Unpacking the Dynamics of Canadian Aid:
Reflections on recent trends and issues from 2015/16 to 2023/24

Launching a series of Briefing Notes on Trends in Canadian ODA

Prepared for Cooperation Canada, by

Brian Tomlinson

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AidWatch Canada

Promoting Social Justice

Overview of the Briefing Notes

Purpose

1. **Documenting the changes in Canadian ODA over the past decade,** in light of Government aid commitments, responses to urgent global challenges (a deepening climate crisis and the Covid-19 pandemic) and Canadian foreign policy preoccupations (the war in Ukraine).
2. **Assessing the implications of Canadian ODA trends for development effectiveness** (locally led development cooperation and country ownership) **and for a focus on reducing poverty and inequalities**

Four Briefing Notes

Briefing Note One: Overall Trends in Canadian ODA: What are key factors affecting its volume and allocations?

Briefing Note Two: What issues are driving the changing priorities in Canadian ODA?

Briefing Note Three: Is Canadian ODA focusing on tacking poverty and inequalities? and

Briefing Note Four: Channels for Delivering Canadian ODA: Disaggregating Canadian aid flows for multilaterals and CSOs.

Summary Paper: Unpacking the Dynamics of Canadian Aid: Reflections on recent trends and issues from 2015/16 to 2023/24

Polycrisis: The evolving context for development cooperation

Converging episodic and embedded global crises have exacerbated gross inequalities and conditions for poor and vulnerable populations:

- **Many developing countries have not recovered from pandemic impacts**, with 100 million people falling into extreme poverty
- **Time is running out to address a climate crisis out of control**, with deeply disappointing UNFCCC outcomes for future climate finance
- **"The worst debt crisis ever …"** → From 2012 to 2022 the poorest countries increased their external debt by 134%, paying a record US$88.9 billion in 2022 in debt service costs → 46 countries are spending more on interest than health care.
- **Growing numbers of protracted crisis contexts and state fragility** → Declining respect for norms in conflict; Rising numbers of displaced, migrants and refugees, with surging levels of state-promoted racism; diversion of aid resources to geo-political foreign policy interests.

Compounding a deepening of distrust from the global south in the efficacy of development cooperation for supporting country-led, locally-led development priorities.

At same time donors are reducing their aid, while ODA is being asked to deliver on multiple donor agendas and is increasingly shaped by geopolitical competition.

Canadian ODA is not immune to these global trends: How have they shaped our aid and its priorities?

Structuring the findings …

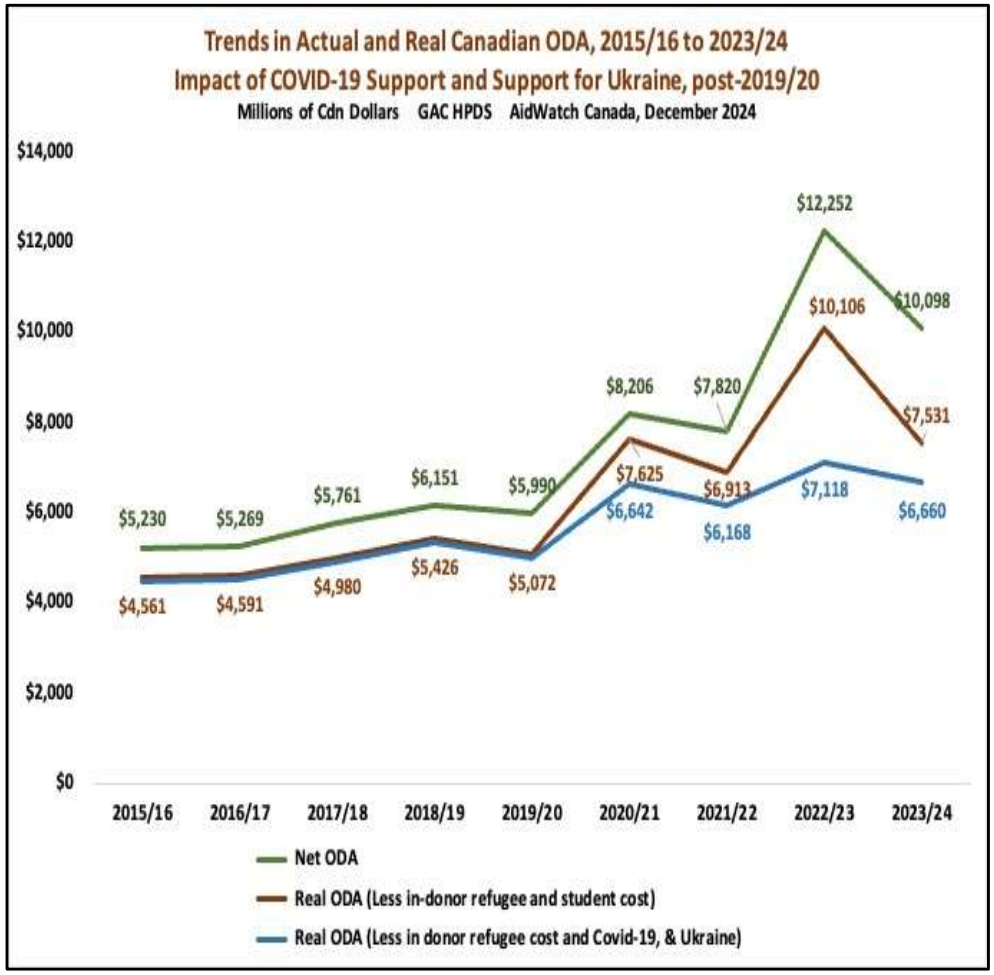
1. Disaggregating trends in Canadian aid volumes

2. Indicators of effectiveness of Canadian ODA reaching poor and vulnerable populations

3. Trends and issues in the channels and modalities for Canadian aid

4. Concluding summary reflections

Canadian Aid Volumes:
What are the overarching trends?



Substantial increases since 2015/16 are reversed with major cuts in 2023/24

Slow ODA growth to 2019/20 and then large (105%) increases to 2022/23, with a decline by 18% in 2023/24, and likely to remain lower in 2024/25. (**Green line**)

Including in-donor refugee costs significantly inflates Canadian aid, by 25% in 2023/24, but Real ODA is still 48% higher in 2023/24 than 2019/20. (**Red line**)

Disaggregating the impact of Canadian support for Covid-19 Control and for Ukraine in the context of the Russian war in Ukraine.

Real ODA for other purposes ($6.7 billion in 2023/24) still increased by 31% from 2019/20, after deducting these special purposes, but largely flat since 2020/21 (cut of 6.5% between 2022/23 and 2023/24). (**Blue line**)

Canadian Aid Volumes:
Impact of Covid-19 Support and support for Ukraine on Canadian ODA

Covid-19 Support

Substantial commitment → over three years (2020/21 to 2022/23), **$2.3 billion for Covid-19 Control**, but only $59 million in 2023/24.

Largely additional to ODA for other purposes → 10% of Real ODA over three years.

Canada ranked 4th among DAC peers for Covid-19 Control support (only the US, Germany and Japan had larger share).

Mainly delivered through multilateral system (GAVI Vaccine Alliance and Unicef)

Donated vaccines through Public Health Agency of Canada → $250 million for in-kind vaccines → Canada hoarded vaccines, 11 doses for each Canadian

The poorest developing countries have not yet recovered to pre-pandemic economic conditions.

