



# BRINGING CANADA BACK IN GLOBAL DEVELOPMENT

## BRIEF

JANUARY 2017<sup>1</sup>

**ISSUE:** Official Development Assistance (ODA) is one essential way in which Canada contributes to building a better world. This brief outlines some priority opportunities where Budget 2017 can make meaningful and practical contributions to Canadian and global objectives in the areas of global development and humanitarian assistance – working in collaboration with all development actors to improve the effectiveness of Canada’s development cooperation. This brief touches upon five areas where we can do this: through a ten-year timetable for increasing our ODA; greater transparency over spending; a strong focus on the poorest and most marginalized, in particular women and girls; a humanitarian response commensurate with growing needs; and a commitment to new and additional climate finance.

## INTRODUCTION

Canadians care. Whether in response to the Syrian refugee crisis or the threat of catastrophic climate change, Canadians are and wish to be generous, constructive, and cooperative global players and leaders. In [poll](#) after [poll](#), Canadians want their country – and their government – to help build a fairer, more sustainable, and safer world by making development cooperation a priority in Canada’s foreign policy.

There is no clearer way of doing so than through sustained and predictable annual increases to our official development assistance (ODA). ODA is a key metric of global engagement, and allows Canada to support effective global development cooperation and humanitarian responses in developing countries through smart, strategic and impactful investments, working in collaboration with all development actors including civil society organizations. By ensuring Canada’s ODA reaches those in greatest need, in particular women and children, the government can support an inclusive and sustainable development agenda, and – as noted in the Minister of International Development’s

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<sup>1</sup> An earlier version of this brief was submitted to the House of Commons Standing Committee on Finance as CCIC’s submission to consultations on Budget 2017.



[mandate letter](#) – “refocus Canada’s development assistance on helping the poorest and most vulnerable, and supporting fragile states.”

This brief contains five thematic areas and eight concrete recommendations for inclusion in Budget 2017.

## (A) A TIMETABLE TO INCREASE OUR OFFICIAL DEVELOPMENT ASSISTANCE

Canadian ODA fell from 2011, dropping from \$5.5 billion to \$4.9 bn in 2013-14. While Canadian ODA seemed to have bounced back in 2014-15, hitting \$5.7 bn,<sup>2</sup> the increase was inflated by a one-off concessional loan of \$400 million to Ukraine and a double payment to the World Bank’s International Development Association (due to a new payment approach, Canada paid its \$441.6 mn allocation twice in the same fiscal year). Subtracting these two amounts, the ODA budget was actually closer to \$4.8 bn, lower than in 2013-14. Not surprisingly, 2015-16 saw Canadian ODA drop relative to the previous year, to an estimated \$5.1 billion (representing 0.26 percent of Gross National Income according to CCIC’s calculations).<sup>3</sup>

Meanwhile, the international assistance envelope (IAE) – a more accurate measure of our programmatic commitments to reducing poverty in developing countries – has virtually flat-lined and remains well below 2011 levels. The additional \$128 million per year committed in Budget 2016 for 2016 and 2017 is positive, but not enough to position Canada as a leader on the global stage in the long term.

- 1. Budget 2017 should announce a ten-year timetable of predictable increases to the IAE, with the target of meeting the long-established, internationally-agreed target of 0.7 percent of Gross National Income (GNI) going to ODA.** In 2003, the Liberal government initiated annual increases of eight percent to the IAE, doubling the IAE to \$5 bn (relative to 2001) by 2010-2011, and pushing our GNI ratio to 0.34. In 2014, after several years of reductions, the Organization for

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<sup>2</sup> This amount is derived from figures included in the Statistical Report on International Assistance – Fiscal Year 2014-15.

<sup>3</sup> All figures for 2015-16 come from the provisional numbers identified in the Report to Parliament on the Government of Canada’s Official Development Assistance 2015-16. Since this does not include provincial and municipal figures (that contribute to Canadian ODA), these have been estimated.



Economic Co-operation and Development (OECD) reported that this ratio had dropped to 0.24, the second-lowest in Canadian history. As noted above, the ratio now sits at 0.26. If this level is sustained, this government would have the lowest average commitment to ODA as a percentage of GNI in half a century.<sup>4</sup>

Budget 2017 should launch a three-step plan to:

- a) bring Canada's development spending as a percentage of GNI just above where it was before the recent cuts, within this government's first mandate;
- b) catch up to our global peer group, beginning with reaching the unweighted OECD average (0.41 percent of GNI) by doubling the IAE to reach 0.42 percent of GNI, within five years (by 2021-22);
- c) become a global leader in development cooperation by achieving the target of 0.7 percent of GNI, within ten years (by 2026-27).

