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Official Development Assistance Spending

INTRODUCTION

Official development assistance (ODA) spending by Canada and other donor countries has increased substantially since the mid-1990s. In 2008, global ODA totalled US\$119.8 billion, with Canada contributing US\$4.73 billion. This paper provides an overview of the key issues pertaining to Canadian ODA spending, including how it is included in the federal accounts, how Canada compares internationally, and what commitments Canada has made to further increase aid spending.

WHAT IS ODA?

The definition of ODA is set by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). The members of DAC represent 22 major ODA donor countries that are also members of the OECD, as well as the European Union's Commission. Historically, DAC members have provided the vast majority of ODA contributions. However, the OECD reports that "other donors, both within and outside the OECD, are playing an increasing role in development co-operation."⁽¹⁾

The DAC defines ODA as grants or loans to developing countries and multilateral agencies active in development that are undertaken by the official sector at concessional financial terms (if a loan, having a grant element of at least 25%), with the promotion of economic development and welfare as the main objective.

Technical cooperation is also included in aid. Grants, loans and credits to be used in military purposes are excluded.⁽²⁾

DAC members and other donors also provide development assistance that does not meet the definition of ODA.

ODA VERSUS "INTERNATIONAL ASSISTANCE"

In Canada, the federal budget and estimates normally refer to "international assistance" rather than ODA; however, the Canadian International Development Agency (CIDA) reports annual ODA totals in its regular *Statistical Report on International Assistance*.⁽³⁾ "International assistance" is a broader term than ODA: it refers to spending under the International Assistance Envelope (IAE), which "contains the budgetary allocations by the federal government to programs for international cooperation," including "allocations to CIDA, Foreign Affairs Canada, and the Department of Finance and other departments."⁽⁴⁾

It should be noted that not all components of the IAE are included in the calculation of ODA spending, and that ODA includes non-IAE spending by Canadian governments, such as bilateral debt forgiveness, provincial and municipal governments' spending on aid, and costs for newly arrived refugees and for students from developing countries studying in Canada.⁽⁵⁾ For example, although planned IAE spending for 2006–2007 was \$3.87 billion,⁽⁶⁾ the actual net ODA for that year was \$4.23 billion.⁽⁷⁾ CIDA was responsible for 67% of net ODA disbursements and expenditures in that fiscal year. The Department of Finance accounted for \$610 million (14.4% of net ODA), including 5.1% for "Official Bilateral Debt Relief." The Department of Foreign Affairs and International Trade was the third most important source of ODA, having spent \$182 million (4.3%). Other non-CIDA spending included "costs for refugees for the first year in

Canada” (\$205 million, 4.8%) and “imputed foreign student subsidies” (\$151 million, 3.6%).⁽⁸⁾

THE 0.7% TARGET

In international comparisons, levels of ODA spending are normally assessed using the United Nations (UN) target of 0.7% of gross national product (GNP) or, more recently, gross national income (GNI), as a benchmark.⁽⁹⁾ This target was set in 1969 by a UN expert commission headed by former Canadian prime minister Lester Pearson. It has been affirmed many times, including at the United Nations International Conference on Financing for Development in Monterrey, Mexico (March 2002), where leaders agreed to “urge developed countries that have not done so, to make concrete efforts towards the target of 0.7% of gross national product (GNP) as ODA to developing countries,” with 0.15% to 0.2% of GNP going to least developed countries.⁽¹⁰⁾

GLOBAL ODA FLOWS, 1997–2008

In 1997, global ODA contributions declined to their lowest level in years, with OECD DAC members providing about US\$48 billion in net ODA (0.22% of DAC members’ GNI).⁽¹¹⁾ By 2005, aid flows had increased considerably, both in absolute terms and as a percentage of GNI, reaching US\$107.1 billion (0.33% of DAC members’ GNI). However, much of the increase in recent years has been due to debt relief and humanitarian assistance, rather than additional program spending (although bilateral program expenditures increased in 2008 compared to the previous year). According to the OECD, “[i]n 2008, total net official development assistance (ODA) from members of the OECD’s Development Assistance Committee (DAC) rose by 10.2% in real terms to USD 119.8 billion. This is the highest dollar figure ever recorded. It represents 0.30% of members’ combined gross national income (GNI).”⁽¹²⁾

