Canada on the Global Stage: Where to Next?

2018 DATA REPORT

CANADIAN INTERNATIONAL DEVELOPMENT PLATFORM

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Introduction

We publish this iteration of our Data Report in anticipation of the federal election cycle, which Canada will enter in less than a year from now. As political parties prepare platforms which invariably contain a mix of rarefied achievements and bold promises, we offer a data-driven framework for voters, observers and commentators to assess plans and promises as they relate to our three main areas of policy research and data analytics.

What This Report Shows

This report covers three main areas: foreign assistance; trade and investment; and migration and remittances. Each section has three main components: an analytical narrative, descriptive data, and policy ideas. We purposefully frame these as 'ideas' because they are not necessarily easy one-off fixes – the so-called 'low hanging fruit' – that appeal to politicians and bureaucrats.[1] Rather, they are broader areas that group and link concepts for further consideration. Highlights from the analytical narratives and key policy ideas from each section are summarized below:

Foreign Assistance

Canada's Turn to Feminist International Assistance: Transformational or Incremental?

Our analysis questions whether Canada's turn to feminist assistance, with the launch of the Feminist International Assistance Policy (FIAP) in 2017, is transformational or merely incremental. The analysis shows the following:

Given the FIAP's highly ambitious quantitative targets over the next few years, Canada will emerge as a leader among gender-focused and feminist donors. While this would be a major achievement, it also has the effect of (significantly) raising the bar of expectations. We make the case that greater focus, rigour and innovation are needed if the goals of FIAP are to be realized. For example, if Canada's gender-focused aid does not go to countries where gender inequality is more pressing, it will miss the mark.

Overall, Canadian aid is quite unfocused and spread too thin. We highlight further downside risks embedded in the FIAP, which include:

- Gender-washing and concept stretching.
- Data moving in the right direction, but inconsistent with change in underlying realities.
- Change in perceptions of Canada as a less agile and responsive donor.

We raise key questions about whether the FIAP understands the demand profile of gender-based aid. Through key examples, we also demonstrate how persistent data and informational gaps weaken transparency and accountability, and limit rigorous analysis of the FIAP and its potential impact. Failing to address these issues would be a missed opportunity. In order to drive impact, especially in an area like gender-focused and feminist assistance, Canada must think seriously about maximizing its relatively limited influence.

[1] Though, in some cases, they may qualify as such.

We recommend the following:

1. Develop a coherent assessment framework for the FIAP.

2. Make choices to further focus and drive innovation.

3. Further localize and understand the demand-side of gender focused aid.

4. Lay the groundwork for rigorous independent analysis.

Trade and Investment

The Push for Trade Diversification and Improvement of Canada's Investment Climate: Balancing Expectations with Structural Realities

Diversification of Canada's trade footprint and steps to attract investment and improve the investment climate have been key goals across the political spectrum in recent years. This was especially the case during the first mandate of the Liberal government and, more recently, in the update to the mandate of the Minister of International Trade Diversification. Our analysis points to the following:

- Diversification is taking place, but is a slow-moving process given the structural realities of the Canadian economy (both in terms of geography and sectoral orientation).

- Trade diversification is being led by emerging and developing economies' relative competitiveness in the Canadian import market. Canadian export competitiveness in developing country markets is lagging by comparison.

- Nevertheless, developing and emerging economies are key to Canada's diversification.

- Our analysis also shows there is room for trade-investment-development complementarity. Quantitative and qualitative analyses have shown, for instance, that the presence of Canadian official development assistance (ODA) in developing countries can improve future competitiveness of Canadian exports.

- Despite policy measures to the contrary and a range of competing perspectives, it is undeniable that Canada's investment climate has deteriorated noticeably since 2015. The difference between policies and perception of policies, competitive global pressures (especially from the United States), and intractable interprovincial and jurisdictional issues, continue to hurt Canada's business/investment climate and global competitiveness.

- In terms of linking trade, investment, and development considerations in a win-win-win manner, we offer the cleantech and climate finance space as a test case for sector-specific support.

There have been various attempts over time (for example, the 2005 International Policy Statement and the 2013 Global Markets Action Plan) to set a strategy to diversify and enhance Canada's global commercial footprint. There are two distinct elements to the current strategy: progressive trade, and diversification. However, the link between progressive trade and diversification has not been unpacked.[2] We argue Canada needs to think about a strategic re-positioning and recommend the following:

1. Develop a coherent trade and investment diversification strategy with realistic goals.

2. Move from talk to concrete measures to address interprovincial barriers and jurisdictional issues.

3. More trade and investment agreements are necessary but insufficient. Two factors are important. First, differentiation, which implies a recognition of the need for balance (e.g. a "progressive" posture may not suit every context). Second, there is a need to think about sector specific strategies and ground-game to support and safeguard Canadian competitiveness in key sunrise sectors.

Migration and Remittances

A Country of Immigrants, Newcomers Are Key to Canada's Economic Prospects: Are We Doing Enough to Make the Most of This Canadian Comparative Advantage?

Canada is a country of immigrants. Migration, especially economic migration, is key to Canada's economic prospects. Given the geographic composition of where newcomers are and will increasingly come to Canada from, immigration is a key development issue for Canada.

- The recent increase to immigration levels – which aims to welcome 1 million immigrants from 2018-2020 – is noteworthy in terms of a step change from trends. It also implies that the majority of new immigrants will increasingly come from developing countries and will be economic migrants.

- The link between Canada's economic prospects and immigration is clear. This is apparent whether we look at the sectoral level – such as the high-growth tech sector, where approximately 37% of jobs are held by immigrants – or we look at growth scenarios, which illustrate that higher immigration may not only increase growth but the contribution of immigration to the same would also be higher. However, there needs to be greater recognition of the importance of integration.

- The lack of credential recognition of new immigrants' costs Canada anywhere between $8bn and $10bn.

- We conduct a simple analysis to estimate Canada's relative contribution to sharing the global refugee burden. While Canada performs strongly on resettlement, total resettlement only accounts for a very small fraction of the global refugee population. In terms of hosting refugees, Canada ranks only 32nd and as a ratio to population shares, fares lower than countries like Sweden, Germany, Norway and France (though better than the rest of the G7 peers).

[2] It is important to note that the 2018 Fall Economic Update had not been released at the time of writing. Therefore, many of the measures covered therein (such as, the target to increase exports by 50% by 2025) are not yet analyzed; Department of Finance Canada, *Fall Economic Statement 2018* (Ottawa: Government of Canada, 2018), https://budget.gc.ca/fes-eea/2018/docs/statement-enonce/toc-tdm-en.html. However, these areas will be explored soon as part of the Platform's trade data vertical; Canadian International Development Platform, "Canada's Trade Flows," last modified October 28, 2018, http://cidpnsi.ca/canadas-trade-flows.