Unprecedented response to war in Ukraine

Unprecedented county allocation: $3 billion in ODA 2022/23 and 2023/24 and $5 billion in additional non-ODA international assistance.

ODA to Ukraine is 17% of Real ODA over two years.

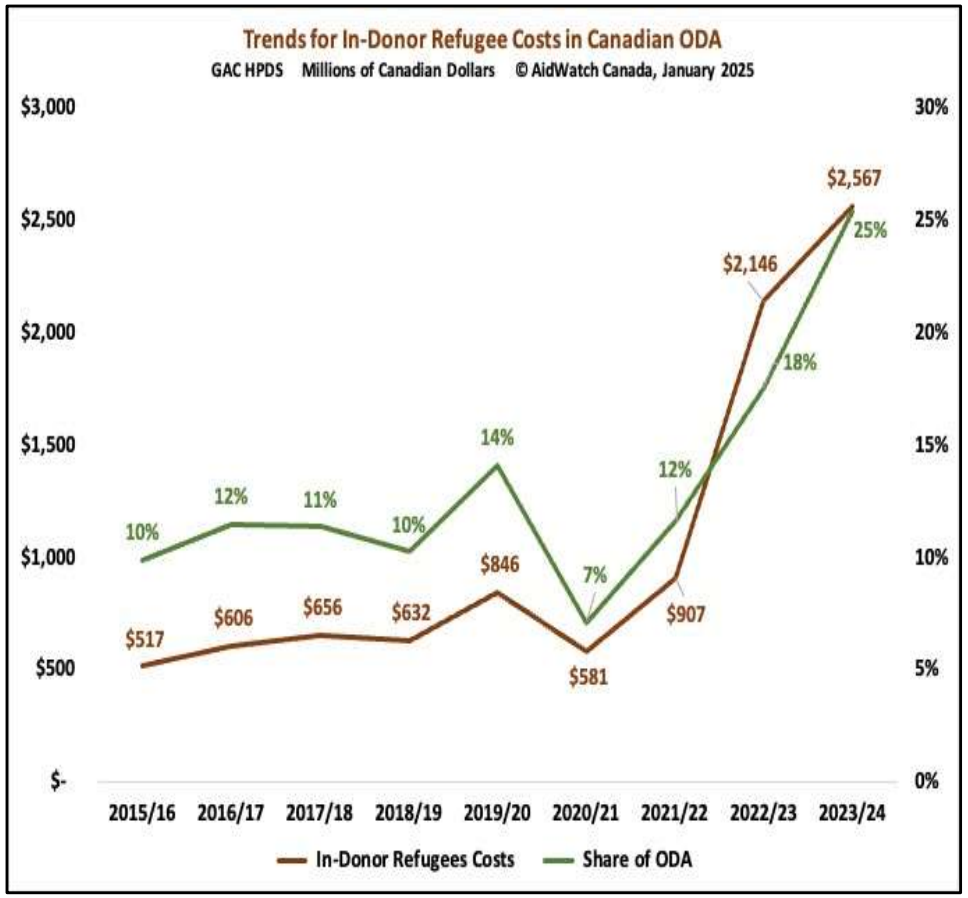
Canada ranked #1 among DAC donors in share of Ukraine in ODA and #3 in terms of total volume of this aid (only the US and Germany provided more ODA to Ukraine)

Largely loans (78% of ODA to Ukraine) through World Bank and IMF facilities (Department of Finance)

GAC managed $496 million, with just over half of this amount as humanitarian assistance.

To date no reduction of ODA for other purposes, but given the large reconstruction needs, what impact in an era of declining ODA budgets?

Canadian Aid Volumes:
Inflation of Canadian ODA: Trends in in-donor refugee costs



Dramatic growth of in-donor refugee costs in Canadian ODA

ODA significantly inflated → Grown from average 11% share of ODA up to 2021/22, to **25% in 2023/24**

Largely due to influx of Ukrainian refugees following the Russian invasion of Ukraine

Canada ranked 5th among DAC peers in the amount of refugee costs reported in 2023

CSOs challenge the inclusion of refugee costs in ODA → human rights obligation, but ODA is measure of donor efforts in reducing poverty and inequalities in developing countries.

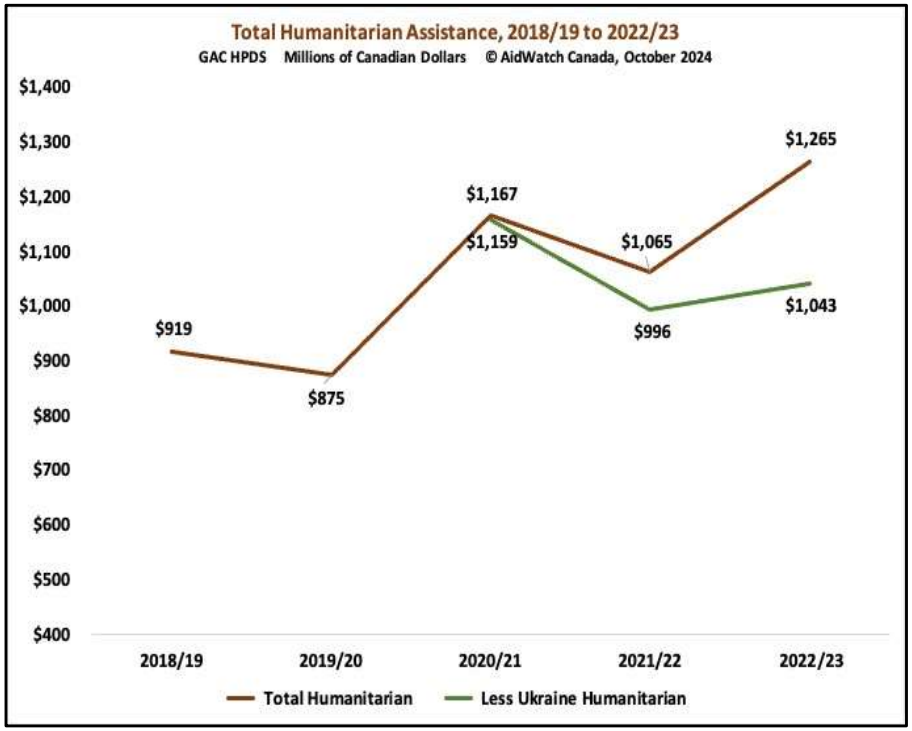
Canadian Aid Volumes:
Did the Government meet its commitment to increase the International Assistance Envelope (IAE)?

