

## Canada: Challenged by Ambition

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### OVERVIEW

- Canada has clarified a vision for international assistance with its new Feminist International Assistance Policy (FIAP), aiming to focus Canada's efforts on gender equality and rights-based approaches.
- There remains significant uncertainty on how the government's new agenda will be implemented in practice, and how it will be aligned with Canada's global commitments to principles of aid and development effectiveness and the 2030 Agenda for Sustainable Development.
- Canada's Official Development Assistance (ODA) in 2018-19 is estimated to be Cdn\$6.1 billion. At 0.27% of Gross National Income (GNI), this is below the Organisation for Economic Co-operation and Development (OECD) average and Canada's historic contribution. Based on current allocations, this ratio will remain unchanged – or decline slightly – in the next five years.
- FinDev Canada, Canada's new development finance institution (DFI), represents an additional form of non-ODA international assistance. FinDev Canada seems on the right track, with a clear focus on development outcomes, but needs to clearly articulate its role relative to other forms of public assistance and to take steps to maximize transparency and accountability.

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On the surface, Canadian development and humanitarian policy is trending in positive directions. Through policy announcements, and to some extent, new budgetary commitments, the Canadian government is positioning itself as a leader on specific aspects of sustainable development, notably gender equality and the empowerment of women and girls. The important and specific role of ODA is recognized by political leaders, despite the growing attention to blended and leveraged financing through the private sector.

Yet there remains significant uncertainty on how the government's new agenda will be implemented in practice, and how it will be aligned with Canada's existing global commitments. Despite the welcome policy and rhetoric, the dollar value of Canada's ODA remains very low, at just 0.27% of GNI, which is well below the OECD average (0.38% in 2017) and Canada's historic contribution (an average of 0.29% over the past 10 years).

### Part I: A bold vision meets the challenge of implementation

Canada's vision for its international assistance has been clarified and strengthened with the June 2017 release of the Feminist International Assistance Policy (FIAP). The new Policy came a year after extensive consultations with Canadians, including Canadian civil society organizations (CSOs). It included numerous important commitments by the Government of Canada towards an ambitious international assistance policy framework (Government of

Canada, 2017a).

The FIAP intends to refocus all of Canada's global development and humanitarian efforts to advancing gender equality and the rights and empowerment of women and girls. It represents a unique policy shift among donors and is an encouraging and positive shift forward in the journey to gender transformative change. The feminist orientation entails a stand-alone core focus on gender equality including combatting sexual and gender-based violence; supporting local women's rights organizations and movements; improving public sector institutional capacity to deliver programs and policies that support gender equality; and targeting investments in research, data collection and evaluation around gender equality. It envisages boys and men playing a significant role in challenging gender stereotypes and changing gender roles and relations. Overall, this vision represents strong potential for Canada to pioneer global leadership in support of the Sustainable Development Goals (SDGs), with a focus on SDG 5.

With this new Policy, Canada joins countries such as Australia, Sweden, and Norway, which have explicit feminist foreign policies and/or strong gendered policies and plans for international development. Yet no other donor has so clearly focused its priorities for development and humanitarian funding on gender equality. The FIAP comes with bold funding targets for gender equality and women's empowerment: 15 percent of all bilateral international development assistance will have gender equality and the empowerment of women and girls as a principal target (up from two percent now), and 80 percent of bilateral international development assistance will integrate a focus on gender equality and the empowerment of women and girls (up from 70 percent in 2015).

Canada has pledged that, within five years, 95 percent of Canada's bilateral international development assistance budget will contribute to closing gender equality gaps. This is a highly ambitious goal. In addition to this mainstreaming of gender equality funding, the government has also announced the establishment of a new Cdn\$150 million local fund (over five years) for women's rights organizations (WROs), a substantial increase from Canada's usual investment of Cdn\$4 million per year. This commitment will put Canada among the top donors in the OECD to women's rights organizations. The government has also initiated a focus on Women's Voice and Leadership, an initiative that has begun to provide program funding to small and non-traditional partner organizations in the South.

To complement its feminist frame, the new Policy has adopted a human rights-based approach (HRBA), building on the ODA Accountability Act (ODAAA) (Government of Canada, 2008), which requires that aid allocations are consistent with international human rights standards. Other bilateral donors, including Sweden, Norway, the United Kingdom and Denmark, currently also pursue this approach, to varying degrees. FIAP aspires to be highly inclusive, focusing on all people "regardless of sex, race, ethnicity, nationality or ethnic origin, colour, religion, language, sexual orientation, gender identity, age, ability, migrant or refugee status, or any other aspects of identity." The government is developing guidance notes to help inform what its HRBA will look like in practice.

The FIAP emphasizes Canada's support for Least Developed Countries (LDCs), particularly sub-Saharan Africa, through a commitment to dedicate no less than 50 percent of Canada's bilateral assistance to that region.

