

**McLeod Group Submission to the Department of Finance
Consultations on Official Development Assistance**

December 2020

The McLeod Group appreciates the opportunity to provide input to Finance Canada's consultations on Canadian Official Development Assistance, as required by the 2008 Official Development Assistance Accountability Act (the Act). Our comments focus on Canada at the World Bank Group (WBG) and the regional development banks. We also have general comments to make on the *Report to Parliament on the Government of Canada's International Assistance, 2018-2019*.

In Volume 1 of the *Report to Parliament (the Report)*, it is noted that Finance was responsible for the disbursement of \$797 million of a total of \$6.1 billion in the International Assistance budget, or approximately 13 percent. So far as we can determine, however, the Canadian government has not published a document or policy statement giving the reasons for Canada's involvement across the spectrum of international financial institutions which we are members of. We do not know why a significant portion of Canada's international assistance, most of which is ODA, is channelled through these institutions. What is the comparative advantage of these banks and funds in achieving the purposes for Canadian ODA as set out in the Act? Do the international financial institutions use the Canadian contributions in a manner that meets the three "tests" set out in the Act?

In its 2018 peer review of Canada's development cooperation efforts, the Development Assistance Committee of the OECD referred to the large portion of ODA channelled through multilateral institutions, and noted there is no strategic framework guiding the allocation of these resources. The McLeod Group endorses the DAC's recommendation that Canada, with Finance playing a lead role, develop such a framework which would form the basis for regular dialogue with the international financial institutions.

In Section A of Volume 2 of the Report, setting out the Strategic Engagement Objectives for Canada at the international financial institutions, there is hardly any mention of the Sustainable Development Goals (SDGs) and the 2030 Agenda for Sustainable Development. This seems a curious omission, given that the SDGs represent the globally agreed framework for international assistance activities. How are Canada's positions in policy discussions at the seven international financial institutions formulated in light of Canada's endorsement of the SDGs and commitment to help achieve them?

With regard to Canada's involvement in World Bank Group activities (Section B of Volume 2 of the Report) there is considerable information on Finance's involvement with governance, with financial contributions to IDA, the IBRD, trust funds, multilateral debt relief through the World Bank, and Canadian trust funds. With regard to the latter,

reference is made to results but there is very little evidence of support for sustainable development results.

The Report refers several times to Canada's Feminist International Assistance Policy (FIAP) when describing activities at the international financial institutions. It is not clear, however, how the FIAP objectives are reflected in specific initiatives taken by Canada. For example, in section 3 of Volume 2, Section A, regarding Canada and the World Bank Group (WBG), reference is made to "Ensuring Canada's priorities are reflected in WBG policies and programming, with a focus on gender equality....", but there is no mention of the FIAP and the important cluster of initiatives to empower women and girls which Canada championed at the 2018 G7 summit. Nor is there evidence as to how this leadership shaped Canadian positions at the international financial institutions.

Given the emphasis Canada also places on Women, Peace and Security, how is this policy priority advanced by our representatives at the international financial institutions? How is Finance implementing Canada's National Action Plan on Women, Peace and Security with respect to lending and other financial support that emphasizes the increased role of women in capacity-building to prevent conflict and stabilize fragile states at risk of conflict?

No review of Canadian aid would be complete without reference to the modest and stagnant level of effort by Canada when it comes to official development assistance, as measured by the ratio of ODA to GNI. Drawing on the most recent OECD DAC statistics, published in April this year, Canada ranked 16th among the 29 member countries of the Committee, with an ODA/GNI ratio of 0.27% in 2019, compared with 0.28% in 2018. The average DAC country effort was 0.38%. If Canada aspires to play a leadership role among donors of concessional resource flows to developing countries, as stated in the Report, this leadership and advocacy must be supported by increased financial resources. This is particularly true as the impact of the COVID-19 pandemic derails development efforts in the global South. The international financial institutions will have a crucial role to play in helping partner developing countries recover from the economic and social setbacks resulting from the pandemic. Additional concessional finance, through bilateral and multilateral channels will be essential to the recovery process.

Finance should also support initiatives by the government to reduce incoherence with regard to Canadian policies which affect the scope of developing countries to access markets within Canada. Such measures would create employment opportunities and help generate development finance in those countries.

Finally, the three guiding questions framing the consultations are rather perplexing. Why are two of the three questions about reporting, rather than about the substance of the international assistance itself, ie., where is it going, who receives it, how it is managed in the recipient countries? If Finance is collecting information for reporting purposes, that is quite different from information used for managing activities. Is the WBG aware of the three tests for Canadian ODA? Does the WBG – and the other international financial

institutions - understand that Canadian law requires that the international development cooperation policy and operational agencies/institutions are addressing the issues embedded in the three tests?

Specifically with respect to the three questions posed by the Department of Finance for these consultations:

- Do the Department's Official Development Assistance payments to the World Bank's International Development Association, the Multilateral Debt Relief Initiative and the Asian Infrastructure Investment Bank satisfy the criteria concerning poverty reduction, perspectives of the poor and international human rights as set out in the Act?

On the basis of the information available in the Report it is not possible to say yes or no. The Report outlines the parameters of Canada's involvement with the above-mentioned institutions and lists the financial support provided by Canada, but does not provide – as noted above – information on how the three “tests” set out in the Act are applied by the recipient agencies. The Report is descriptive of the relationship with the partner agencies but does not provide material on their adherence to the criteria set out in the Act.

- Does the new Report for Parliament on the Government of Canada's International Assistance 2018-2019 help to improve transparency on International assistance? What changes could be made?

The new Report is an improvement on the documentation provided in previous years, which was prepared in a format difficult for non-experts to access. The presentation of issue-specific information complemented by country or institution “case studies” in non-specialist language is helpful. As the Report constitutes the only communication to Canadians on a very important component of Canada's international engagement, it is essential that it be clear, timely and structured to facilitate understanding by members of the general public. The new Report is a useful step in assuring greater transparency and it is hoped greater understanding of Canada's international development cooperation activities.

- In addition to the report to Parliament, what other steps could the Government take to improve reporting?

Global Affairs Canada could follow the example set by the Department of Finance and regularly organise consultations in the context of the Act. Despite the constraints imposed by the COVID-19 pandemic, it would be valuable to organise interactive sessions with stakeholders and interest groups who are the focus of the consultations, so as to build on written material and facilitate a two-way flow of information and perspectives which would enrich Canada's

performance as a provider of international development assistance finance and as an important actor in the shaping of global development policy.

Members of the McLeod Group would be pleased to meet with the team from Finance to discuss the issues and concerns raised in this brief.