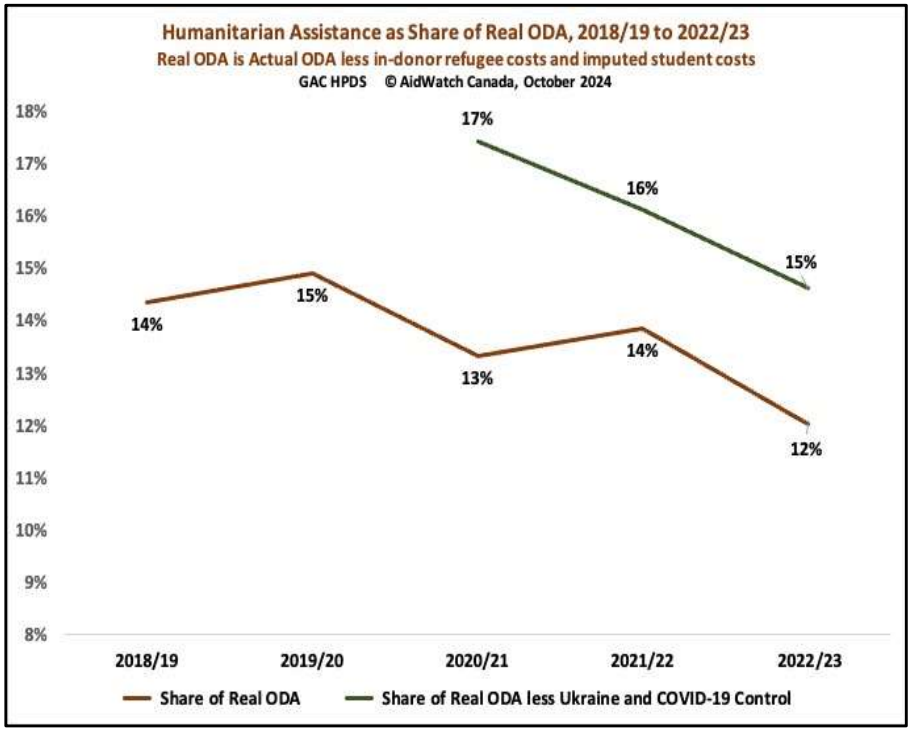
The Government invested just under $3 billion in the IAE over and above its intended (modest) six-year commitment of $2.1 billion, after accounting for Covid-19 Control and extra-ordinary support for Ukraine.

Millions of Dollars	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
1. Increase in IAE over 2017/18	$100	$200	$300	$400	$500	$600	**$2,100**
2. Actual IAE Increase	$47	-$38	$2,105	$1,652	$7,489	$3,212	**$14,466**
3. Covid-19 Additional			$933	$585	$807	$59	**$2,384**
4. Ukraine Additional					$4,919	$2,098	**$7,017**
5. Additional for Other Purposes (2 less 3, less 4)							**$5,065**
6. Additional compared to 2017/18 (5 less 1)							**$2,965**

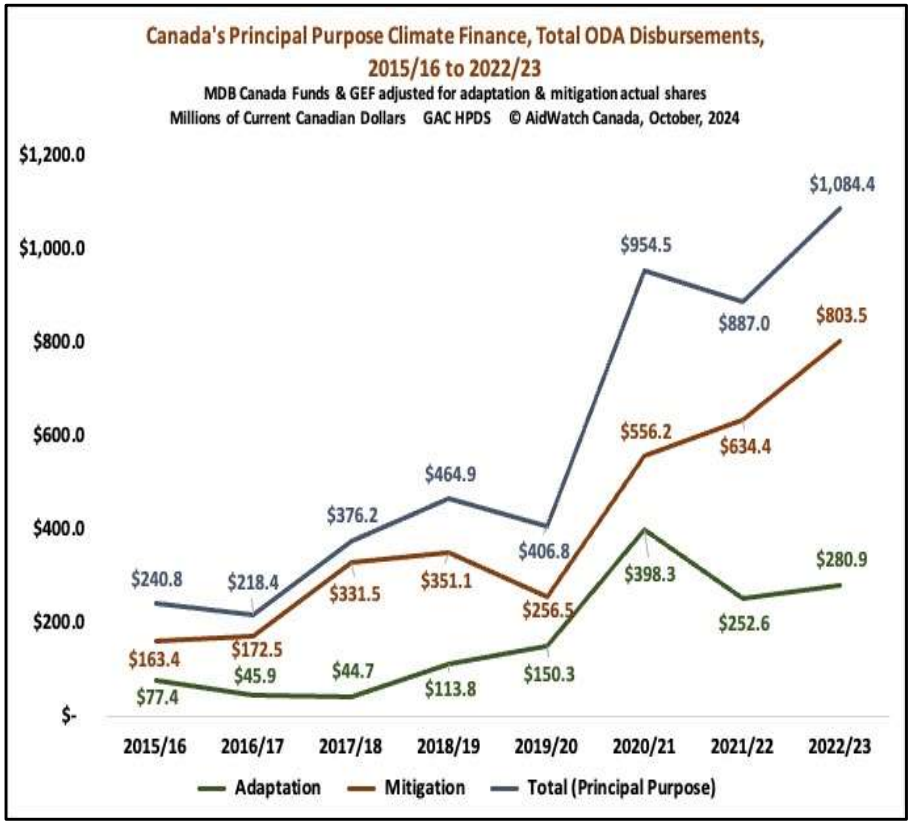
But post-2023/24, IAE reductions, together with Ukraine priority, does not bode well for 2021 commitment to increase the IAE each year to 2030.

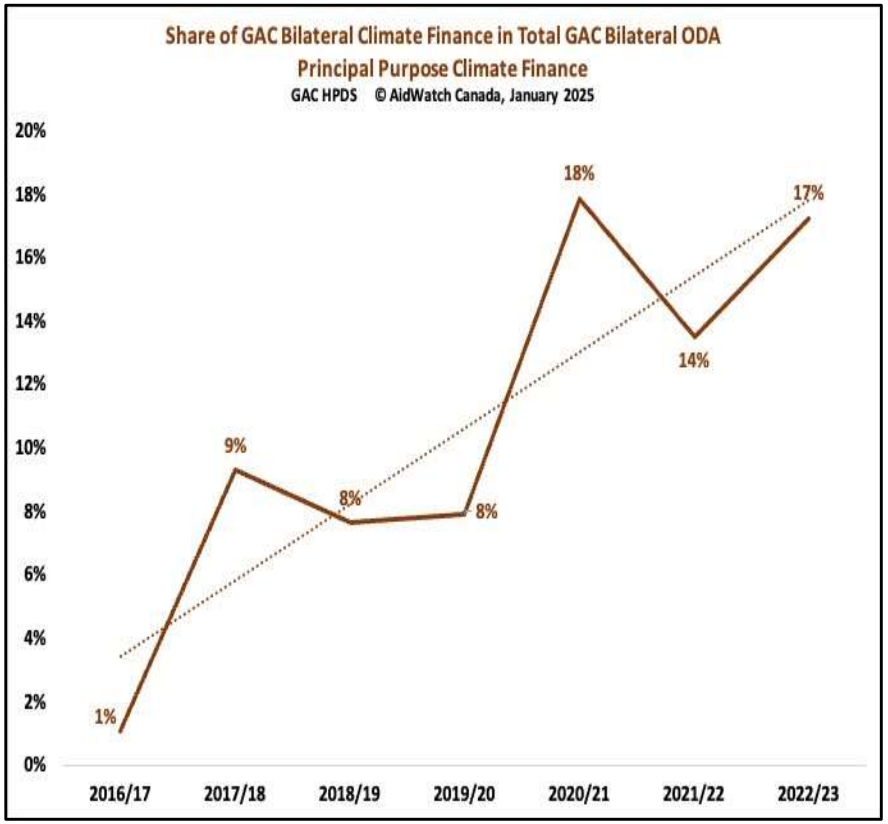
Canadian Aid Volumes:
Humanitarian Assistance increased in volume, but diminished as a share of Real ODA, but not when Ukraine and Covid-19 Support is removed, compared to 2019/20