With this significant shift in focus, staff and systems at Global Affairs Canada (GAC), the Canadian federal

department responsible for international development and humanitarian assistance, along with diplomacy and international trade, must make major changes to be fit for purpose. However, since the 2012 Federal Budget, there have been dramatic cutbacks in Global Affairs Canada's staff and technical experts, reducing the capacity of GAC's gender experts, among others. Moreover, while GAC has historic experience in governance and human rights, successful implementation of a comprehensive HRBA will need to rely on the expertise of other bilateral donors, CSOs and UN agencies. Substantial investments are needed to build the capacity and processes required to implement the new Policy, both within GAC and among partners. GAC staff will need to learn how to work with new and non-traditional partners, such as local women's rights organizations and movements, and tackle difficult contexts where space for civil society as a development actor is shrinking. The government must also develop a suite of policies and strategies to implement and integrate feminist and rights-based approaches across all programming streams and sectors. In doing so, GAC should ensure that its country strategies are sensitive and adaptable according to very different local contexts – in line with a HRBA and the principle of country ownership.

In its funding modalities, GAC will have to move from an emphasis on risk-averse short-term results, specialized and siloed project approaches, with onerous reporting and accountability requirements, in favour of greater risk-taking and flexible and responsive funding mechanisms and approval processes. Just as important will be integrated program-based approaches, ones focused on longer-term outcomes and impacts, and investments in research, evaluation, public engagement and learning. Building on the 2017 announcement of an innovation fund and a fund for small and medium-sized organizations, and working with civil society, GAC could develop and test a diverse suite of funding mechanisms, including highly responsive and decentralized funding mechanisms, for both development and humanitarian programming.

To its credit, GAC has set up a new International Assistance Operations Bureau in the past year to help implement the FIAP. Through this Unit, they have also established a Task Force on Improving Effectiveness, working in collaboration with civil society amongst others, to introduce measures to streamline processes within the Department. But more still needs to be done.

As the FIAP is implemented, GAC must ensure that the shifts entailed are undertaken responsibly and sustainably. Canada is now moving from a countries-of-focus model to a more complex model based on type-of-country, type-of-people, and sectoral themes. GAC should be open and transparent about the implications of this transition for the continuation of investment in areas of traditional focus. Some elements of Canada's international assistance that were previously central seem to have lost their place.

For example, references to children and youth and child protection, food security and agriculture, as well as sanitation and hygiene, which are important areas in the context of an overall focus on gender equality and women's empowerment, are absent in the FIAP. It will be important to ensure that the strong record and expertise of Canadian officials and organizations in these areas is not jeopardized or lost as assistance is refocused through a gendered lens. The government has made efforts to address these and other thematic areas through partner consultations and programming announcements. However, with stagnant funding for international assistance (see Part III), and numerous commitments already made for years to come, it seems inevitable that many current programs will not continue.

In this context, GAC needs to ensure that Canada's overarching emphasis remain focused on reducing poverty and inequality, supporting the poorest and most marginalized, and, most importantly, on people – on their needs, rights, assets, abilities, and priorities, as determined at a local level, as should be exemplified in a feminist and human rights approach. If true to feminist principles, Canada's international assistance will account for and respond to local and dynamic contextual realities, as well as intersectional factors including age, ethnicity, religion, and economic status, among others. In the case of humanitarian assistance, it will be consistent with the fundamental humanitarian principles of humanity, impartiality, neutrality, and independence. Canada's new approach offers great potential and promise to advance all of these objectives, although the dynamics are very complex.

These conditions are essential to ensure that no one is left behind in the transition process – the core promise of the 2030 Agenda for Sustainable Development, and of the human rights-based approach that should underpin the FIAP itself. In the inclusive spirit of Agenda 2030 and the SDGs, and in line with the cross-cutting nature of the new Policy, the HRBA and feminist frame at the core of the FIAP should be carefully aligned and reinforced with Canada's other foreign policy activities.

Such alignment would ensure that Canada's diplomatic and trade initiatives complement, and never undermine, Canada's development and humanitarian efforts. In advancing a feminist international assistance policy coherent with other policy agendas, the government should take particular care to avoid conflating security, sustainable development and humanitarian efforts. The integration of security with humanitarian initiatives jeopardizes both the safety and the effectiveness of humanitarian workers who must always be (and be perceived to be) neutral and impartial. As the Policy acknowledges, trade can have positive development impacts, but its effect may be unequal. Indeed, trade can, in some cases, undermine effective development by weakening local economic structures, increasing dependence on global supply chains and aggravating inequality. The government must therefore approach issues of integration across the conflict, development, diplomacy, trade, and humanitarian realms with extreme care.

