

# Submission to the Department of Finance Consultation on Official Development Assistance

Prepared by Cooperation Canada, December 2022

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**Q1: 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, as well as the Department's bilateral loan to Ukraine and loans through the International Monetary Fund Administered Account for Ukraine, satisfy the criteria concerning poverty reduction, perspectives of the poor and international human rights, as set out in the *Official Development Assistance Accountability Act*?**

As per section 4.1 of the Official Development Assistance Accountability Act (the Act or ODAAA), "Official development assistance may be provided only if the competent minister is of the opinion that it (a) contributes to poverty reduction; (b) takes into account the perspectives of the poor; and (c) is consistent with international human rights standards".

Taking into account the perspectives of the poor means ensuring that the poor and marginalized groups in communities have their concerns, needs, and priorities integrated in the initiatives meant to address the development challenges they face. Initiatives that centre the voice to the poor and marginalized populations would be an even stronger demonstration of adherence to the spirit of the Act. Failure to adopt country-led approaches undermines the principles of development effectiveness embedded in the Busan Partnership Agreement and the 2030 Agenda for Sustainable Development, to which Canada is committed. Further, funding consistent with international human rights standards should embed a "do no harm" approach, ensuring that due diligence is exercised to avoid undermining human rights (which includes, civil, political, economic, social, and cultural rights) in the recipient country or community. Directly promoting and protecting human rights is an even stronger demonstration of adherence to the spirit of the Act.

Overall, the Department should assess what type of Canadian presence across multilaterals represents the best value for money in terms of achieving development objectives, whether Canada's current presence is right-sized, and whether governance models need to be updated.

## World Bank's IDA and MDRI

The stated mandates of the World Bank's (WB) International Development Association (IDA) and the Multilateral Debt Relief Initiative (MDRI) are closely aligned with the poverty reduction objectives of ODAAA. However, the test of these mandates is in the actual country programs, practices, and policy engagements by the Bank. Civil Society Organizations have consistently expressed concern about the use of ODA funds that result in the prioritization of financial returns over positive development impacts. It is essential that the next IDA replenishment cycle (IDA-20) adequately addresses critical areas such as human capital, learning poverty, food security, and others that disproportionately impact women, children, and vulnerable groups.

Further, recent calls for shifts in the World Bank's governance structure and operational mechanisms are consistent with the imperative to dismantle the repeated strategies that generate maldevelopment. The World Bank's Structural Adjustment Programs (SAPs) contributed significantly to the 1980s becoming a lost decade for many Global South governments that had to cut down on public spending for social services (health and education, above all). Four decades later, the ripple effects of the Covid-19 pandemic emphasized the importance of building more robust national health systems and renewed the focus on pandemic prevention, preparedness, and response. As highlighted in a recent report<sup>1</sup> of the Geneva Global Health Hub, "public systems for healthcare delivery have overall been more efficient and effective, produce better healthcare outcomes, and perform better in terms of crisis prevention and preparedness. However, since 2018, the World Bank Group is operationalizing its "private-first" approach through its Maximizing Finance for Development strategy. Investments in health led by the International Finance Corporation (the World Bank's private sector arm) even ignore equitable access to services as a goal". The failed lessons of the SAPs should not be forgotten.

There is undoubtedly a role for the private sector in the global development agenda. We appreciate that Canadian financial institutions like Scotiabank and BMO Capital Markets partnered with the World Bank to issue bonds supporting efforts in the sectors of health and gender equality. However, a more balanced and coherent approach is needed, including in climate finance. Through special Canadian funds at the multilateral development banks, Canada's climate finance has one of the highest levels of loans in its climate finance, causing historically disadvantaged countries to bear the brunt of the climate emergency to which they have not contributed. This runs at cross-purposes with the commitment, under the Multilateral Debt Relief Initiative (MDRI), to cancel 100% of eligible debts owed by heavily indebted poor countries.

