

# Securing ODA for Stability, Partnership and Shared Prosperity

Canada's engagement in international development cooperation has long been a deliberate and valued investment in foreign policy.

In a global context that is more fragmented, crisis-prone and volatile than it has been in decades, Official Development Assistance (ODA) is one of the most effective tools Canada has to build resilient partnerships and advance global stability, prosperity and justice.

Predictable and accountable ODA enables long-term planning and reduces crisis response costs over time, while reinforcing Canada's reputation as a reliable, values-based actor focused on results. By anchoring ODA where it is most effective and most needed, Canada can manage fiscal constraints responsibly while preserving a core asset of global stability and justice.

## Key Recommendation

Establish a protected core minimum of **\$5.5 billion<sup>1</sup>** per year in Official Development Assistance (ODA) within Canada's overall ODA allocations, dedicated to the most vulnerable contexts.

This refers to all ODA activities in least developed, low income and fragile contexts, and core aid directly related to reducing poverty and inequalities in lower middle-income countries. ODA for other eligible purposes would be in addition to this protected minimum.<sup>2</sup>

## Development Cooperation in a Shifting Global Risk Environment

Canada faces fiscal pressure amid heightened geopolitical tension. Major donors are cutting aid while increasing defence spending, alliances are under strain and countries are pursuing greater strategic autonomy.

- <sup>1</sup> Based on net actual ODA in the International Assistance Envelope (IAE), where ODA averaged **\$6.65 billion per year** (adjusted to 2023 dollars) between 2019/2020 and 2023/2024, discounting COVID and Ukraine (which cause important fluctuations in calculations). According to an analysis of 2023/2024 ODA data using Reality of Aid poverty-orientated sector codes, **\$4.86 billion of \$6.72 billion Canadian ODA** (discounting COVID and Ukraine), or 72%, was poverty focussed. Raising that to \$5.5 billion would increase that to at least 82%. Analysis of 2023 data also shows that a total of **\$3.83 billion of \$6.72 billion was targeted at least developed, low-income and fragile contexts, or 57%**. Securing \$5.5 billion within the envelope would further ensure that Canada's ODA is supporting those in the most vulnerable situations (AidWatch Canada calculations).
- <sup>2</sup> Informed by the Cooperation Canada-commissioned report: **Canadian Development Finance Modalities at a Time of Fiscal Constraints and Geopolitical Tensions**

Meanwhile, conflict, climate shocks and humanitarian needs are increasing, hard-won development gains are reversing, multilateral cooperation is weakening and geopolitical competition is intensifying.

This evolving context affects us all. It has devastating impacts for communities on the frontlines and spills across borders, raising the long-term economic and security costs for Canada.

Reducing international assistance in this environment is neither prudent nor strategic for Canada. Yet in the 2025 federal budget, Canada announced \$2.7 billion in reductions to international assistance over four years. Without clear priorities, these reductions risk weakening Canada's ability to prevent crises before they escalate, affecting Canadians through trade disruption, inflationary pressures, displacement, health risks and growing insecurity.

## A Strategic Investment in Stability, Influence and Credibility

ODA is a core instrument of Canada's economic, diplomatic and security policy. It is a unique resource that is most effective and most needed in least developed, low-income and fragile contexts where poverty and inequality are highest, risks are greatest and private investment is least likely to flow.

In these settings, ODA strengthens basic services, institutions and resilience, preventing shocks from escalating into humanitarian, economic and security crises. Sustained development engagement is consistently more effective and less costly than responding after crises become entrenched, reducing emergencies, supporting partners and lowering long-term costs for Canadian taxpayers.

Ultimately, in a more contested world, ODA is a strategic instrument that tackles poverty, responds to crises and builds resilience in partner countries. At the same time, it strengthens Canada's influence as a middle power by building trust and credibility and enabling long-term diplomatic, economic and multilateral engagement.

## The Unique Value of ODA

ODA is essential because it complements private finance by reaching places, people and sectors where market solutions alone are insufficient, particularly in social sectors such as health and education and in humanitarian contexts where financial returns are limited or absent.

Many least developed, low-income and fragile countries rely on ODA because of:

- Narrow tax bases, large informal sectors, debt distress, illicit financial flows and international tax avoidance, as well as inequitable access to finance.
- Private finance being concentrated in middle-income countries and bankable sectors, bypassing the most vulnerable and highest-risk contexts.

Grant-based ODA therefore remains a critical source of legitimacy, reliability and partnership, strengthening countries' ability to withstand shocks and reducing the cost of future crises.

## Securing ODA's Core Function

ODA is increasingly stretched across competing objectives, including global public goods, geopolitical priorities and private finance mobilization, often without sufficient clarity on poverty and inequality outcomes. While private finance contributes to development efforts, it cannot replace grant-based assistance in the most fragile contexts.

Financing for global public goods such as climate mitigation, pandemic preparedness and biodiversity protection is important, but should not replace poverty-focused ODA in least developed and fragile contexts.

Consistent with Canada's ODA Accountability Act and Canada's national interest as a trusted and credible global partner, constrained resources demand disciplined choices. ODA must therefore prioritize reducing poverty and inequalities, country ownership and consistency with human rights standards.

In this moment of global rupture, the question is not whether Canada can afford this investment, but whether it can afford the consequences of underinvesting in prevention and sustainable development. Failing to maintain a core minimum of poverty-focused ODA will increase future costs, deepen instability and weaken Canada's credibility and influence internationally.

In a more fragmented global economy, countries that remain present and reliable will shape the next generation of strategic partnerships. Canada has long understood that international development cooperation is a core instrument of global stability and of Canada's global influence and economic resilience.

## What Success Looks Like

### 1 **Secure ODA for stability, partnership and shared prosperity**

Establish a protected minimum of \$5.5 billion per year in Official Development Assistance (ODA) within Canada's overall ODA allocations, dedicated to the most vulnerable contexts. This refers to all ODA activities in least developed, low income and fragile contexts, and core aid directly related to reducing poverty and inequalities in lower middle-income countries.

ODA for other eligible purposes would be in addition to this protected minimum. This should be applicable for budgets 2026-2027 to 2029-2030.

### 2 **Publish transparent, multi-year ODA allocations and projections**

Engage with civil society and partners to clearly outline the implications of announced cuts or new investments for annual ODA budgets, priorities and programming to ensure predictability, transparency and effectiveness.

### 3 **Rationalize the role of ODA by ensuring financing for global public goods is additional** and delivered through complementary instruments and approaches.

### 4 **Deploy concessional finance strategically**

In delivering ODA, use grants where debt would be harmful and concessional loans only where repayment is realistic and does not increase debt distress to maximize impact while safeguarding partner countries from future debt risk.

### 5 **Sustain Canada's expertise and contributions to gender equality**

Maintain robust ODA resourcing for gender equality across Canada's development and humanitarian assistance programming, leveraging deep expertise and networks amid democratic backsliding and global pushbacks against gender justice.

### 6 **Leverage civil society expertise**

Strengthen ODA effectiveness by investing in Canadian civil society partnerships and locally led organizations through more flexible funding and updated risk models that sustain cooperation during periods of geopolitical volatility.