## **Part II: Aligning with effective development principles and the SDGs**

Canada sits on the Steering Committee for the Global Partnership for Effective Development Co-operation (GPEDC), one of the outcomes of the 2011 Busan meeting on aid and development effectiveness. The GPEDC represents the continuation of global engagement with the aid and development effectiveness principles agreed over the last decade and a half, including country ownership over development, inclusive partnerships, country-determined results, and transparency and accountability.

Despite Canada's welcome engagement in the GPEDC, Canada appears to have abandoned virtually any public reference to the aid and development effectiveness agenda. There are virtually no explicit public acknowledgements of Canada's commitment to support local democratic ownership, transparency and accountability for locally-determined results or inclusive partnerships. The FIAP, and the International Assistance Review that preceded it, barely refers to the international aid and development effectiveness agreements of Paris (2005), Accra (2008), Busan (2011), and Nairobi (2016). There has been no formal action plan on aid effectiveness since the last one concluded in 2012. A new one is needed.

The government's apparent abandonment of aid and development effectiveness principles coincides with increasingly directive policies and programs and contractual relationships that limit the responsiveness, innovation, and adaptation partners require to support the people who are most in need and hardest to reach (see also Part I). International development and humanitarian organizations are hoping to address this shortfall through the implementation of a new Civil Society Partnerships for International Assistance Policy (Government of Canada, 2017b). From a draft first adopted in 2015, this Civil Society Policy was updated in 2017 to align it with the FIAP, and was substantially strengthened in numerous ways, including important references to the enabling environment (for details, see Canadian Council for International Co-operation, 2017). The government is now working with an Advisory Group of diverse CSOs to develop an implementation plan for this Policy.

As ODA and global development are increasingly framed within the context of the 2030 Agenda for Sustainable Development and the SDGs, the FIAP needs to adjust its new policy directions to respond to Agenda 2030's transformational approach. However, the references feel more like bookmarks than a major shift to a universal and much more integrated and intersectional agenda. This shortfall was also reflected in a 2018 report by Canada's Commissioner on the Environment and Sustainable Development, which found that the Canadian government is not adequately prepared to do its part for the 2030 Agenda and the SDGs (Gelfand, 2018). The commissioner noted that the government, as of the end of her audit, had no governance structure for SDG implementation; no system to measure, monitor, and report on national progress; and only limited national consultation and engagement. While Canada had developed a data framework to measure results on the 232 global SDG indicators, the data had not been compiled. These steps are essential if Canadian development and humanitarian assistance, an important dimensions of its national strategy, is to measurably advance the SDGs.

The government has begun to recognize this problem. In Budget 2018, as the Commissioner was finalizing her report, the government announced new funding to support whole-of-government coordination, monitoring, and reporting on the SDGs. One week before the Commissioner's highly critical report was issued, the government handed out a press release, signed by eight cabinet ministers, signalling that plans were finally underway to develop a strategy to implement the SDGs (Government of Canada, 2018).

### **Part III: Investing in sustainable development globally**

The Canadian Council for International Co-operation (CCIC) has consistently affirmed that Canada's new and ambitious international assistance policy requires additional resources if the FIAP, and the partners with whom GAC works, are to realize its full potential. CCIC estimates that Canadian ODA in 2018-19 will be Cdn\$6.1 billion, based on Cdn\$5.5 billion budgeted in the International Assistance Envelope (IAE)— the budgetary allocation of Canada's development and humanitarian assistance. Canadian ODA will thus represent approximately 0.27% of GNI. Discounting the inclusion of in-donor first-year refugee and student costs, to which CSOs have long objected, Canada's performance ratio will be 0.25%. This performance is well below the average of Canada's OECD peer group. If current funding levels continue, by the end of this government's first mandate, it will have the lowest average ODA as a percentage of GNI of any Canadian government in half a century (Greenhill and Wadhwa, 2017).

An ambitious policy vision, as expressed in the FIAP, requires ambitious investments. However, when the FIAP was unveiled, no additional funding accompanied it. Signature initiatives highlighted in the Policy, such as a previously announced commitment of Cdn\$650million for sexual and reproductive health and rights and the

new Cdn\$150million fund for women's rights organizations, will not be additional to the existing IAE, and will therefore substitute, rather than supplement, existing programming.

This financing picture for FIAP was in stark contrast to the announcement – just two days earlier – of nearly Cdn\$14 billion in additional money for defence. The new funding for defence, coupled with the lack of new investment in ODA, has aggravated an existing imbalance between these two core elements of Canada's foreign policy. Currently, Canada spends just under four dollars on defence for every dollar on development. By contrast, comparable countries such as Norway, Germany and Sweden have ratios between 1:1 and 1.6:1 (defence-to-development). With the new commitments for defence, and assuming no new development money, by 2026-27 Canada will have a defence-to-development ratio of 6:1 or more.