CANADIAN ODA SPENDING

Canada’s ODA has never come close to the 0.7% target, but it did reach 0.5% in 1986–1987. During the 1990s, the funding for Canada’s aid program absorbed large successive cuts. By 2000, the percentage of GNI spent on ODA dropped to 0.25% and Canada’s ranking among 22 OECD donor countries fell to 17th (from 6th in 1995). At the same time, additional demands on aid resources, including for emergency humanitarian relief, post-conflict reconstruction, and security-related objectives, put

further pressure on budgets for long-term development and poverty reduction programs.

Since 2000, the government has substantially increased ODA spending, which grew from \$2.6 billion in 2000–2001 to \$4.2 billion in 2006–2007.⁽¹³⁾ In 2008, Canada was the 9th largest donor in terms of net amount (US\$4.73 billion) and ranked 16th when ODA is measured as a proportion of GNI (0.32%).⁽¹⁴⁾ It should be noted that, because Canada experienced strong economic growth in the same period, the ODA–GNI ratio understates the real increases in Canadian ODA spending.

INTERNATIONAL COMPARISONS

In 2008, DAC members spent an average of 0.47% of their GNI on ODA. Total ODA represented 0.30% of combined DAC GNI. Only 5 of the 22 donor countries reached or exceeded the UN target of 0.7% of GNI: Sweden (0.98%), Luxembourg (0.92%), Norway (0.88%), Denmark (0.82%), and the Netherlands (0.80%) (see Appendix).⁽¹⁵⁾ Another 11 DAC member countries – all also members of the European Union – have made firm commitments to reach the 0.7% benchmark by 2015, the target date for many of the UN’s Millennium Development Goals. The remaining 6 countries – Australia, Canada, Japan, New Zealand, Switzerland, and the United States – have not set a timetable for increasing their ODA to 0.7% of GNI.⁽¹⁶⁾

CANADA’S COMMITMENT TO THE 0.7% TARGET

The House of Commons Standing Committee on Foreign Affairs and International Trade has repeatedly called on the government to strengthen its efforts to reach the 0.7% target, including in 2002, when it recommended that “Canada should ... propose a realistic timetable for achieving the UN’s target for official development assistance (ODA) of 0.7% of GNP,”⁽¹⁷⁾ and in 2003, when it called on the government to “commit itself to an additional increase in the development budget to enable it to reach the 0.7% target with all deliberate speed.”⁽¹⁸⁾ Also in 2003, a report prepared by the Subcommittee on Human Rights and International Development called on the government to “propose a realistic timetable for achieving the UN’s ODA target of 0.7%.”⁽¹⁹⁾

In February 2005, the leaders of the three opposition parties in the House of Commons wrote a letter to Prime Minister Paul Martin that stated:

In 1969, it was a Liberal government that committed Canada to increase foreign assistance spending to levels equal to 0.7% of GNI. To date, there has been utter failure to make good on that commitment. We urge you to establish a clear and mandated approach to steady and predictable increases to Canada's Official Development Assistance beginning with a significant one-time increase in the ODA budget.⁽²⁰⁾

Finally, in June 2005 the House of Commons Standing Committee on Foreign Affairs and International Trade tabled a report that received unanimous concurrence on 28 June 2005 in the House of Commons. The report called on the government:

To accep[t] and to act upon the near-unanimous recommendations of Committee witnesses from 2003 to date to honour the Millennium Development Goals and to commit immediately, through a plan, to increase Canada's aid budget by 12 to 15% annually to achieve an aid level of 0.5% of Canada's Gross National Product by 2010 and 0.7% of Canada's GNP by 2015.⁽²¹⁾

While debate continues about aid volumes – with many observers arguing that further substantial increases in ODA are needed to meet internationally agreed-upon development goals – some argue that there is equal need to focus attention on the effectiveness and efficiency of existing and proposed ODA spending.