- We estimate that remittance flows to developing countries account for 64% of remittances from Canada and at $15.9bn (2016) are over 3x Canadian aid flows. This is true in some of Canada's main aid recipients – including Haiti, Pakistan and Nigeria.
- The average cost of remitting money from Canada remains higher than both the G7/G20 and global average, despite a downward trend.

We recommend the following policy ideas on migration and remittances:

1. Focus on integration demands and gaps, not just immigration levels, and better link targets to labour market analysis (including analyses that take into account technology-driven disruptive trends in the evolution of the future of work).
2. Address data and informational gaps (to which end, we welcome results from the ongoing Global Affairs Canada and Statistics Canada partnership to survey remittance behaviour).
3. Foster innovation through competition, by engaging the diaspora and the financial, technology and capital markets sectors.
4. Increase awareness about Canada's development priorities amongst the diaspora.

Taken together, the above areas resonate strongly with issues that the main political parties have focused on in recent election platforms, as they relate to foreign assistance, trade and investment, and migration and remittances.

Political Platforms and Our Areas of Interest

In preparation for this report, we conducted a summary analysis of how federal political parties address our three main areas of interest.[3] This analysis covered platforms over the 2008-2015 period and involved a textual analysis of how issue areas are typically discussed, noting specific ideas or initiatives that have been proposed, and unpacking trends and tendencies amongst the main national parties.[4] This approach has some relevance, as in addition to the media and civil society (who are always interested in political positions), third-party reviewers are increasingly aggregating and rating the extent to which parties and leaders deliver on commitments.[5]

***Foreign Assistance*: When it comes to foreign assistance a clear distinction is whether and to what extent platforms address the issue of spending levels.**

Even within the broad set of foreign policy or 'Canada in the world' issues, which include defense and economic diplomacy, foreign assistance and Canada's contribution to global development ranks particularly low. Nevertheless, we do see clear patterns in terms of how parties address this area.

[3] This analysis was conducted by leveraging the collection of political texts made available at www.poltext.org by Lisa Birch, Jean Crête, Louis M. Imbeau, Steve Jacob and François Pétry, with the financial support of the *Fonds de recherche du Québec - Société et culture* (FRQSC).
[4] The analysis is restricted to the three main federal parties: Liberal Party of Canada, Conservative Party of Canada, and New Democratic Party (NDP).
[5] Notable examples: Poltext, "Trudeau polimeter," POLTEXT, 2015, https://www.poltext.org/en/trudeau-polimeter; Dom Bernard et al. "TrudeauMeter," TrudeauMeter, https://trudeaumetre.polimeter.org.

Most thoughtful observers would agree that development policy involves more than just spending foreign aid budgets. Effectiveness, partnerships and quality of aid provision matter a great deal. However, the hard facts are that all the good stuff governments and NGOs want to do in development costs (a lot) of money. And when the mismatch between global demands and opportunities on the one hand and our capacity to respond to the same is wide (and growing), the question of resource levels becomes inescapable.

NDP always talks about immediately adding to the budget and refers to 0.7% ODA/GNI.

The New Democratic Party (NDP) is the only one that consistently talks about foreign aid spending levels, with explicit reference to a 'timetable' to get Canada on a path to the 0.7% of ODA/GNI global target (for comparison, Canada's current level of aid spending is around 0.26% of GNI). Jack Layton's 2008 platform pitched a '10-year timetable' to get to 0.7; which was repeated again in 2011, with a promise to 'immediately add $500 million' to the aid budget and focus on health, development and human rights. The same was repeated again (almost verbatim) in Tom Mulcair's 2015 platform, with a new focus on women's equality, health and rights (including abortion).

Liberals and Conservatives hedge when it comes to spending levels and refrain from reference to 0.7%.

Both the Liberal Party and Conservative Party have been more creative in that they find ways to sidestep the issue of spending levels and explicitly ignore the 0.7% global target. Both parties will tend to talk about spending levels as and where it fits with performance – for instance, it would be no surprise to see the next Liberal platform tout the 'historic increase' to the international assistance envelope (IAE) made in Budget 2018 following the roll-out of the new FIAP. Similarly, Stephen Harper's 2008 platform recommitted to 'doubling aid by 2010', a target established under the previous government and already well on its way to achievement. Generally, however, Conservatives tend to sidestep spending levels and 0.7, choosing rather to focus on specific issue areas – Afghanistan in 2008; religious freedoms in 2011; and Ukraine in 2015. Liberal's on the other hand emphasized sexual and reproductive rights, multilateralism (including climate change) and Syria (2015). A curious outlier was Michael Ignatieff's 'Global Networks Strategy' (2011), which argued for a shift from aid (which was deemed to be ineffective) to 'good governance,' the establishment of a Canada Democracy Agency, and an emphasis on the responsibility to protect framework.

Trade and Investment: There is less divergence when it comes to trade and investment, but parties put their own spin on issues.

Parties generally tend to concur on broad principles (like freer trade, greater investment etc.) and offer similar direction: the need to expand and improve free trade and investment agreements; expand exports; ensure investment delivers quality jobs, appear across the board. The Liberals and Conservatives consistently single out China, India and emerging markets, diversification, as well as resolving US-Canada issues (albeit in different ways). While the NDP emphasizes jobs and social considerations as it relates to trade and investment, positioning itself as a more 'conscious' option when it comes to the realpolitik of economic diplomacy and deal-making. Both the Liberals and Conservatives tend to also offer greater support for Team Canada / Brand Canada missions and initiatives. However, again, a truly creative spin was Ignatieff's (2011) Global Network Agreements. These were said to be trade and investment deals with partners including the likes of China and India that would go 'far beyond exports, imports and investment'.[6] This has at least some parallels with the Liberal's recent 'progressive trade agenda'.

[6] Nearly a decade of negotiating with India, and the inability to make much headway with China, of course militate against such pretentions.

Expect the Liberals to tout achievements in terms of concluding the United States–Mexico–Canada Agreement (USMCA), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and Comprehensive Economic and Trade Agreement (CETA) — the last two of which were started under the previous government — and make some reference to progress on trade with China.

***Migration and Remittances*: Broad commonality, but, important differences in details and niches.**

All parties agree on the need to fast-track immigration, decrease the backlog of applications, and address the long-standing issue of foreign credential recognition.

In 2015, the Liberals offered the most extensive and detailed positions on migration as well as the refugee crisis (including the target of resettling 25,000 Syrian refugees, increased funding to support resettlement and increased support to overseas refugees via the UNHCR). Notably, the NDP also promised to settle Syrian refugees (but 10,000), while the Conservatives offered no specifics.

The Conservatives, on the other hand, tend to prioritize integration, including linking immigration to labour-force demand. To this end, they have offered specific measures on credential recognition and subsidized loans to new immigrants (2008, 2011).