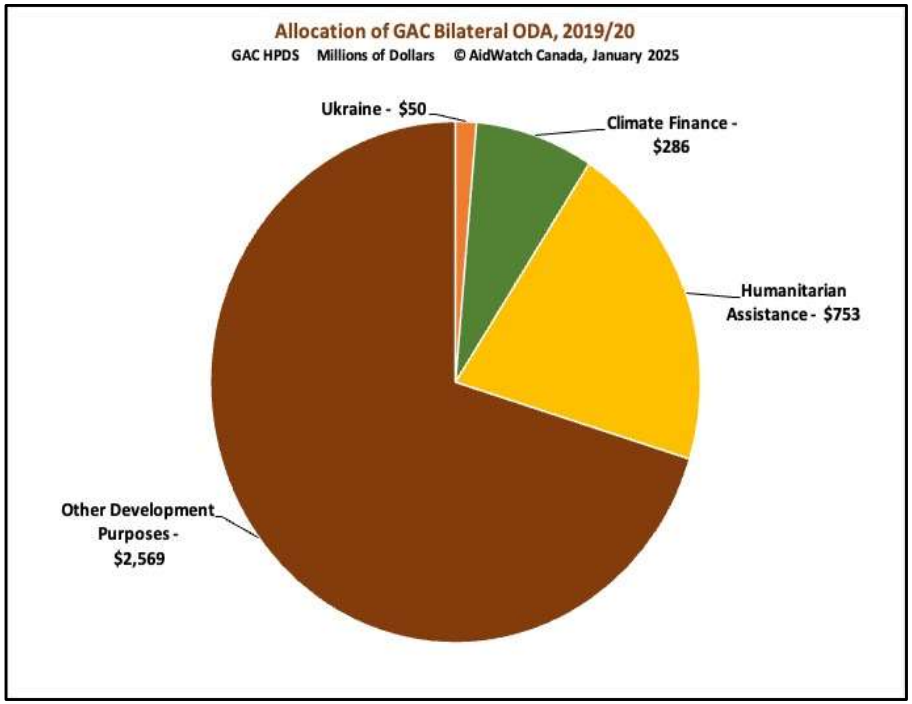
Canadian Aid Volumes:
Increasing ODA to Canada's response to the climate emergency

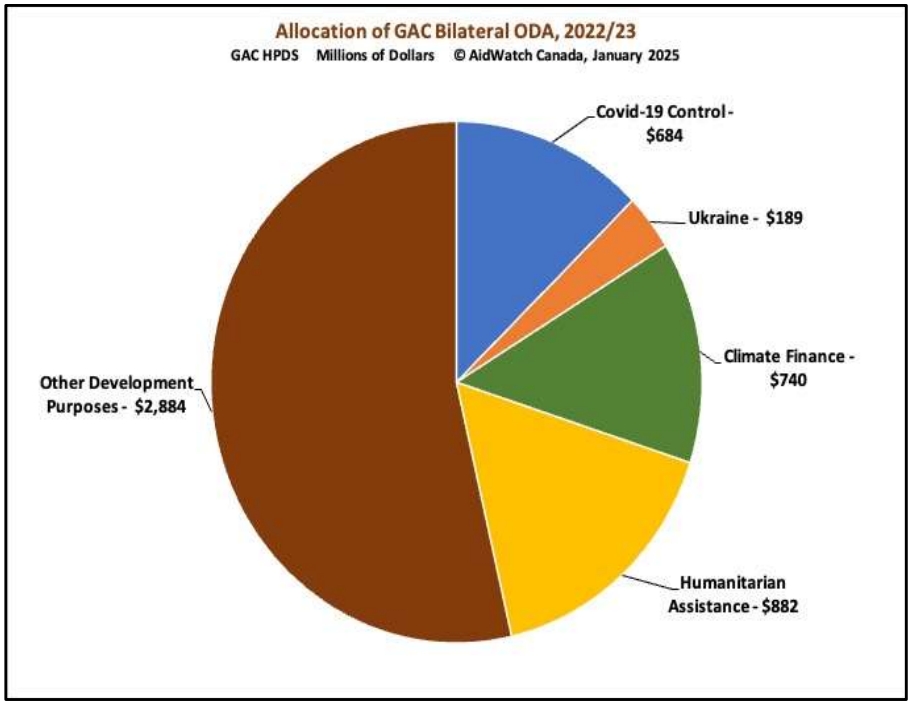




Canadian Aid Volumes:
GAC Bilateral ODA Allocations, 2019/20 compared to 2022/23:
GAC Bilateral ODA available for other development purposes

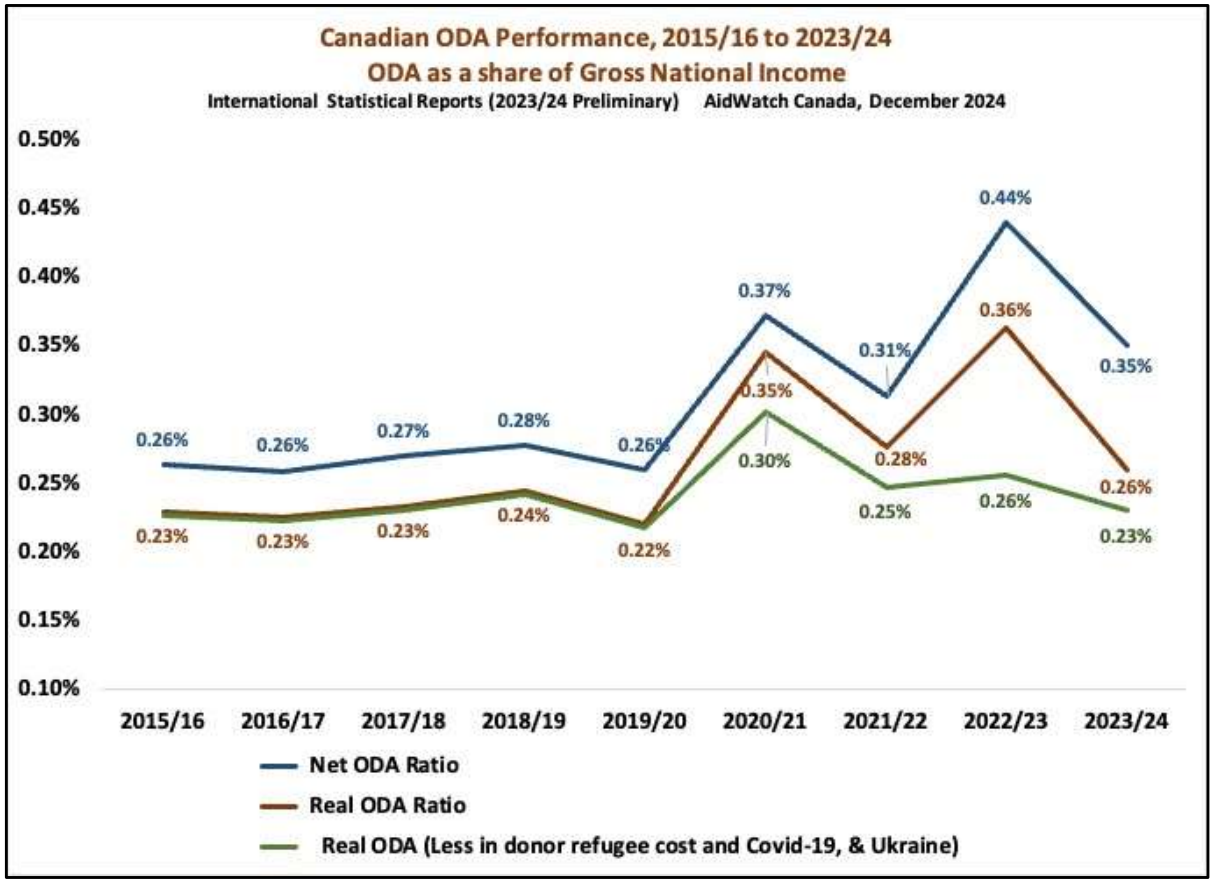
IAE has expanded sufficiently to protect bilateral aid for other purposes, but only a very modest increase (12%) since 2019/20