RECENT DEVELOPMENTS

The federal budgets adopted since 2002 have not set out a firm timetable for increasing Canadian ODA spending with the goal of reaching the 0.7% target by a specific date. The 2008 Budget reiterated the Canadian government's longstanding commitment "to double international assistance by 2010–2011 from 2001–2002 levels" and to "double its aid to Africa in 2008–2009 from its 2003–2004 levels, making it the first G8 country to deliver on this commitment."⁽²²⁾ According to Bill Morton of the Ottawa-based North-South Institute: "The only new increase in addition to the growth associated with doubling aid is an extra \$100m in 2008–2009 to Afghanistan, for reconstruction and development (including training to the Afghan National Police, and Army)."⁽²³⁾ The Canadian Council for International Cooperation (CCIC) has stated that despite a commitment in

Budget 2007 to an 8% increase in foreign aid through to 2010 and the addition in the supplementary estimates of \$230 million for ODA in 2008–2009, in the absence of foreign aid commitments in Budget 2009, the ODA-to-GNI ratio will remain virtually unchanged.⁽²⁴⁾

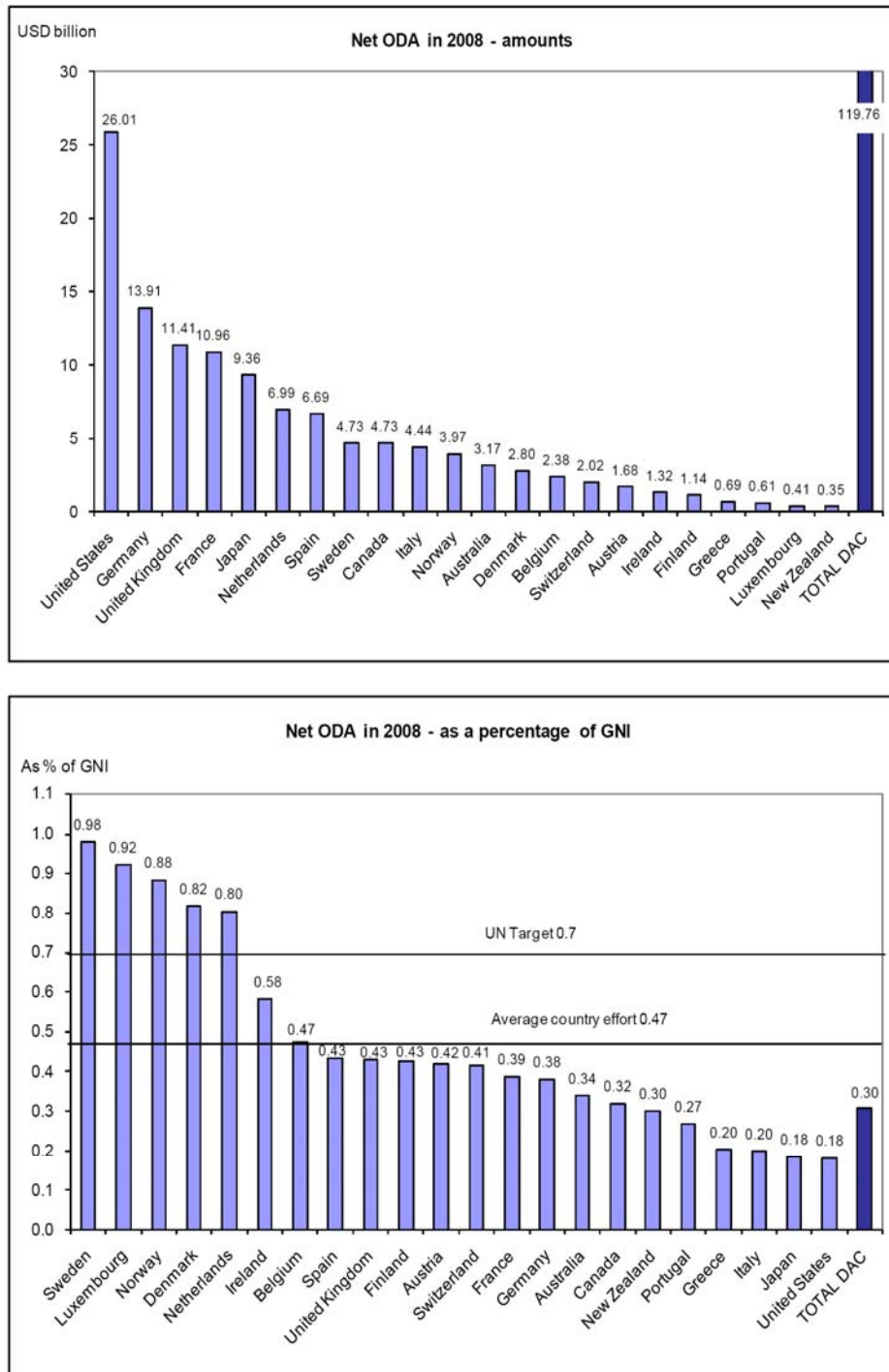
Canadian non-governmental organizations and some international observers⁽²⁵⁾ have long criticized Canada's failure to make good on its commitment to increase ODA significantly with a view to reaching the 0.7% target. The CCIC calculates that Canadian ODA spending would have to increase "by 15% annually for the next ten years to reach the United Nations aid target of 0.7% of GNI by 2017."⁽²⁶⁾