Expect the Liberals to tout success both in terms of refugee settlement and also substantially increasing overall immigration levels (including expediting the process meaningfully in some instances and lowering barriers for international students). The Liberal's are the only party that has taken on the issue of remittance prices and promised to 'better regulate' the remittance industry.

About the Canadian International Development Platform

The key goal of the Canadian International Development Platform (CIDP) is to provide a more comprehensive picture of Canada's engagement with developing countries and on global development issues. We do so by taking a decidedly data-driven approach, focusing on three main areas: foreign assistance; bilateral trade and investment; and migration and remittances. To this end, the Platform maintains the most comprehensive, accurate and up-to-date compendium of high-quality public domain statistics on these topics, and showcases policy analyses based on the same, freely available at: **www.cidpnsi.ca**.

Acknowledgements

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FOREIGN ASSISTANCE

Canada's Turn to Feminist International Assistance:

Transformational or Incremental?

Canada launched its Feminist International Assistance Policy (FIAP) in June 2017. This section analyzes the gender focused and targeted aid landscape and assesses Canada's position within the same. It makes the case for greater focus, innovation and more rigorous assessment. Gaps in transparency and accountability continue to limit analysis of whether and to what extent the FIAP is meeting its ambitions.

Gender in the Foreign Aid Landscape and Canada in the Gender-Based Aid Space

Most donors recognize the importance of gender equality and women's economic empowerment in international development assistance. However, most prioritize gender as one of a collective of priorities and as a cross-cutting criterion in the planning and implementation of project-based aid.

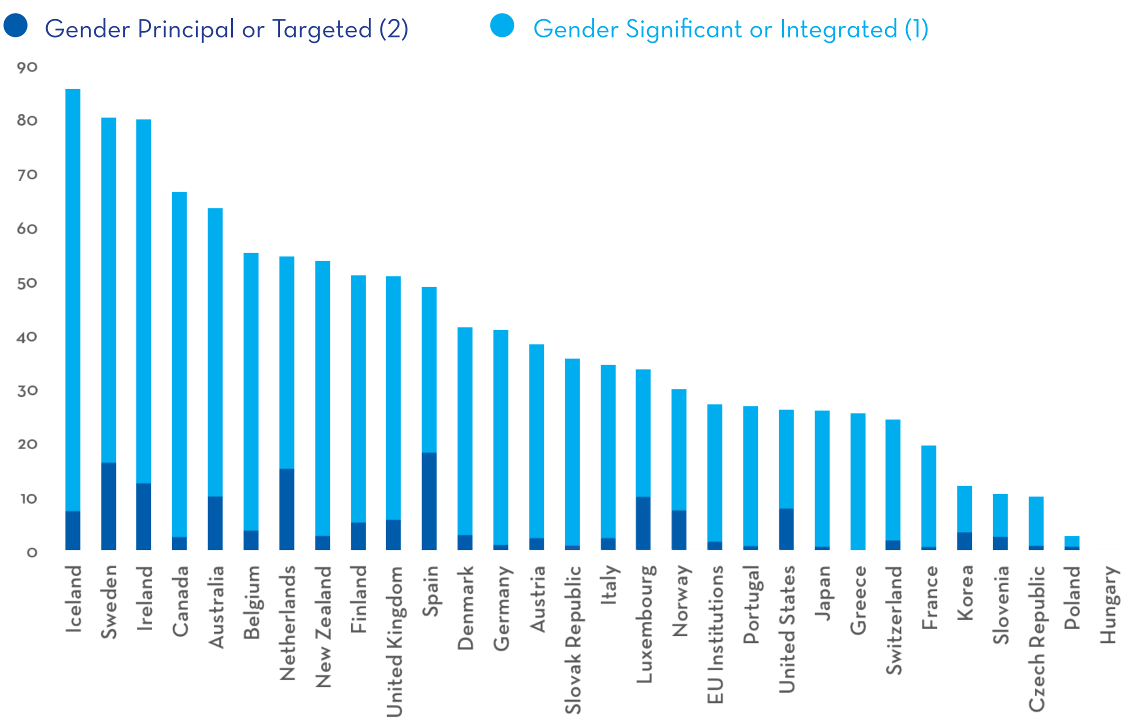
Canada, however, is not the first donor to implement a feminist approach to aid. Sweden launched its feminist foreign policy in 2014 with the objective of gender mainstreaming across its aid program. Indeed, Sweden is currently a leader in terms of the proportion of its official development assistance (ODA) that focuses on gender equality, which has consistently exceeded 75%. Currently, over 16% of its aid specifically targets gender.

The total size of the gender focused aid space has grown from $24 billion and 25% of total bilateral sector allocable aid in 2010 to $36 billion (34%) in 2016. Gender focused aid is subdivided into a smaller share of assistance that specifically targets gender equality (or gender level 2), which has grown from $3 billion (2010) to $4.9 billion (2016); gender targeted assistance only makes up between 3% and 5% of total assistance. Aid that 'integrates' gender (gender level 1) makes up the vast majority and has grown from $21.5 billion (2010) to $31.3 billion (2016).

The US is by far the largest donor and makes up the highest share of gender targeted or principal assistance (level 2) at 41%. Other leaders include: the UK (12%), Sweden (8.4%), and the Netherlands (8.2%). In 2016, Canada ranked 12th

What Share of DAC Aid Targets or Integrates Gender?[1]

Based on % of international project assistance from OECD-DAC members that targets or integrates gender (2016)



[1] OECD-DAC, "Creditor Reporting System (CRS)."

among gender targeted donors, but that rank will change considerably in 2017/2018 with the inclusion of FIAP.[2]

In the gender integrated space (level 1), Canada ranks higher. The leaders are: Germany, UK, US, and the EU and they account for between 10% and 16% of the gender integrated space. Canada ranks 6th (in 2016, and again we expect this to change for 2017 and 2018). However, Canada only makes up about 4.2% of total gender integrated aid.

FIAP and Canada's Transition to a Feminist Donor

The transition to greater accommodation of gender in foreign aid long predates the FIAP. Gender has been a cross-cutting theme within Canada's aid program since the 1990s. According to our analysis Canada's gender focus increased from 46% of GAC (or former CIDA) aid in 2011 to around 64% in 2016, well before the FIAP or its antecedent international assistance consultations.