Canadian Aid Volumes:
Canadian ODA performance is declining to pre-pandemic levels, far off the UN target of 0.7% of GNI

2023/24 performance (0.23%) comparable to 2019/20 (less in-donor refugees, Covid-19 and Ukraine)



Effectiveness of Canadian ODA reaching poor and vulnerable populations: Gender equality and women's empowerment

FIAP has had a positive and growing impact on gender in Canada's aid priorities

Target for gender integrated projects:

80% of GAC bilateral projects between 2017/18 and 2022/23

Achieved an **average of 79%,** growing from 76% in 2020/21 to 83% in 2022/23

Target for gender specific projects:

15% of GAC bilateral projects by 2022/23: Achieved six year **average of 9%,** and only 8% in 2022/23

CSOs' share in these disbursements doubled from 43% in 2017/18 to 80% in 2022/23 (Women's Voice and Leadership Program and Equality Fund)

Target for support for women's rights organizations: $150 million over five years

Achieved $640.9 million between 2018/19 and 2022/23

Equality Fund is "a conscious effort to shift power to women's rights and feminist organizations in the Global South" and its "grant making model reflects many good practices for locally led development." But evaluation also concluded that this initiative had little impact on GAC's own modalities of programming, consistent with a feminist approach. (GAC Evaluation of Equality Fund, 2024)

GAC ranked 2cd after Netherlands for share of total gender equality projects in its bilateral ODA (2021/2022 average), but only 7th for gender specific projects.

Effectiveness of Canadian ODA reaching poor and vulnerable populations:

Little advancement for aid to Sub-Saharan Africa and Least Developed Countries

Sub-Saharan Africa

FIAP Commitment: 50% of bilateral aid

Performance largely unchanged: Increased marginally from 43% in 2017/18 to 45% in 2021/22, and then dropped to 42% in 2022/23 (excluding Ukraine).

No strategy to achieve the FIAP commitment.

Canada ranks 12th among DAC donors for share of total bilateral ODA for Sub-Saharan Africa.

CSOs strong emphasis on Sub-Saharan Africa: From 45% in 2018/19 to 52% in both 2021/22 and 2022/23

Least Developed Countries

Disbursement shares influenced by large regional allocations, with no countries specified

Country Income Groups (2022/23 excluding Ukraine)**:**

- Least Developed Countries (LDCs): 34%
- Lower Middle Income Countries: 18%
- Upper Middle Income Countries: 14%
- Regional Programs: 35%

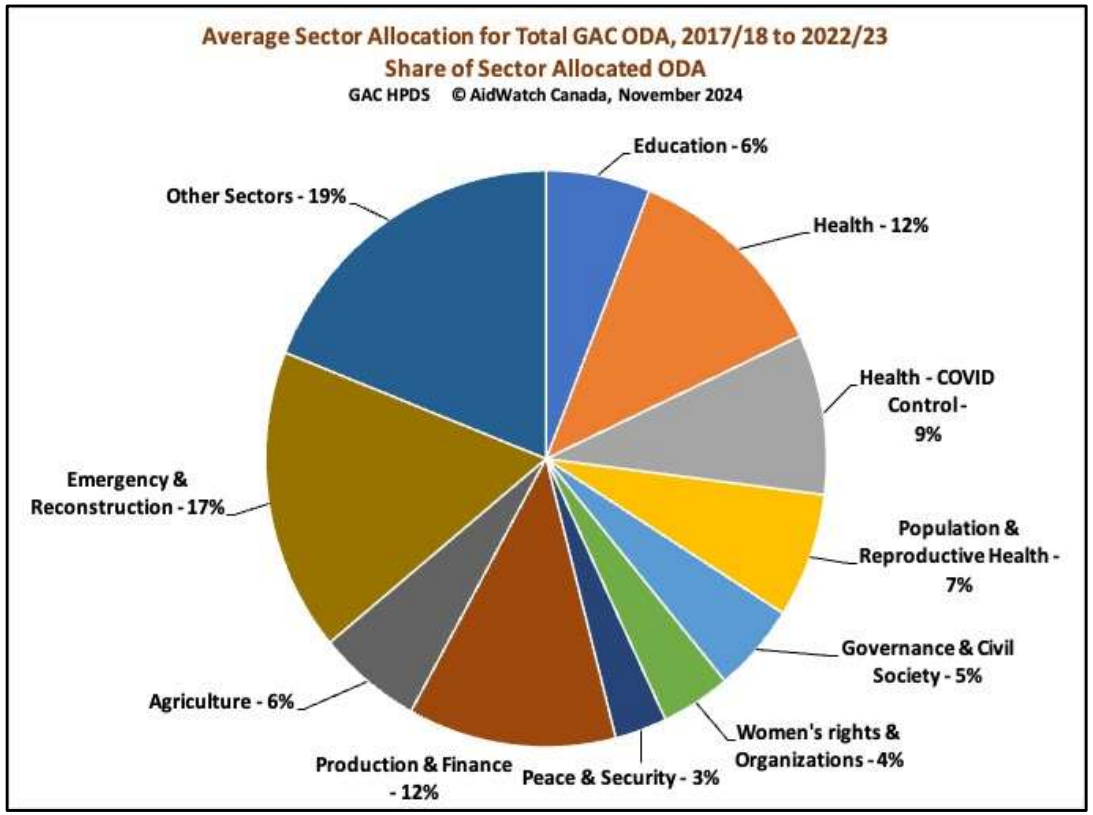
UN Target: 0.15% to 0.20% of GNI to LDCs

Canada Performance: 0.06% to LDCs (2019 to 2022 average)

Canada ranks 15th among DAC donors

Effectiveness of Canadian ODA reaching poor and vulnerable populations:

Mixed record on focus on sectors important for reducing poverty



Trend in Canada's record is mixed, but strong relative to DAC peers

- **Health (Including Reproductive Health):** Growth from 25% in 2017/18 to 2019/20 period to 30% in 2022/23 → but declined to 19% when Covid-19 is removed → Dollar value increased by 80%, but by 13% when Covid-19 is removed

