in 2011-12 to about \$4.6 billion in 2014-15. Although never publicly stated nor privately confirmed,ⁱⁱ CCIC assumes that as of 2015-16 and until further notice, the IAE will remain flat-lined at this level. That said, analysis by CCIC of aid allocations in 2012-13 and 2013-14 suggest expenditures from the IAE may have already dropped to \$4.4 billion, below the \$4.6 billion budgeted envelope (See table below);ⁱⁱⁱ this is likely due to lapsed spending returned to Treasury.^{iv}

Fiscal Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
International Assistance Envelope	\$5,110.7	\$5,000	\$4,819.3	\$4,757.9	\$4,622.4	\$4,622.4

Numbers from Budget 2012. 2015-16 is an estimate based on previous budget projections.

Official development assistance is increasing again – or is it really?

Like Canada's IAE, Canadian official development assistance (ODA) or aid has been in freefall since 2011-12, dropping from a high that year of \$5.5 billion to \$4.9 billion in 2013-14.^v On a positive note, overall Canadian aid seems to have bounced back in 2014-15, hitting an estimated \$5.7 billion. However, the increase is made up of two factors: a one-off concessional loan of \$400 million to Ukraine in 2014-15; and a double payment in 2014-15 of \$441.6 million to the World Bank's International Development Association (IDA), which occurred due to a technical change in how we make payments. Consequently, if you subtract these amounts, the real aid budget is actually closer to \$4.8 billion, lower than in 2013-14. Furthermore, as noted previously, despite these one-off increases, the IAE – a better measure than total ODA of our real aid commitments to reducing poverty in developing countries – remains flat-lined.

UPDATE ON CANADIAN OFFICIAL DEVELOPMENT ASSISTANCE

This trend of **apparent** increases to our ODA is not likely to change in coming years. Although government support towards the integration of 25,000 Syrian refugees is wholly welcome, this could increase ODA by \$876.7 million in 2015-16.^{vi} Costed outside of the IAE, refugee resettlement typically represents \$200 million per year of ODA. (Under the rules established by the OECD Development Assistance Committee, these costs are ODA-able.) In 2015-16, this resettlement figure will more than quadruple for Canada (and, likewise, increase for other European donors). This one-off commitment will again overstate the increase to Canadian ODA without any commensurate increase to the IAE.^{vii}

Similarly, the government has not yet made it clear whether the \$2.65 billion recently committed for climate finance will be drawn from the existing IAE, or whether it will be new and additional funding.

Fiscal Year	2010-11	2011-12	2012-13	2013-14	2014-15
Actual and <i>Estimated</i> ODA	\$5,490	\$5,509	\$5,324	\$4,860	<i>\$5,667 (or \$4,825)*</i>
Gross National Income (GNI)	\$1,655,542	\$1,753,300	\$1,801,471	\$1,881,900	\$1,950,359
ODA as a percentage of GNI	0.33	0.31	0.30	0.26	<i>0.29 (or 0.25)*</i>

Calculations in millions of Cdn dollars. GNI uses seasonally unadjusted data, "Gross national income at market prices," [Consim table 380-0083](#)

**ODA, and ODA as a percentage of GNI, for 2014-15 adjusted to remove the one off loan to the Ukraine and the double payment to IDA*

* * *

While the aid budget will fluctuate in coming years due to one-off increases linked to high refugee intakes and other such events, the best way to generate predictability in the aid budget is through annual increases to the IAE within a ten year timetable that gets us to 0.7 in ODA as a percentage of GNI.

ⁱ The IAE, contains the budgetary allocations by the federal government to programs for international assistance. This includes allocations to Global Affairs Canada, the Department of Finance, the International Development Research Centre and other departments. However, not all of the allocations in the Envelope are eligible to be counted as Canadian aid or ODA. This includes some disbursements for peace and security (decommissioning of nuclear warheads in the former USSR, security programs in non-ODA eligible countries). Over the past five years, these non-ODA-able disbursements have accounted for on average about 3.3% of funding in the IAE. Nor does the Envelope include all items that can be included when calculating Canadian ODA since they are allocated through other government expenditures (first year of supporting refugees from developing countries in Canada), are non-budgetary items (bilateral debt forgiveness) or are imputed values (developing country students studying in Canada). Total Canadian Official Development Assistance is therefore made up of: ODA-eligible line items in the International Assistance Envelope less IAE items not eligible for Canadian ODA plus non-budgetary items that can be included as ODA.

ⁱⁱ The government stopped publicly disclosing Canada's actual IAE amount in 2010.

ⁱⁱⁱ Based on figures from Foreign Affairs, Trade and Development Canada. (2013). *Statistical Report on International Assistance*. Fiscal Year 2012-2013. Retrieved from: <http://www.international.gc.ca/development-developpement/assets/pdfs/sr-rs-2012-2013-eng.pdf> and Foreign Affairs, Trade and Development Canada. (2014). *Statistical Report on International Assistance*. Fiscal Year 2012-2013. Retrieved from: <http://www.international.gc.ca/development-developpement/assets/pdfs/sria-rsai-2013-14-eng.pdf>

^{iv} Berthiaume, Lee. (2013). "Hundreds of millions in foreign aid unspent last year, federal records confirm," Postmedia News, November 1, 2013. Retrieved from: <http://www.canada.com/business/Hundreds+millions+foreign+unspent+last+year+federal+records+confirm/9114155/story.html>;

Blanchfield, Mike (2014). "Foreign Affairs Canada Lets \$125 Million In Aid To Poor Countries Lapse," November 20, 2014. Retrieved from: http://www.huffingtonpost.ca/2014/11/20/foreign-affairs-canada-lapsed-funds_n_6194630.html.

^v Fekete, Jason and Lee Berthiaume (2015). "Tories left \$9.5 billion in approved funds untouched to avoid deficit during election year," National Post, December 10, 2015. Retrieved from: "Tories left \$9.5 billion in approved funds untouched to avoid deficit during election year"

^v This 2014-15 estimate is based on figures included in the 2015 ODA Accountability Act report, including estimate for provincial refugee and student costs, and provincial and municipal contributions to development.

^{vi} Levitz, Stephanie. (2015). "Cost of Syrian refugee plan pegged at \$1.2B over 6 years," Canadian Press, November 20, 2015. Retrieved from: <http://www.cbc.ca/news/politics/syrian-refugees-billion-six-years-1.3327780>

^{vii} The cost of refugees living in Canada in their first year is included in our overall aid budget, but is not part of the IAE. Therefore, higher refugee costs increases our aid budget without seeing any increase to the resources going to fight poverty in developing countries.