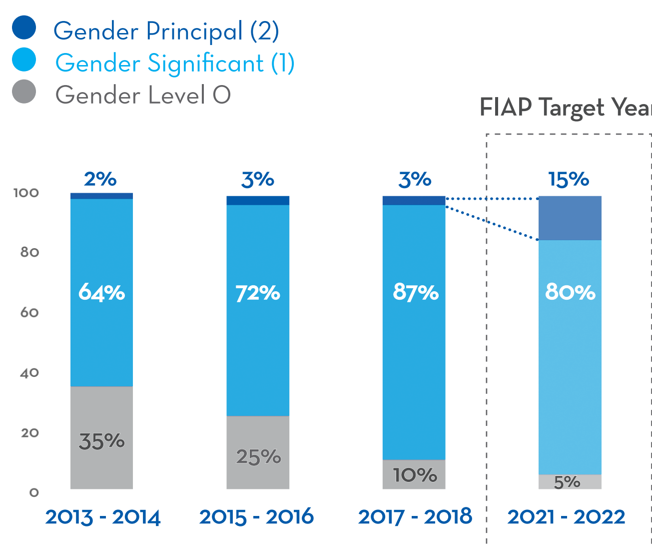
Nevertheless, the FIAP sets ambitious targets that will require significant changes to where and how aid is spent. By 2021-22, 80% of bilateral ODA through GAC will be directed at projects that integrate gender equality and the empowerment of women and girls. And a further 15% will specifically target gender equality and empowerment. Across the board, 50% of bilateral aid is to be spent in sub-Saharan Africa. The challenges implied by these targets are made all the greater by the fact that the new strategy has not been accompanied by a significant increase in the size of the aid budget;[8] increasing spending on bilateral aid that targets gender will mean less is spent elsewhere.

Given the FIAP's ambitious targets, within three to four years Canada will emerge as a global leader in the gender focused aid space.

The fact that no other DAC donor, including a leader like Sweden, has managed to become so gender-focused, however, highlights the scale of the challenge that the Canadian government has set itself. Canada will have to revisit almost all of its aid that is not already gender-focused, including in sectors (for example, material assistance or economic infrastructure) where the gender dimensions may not be immediately obvious. This may not be too problematic in the case of the 80% target for aid that integrates gender equality; it is generally possible to associate at least some elements of most aid-funded projects or programs with gender. Much more challenging will be ensuring that 15% of aid specifically targets gender equality and the empowerment of women and

What Share of GAC ODA Targets or Integrates Gender?[6]

% of Canadian bilateral ODA



[2] Comparative data for these years is not available for other donors at the time of writing.
[3] While the government has committed an additional CAD$2 billion over five years to the level of the International Assistance Envelope (IAE), in effect it amounts only to a net addition of CAD$600 million over five years; Aniket Bhushan, "Did Budget 2018 deliver the funds Canada needs to lead? Nice try, but no," OpenCanada, last modified March 1, 2018, https://www.opencanada.org/features/did-budget-2018-deliver-funds-canada-needs-lead-nice-try-no.
[4] OECD-DAC, "Creditor Reporting System (CRS)"; Global Affairs Canada, "Report to Parliament on the Government of Canada's Official Development Assistance" (report, Ottawa, 2018), 7.

girls. Relative to the latter target Canada's ratio that specifically targets gender equality has ranged between 1% and 2% over more than a decade and is currently only at 3%. Given the considerable period for new projects to progress from concept to implementation, which can take in excess of 24 months,[5] it would not be surprising if GAC struggled to achieve the 15% gender target (in fact it would be more surprising if the target is achieved smoothly).

The Case for Greater Focus, Innovation and Rigour

The FIAP implies that Canada's aid should be directed to countries and contexts where gender inequality is most rampant and/or where there are the greatest chances to improve gender outcomes. Given the FIAP's decision to do away with the erstwhile 'countries of focus' and 'development partners' lists, gender becomes a *de facto* guiding framework for geographic focus.

Do countries that face the greatest challenges in terms of gender inequality receive a large share of Canada's assistance?

- Whilst Canada does provide aid to countries with very high levels of gender inequality, broadly speaking these countries account for a relatively small share of Canada's bilateral international assistance. Amongst the 20 largest recipients of Canadian bilateral international assistance, only four of these countries rank among the 20 countries with highest levels of gender inequality as indicated by the Gender Inequality Index (GII). These four countries: Afghanistan, Haiti, Mali, and the Democratic Republic of Congo (DRC) accounted for 11.9% of Canada's bilateral international assistance in 2017.

- Of the 20 countries with the worst gender inequality globally in 2017, according to the GII, only six account for more than one per cent of Canadian bilateral international assistance, namely Afghanistan, Haiti, Mali, DRC, Burkina Faso, and Yemen.

- Of the 20 countries with the highest level of gender inequality according to the GII in 2017, 15 were in sub-Saharan Africa; a region where the Canadian government has committed to spend 50 per cent of bilateral aid. However, Canada has limited presence in terms of aid spending in many of these countries. Collectively, these

Level of Gender Inequality Among Major Recipients of Canadian Bilateral International Assistance[6]

Data for 2017 unless otherwise specified

Recipient Country	Gender Inequality Index		Canadian Bilateral International Assistance (CAD$M)	% of Canadian Bilateral International Assistance
	Index	Rank		
Afghanistan	0.653	7	219.39	5.2%
Jordan	0.46	51	150.04	3.6%
Ethiopia	0.502	39	124.65	3.0%
Syria	0.547	24	120.69	2.9%
Haiti	0.601	16	116.91	2.8%
South Sudan	-	-	111.91	2.7%
Mali	0.678	4	109.44	2.6%
Iraq	0.506	37	101.06	2.4%
Tanzania	0.537	30	89.92	2.2%
Lebanon	0.381	73	79.55	1.9%
Ghana	0.538	29	69.12	1.7%
Colombia	0.383	72	65.33	1.6%
Senegal	0.515	36	63.07	1.5%
Nigeria	-	-	54.31	1.3%
Ukraine	0.285	97	53.61	1.3%
DRC	0.652	8	50.02	1.2%
Mozambique	0.552	22	45.41	1.1%
Kenya	0.549	23	45.27	1.1%
Bangladesh	0.542	26	45.24	1.1%
West Bank & Gaza	-	-	38.76	0.9%

[5] The recent peer review of Canada's aid program by the OECD-DAC reports how, despite significant improvements in the administration of development projects, there is a long lead time between concept and implementation for many types of projects; OECD-DAC, *OECD Development Co-operation Peer Reviews: Canada 2018* (Paris: Organisation for Economic Cooperation and Development, 2018), http://www.oecd.org/canada/oecd-development-co-operation-peer-reviews-canada-2018-9789264303560-en.htm.
[6] United Nations Development Programme (UNDP), "Gender Inequality Index (GII)," UNDP Human Development Reports, http://hdr.undp.org/en/content/gender-inequality-index-gii; Global Affairs Canada, "Statistical Report on International Assistance 2016-2017" (report, Ottawa, 2018), 5; author calculations.

15 countries accounted for only 6.7% of Canada's bilateral international assistance in 2017.[7]

Taken together, these patterns imply a significant geographical reallocation of Canadian aid over the next 2 to 3 years, the challenges of which should not be underestimated.

Is Canada's Foreign Aid Spread Too Thin?

Critics have argued that by focusing on gender equality and the empowerment of women and girls, the Canadian government is adopting a rather narrow 'norms-based' concept of feminism.[8] Furthermore, that by focusing on female employment, access to education and healthcare, and the promotion of reproductive health, the FIAP fails to address the systemic and structural causes of discrimination against women and girls.[9] Critics point to the need for changes in government policies, economic and political institutions, and socio-cultural norms.