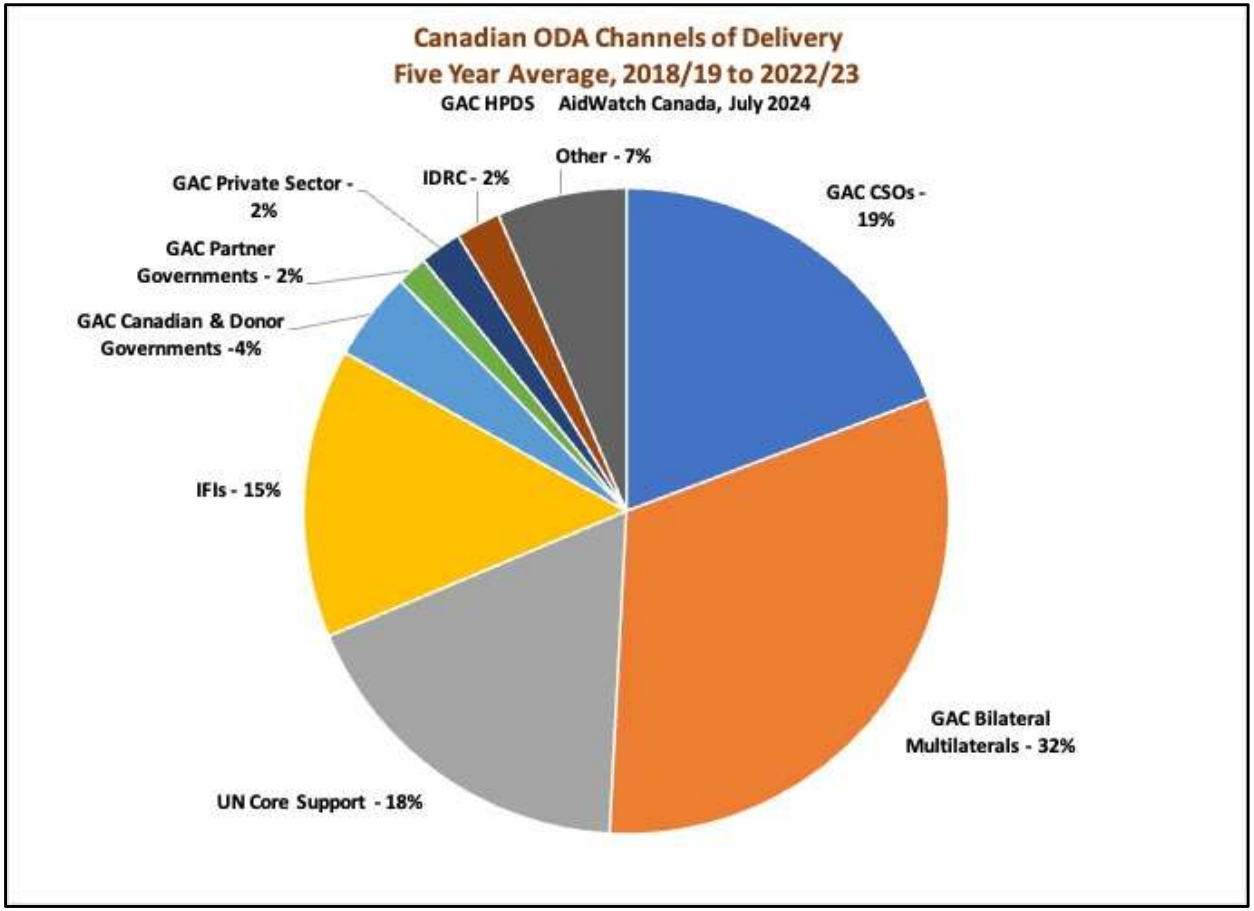
Canada ranked high -- 3rd to 6th -- among DAC peers in 2022 for education, health, reproductive health, women's rights organizations, agriculture

DAC poverty orientation metric: 34% (ranks 3rd) (Food security, basic social services, justice, social protection)

CSOs more than 35% of sector allocations for key sectors: Women's Rights Organizations (64%), Government and Civil Society (49%), Reproductive health (43%), health (38%), Education (38%)

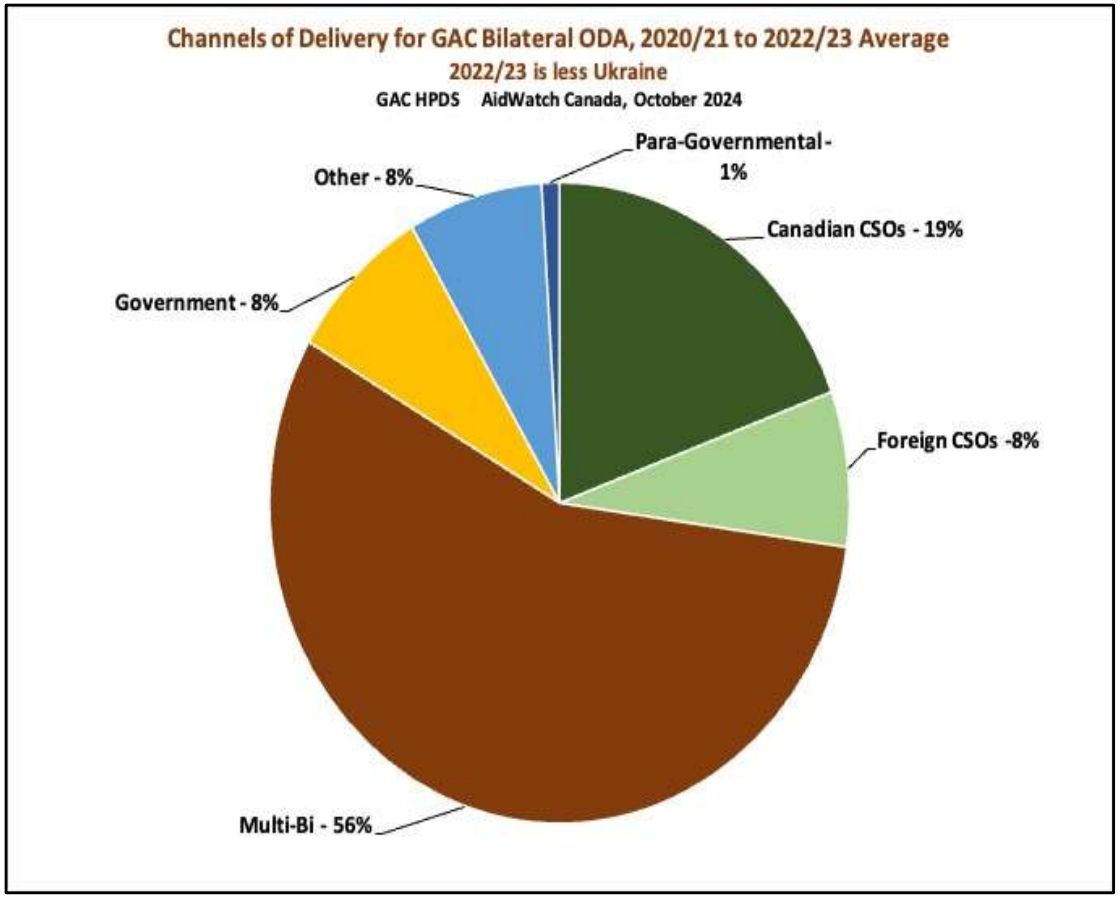
Channels and Modalities for Canadian ODA:
Channels of Delivery for Real Canadian ODA (2018/19 to 2022/23 Average)

Multilateral channels – 65% of Real ODA; CSO channels – 19%



Channels and Modalities for Canadian ODA:

Channels of Delivery for Bilateral ODA (2020/21 to 2022/23 Average)



Delivering Bilateral ODA

CSOs are channels for 27% of bilateral ODA

Multilaterals are channels for 56%

Multi/Bi financing often involves donor earmarking → Canada ranks 3rd among 32 DAC donors on scale of ODA earmarking in multilateral organizations

Key multilateral partners for Canada's Multi/Bi: UNICEF, World Food Program, UNDP, UNHCR

Sectors for Canadian Multi/Bi financing: Humanitarian Assistance (24%), Health (26%), Energy (16%), Agriculture (7%)

Alternative is to strengthen core support for multilateral system & ensure developing country governments are leading in setting country priorities for these institutions.