At first glance, Budget 2018 appeared to provide some good news to buck this trend (Finance Canada, 2018: 156-66). The government announced that it would invest Cdn\$2 billion in new money over the next five years in its Feminist International Assistance Policy to promote gender equality. This was the second-highest new investment in the Federal Budget. It also represents the biggest long-term investment since the 8% annual increase initiated in 2003 and maintained until 2010.

However, when the new commitment is divided over five years, Canada's IAE will only see an average compound annual growth rate of slightly over three (3) percent. In some years, after inflation, the budget will not likely grow in real dollar terms. At the end of the five-year ladder of increases in 2022-23, if the substantial initial increase in 2018-19 is fully sustained, Canada's ODA to GNI ratio will remain at around 0.26%, representing no increase in performance over these five years.

In addition to traditional ODA, Canada is looking to use new financing tools. In parallel to the Cdn\$2 billion that will be invested in the IAE, the government has also allocated Cdn\$1.5 billion over five years and Cdn\$492.7 million thereafter to support "innovation". These investments will occur through the International Assistance Innovation Program and the Sovereign Loans Program. This is not new money for international assistance, but will be drawn from existing unallocated funds (or "free base") in the IAE over the next five years.

Through these two Programs, GAC can now offer sovereign loans (i.e. loans to governments) to countries, and make long-term equity investments in companies or in innovative financing mechanisms working in international development. These investments may accrue net revenues (which may eventually return to GAC) or incur net losses (which GAC will write off). The impact on Canadian Official Development Assistance will be determined by new rules currently being developed by the Organization for Economic Cooperation and Development for accounting for such investments, but GAC Finance is clearly hoping these will have a net positive impact on Canadian ODA. More information is still needed to understand the allocation process and intentions of this new pool of funding and how it will interact with and differ from FinDev Canada, Canada's new Development Finance Institution (DFI).

The establishment of FinDev Canada was first announced in Budget 2015, and was later re-announced (with the same initial capitalization of Cdn\$300 million) by the new government in Budget 2017. DFIs can play a key role in high-impact development financing by providing crucial funding in credit-constrained high-risk markets, where financing for firms is in short supply, interest rates are high, or companies are too small or deemed too high-risk

to access finance. In these cases, DFIs can create jobs, generate incomes and taxable revenues, and provide valuable private goods and services.

Unfortunately, global DFI practice has not been impressive to date. Notably, a disproportionate degree of DFI investments have subsidized OECD country companies working in Middle Income Countries (MICs), with DFIs too often prioritizing profit maximization over development impact. Transparency around financial leverage and development impact is still sorely lacking; financial intermediaries and secrecy jurisdictions are widely used (Kwakkenbos, 2012; Romero, 2014; Vervynckt, 2014). These issues are not inevitable for DFIs. However, FinDev Canada should explicitly bear these trends in mind, and plan and act accordingly in implementing Canada's DFI.

Overall, FinDev Canada seems to be on the right track. International Development Minister Marie-Claude Bibeau has publicly asserted that the DFI would focus squarely on development and poverty reduction, ensuring positive outcomes and real impact (House of Commons, 2018). She has also indicated that, although Canada's DFI would not be funded from ODA, it would be aligned with the ODAAA (House of Commons, 2017). The draft development impact framework for FinDev Canada, released for public consultation in 2018, reiterates this pledge by affirming that contributions to three development impact goals (market development, women's economic empowerment, and environment and climate action) will be the most significant factor in the deal-making and decision process (FinDev Canada, 2018).

FinDev Canada can enhance its effectiveness and its contributions to development outcomes by ensuring it is coherent with other government initiatives; is aligned with core global agendas and principles to which the Government of Canada has committed; and fills key financing gaps and needs. This orientation should include:

- Acknowledging where and how FinDev Canada's investments and operations will complement the FIAP and Canada's ODA;
- Supporting operations in Low Income Countries (LICs), Lower-Middle Income Countries (LMICs), Least Developed Countries (LDCs), and fragile states;
- Favouring small and medium enterprises (SMEs), particularly women-led SMEs;
- Affirming established development effectiveness principles (country ownership, inclusive partnerships, country determined results, and transparency and accountability);
- Clarifying environmental, social and governance (ESG) policies, ensuring a rights-based approach; and
- Supplementing transparency and accountability provisions with a complaints mechanism.

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Canada is positioned to be a global leader in contributing to a fairer, more sustainable and safer world. It has a new feminist policy framework for its international assistance, one that emphasizes the inclusive and rights-based spirit of the SDGs, and with a clear focus on supporting gender equality and empowering women and girls across its international development and humanitarian efforts. Fulfilling the potential of this Policy will require increased ambitious, coherent, and targeted investments that serve the poorest and most vulnerable people, and leave no one behind. The next few years will determine whether Canada can deliver on these good intentions.

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