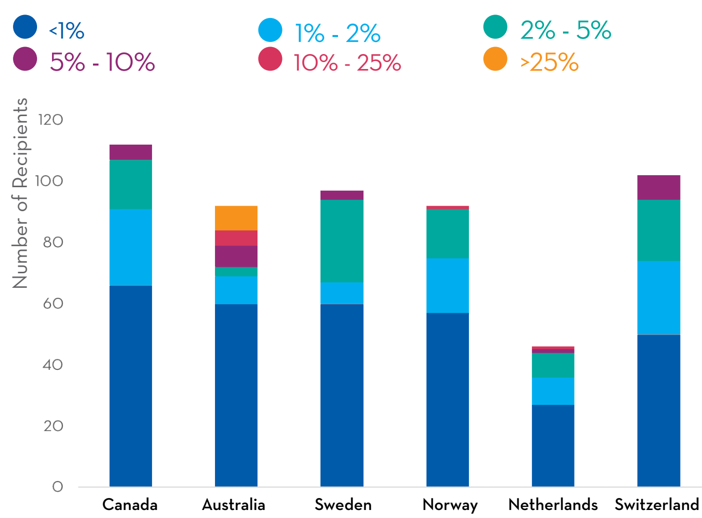
In order to challenge the more fundamental realities that perpetuate and sustain gender inequalities Canada will need to exert influence, both, amongst other donor countries and internationally in partner countries, rather than just spend money on gender-focused projects and programs. As a mid-sized donor this can be difficult. This highlights the need for aid allocation and spending decisions to be driven by an overarching strategy that enables Canada to maximize its influence.

It is possible to discern distinct donor strategies with respect to maximizing influence. One strategy is to provide aid to less countries and significant levels of aid to a few. This is the approach of Australia. An alternative is to trade off influence for gaining knowledge advantages from having the experience of working in many contexts and providing scope for the transfer and translation of these experiences across countries. This is the strategy of Sweden, Norway, Switzerland, and also of Canada.[10]

- Among the leading countries in its aid program, Canada accounts for only a small proportion of total aid any one country receives.
- Of the top 20 recipients of Canadian bilateral aid in 2017, Canada accounted for more than 6% of aid in only Mali and Haiti over the period 2015 - 2017. In both countries, other donors, namely the European Union or United States, accounted for more than 20% of the aid received. In most countries, Canada's aid over this period represented less than three per cent of the aid received.
- This is a well recognized problem. As far back as 2007, the need to focus on a smaller number of target countries was recommended by the DAC peer review of Canada's aid program.[11]
- Yet the latest data shows currently 130 countries receive Canada's bilateral assistance.[12]

How Many Countries Receive ODA from Canada vs. from Comparable DAC Donors?[13]

Number of ODA Recipients and Share of ODA Recipients' Total Received (2016)



[7] Another 8.1% of Canada's bilateral international assistance in 2017 was classified as being regional assistance to Africa.
[8] Caroline Harper, "Canada's Feminist Aid Agenda: Brave but not Radical," Overseas Development Institute, last modified July 12, 2017, https://www.odi.org/comment/10529-canada-s-feminist-aid-agenda-brave-not-radical.
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[10] The strategy of The Netherlands lies somewhat in-between these two extremes. Aid is given to a relatively small number of countries, and substantial amounts of aid to one.
[11] OECD-DAC, *DAC Peer Review of Canada* (Paris: Organisation for Economic Cooperation and Development, 2007), http://www.oecd.org/dac/peer-reviews/39515510.pdf.
[12] Global Affairs Canada, "Report to Parliament on the Government of Canada's Official Development Assistance" (report, Ottawa, 2018), 17-18.
[13] OECD-DAC, "Aid (ODA) disbursements to countries and regions [DAC2a]," OECD.Stat; author calculations.

Downside Risks of the FIAP

Gender Washing and Concept Stretching

- Everything is gender or turned into gender (i.e. gender-washing).
- In the context of a slow or no-growth aid budget, things that aren't explicitly gender related or readily relatable don't get funded (no matter their relevance or demand).
- This may be less of a concern if other players in the Canadian aid landscape picked up some of the 'slack' (after all the quantitative gender targets only apply to GAC). There is little evidence to suggest that this is being pursued. In fact, just the opposite.[14]

Data Moves in the Right Direction, but Not the Underlying Reality

- Since quantitative ratios are such a prominent feature of the FIAP – and at least in the case of the 15% gender-targeted ratio (relative to 3% today), are highly ambitious – there is a danger that the pursuit of such targets is divorced from more meaningful change.
- There is already evidence that while quantitative ratios trend too quickly and easily in the right direction, this bears little symmetry with what has changed either in terms of the way of working (i.e. how projects and programs are developed, assessed, scored and or implemented), or, further removed, with gender and development impacts on the ground.
- Lack of analytical and programmatic reflexivity is a key weakness of the FIAP. The risk is that independent analysis fails to validate the efficacy or meaningfulness of the FIAP's approach to gender/feminism, and yet the framework is maintained because there are no reviews, checks or reflexivity built into the design from inception.

Perception of Canada as a Development Partner, and Understanding the Demand-side of Gender Focused Aid

- Overtly 'feminist' positioning puts off development partners and acts as a deterrent to working with Canada on other (non-gender/feminist) issues; be it governments sensitive to the connotations embedded in a highly politicized framework like 'feminist assistance' or other partners who may perceive the exclusive focus on gender leaves no room for their work (unless they reframe the same as gender related or compliant, i.e. gender-washing).
- While GAC touts broad-based 'consultations'[15] that led to the FIAP, it is fairly obvious that the framework is a political project supported by handpicked Canadian civil society organisations (CSOs) and non-governmental organisations (NGOs). There is little evidence of demand-side analysis. If such an analysis were conducted, it would show at least two things: gender equality ranks only 9th among the 17 SDGs in terms of a priority area as far as leaders in low- and middle-income countries are concerned. Notably, gender equality ranks less than half as frequently as a top priority compared to quality education, peace and justice, and economic growth and decent work. Secondly, Canada ranks in the bottom quartile amongst 35 DAC and emerging donors in terms of wielding "influence".[16]