Channels and Modalities for Canadian ODA:

Very low levels of country programmable bilateral aid

Overall shift in Canadian ODA from "Country Programmable Aid" – aid available for addressing country priorities – to Global Public Goods (e.g. climate change mitigation, refugees in donor countries, food security [CGIAR], research and infectious diseases)

Country programmable aid now only half of DAC donors bilateral ODA -52%

For Canada,

- Only 17% of Canada's bilateral ODA in 2022 was considered country programmable aid by the DAC
- Canada **ranked 29th** out of 30 DAC donors in their share of CPA in their ODA

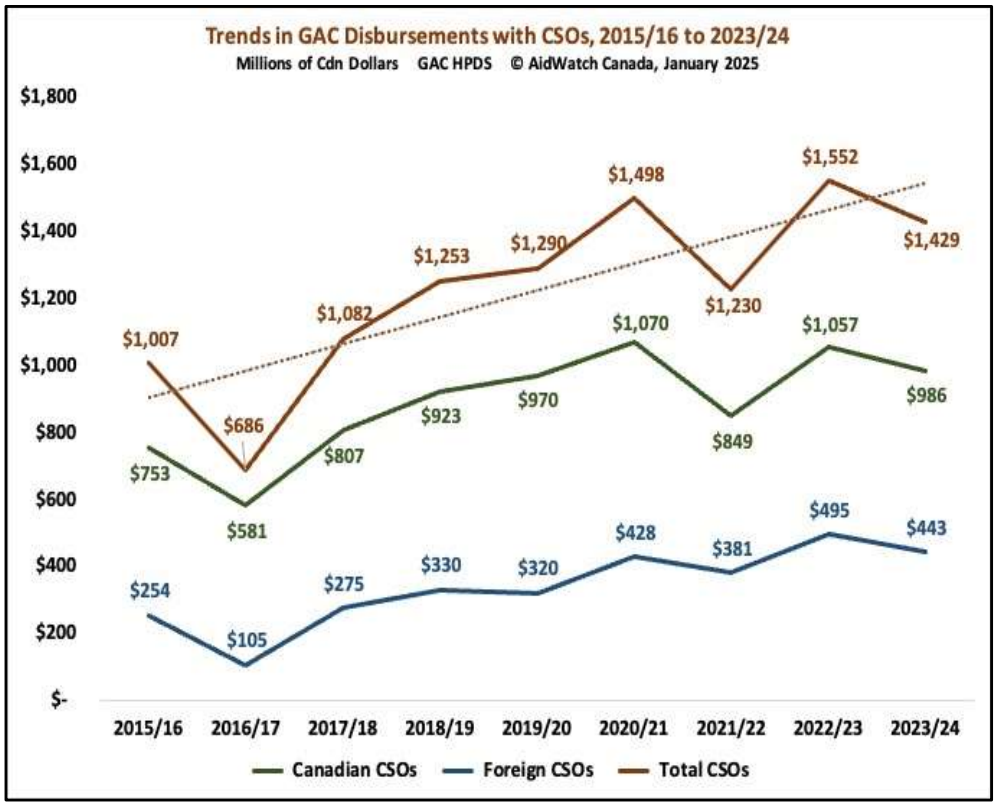
- Only **2% of Canadian ODA was implemented by a partner country government** (2018/19 to 2022/23 average)

Issues in the shift to support for Global Public Goods

- Diversion of aid from country determined priorities;
- Limited role of developing countries in determining GPGs allocations and priorities (e.g. UNFCCC);
- Defining the eligibility of GPGs in ODA – in donor refugee costs, mitigation expenditures?
- Including in ODA only GPGs with the most significant impacts for developing countries?

Channels and Modalities for Canadian ODA:

CSOs as major actors in Canadian ODA



Volume of support for CSOs

ODA volume channeled with CSOs increased by 42% between 2015/16 and 2023/24, largely prior to 2020/21, when growth leveled off at 2% over 2019/20.

Share of bilateral ODA also increased, from 30% in 2015/16 to 37% in 2023/24

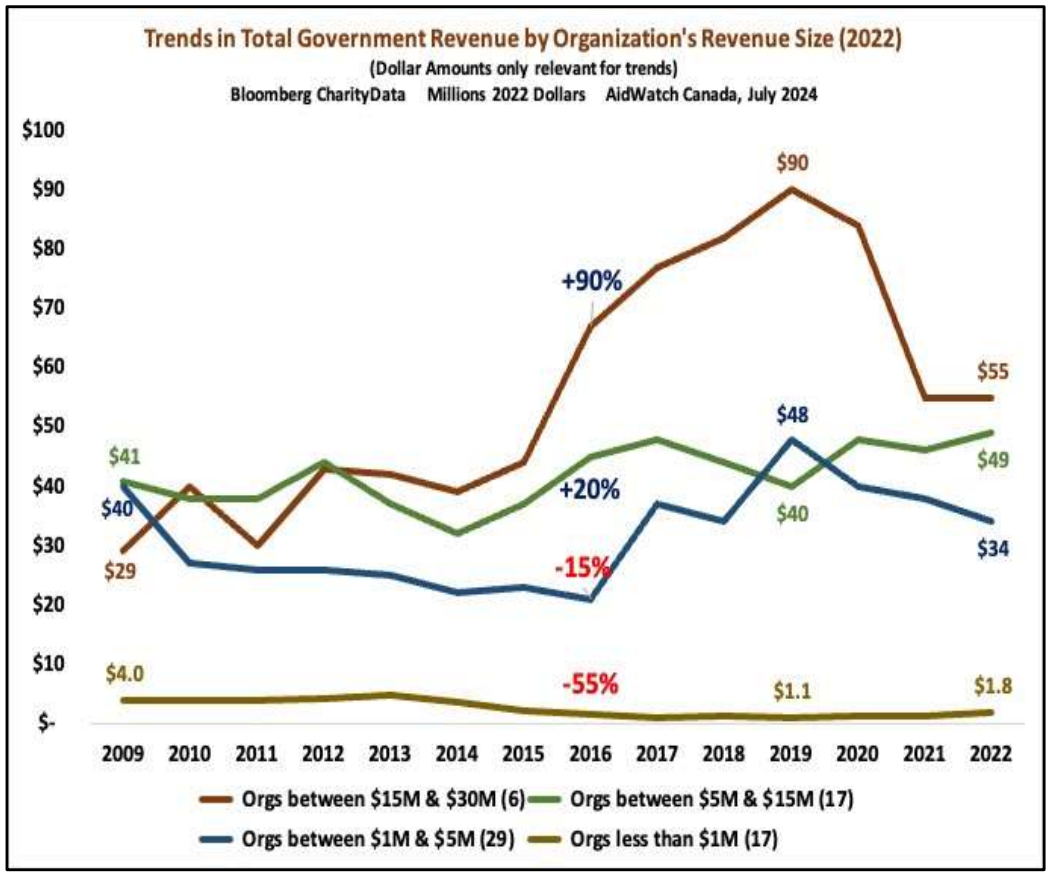
Canada's rank among DAC peers dropped from 8th in 2019 to 13th in 2022.