Based on expectations around current spending and growth patterns, CCIC estimates that committing to a ten-year timetable for increasing our IAE to achieve the 0.7 target would entail year-on-year increases over the next three years of \$746 mn in 2017-18, \$863 mn in 2018-19, and \$998 mn in 2019-20. This would achieve the first step of raising Canada's ODA to GNI ratio to at least 0.34 – just above where Canada was before the cuts of the last five years, on track to rejoining our global peer group, and halfway to the 0.7 target – by the end of the government's first mandate.

## **(B) GREATER TRANSPARENCY OVER SPENDING**

The [2014-15 Official Development Assistance Report to Parliament](#), released under the Official Development Assistance Accountability Act, and the Statistical Reports on International Assistance both provide important accounts of how Canada's development investments are being spent by the whole of government. However, because their release of information regarding ODA and IAE numbers for the previous fiscal year is delayed – respectively six months after the end of the previous

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<sup>4</sup> Robert Greenhill and Celine Wadhera. January 11, 2017. "On paying its global share, Canada's not back—it's far back." <https://www.opencanada.org/features/paying-its-global-share-canadas-not-backits-far-back/>.



fiscal year and one year after – key information for aid analysts is slow to emerge. Unfortunately, in 2010 the Government of Canada stopped publicly disclosing each year’s IAE in advance of the coming fiscal year.

- 2. Budget 2017 should commit to publicly disclose the level of the International Assistance Envelope for the coming year on an annual basis.** At no additional cost, this measure will improve the accountability and predictability of Canada’s international assistance efforts and enable better tracking of aid effectiveness – commitments that Canada made at the 3<sup>rd</sup> and 4<sup>th</sup> High-Level Fora on Aid Effectiveness.

### (C) A FOCUS ON THE POOREST AND MOST MARGINALIZED

Within the context of gradual and sustained annual increases to the IAE, the government should set clear near and medium-term targets for allocating resources within that envelope, focusing on the poorest and most marginalized, in particular women, girls and children. These vulnerable populations are often disproportionately affected by poverty, inequality and climate change. Canada’s overall focus should be on poor people, not on poor countries – in line with the principal purposes of Canada’s ODA – as defined by the [ODA Accountability Act](#) – to reduce poverty, to promote international human rights and their realization, and to respond to the voices of the poor. Canada’s ODA should in all cases be aligned with the priorities of governments and civil society partners in developing countries.

Regardless of any focus on specific countries or themes, there should always be some flexibility to account for unanticipated developments. Working with a diverse range of actors – including Canadian civil society – to develop and implement Canada’s international assistance will help maximize impact by utilizing each partner’s unique expertise and capacity. A diversified portfolio of tools and approaches will also allow for greater adaptability when geopolitical realities change, reducing risk and enhancing efficiency in Canada’s international assistance efforts. Accordingly, Canada’s work with civil society partners should aim to be as flexible and responsive as possible – in keeping with the [International Development and Humanitarian Assistance Civil Society Partnership Policy](#).

Budget 2016 made no mention of the [Sustainable Development Goals](#) (SDGs), the development framework adopted at the United Nations in September 2015. The SDGs are universal, and based on the principle of leaving no one behind – in line with Canada’s focus on the poorest and most vulnerable. Budget 2017 should make specific reference to the government’s commitment to work with Canadian and global partners to implement the SDGs, including by taking the following four



steps.

3. **Budget 2017 should dedicate half of the ODA budget to least developed countries (LDCs), low-income countries (LICs), and fragile states.** The needs of the poorest countries are still the most urgent. This commitment will help ensure that Canada's development dollars target some of the poorest countries – at no additional cost. The Government of Canada currently allocates between 40 and 45 percent of its ODA to LDCs, LICs, and fragile states.
4. **Budget 2017 should initiate a process of making Canada one of the top three donors in at least half of Canada's countries of focus by the end of this government's first mandate.** Canada's countries of focus include ten Low-Income Countries (LICs), ten Low-Middle Income Countries and four Middle Income Countries (MICs). Given that the geography of poverty has changed, and there remain deep pockets of poverty in MICs as in LICs, we need a holistic approach to poverty that targets poverty wherever it occurs. To have a real impact, Canada needs to grow this investment.

