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**Written Submission for the Pre-Budget Consultations in Advance of the
Upcoming Federal Budget**

By Results Canada, Global Citizen and ONE



Recommendation 1: That the Government of Canada commit to increasing its International Assistance Envelope each year over the next three years to reach a minimum of CAD 10 Billion in the 2025-26 budget, in line with the government's own commitment to increase international development assistance every year toward 2030 to realize the United Nations Sustainable Development Goals.

Recommendation 2: Commensurate with the growing international development assistance budget, we call on the Government of Canada to fulfill its commitment to invest at least 10% of its total bilateral development assistance in quality education¹, moving toward 15% by 2030.²

Recommendation 3: The Government of Canada should protect its international assistance from being eroded by inflation, by including an adjustment, in future Budgets, corresponding to the erosion in the previous year.

Recommendation 4: The Government of Canada should ensure reconstruction costs from Ukraine do not come from the International Assistance Envelope, so as not to divert vital funding from other life-saving programs. The government did this successfully in its response to COVID-19.

Recommendation 5: The Government of Canada should double to 40% the proportion of the Special Drawing Rights received in August 2021 that it will lend for the benefit of low- and middle-income countries. Canada should lead a review of the capital adequacy of multilateral development banks so practices can be amended to support increased lending.

¹<https://pm.gc.ca/en/mandate-letters/2019/12/13/archived-minister-international-development-mandate-letter>

²<https://pm.gc.ca/en/mandate-letters/2021/12/16/minister-international-development-and-minister-responsible-pacific>

Converging crises are driving up global needs

In 2021, the Government of Canada reaffirmed its commitment to increase international development assistance every year toward 2030.³ Now it is more important than ever that Canada fulfills its promise due to a convergence of factors that are driving up needs and require immediate action.

The extent of unaddressed COVID scarring has become clearer. In countries around the world, the pandemic, aside from direct increased morbidity and mortality, has led to lockdowns, social distancing, and disruptions to supply chains and health and education systems. In many low- and middle-income countries (LMICs), the negative effects still persist. Before the onset of the Ukraine crisis, developing economies were expected to still be 6% below pre-pandemic trends in 2023. Not only have LMICs suffered a deeper reduction in GDP, but they are taking more time to recover from it.⁴

The Russian invasion of Ukraine has exacerbated the situation in a number of ways. It severely exacerbated a food, fertilizer and fuel crisis, causing inflation to spike. The prices of food and fuel appear to have stabilized, but at a significantly higher level than prior to the invasion, triggering a generalized cost of living crisis. The fertilizer crisis has led to lower uses in cash-poor settings, leading to a likely protracted food crisis next year. The generalized inflation has since triggered a succession of interest hikes, pressed by investors seeking to obtain acceptable returns in real terms. This has made borrowing costs for nations, firms and families unaffordable at the worst possible time. Already the IMF, in the summer of 2022, had observed over 40 issuances of sovereign loans at more than 10%/year.

LMIC governments have very limited fiscal space. Domestic resources in implementing countries are now constrained by increased debt servicing (debt service has now reached 40% in Myanmar, Nigeria and Ghana). LMIC governments need to be able to count on increased Official Development Assistance (ODA) to ensure they can provide basic services to their citizens. Particularly in the realm of healthcare and education:

- In the summer of 2022, the World Health Organization released its vaccine coverage statistics which showed that in 2021, six million more children had received no vaccinations at all compared to 2019. The disheartening part of this statistic is that the initial gap, due to the harshest measures against the pandemic in 2020, actually grew even more in 2021, at a time when an opposite adjustment was expected.⁵ Recently released data shows that maternal mortality has begun to increase for the first time in decades in the last two years.⁶ These facts

³<https://pm.gc.ca/en/mandate-letters/2021/12/16/minister-international-development-and-minister-responsible-pacific>

⁴ <https://blogs.worldbank.org/voices/global-economic-outlook-five-charts-1>

⁵<https://www.who.int/news/item/15-07-2022-covid-19-pandemic-fuels-largest-continued-backslide-in-vaccinations-in-three-decades>

⁶ [Maternal Mortality \(gatesfoundation.org\)](https://www.gatesfoundation.org/health/maternal-mortality)

are pointing to a probable general structural problem with the soundness of health systems, as also supported by abundant anecdotal evidence.

- Education losses since the beginning of the COVID-19 pandemic have been very high. Over two hundred days of classes were lost on average during the pandemic.⁷ What has recently been highlighted since Budget 2022 is the consequence of this loss: the proportion of 10-year-old children unable to read and understand a simple text has nearly doubled during the pandemic, in a region like Latin America, growing from 50% to 70%.⁸ The children in “learning poverty”, if no remedial action is taken, will probably move to a higher grade without mastering the required skills, and will never catch up, making them likely candidates for dropping out.

Predictable increases in international assistance would fulfill promises made and deliver invaluable returns

Since the last budget, the supply of Official Development Assistance (ODA) has been constrained. While the needs for ODA are at their highest we are stuck in a situation of robbing Peter to pay Paul. ODA has been used for Ukraine and Moldova, two countries for which assistance is ODA-able under the rules of the OECD. While the needs are undisputedly justified, it is over C\$10 billion that have recently been allocated to Eastern Europe,⁹ mostly offset by reductions in aid to low-income countries. Globally, we are also seeing other countries redirect their aid budgets to support refugees in-country, including the UK, Sweden and Norway, which has contributed to global funding gaps.