Support for Foreign CSOs has been growing (by 36%, 2020/21 to 2023/24 average compared to 2019/20), but almost all northern-based:

- **Only 7% of Canadian CSO support in 2021 directly with global south CSOs**
- Canada ranked 17th among 28 donors in direct support for global south CSOs

Channels and Modalities for Canadian ODA:

Funding mechanisms (Calls and Unsolicited) since 2010 have distorted CSO sector



Long-term Canadian CSO government revenue trends (2009 to 2022)

Government abandoned program based support in 2010/11 for competitive calls-for-proposals and unsolicited mechanisms.

Differential experience for different sized organizations

- **Smaller organizations sharp decline in revenue** (-55%), & more modest decline for those slightly larger (-15%)
- **All large CSOs experienced increased revenue**, with the largest by 90%, and medium large by 20%
- **Top 20 CSOs receive 61% of GAC resources** (2020/21 to 2022/23)
- **Proxy for Small Organizations:** The number of Canadian CSO recipients receiving less than $500,000 in GAC disbursements has declined from 186 in 2010/11, to 74 in 2015/16, and up slightly to 83 in 2022/23.

Modalities and Channels for Canadian ODA:

ODA as a catalyst for private sector mobilization a key objective in Canadian aid policy

FinDev Canada

- **Capitalization:** From 2018/19 to 2023/24 Canada **reported a total of $1,426 million in capitalization** for FinDev
  - approximately **4% of Real ODA** over these five years
  - Most capitalization from retained earnings of EDC, not from IAE
  - June 2024 announced of a further $720 million in capitalization
  - FinDev has announced US$1.2 billion in investment commitments with 47 partners (December 2024)
- **But mobilized finance very modest:** 2022 and 2023, invested US$445M raised $176M in private finance
- **Not focused on poverty/inequalities:** Activities mainly in Upper Middle Income Countries (65%), with only 15% in low-income countries; 80% of FinDev financing has been concessional loans

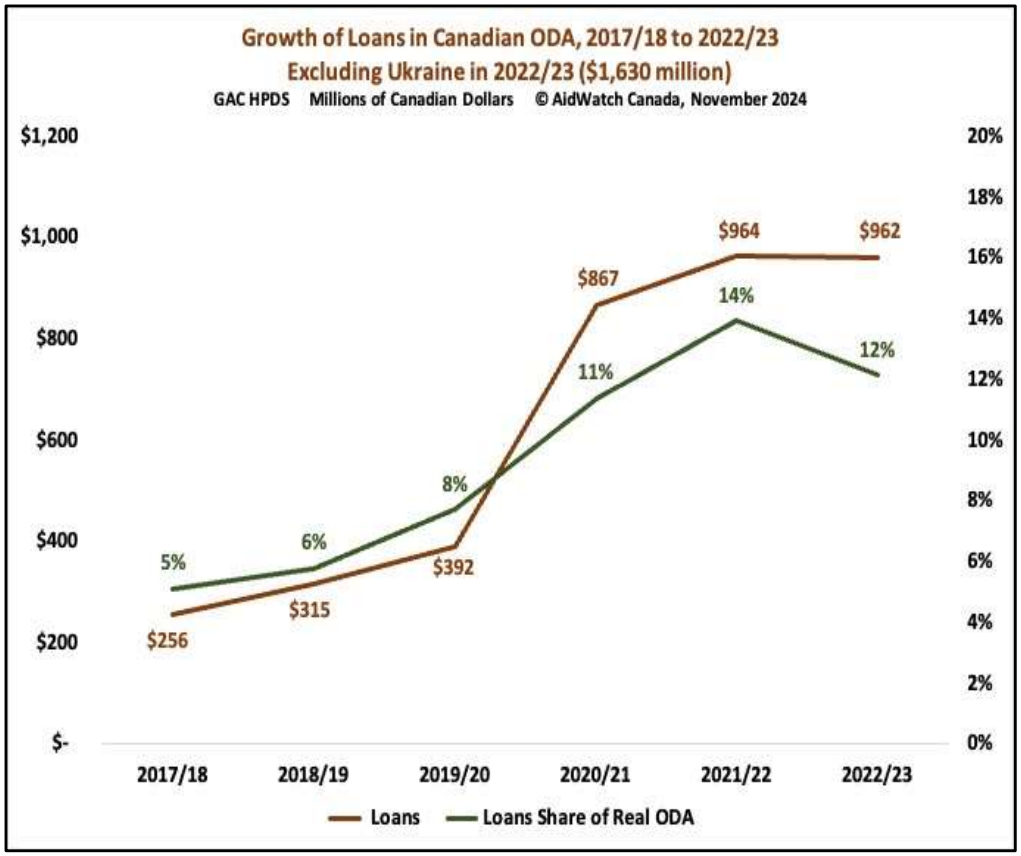
Other blending and partnering Mechanisms

- International Assistance Innovation Program
- Sovereign Loans Program
- Climate Finance instruments at World Bank, IFC, Regional Development Banks (mainly mitigation finance)
- Contributions to World Bank International Development Association (IDA) private sector window

Canada ranks 3rd among DAC donor for share of PSIs in Real Bilateral ODA
(Canada 9%, 2018 to 2022 average share; Finland 15% and France 10%)

Modalities and Channels for Canadian ODA:

Dramatic rise in the use of loans in Canada's ODA



Growth of loans in ODA

Since 2015/16 use of loans has grown by 277%

As a share of Real ODA: From 5% to 12% (excluding Ukraine)

Loans focus on climate finance: Almost three quarters (71%) (2017/18 to 2022/23) dedicated to climate finance with MDBs, IFAD and GCF

Use of loans in ODA unsustainable for many developing countries: 3.3B people in 48 countries that spend more on interest payments than they spend on health or education for their population (UNCTAD)

Canada: 31% of loans directed to Sub-Saharan Africa

Canada ranks 5th among only 12 donors that deploy loans in their ODA (share of Gross ODA)

Concluding Summary Reflections

1. Compounding demands on Canadian ODA driving resources away from goals of reducing poverty and inequalities in developing countries.

- Illusion of strong growth in Canadian ODA
- Focus on Covid-19, support for Ukraine as foreign policy priority, climate mitigation investments, growing in-donor refugee costs.
- Up to 2023/24, these priorities have not diverted existing resources for other ODA purposes, but continued ODA cuts and Ukraine reconstruction do not bode well for the future.
- But also very modest increases, if any, for urgent priorities for health, education, climate adaptation, support for small scale agriculturalists.

2. Canada has shifted bilateral aid away from direct support for partner country governments

- Significant move towards support for global public goods through multilateral system.
- Very high levels of earmarking funds in the multilateral system.
- Undermining potential for partner country ownership and leadership and increasing aid fragmentation with multiple donor directed multilateral funds.

3. Continued strong support for civil society organizations in Canadian ODA

- But competitive mechanisms undermine small and medium organizations and limit potential for locally led CSO development priorities.

4. FIAP has been a success in embedding gender equality and women's rights in Canadian ODA

- But little evidence of progress on other measures important for poverty reduction (Sub-Saharan Africa, LDCs, other sectors important for poverty reduction (education, social protection etc.)