In 2014, Canada was among the top three donors in nine (or 36 percent) of its 25 countries of focus. OECD data indicate that an additional investment of \$59 mn could make Canada a top-three donor in half (13) of its countries of focus, based on 2014 contribution levels. This is a modest goal. The same data suggest that Canada could be a top-three donor in three-quarters (19) of its countries of focus for \$448 mn or all (25) of its countries of focus for \$945 mn. For less than one billion dollars, Canada could be a highly significant and visible contributor to poverty eradication in every one of its countries of focus.

5. **Budget 2017 should initiate a gradual process towards allocating 0.15 percent of GNI to LDCs by 2021-22.** This commitment will help ensure that a predictable and significant portion of Canada's development dollars reach people in the poorest countries. The Government of Canada currently allocates around 0.09 percent of GNI to LDCs. This would require the government to allocate approximately \$3.7 bn to LDCs by 2021-22, up from \$1.7 bn in 2013-14.
6. **Budget 2017 should invest in women, adolescents and young girls – disproportionately affected by inequality, poverty and climate change – by making support for women's rights organizations a top priority for Canada.** Increased investments could better address violence against women and girls; provide budget support for social services that help lift women out of poverty; and allocate a specific funding envelope to support women's leadership,



autonomous women's rights organizations, and women's human rights defenders. To achieve this, Canada should at minimum quadruple its investment in women's rights organizations by the end of the government's first mandate – from \$5.2 mn to \$20.8 mn, an additional \$15.6 mn – and ensure that 20 percent of all ODA investments have a principal focus on advancing gender equality and women's empowerment.

#### (D) RESPONDING TO GROWING HUMANITARIAN NEEDS

Canada's response to humanitarian disasters is an area of growing importance, with Canadian humanitarian assistance rising dramatically between 2012-13 and 2014-15 from \$528 mn (2012-13) to \$847 mn (2014-15) – a 60 percent increase. As of 2014-15, humanitarian assistance represented 14.9 percent of overall spending (up from 11.4 percent five years before). Initial figures for 2015-16 suggest humanitarian spending sits at \$684 mn. We applaud the government for recognizing the importance of humanitarian funding, including through its three-year commitment of \$840 mn for humanitarian assistance in Syria and Iraq. However, the baseline funding budgeted for humanitarian assistance has remained virtually stagnant at just over \$300 mn per year for the past five years, while actual allocations have continued to grow. The difference comes from intra-departmental transfers – reducing the amount of funding going to other programming areas.

- 7. Budget 2017 should initiate a process of gradually increasing the baseline level of humanitarian spending, to a level reflective of growing global humanitarian need and in step with the overall growth of the IAE outlined in Recommendation 1.** Humanitarian efforts are growing in importance as a relative proportion of spending within international cooperation, but this is not yet reflected in baseline budgets. As the IAE grows, a larger proportion should be allocated to increasing the baseline budget for humanitarian assistance (prevention, response, relief and recovery). This would bring the baseline humanitarian budget in line with its typical year-end proportion within the IAE, and allow more long-term, timely, predictable, and effective funding for humanitarian action.

#### (E) NEW AND ADDITIONAL CLIMATE FINANCE

Last but not least, the new government has demonstrated its strong commitment to Canadian leadership in global action on climate change – including new climate finance. However, the government has not yet made it clear whether the \$2.65 bn [committed for climate finance](#) will be new and additional



funding, or if it will be drawn from the existing IAE. Furthermore, at least 50 percent of Canada's contribution must go towards adaptation efforts, and at least 50 percent must be in the form of grants and not loans. The Paris Agreement calls on countries to aim to achieve a balance between adaptation and mitigation efforts. While some allocations are still to be made, it is clear that Canada will be far off the mark on this, despite being a signatory to the Paris Agreement and despite it being in line with what developing countries are asking for. Finally, in line with Canada's international commitments, the allocation of climate finance should be assessed in relation to the principles for effective development cooperation (country ownership, inclusive partnerships, focus on results, and transparency and accountability).

- 8. Budget 2017 should clarify that the government's climate financing initiatives will be new and additional to the existing development cooperation budget and include a balance between mitigation and adaptation efforts, and between grants and loans.** The government's commitment to funding action on climate change is welcome and needed. It should not come at the expense of existing and expanded investments in global poverty eradication funded through the International Assistance Envelope. Budget 2017 should make it clear that this is *not* the case.