

KEY QUESTION

6

How is Canada's ODA spent?

Multilateral organizations are a key channel; World Bank's IDA is largest multilateral recipient

In 2015, Canada channeled more than half (54%, or US\$2.7 billion) of its ODA multilaterally. Core contributions to multilateral organizations accounted for 30% (US\$1.5 billion) of total ODA in 2015; this represents an increase from 22% in 2014. This is in part due a double payment to the World Bank's International Development Association (IDA) caused by a technical change as well as reductions in bilateral ODA to health, making the share of ODA to multilaterals larger. Key recipients were the World Bank's IDA (30%), followed by UN agencies (18%) and regional development banks (16%), and the Global Fund to fight AIDS, Tuberculosis and Malaria (13%). In December 2016, at the 18th pledging session of the World Bank's IDA, Canada announced a total payment of CAD1.3 billion to IDA for the three-year encashment period. In addition to core contributions, Canada channeled 34% of its bilateral ODA (US\$1.2 billion, or 24% of total ODA) in 2015 through multilateral organizations as earmarked funding for specific countries or issues. This is well above the average of OECD DAC countries (11%). Canada considers this an effective way to reduce administrative burden.

From 1986 to 2010, Canada provided all bilateral ODA as grants. In 2011, the government began to provide loans within the framework of the 'Fast-Start Finance' climate initiative. In 2014, loans were first reported as ODA, and loans made up 5% of bilateral ODA in 2015 (DAC average: 10%). In 2015, Canada announced plans to establish a Development Finance Initiative (DFI). Intended to be housed at Canada's export credit agency, Export Development Canada, the state-owned export credit agency, the DFI would make Canada the last G7 country to create such an institution. Within this initiative, Canada pledged CAD300 million over five years to support companies operating in developing countries, to promote investments in the local private sector. Under the Trudeau government, it is likely that the DFI will move forward, though as of early March 2017 no concrete steps had been communicated by the government.

Who are Canada's ODA recipients?

Canada's development programs focus increasingly on low-income and fragile countries. From 2013 to 2015, one-third of Canada's bilateral ODA (34%) was channeled to low-income countries (LICs). When excluding funding

25 priority countries for bilateral cooperation:

- **Middle East:** Afghanistan
- **Americas:** Colombia, Haiti, Honduras, Peru
- **Asia Pacific:** Afghanistan, Bangladesh, Indonesia, Mongolia, Myanmar, Philippines, Vietnam
- **Eastern Europe:** Ukraine
- **Middle East and North Africa:** Jordan, West Bank and Gaza
- **Sub-Saharan Africa:** Benin, Burkina Faso, DR Congo, Ethiopia, Ghana, Mali, Mozambique, Senegal, South Sudan, Tanzania

not specifically allocated to one country (e.g., regional programs, administrative costs, and funding for CSOs), more than half (55%) of bilateral ODA went to LICs. Canada increased its 'countries of focus' from 20 to 25 countries in 2014, and committed to allocating 90% of bilateral aid to them (see inset). A revised list is likely to be included in the forthcoming international assistance policy framework. In addition, Prime Minister Trudeau has pledged to refocus Canada's aid program on "helping the poorest and most vulnerable, and supporting fragile states". This may result in a greater share of ODA being allocated to LICs.

The largest share of bilateral ODA goes to sub-Saharan Africa (40% from 2013 to 2015). Canada's focus countries include 10 from sub-Saharan Africa, and six of the top ten recipients of Canadian bilateral ODA are located in this region (see below). In 2014, 11% of bilateral ODA went to the Middle East and North Africa region; in 2015, the share going to this region was 15%. This is consistent with Canada's new multi-year commitments to the Syrian region and its emerging interest at the nexus of peace, security, and humanitarian, and development assistance. Ukraine the largest recipient of Canadian aid for the 2014-2015 period. On top of grants of US\$63 million and US\$73 million in 2014 and 2015, respectively, Canada also provided low interest loans of US\$181 million (CAD200 million) to promote economic stability.

How is bilateral funding programmed?

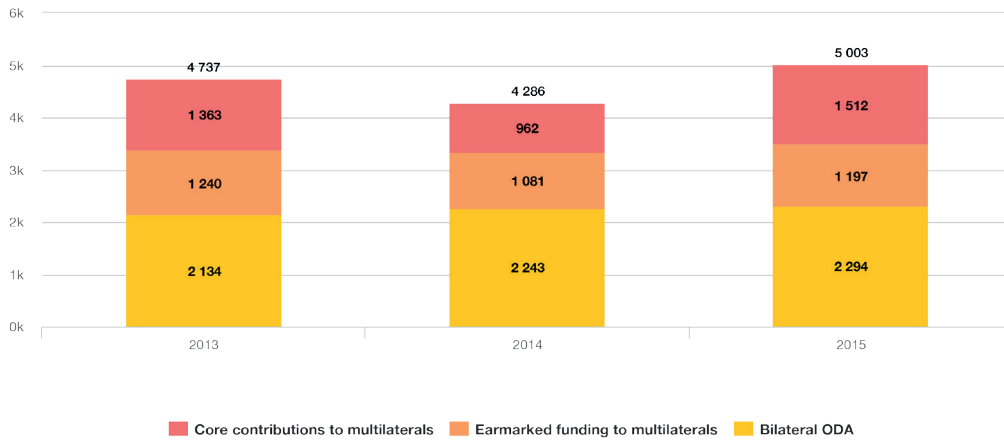
GAC's geographic program branches share programming with input from embassies