As an illustration of this scarcity of ODA, most replenishments in the past year have missed the mark, whether for maternal, child and adolescent health, epidemic and pandemic preparedness, fighting AIDS, TB and Malaria, or humanitarian needs. For example, humanitarian response plans are being funded at less than 50%, meaning millions of people are not receiving the life saving assistance they need.

The Canadian government set a very laudable commitment in 2019 to increase international assistance levels each year, and this has been reiterated in the last Speech From the Throne, ministerial mandate letters, and the 2022 Budget. What’s unclear is by how much, and if it will be commensurate with global needs, as well as Canada’s commitments and values. It is indeed important to underscore that despite inevitable setbacks, international cooperation has been an incredibly successful investment: “Since 1990, children are roughly 30 percent less likely to be malnourished or stunted; (...) the prevalence of neglected tropical diseases such as dengue and leprosy has declined by roughly 70 percent; (...) and 9 out of 10 projected AIDS deaths have been averted.”¹⁰ The pandemic, climate change, and the collateral

⁷ <https://blogs.worldbank.org/voices/we-are-losing-generation-devastating-impacts-covid-19>

⁸ [State of Learning Poverty 2022.pdf \(unicef.org\)](https://www.unicef.org/state-of-learning-poverty-2022)

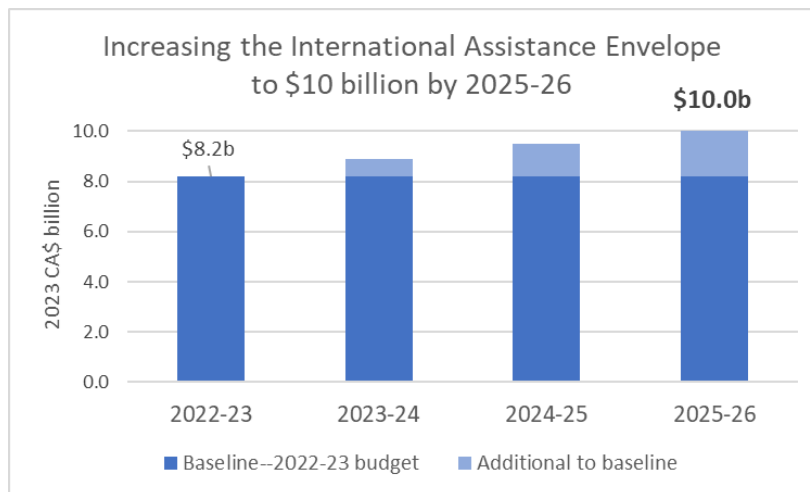
⁹ <https://www.devex.com/news/funding-tracker-who-s-sending-aid-to-ukraine-102887>

¹⁰ [The World Really Is Getting Better - The Atlantic](https://www.theatlantic.com/ideas/archive/2020/04/the-world-really-is-getting-better/)

impacts of Russia’s war in Ukraine have also highlighted the pragmatic necessity in an interconnected world for Canada to invest towards reinforcing security, stability, and prosperity in vulnerable countries, as repercussions impact Canadians.

To determine which levels would be appropriate for Canada’s international assistance, we considered, among other things, the funding model proposed by the Brookings Institute and the London School of Economics to calculate donor contribution increases required to assist poor and vulnerable countries to cope with aftershocks of the pandemic and the war in Ukraine, as well as boost investment in human, physical, social and natural capital needed to benefit from a low-carbon future. Using a fair share of Canada’s contribution based on their model, there should be regular increases in the IAE to reach CA\$10 billion by the 2025-26 budget.¹¹

This amount should be in 2023 dollars so that it is adjusted to inflation moving forward. Important transfers, especially payments to vulnerable segments of society are subject to indexation (payments to the elderly, for instance). The same principle should apply to vulnerable populations everywhere, and the IAE should therefore be protected against inflation. This is not only a technical adjustment, it corresponds to the number of bags of grain that can be offered in refugee camps or the number of vaccines that can be administered to children.



Important non-budgetary policies that will support international development

¹¹ \$10 billion by 2025-26 is roughly Canada’s fair share of the ODA increase needed as outlined in [LSE-Brookings \(2022\) “Financing a big investment push in emerging markets and developing countries for sustainable, resilient and inclusive recovery and growth”](#). US\$96 billion in additional ODA is needed by 2025 compared to 2019, and with Canada’s share of OECD-DAC GNI of 3.6%, this would be equivalent to spending CA\$4.6 billion more on the IAE in 2025 compared to 2019, for a total IAE of around \$10 billion by the 2025-26 budget.

The Minister of Finance has at her disposal non-budgetary instruments that can be used to reinforce IAE expenditures. The first one is the \$20 billion Special Drawing Rights received by the International Monetary Fund in August 2021. Canada has already lent 20% of these SDRs through the International Monetary Fund without fanfare because SDRs are an international currency that a trading nation like Canada does not need. Canada should double this commitment to at least 40%, and push for other institutions such as Multilateral Development Banks to be used as vehicles to channel SDRs to developing countries.

In a somewhat similar vein, Canada has already contributed to the capital of multilateral development banks, but the capital has not been used to its full extent because of very conservative lending practices. More lending could take place if Canada chose to lead other donors into a review of lending practices.

Such investments are now as needed as ever. Of course, the accumulated acute crises facing the world are indicating that the time to act is now. But even with seemingly distant crises, like the climate crisis, two hurricanes of historic force in the same month should be enough to remind us that, in Bob Rae's words, "it is a crisis of today, not of tomorrow"¹².

¹² [Letter from the United Nations: A World of Problems - Policy Magazine](#)