[14] For instance, FinDev Canada's celebrated achievement during Canada's 2018 G7 Presidency was the mobilization of "$3 billion to invest in the world's women," a very laudable mission, but hardly distinct from GAC's FIAP; FinDev Canada, "The world's development finance institutions (DFIs) commit to mobilize $3 billion dollars to invest in the world's women," FinDev Canada, last modified June 9, 2018, https://www.findevcanada.ca/en/news/worlds-development-finance-institutions-dfis-commit-mobilize-3-billion-dollars-invest-worlds.
[15] See CIDP's analysis and predictions based on the consultation process and early assessment of the FIAP targets: Aniket Bhushan and Rachael Calleja, "Canada's International Assistance Review: Case Study in Policy Development," Canadian International Development Platform, last modified February 6, 2017, http://cidpnsi.ca/canadas-international-assistance-review-case-study-in-policy-development; Aniket Bhushan, "Canada's Turn to Feminist International Assistance: By the Numbers," Canadian International Development Platform, last modified June 27, 2017, http://cidpnsi.ca/canadas-turn-to-feminist-international-assistance-by-the-numbers.
[16] AidData's Listening to Leaders (LTL) Surveys target 3,500 leaders working in 22 sectors of development policy in 126 low- and middle-income countries. While all surveys have shortcomings and are only one input amongst many, the LTL in terms of its rigour, methodology and transparency is easily the most reliable and objective of its kind; Samantha Custer et al., *Listening to Leaders 2018: Is development cooperation tuned-in or tone-deaf?* (Williamsburg, VA: AidData at William & Mary, 2018).

Taken together these factors raise questions about whether the FIAP really understands the demand for gender-focused assistance and positions Canada to address the same, or merely exposes GAC to new risks and critiques.

How Transparency and Accountability Gaps Limit Analysis of the FIAP and its Impact

Even basic analysis of the FIAP in terms of project allocations and investments is rendered almost impossible due to lack of data (or incomplete data and other similar issues).[17] We focus on two illustrative examples below:

Data Transparency, Coding Reliability, Validation and Accountability to Taxpayers

GAC has long used a four-level scale to mark projects (from 0 to 3) in terms of the extent to which they target gender.[18] Since the launch of the FIAP this was replaced with the 3-level scale (0 to 2) that is more common across DAC donors and helps with comparability. It is important to note that donors have discretion in how they score projects. The data are taken at face value and neither the DAC nor independent evaluators verify (or can verify) coding decisions.

As we have shown, GAC was already quite gender-focused as the current Liberal government took over. According to our analysis as of 2016 gender-based assistance accounted for 72.6% of GAC assistance, with 70.2% at level 1 and 2.4% at level 2. This implies that the share of the portfolio that was screened for gender and found not to meet even level 1 criteria was approx. 25% to 27%. The most recent GAC report to parliament, as part of its mandatory accountability to taxpayers on spending and progress, indicates the ratio for 2018 is expected to be

DAC Guidance for Gender Coding

Since 2016, the OECD-DAC has provided gender equality marker guidance:[19]

- A gender analysis of the project has been conducted.
- Findings from gender analyses have informed project design.
- Data and indicators are sex disaggregated where applicable.
- There is a commitment to monitor and report on gender equality results.

Level 1 implies gender equality is an important and deliberate objective but not the principal reason for undertaking the project. Two further criteria must be met for a project to receive a score of level 2 or gender-principal:

- Top level ambition of the project is to advance gender equality or women's empowerment.
- Results framework measures progress through gender specific indicators to track outcome/impact.

Level 2 implies gender equality is the main and fundamental objective and without it the project would not have been undertaken. Level 0 implies a project has been screened but does not meet the criteria for even level 1. In other words, while transition from 0 to 2 would seem unlikely if not impossible for an ongoing project, transitions from 0 to 1 and 1 to 2 are another matter. Ordinarily these nuances would not matter, however the FIAP's ambition of 95% gender-based assistance (80% at level 1 and 15% at level 2) by 2021-22 makes it important.

[17] Or merely analyses of how internal ways of working have changed post-FIAP.
[18] This is still the case internally.
[19] OECD-DAC Network on Gender Equality, *Definition and minimum recommended criteria for DAC gender equality policy marker* (Paris: Organization for Economic Cooperation and Development, 2016), http://www.oecd.org/dac/gender-development/Minimum-recommended-criteria-for-DAC-gender-marker.pdf.

90%, with 87% at level 1 and 3% at level 2.[20] Clearly, the jump is entirely attributable to an increase in level 1 project spending. In fact, the entire 15% points that transitioned out of level 0 have gone to level 1 (as level 2 is near constant). So much so that level 1 in 2018 exceeds even the 2021-22 target (87% vs. targeted 80%). Which implies the share of level 1 investments will have to come down. Given the shortness of the period and what we know about average project lengths (2.5 to 3years), clearly some of the transition is driven by transitioning formerly level 0 projects to level 1.

For all the talk of transparency and accountability and several official reports to parliament and taxpayers, absolutely no information has been released publicly to support *how* GAC is implementing this transition. More specifically, data that can help validate GAC coding (such as results from ex-ante gender analyses, monitoring indicators, other evaluative data) has not been released or reflected even summarily in any of GAC's reports.

"In 2017-2018, 95% of Canada's humanitarian assistance projects fully integrated gender equality principles"

The same GAC report to parliament cited above mentions that in 2017-18 99% of new bilateral aid from GAC targeted or integrated gender equality. Furthermore, 95% of humanitarian assistance integrated gender equality principles. While it is unclear whether these ratios refer to project counts or dollar values, if we assume the latter, we can ask how this relates to prior trends.

The first point to note is that despite publication to the IATI standard and its own Projects Browser (PB), which have increased the frequency of granular aid data, the above claims are impossible to verify. There are a host of technical issues, but the main reason is that while data feeds like IATI and PB are updated more frequently (quarterly and even monthly), what is less well-known is how incomplete they are. For example, at the time of writing (October 2018), IATI and PB at best account for only 50% to 68% of already approved projects in 2017-18. In other words, while the data look more up-to-date their utility is significantly reduced by the fact that they are incomplete.

The alternative is to rely on more complete sources and actual expenditure data. According to our analysis of DAC data, as recently as 2016, the majority of Canadian humanitarian assistance did not integrate or target gender. Only 45.8% of humanitarian assistance was gender focused, 43.7% at level 1 and 2.1% at gender 2. By 2017, the first year of the FIAP for which data are reported to the DAC, the picture changed dramatically. Not only did humanitarian assistance increase substantially (from US$492mn to US$644mn) but it also became dramatically more gender focused. 86.9% of Canadian humanitarian assistance was gender-focused in 2017, 86.8% at level 1 and 0.1% at level 2.

This trend puts the above picture from the recent report to parliament in fuller context. Humanitarian assistance projects, which are less predictable, more responsive and time-sensitive, have somehow been made more gender-focused and include ex-ante gender analysis, the findings of which inform project design, which includes sex disaggregated data and monitoring. A remarkable achievement by any measure let alone in the short timeframe, but one that raises more questions than answers given underlying information gaps and validation issues.

[25] Global Affairs Canada, "Report to Parliament on the Government of Canada's Official Development Assistance" (report, Ottawa, 2018), 17-18.