### **International Monetary Fund (IMF)**

Beyond the Administered Account for Ukraine, established to assist Ukraine with its budgetary needs and help stabilize its economy, a more critical question related to the IMF is its responsibility in imposing an unbearable burden of debt on developing countries, pushing millions of people into extreme poverty. This begs the question as to whether the IMF, a key actor in the multilateral financial system, is fit to address the debt emergency. IMF Chief Economist forecasted<sup>2</sup> that the cost-of-living crisis fueled by inflation and exacerbated by factors such as Russia's war in Ukraine would hit the lowest-income people and countries the hardest and that the repercussions won't just be short-term. Further, the IMF's director for Africa chastised donor nations for being "shortsighted," adding that a failure to support lower-income countries in trouble now will have ripple effects into the future, forcing countries to borrow more to keep their citizens from going hungry, at a time of worsening debt servicing costs. Without measures for debt cancellation, massive IMF/WB loans relating to the pandemic and its economic fallout will certainly exacerbate the debt vulnerability of increasing numbers of developing countries.

While we welcome increased attention by the World Bank on gender equality over the past decade, we take note of a recent Eurodad report calling the IMF into question on its gender work<sup>3</sup>, especially regarding its recommendations to governments on austerity measures. Austerity is a gendered policy

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<sup>1</sup> G2H2 report on Financial Justice for Pandemic Prevention, Preparedness and Response, <https://g2h2.org/posts/financialjustice/>

<sup>2</sup> <https://www.devex.com/news/the-worst-is-yet-to-come-for-the-global-economy-imf-warns-104167>

<sup>3</sup> Eurodad report, [https://www.eurodad.org/end\\_austerity\\_a\\_global\\_report](https://www.eurodad.org/end_austerity_a_global_report)

given that it affects the rights of women through budget and program cuts as well as by increased home care, turning women and girls into involuntary “shock absorbers” of fiscal consolidation measures. The report points out that IMF macroeconomic policy advice remain mostly detrimental to women, uncompensated by too few safety nets, and limited education and childcare services.

### Asian Infrastructure Investment Bank (AIIB)

A 2020 study (underwritten by the Swedish International Development Agency (Sida) and the European Union)<sup>4</sup> signals AIIB’s lack of transparency, which undermines the responsibility of national actors to offer public records on the progress made against development programs. Similarly, concerns have been raised around AIIB’s respect of social and environmental standards in the countries of operation. Canada should leverage its new Indo-Pacific Strategy to better define its engagement with AIIB.

### **Q2: Does the new Report for Parliament on the Government of Canada’s International Assistance 2020-2021 help to improve transparency on international assistance? What changes could be made?**

We acknowledge and appreciate the consistent improvements of the Report for Parliament on the Government of Canada’s International Assistance, which provides an overview of Government international assistance commitments to various departments and multilateral institutions. It is very useful to see the disbursements of international assistance by action area of the Feminist International Assistance Policy

It would be useful to include in future reports clear information on balances in budget allocations and transparently display new budgetary additions, as well over or underspending levels. Also important would be some indication on the future path of international assistance (both ODA and non ODA). This would provide the international cooperation sector with a transparent fiscal anchor on development spending baseline and projections.

Furthermore, the two volumes of the annual report could be more explicit in demonstrating the alignment of development funding with the ODAAA tests related to centering the perspectives of the poor and consistency with international human right standards. It is also important that the Report to Parliament (volume 2 in particular) provides the Government’s perspective on the opportunities and challenges that the multilateral development finance institutions face in addressing all three tests in the Act.

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<sup>4</sup> Reality Of Aid, “Paradigm Shift or Rehashing Corporate-led Development: Unpacking the role of AIIB and NDB in financing development in Asia”, Realityofaid.org, August 3, 2020, <https://realityofaid.org/brownbag-paradigm-shift-or-rehashing-corporate-led-development-aiib-ndb/>.