



CANADIAN INTERNATIONAL DEVELOPMENT PLATFORM

CANADA IN INTERNATIONAL DEVELOPMENT

Data Report 2016
BRIEF

KEY MESSAGES

Canadian International Development Platform 2016 Data Report

THE OPPORTUNITY

Canada has a great opportunity to provide principled leadership in the area of sustainable development and shared prosperity on the global stage.

This is the right time to step up our contribution to global development. It is not only the right thing to do in meeting our global obligation, it is very much in Canada's enlightened self-interest.

Investing in development is one of the smartest investments in future prosperity Canada can make.

As an open mid-sized economy Canada's future prosperity depends on a safe, stable and prosperous global economy that works for all countries and all sections of society.

Our contribution to global development in partnership with others helps achieve just that.

The global context is changing rapidly. The Sustainable Development Goals (SDGs) and their emphasis on universality, eradicating extreme poverty, and leaving no one behind, means we need to update our approach.

WHAT THE 2016 DATA REPORT SHOWS

The Canadian International Development Platform (www.cidpnsi.ca) leverages open data and big data from a development perspective to analyze Canada's engagement on global development.

We focus on flows in four areas: foreign assistance, international trade, foreign investment, and migration and remittances.

Our 2016 Data Report which was launched on June 30, 2016 in Ottawa, points to the following:

- Increasingly, the simplistic paradigm of Canada doing development overseas, rarely holds. As countries develop and move through stages, their overall (net) contribution to Canada becomes significant very quickly.
- As evidence of development success, we find that the pace at which this happens has increased.

- Consider the following stylized example: South Korea was once an aid reliant developing country. Today it is a major trade and investment partner, one whose products are ubiquitous in the lives of Canadians.
- The pace at which this transition is taking place in countries like China and India today exceeds that of S. Korea, Mexico and Brazil in the past.
- The pace at which countries like Vietnam, Indonesia, Peru and Philippines are rising - especially from the perspective of their aid, trade, investment, migration and remittances relations with Canada - is faster than India and China.
- The potential we see in the likes of Bangladesh, Cambodia, Ghana and Kenya implies this evolution could be even faster.

While these are stylized examples, they reflect trends we see in the data.

- Some of Canada's fastest growing trade and investment partners are among our development focus and partner countries;
- The value of imports into Canada from many of these countries is more than 10 times our aid flows to the same;
- Investment flows exceed aid flows in many of our focus and partner countries;
- The majority of new migrants to Canada come from developing countries, the largest and fastest growing category of (temporary) migration (international students) is dominated by developing countries and entails net inflow into Canada that rivals foreign aid outflows;
- Developing countries including several development focus and priority countries dominate remittance outflows from Canada, which again exceed aid flows in several countries.



In a post-MDG world characterized by the universal SDGs it is clear that engagement on development can no longer be confined to aid policy.

We welcome the international assistance review (IAR) and look forward to its impact on Canada's aid policy and funding framework.

However, our analysis is a reminder that Canada needs a development strategy (not just aid policy) that pursues specific yet holistic development objectives in a whole-of-government (and beyond) manner.

RECOMMENDATIONS AND POLICY IDEAS TOWARDS A DEVELOPMENT STRATEGY

Canada needs a differentiated approach and a more integrated development strategy.

A differentiated approach entails finding the right mix of modalities, tools and partnerships that fits a given context.

A more integrated development strategy means making the links between opportunities in disparate policy domains, e.g. between aid and trade policy; development and investment promotion; development and migration and refugee settlement.

- For example, in some contexts highly concessional grants and contributions are all that will work to deliver tangible results for the poorest. This is the case in emergency situations of course, but also in most fragile, low income and least developed countries. Increasing overseas development assistance (ODA) to accelerate progress towards the SDGs is key in these contexts.
- In other contexts grant based ODA may not be necessary or even appropriate. Blended financing, ODA loans, equity, and other near or at-market financing could have a significant impact on delivering development results including for the poorest and most vulnerable. This is increasingly the case in some middle income and non-fragile low income contexts, which account for a large proportion of those living in extreme poverty globally.

A differentiated approach would apply the right mix of concessional and non-concessional public financing, and work to leverage private resources where relevant.

- An integrated strategy, for example, would recognize that today's refugees are tomorrow's change agents in rebuilding and reviving their communities.
- Today's international students are tomorrow's potential thought leaders and globalists.

An integrated strategy would build a platform through which these groups and others (like the Canadian private sector) could be meaningfully and consistently engaged in Canada's future role in global development.

LINKING RESOURCES TO GLOBAL NEEDS AND CANADA'S AMBITION

Given the scale of needs, especially the pace at which humanitarian demands have increased in the last few years, and the gaps still left to close in ending poverty by 2030, it is clear that Canada's development strategy must be anchored around credible increases in the international assistance envelope (IAE).

Using history as a guide, we outline a path by which the IAE should reach approx. \$10 billion by 2027. This calls for establishing a long-term growth anchor for the envelope in Budget 2017.

Precise anchors are a matter for further debate but the point is to think about an ambitious long-term strategy and update the funding framework accordingly. This would greatly enhance predictability and should be supported by increased transparency around the IAE.

Increasing the IAE in a predictable manner would allow Canada to build on its strengths. According to our analysis focusing on the poorest and neediest, gender equity and empowerment, prioritizing global health, and contributing to humanitarian efforts are some of the strengths of Canadian aid. A predictably growing envelope will ensure we build on these, even as new areas, like climate change, clean technology and innovation in financing, are further developed.

IMPROVING POLICY COHERENCE, CLOSING DATA AND INFORMATION GAPS, AND UPDATING CANADA'S DEVELOPMENT TOOLKIT

In the area of trade policy, we show that Canada's preferential market access and other trade capacity support does benefit developing countries. However more coherence is possible in trade policy from a development perspective, because in many cases import tariffs cost our development partners more than what we provide through aid.

In the area of migration and remittances, we show that Canada's successes in migrant integration mean diaspora communities are a major source of financial flows to communities in home countries. However data and information gaps limit our understanding of both the dynamics and the developmental impacts. More work is needed to close these data and information gaps.

Developing countries only make up a fraction of Canadians' global investment footprint. However in a relatively short period trends have changed substantially.

Some of the fastest growing investment destinations globally are among developing countries, including for Canadian investors. Many large emerging economies are now bigger investors in Canada than Canada is in them. Data and information gaps again limit analysis of the impacts of Canadian private investment from a development perspective.

It is also clear that incentivizing private capital into geographies and sectors (such as clean energy and technology) that could accelerate the SDGs will become an important function for donor governments in the future. Doing so requires updating our toolkit.

Moving forward on the Canadian development finance initiative (DFI) announced in Budget 2015 would be a step in this direction.

The Canadian DFI could help de-risk private investment in developing countries. If done right, this could have a substantial impact on development outcomes including for the poorest. We outline key principles to help ensure the Canadian DFI keeps its focus on development and complements ODA.



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