- (1) Organisation for Economic Co-operation and Development [OECD], *OECD Journal on Development: 2005 Development Co-operation Report*, Vol. 7, No. 1, p. 103.
- (2) *Ibid.*, p. 260.
- (3) For the most recent report, see Canadian International Development Agency [CIDA], *Statistical Report on International Assistance – Fiscal Year 2006–2007*, March 2009, [http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/stats/\\$file/CIDA_STATS_REPORT_ON_ODA%202006-07-E.pdf](http://www.acdi-cida.gc.ca/INET/IMAGES.NSF/vLUIImages/stats/$file/CIDA_STATS_REPORT_ON_ODA%202006-07-E.pdf).
- (4) Canadian Council for International Co-operation [CCIC], "The 2007 Federal Budget – CCIC Pre-Budget Backgrounder," Ottawa, October 2006, p. 1, note 1, http://ccic.ca/e/docs/002_aid_2006-10_pre_budget_backgrounder.pdf.
- (5) *Ibid.*
- (6) CIDA, *Estimates 2006–2007, Part III – Report on Plans and Priorities*, p. 48.
- (7) CIDA (March 2009), pp. 3, 10.
- (8) Percentages are calculated based on CIDA (March 2009), Table A-2, pp. 7 and 10.
- (9) Gross domestic product (GDP) is the total value of all goods and services produced within a country during a given year. It is also a measure of the income generated by production within a country. Gross National Product (GNP), which is now referred to as Gross National Income (GNI), is made up of GDP plus the net income earned from investments abroad, minus similar payments made to non-residents who contribute to the domestic economy. (Adapted from CIDA and Farmers Helping Farmers (Prince Edward Island), *Global Classroom Initiative*, "Global Issues 621," http://www.edu.pe.ca/global_ed/521/terms.htm).
- (10) United Nations, *Financing for Development: Building on Monterrey*, New York, 2002, p. 8, <http://www.un.org/esa/ffd/>.