The basis for programming of Canada's bilateral programs are multi-year country strategies and a mutual accountability framework, in which sector priorities, expected results, shared principles, and high-level indicative funding for bilateral assistance are outlined. The most recent country strategies were developed for the former 20 focus countries, for 2009 to 2013. It is expected that Global Affairs Canada (GAC) will develop new country strategies for the revised list of focus countries under its new development policy framework (likely in early 2017). The country strategy review process, led by GAC's geographic program branches, offers an opportunity to shape country programming, including sector priorities in each country. GAC's geographic branches also take the lead on designing concrete projects and programs and allocating funding.

Canada's embassies provide input on project development and assist in monitoring projects. Under Prime Minister Trudeau, ambassadors and high commissioners (consulars) enjoy a certain degree of autonomy. Major projects usually require approval by the Office of the Minister of International Development and La Francophonie, however, who is able to approve programs up to CAD20 million at her own discretion. Programs with a budget beyond CAD20 million require approval from the Cabinet's Treasury Board.

CANADA'S BILATERAL AND MULTILATERAL ODA

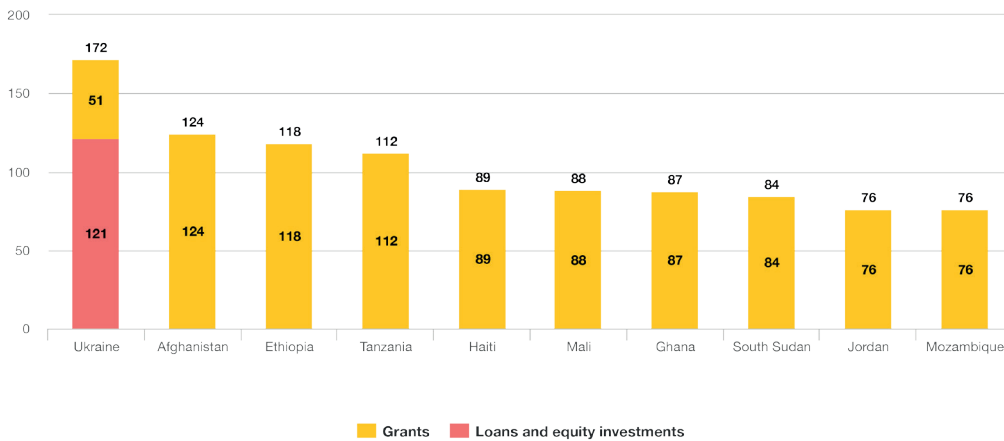
US\$ millions, 2014 prices



Source: OECD DAC. Gross disbursements.

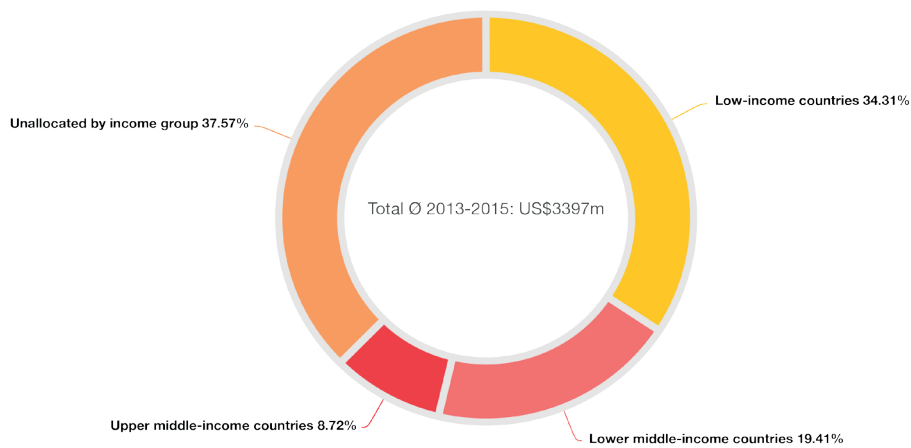
THE TOP 10 RECIPIENTS OF CANADA'S ODA

average 2013-2015, excluding debt relief; US\$ millions; in 2014 prices



Source: OECD CRS, in 2014 prices.

CANADA'S BILATERAL ODA BY INCOME-GROUP OF RECIPIENT



Low-income countries