

**UPDATE ON CANADIAN OFFICIAL DEVELOPMENT ASSISTANCE  
 Canada's aid takes one step forward one step back**

*October 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). The Canadian IAE continues to stagnate. And while it appeared that overall Canadian aid or ODA had bounced back from \$4.86 billion in 2013-14 to \$5.69 billion in 2014-15, this was due to one-off increases. In 2015-16, Canadian aid dropped back to approximately \$5.1 billion. This brief looks at these numbers and reiterates the need for real and predictable increases to Canadian aid.*

**The International Assistance Envelope remains flat-lined**

In Budget 2012, the government announced that the International Assistance Envelope (IAE)<sup>i</sup> – 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. Analysis by CCIC of aid allocations between 2011-12 and 2015-16 suggest expenditures from the IAE have (in four out of five years) not just fallen, but been well below the projected IAE – dropping as low as \$4.4 billion (see table below);<sup>ii</sup> this is likely due to lapsed spending returned to Treasury.<sup>iii</sup> While the government did announce marginal increases to the IAE in the last Budget of \$256 million in 2016-17 and 2017-18, the base level to which these increases will be added is unclear. It is assumed to be \$4.6 billion, the same figure as in 2015-16. The government has not disclosed any public figures on either current or future IAE amounts since 2012.<sup>iv</sup>

Fiscal Year	2011-12	2012-13	2013-14	2014-15	2015-16
Projected International Assistance Envelope announced in Budget 2012	\$5,000	\$4,819.3	\$4,757.9	\$4,622.4	\$4,622.4
Actual International Assistance Envelope	\$4,981	\$4,646	\$4,392	\$5,163	\$4,545

**Source:** Statistical Report on International Assistance 2011-12 to 2014-15, Report to Parliament on Canada's Official Development Assistance 2015-16.

**Official development assistance – one step forward, one step back**

Like Canada's IAE, Canadian official development assistance (ODA) or aid has fallen since 2011-12, dropping from a high that year of \$5.51 billion<sup>v</sup> to a low of \$4.84 billion in 2013-14. Canadian aid seemed to bounce back in 2014-15, hitting \$5.7 billion. However, the increase was made up of two factors unique to 2014-15: a one-off concessional loan of \$400 million to Ukraine; and a double payment 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. Not surprisingly, 2015-16 saw Canadian ODA drop relative to the previous year, to an

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estimated \$5.1 billion (representing 0.26% of Gross National Income).<sup>vi</sup> Furthermore, as noted previously, the IAE still remains well below 2011 levels.

This trend of **apparent** increases to Canadian ODA is not likely to change in coming years. Although government support towards the integration of 25,000 Syrian refugees is wholly welcome, this in-donor country cost increased Canadian ODA by an estimated \$400 million in 2015-16. Costed outside of the IAE, refugee resettlement typically represents \$260 million per year of ODA.<sup>vii</sup> This one-off commitment will again overstate the increase to Canadian ODA without any commensurate increase to the IAE.<sup>viii</sup>

Similarly, the government has still 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	2015-16
<b>Actual and <i>Estimated</i> ODA (millions)</b>	\$5,490	\$5,509	\$5,302	\$4,836	\$5,684	<u>\$5,106</u>
<b>Gross National Income (GNI)</b>	\$1,655,542	\$1,753,300	\$1,801,471	\$1,881,900	\$1,950,539	\$1,962,223
<b>ODA as a percentage of GNI</b>	0.33	0.31	0.30	0.26	0.29	0.26

*Calculations in millions of Cdn dollars. GNI uses seasonally unadjusted data, "Gross national income at market prices," Cansim table 380-0083. GNI has been calculated on a fiscal year basis by averaging the growth for Q2, Q3 and Q4 of one year with Q1 of the next.*

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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 an ODA equivalent to 0.7 percent of GNI.

<sup>i</sup> 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.

<sup>ii</sup> 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>

<sup>iii</sup> 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+of+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](http://www.huffingtonpost.ca/2014/11/20/foreign-affairs-canada-lapsed-funds_n_6194630.html). 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

<sup>iv</sup> The government stopped publicly disclosing Canada's actual IAE amount in 2010.

<sup>v</sup> Unless otherwise indicated, all figures come from calculations by CCIC based on the annual Statistical Reports on International Assistance.

<sup>vi</sup> All figures for 2015-16 come from the provisional numbers identified in the Report to Parliament on Canadian Official Development Assistance 2015-16. Since this does not include provincial and municipal figures (that contribute to Canadian ODA), these have been estimated.

<sup>vii</sup> Under the rules established by the OECD Development Assistance Committee, in-donor refugee costs are ODA-able.

<sup>viii</sup> The cost of refugees living in Canada in their first year is included in Canada's overall aid budget, but is not part of the IAE. Therefore, higher refugee costs increase the aid budget without seeing any increase to the resources going to fight poverty in developing countries.