- (11) OECD, *Development Co-Operation Report 1998*, Table 4, pp. A7–A8.
- (12) OECD, “Development aid at its highest level ever in 2008,” 30 March 2009, http://www.oecd.org/document/35/0,3343,en_2649_34487_42458595_1_1_1_1,00.html.
- (13) CIDA (2009), Table A-2, p. 10.
- (14) OECD, “Chart 1: Net Official Development Assistance in 2008,” in *Development aid at its highest level ever in 2008*, 30 March 2009, <http://www.oecd.org/dataoecd/47/52/42458612.pdf>. (Included as Figure 1 in the appendix to this paper.)
- (15) Ibid.
- (16) United Nations, *The Millennium Development Goals Report 2006*, New York, 2006, <http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2006/MDGReport2006.pdf>. For an overview of ODA targets set by the DAC member countries in 2002 and their performance by 2006, see OECD, “Table 4.1: ODA performance in 2006 against the Monterrey targets set in 2002,” in Chapter 4, *Development Co-operation Report 2007*, Vol. 9, No. 1, 2008.
- (17) House of Commons, Standing Committee on Foreign Affairs and International Trade, *Securing Progress for Africa and the World: A Report on Canadian Priorities for the 2002 G8 Summit*, 1st Session, 37th Parliament, June 2002, <http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=1032140&Language=E&Mode=1&Parl=37&Ses=1>.
- (18) House of Commons, Standing Committee on Foreign Affairs and International Trade, *A Contribution to the Foreign Policy Dialogue*, 2nd Session, 37th Parliament, May 2003, <http://cmte.parl.gc.ca/Content/HOC/committee/372/fait/reports/rp1032318/faitrp06/faitrp06-e.pdf>.
- (19) House of Commons, Standing Committee on Foreign Affairs and International Trade, *HIV/AIDS and the Humanitarian Catastrophe in Sub-Saharan Africa*, 2nd Session, 37th Parliament, June 2003, p. 61, <http://cmte.parl.gc.ca/Content/HOC/committee/372/fait/reports/rp1032317/faitrp08/faitrp08-e.pdf>.
- (20) Stephen Harper, Gilles Duceppe, and Jack Layton, Letter to the Rt. Hon. Paul Martin, Prime Minister of Canada, 17 February 2005.
- (21) House of Commons, Standing Committee on Foreign Affairs and International Trade, 12th Report, 1st Session, 38th Parliament, <http://cmte.parl.gc.ca/cmte/CommitteePublication.aspx?COM=8979&Lang=1&SourceId=120069>.
- (22) Government of Canada, *The Budget Plan 2008*, 26 February 2008, p. 181, <http://www.budget.gc.ca/2008/pdf/plan-eng.pdf>.
- (23) Bill Morton, “2008 Federal Budget,” The North-South Institute, 27 February 2008, <http://northsouthinstitute.wordpress.com/2008/02/27/2008-federal-budget/>.
- (24) CCIC, “World’s Poor – Harder Hit by Global Financial Crisis – Missing from Federal Budget,” News release, 27 January 2009, http://www.ccic.ca/e/004/news_2009-01-27_missing_from_federal_budget.shtml.
- (25) See, for example, Lee Berthiaume, “Canada Big on Support, Low on Substance for MDGs,” *Embassy*, 8 August 2007; Andrew Mayeda and Norma Greenaway, “Harper under fire over environment and African aid,” *CanWest News Service*, 4 June 2007.
- (26) CCIC, “Conservative Government Fails to Deliver on Foreign Aid,” 26 February 2008, http://www.ccic.ca/e/004/news_2008-02-26_conservative_government_fails_to_deliver_on_foreign_aid.shtml.

APPENDIX

Figure 1 – DAC Members’ Net Official Development Assistance in 2008



Source: Organisation for Economic Co-operation and Development, “Chart 1: Net Official Development Assistance in 2008,” in *Development aid at its highest level ever in 2008*, 30 March 2009, <http://www.oecd.org/dataoecd/47/52/42458612.pdf>.