Key Questions on Transparency and Accountability

- To what extent is the increase in GAC ratios driven by efforts to make existing projects or already planned investments more gender-compliant vs. entirely new projects and plans?
- How did GAC achieve this transition in such a short period?
- To what degree did GAC increase internal gender capacity (without which the only explanation could be technological efficiencies in project design and ex-ante assessment, which seems improbable)?
- To what extent can GAC provide data that can independently validate its transition to feminist assistance?
- What was the total additional cost of achieving this transition in such a short period (especially given the overall administrative cost share shows little change)?
- What is the early return on this investment or expected payoff (either in terms of efficiencies, greater innovation or gender outcomes)? Or what are some of the changes GAC has noticed?

Policy Ideas: Maximize Influence to Drive Impact

In order to maximize impact, as a mid-level donor, Canada must aim for some semblance of influence where it can realistically achieve the same. In other words, to be impactful, Canada must be able to wield some influence. In order to pursue this the following steps should be considered:

Coherent Assessment Framework

First and foremost, GAC/Canada must establish and transparently communicate a coherent framework for assessment of the overall impact of the FIAP on the ground. Such a framework needs to extend far beyond project-specific monitoring and evaluation and take a programmatic approach whereby impacts are compared across sectors and geographies in terms of their effects on the lives of women and girls. The framework should also reflect the fact that impacts may well go beyond, or only materialize well after, the timeframe of a given intervention.

Focus and Innovation

Focus assistance on a smaller number of countries where gender inequality is the greatest and or chances of progress on gender issues is the greatest. Experiment and innovate in a small number of contexts with a limited set of partners to learn and communicate transparently lessons about what works in terms of driving gender outcomes.

Localization and Better Understanding of the Demand Side of Gender Focused Aid

Maximize local influence by targeting multiple levels (national and sub-national, working with government and non-governmental frontline partners) in select countries, and by increasing the localization of Canadian aid, from conception and planning to implementation, monitoring and reporting. There is a clear need to better inform FIAP implementation based at least in part on a demand-side analysis of gender focused aid in developing countries (see box on the mismatch).

Laying the Groundwork for Rigorous Independent External Analysis

Conduct rigorous analysis of FIAP's impact internally, share and communicate widely and clearly. Recognize that internal analysis is not a substitute for independent external analysis but forms the basis for the latter, which is a process that GAC must be ready to invest in if it is serious about the ultimate goals of the FIAP.

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TRADE AND INVESTMENT

The Push for Trade Diversification and Improvement of Canada's Investment:

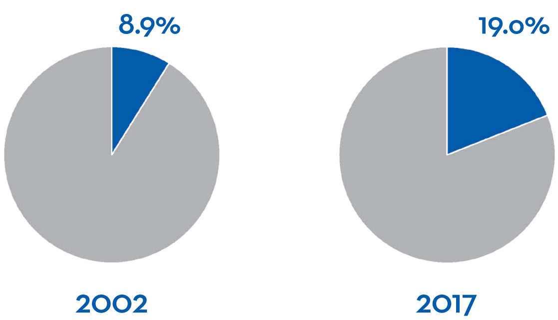
Balancing Expectations with Structural Realities

Diversification of Canada's trade footprint and steps to attract investment and improve the investment climate have been key goals across the political spectrum in recent years. This was especially the case during the first mandate of the Liberal government. This section analyzes progress with respect to diversification and Canada's investment climate. It argues that the need for trade diversification is greater than ever, and that developing and emerging economies are key in this respect. However, pursuing trade and investment deals alone will be insufficient. More can and should be done to promote access to the Canadian market, both as an import and investment destination. Even more importantly, Canadian companies need to be more strategically supported in order to leverage trade and investment agreements and opportunities more generally, especially in frontier markets. Despite policy measures to the contrary, Canada's investment climate has deteriorated markedly in recent years. Steps should be considered to support and safeguard Canadian competitiveness and attractiveness in key priority sectors and sunrise industries.

Diversification: Slow Progress

In July 2018, the Canadian government announced that the title of Minister of International Trade was being changed to that of Minister of International Trade Diversification whose "[...] goals are to increase and diversify trade and attract job-creating investment to Canada." The Mandate Letter to the Minister of International Trade Diversification specifically mentions the "advancing of trade discussions with Mercosur, the Pacific Alliance, ASEAN, China and India."[1]

Developing Countries' Share of Canada's Total Trade[2]



Trade diversification is driven by developing countries competitiveness in the Canadian import market.

Share of developing countries in Canadian exports:[3]

3.7% (2002) → **10.2%** (2017)

Share of developing countries in Canadian imports:[4]

14.6% (2002) → **27.6%** (2017)

Canada's Foreign Direct Investment Footprint

North America (primarily the US) is the main destination of Canadian foreign direct investment (FDI): 61% (2017), a pattern that has held nearly constant since 2000.[5]

For all the talk of "Africa rising" and despite several bilateral investment agreements with African countries, the region accounts for only 0.65% of Canadian FDI (2017), virtually the same level as it was in 1996.[6]

Canada's reliance on North America (primarily the US) for inward FDI, while still high, is declining:[7]

62% (2000) **52%** (2017)

Asia's share of FDI into Canada has risen rapidly in recent years:[8]

4.5% (2000) **10%** (2017)

Canada's Recent Trade Agreements: Diversification or Reinforcing the Status Quo?

Geography and deep economic integration have ensured that the United States remains Canada's most important commercial partner. However, despite this unique relationship, calls to diversify Canada's trade are heard regularly, and especially when the relationship with the United States appears to be under threat.[9]

[1] Office of the Prime Minister, "Minister of International Trade Diversification Mandate Letter," (mandate letter, Ottawa, 2018), https://pm.gc.ca/eng/minister-international-trade-diversification-mandate-letter-august-28-2018.
[2-4] Statistics Canada, "Canadian International Merchandise Trade (CIMT)," http://www5.statcan.gc.ca/cimt-cicm/home-accueil; author calculations.
[5-8] Statistics Canada, "Table: 36-10-0008-01 (formerly CANSIM 376-0051) - International investment position, Canadian direct investment abroad and foreign direct investment in Canada"; author calculations.
[9] Protracted issues range from dairy supply management to softwood lumber, however also include the May 2018 iron, steel and aluminium tariffs which we estimate hurt Canadian exports materially and remain in place despite conclusion of USMCA negotiations; Aniket Bhushan, Lance Hadley, and Bridget Steele, "Despite the US-Mexico-Canada Agreement, US tariffs are hurting our iron, steel and aluminum exports. We should demand the tariffs be lifted permanently," Policy Options, last modified October 22, 2018, http://policyoptions.irpp.org/magazines/october-2018/canadian-trade-still-hurt-tariffs-despite-usmca.

In the last decade, Canada has pursued several regional and bilateral free trade agreements (FTAs), and foreign investment promotion and protection agreements (FIPPAs). Since 2010, Canada has brought seven trade agreements and 19 international investment agreements into force, with the entry into force of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) being imminent.[10] Negotiations around both the CPTPP and the Canada-European Union (EU) Comprehensive Economic and Trade Agreement (CETA), however, were launched by the Harper Conservative government. The current government's track-record on new agreements is limited (understandably due to protracted negotiations with the US on the still to be ratified USMCA).

The CPTPP and CETA were both evidently presented as agreements that would bring net benefits to the Canadian economy. However, early evidence from the first nine months of CETA shows that Canada's trade deficit with the EU increased significantly. Furthermore, official estimates of gains from CETA in terms of Canadian GDP (which were modest at best) have been called into question and may have been exaggerated.[11] In the case of the CPTPP, Canada already has "overlapping" trade agreements with several member countries such as Chile, Mexico and Peru and it remains to be seen what additional tangible benefits the CPTPP can bring.

How Active is Canada in Establishing Trade and Investment Agreements Compared to G20 Peers?

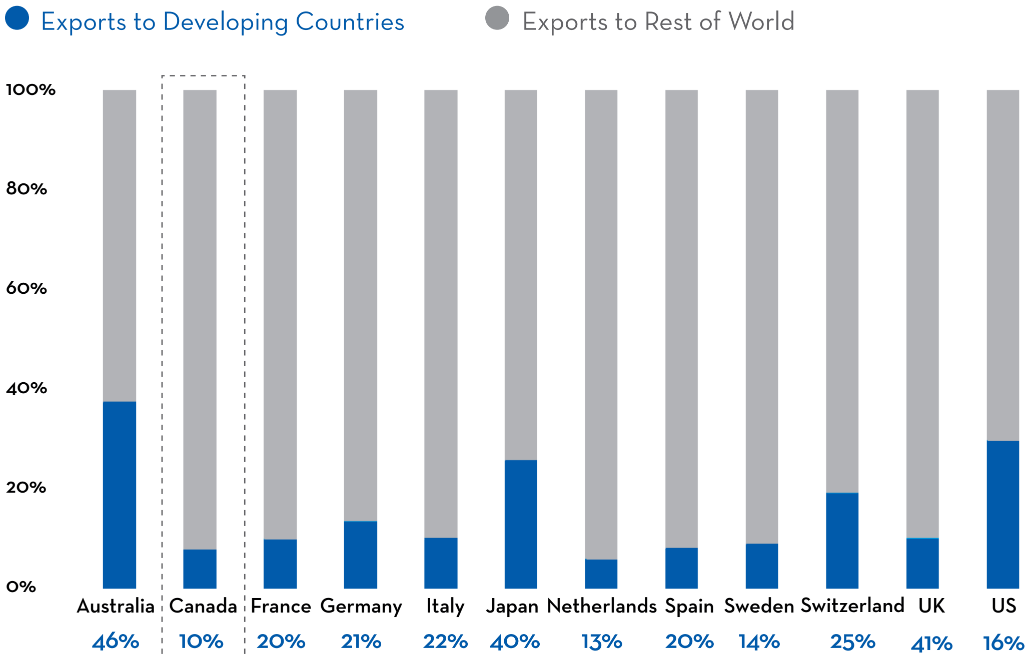
Number of Trade and Investment Agreements Brought Into Force

Trade Agreements[12]	G20 (excluding Canada)	Canada
2010 - 2018	192	7
2015	22	1
2016	33	0
2017	19	2
2018	1	0
2015 - 2018	**75**	**3**
Investment Agreements[13]		
2010 - 2018	265	19
2015	23	3
2016	37	4
2017	13	1
2018	1	0
2015 - 2018	**74**	**8**

[10] These figures do not include CPTPP as at the time of writing the agreement has not entered 'into force', even though it has been ratified by Canada.
[11] Canada's deficit with the EU increased 46% in the first 9 months of CETA; Daniel Tencer, "Canada-EU Trade Deal A 'Disappointment' As Deficit with Europe Soars 46%," *Huffington Post* (2018), https://www.huffingtonpost.ca/2018/11/07/canada-trade-deficit-european-union_a_23582621. For analysis of the impact of CETA on GDP, see: Pierre Kohler and Servaas Storm, "CETA without Blinders: How Cutting 'Trade Costs and More' Will Cause Unemployment, Inequality, and Welfare Losses," *International Journal of Political Economy* 45, no. 4 (2018): 257-293, https://www.tandfonline.com/doi/full/10.1080/08911916.2016.1270081.
[12] By date of entry into force. Does not include CPTPP; World Trade Organization, "Regional Trade Agreements Information System," https://rtais.wto.org/UI/PublicAllRTAList.aspx.
[13] By date of entry into force. Investment Policy Hub, "International Investment Agreements Navigator," UNCTAD, http://investmentpolicyhub.unctad.org/IIA.

What Share of Canada's Exports Go to Developing Countries?[14]

% of Exports to Developing Countries, Canada as Compared to Peers (2017)



Developing and Emerging Economies in Canada's Trade Diversification Strategy

Only recently, in March 2018, has the current Liberal government launched its first, formal discussions on a new trade agreement — a Canada-Mercosur agreement which would provide Canada preferential access to Argentina, Brazil, Paraguay, and Uruguay.

Exploratory free trade talks between Canada and China do not seem to have made much progress thus far. Canada's preoccupation with the recently concluded USMCA renegotiations is not an excuse for the lack of progress. However, clause 32 of the USMCA,[15] coupled with Canada's insistence on "progressive elements" (such as labour, gender, indigenous rights and the like) which are strongly resisted by the Chinese government make it much more difficult to pursue a broad-based agreement with China. In fact, the Liberal government has recently publicly stated that a trade deal with China is off the table for now (and opted for more sector specific agreements instead.[16]

Diversification away from higher income to developing countries is happening slowly. In terms of Canada's bilateral trade footprint, diversification is primarily driven by imports into Canada and is a function of the rise of China, Mexico and specific outperformers such as Vietnam.

From a regional standpoint, Asian countries (especially China) and the Americas have been driving this shift. Although Canadian exports to other regions that include Africa and the Middle East have also increased, these regions remain relatively small as a share of Canada's total

[14] UN Trade Statistics, "UN Comtrade Database," UN Comtrade, https://comtrade.un.org; author calculations. World Bank income classifications are used. Developing countries include LIC, LMIC, and UMIC.
[15] Aniket Bhushan and Fanny Siaw-Soegiarto, *Is there a link between Canadian exports and official development assistance?*, Ottawa: Canadian International Development Platform, 2017, http://cidpnsi.ca/canadian-exports-oda-gravity-model.
[15] Clause 32 refers to an unprecedented provision in USMCA that requires parties to notify each other before launching trade talks with "non-market" economies (which is clearly aimed at China).
[16] Elise von Scheel, "Canada prepared to stall trade deal with China until its behaviour is 'more reasonable'," CBC News, last modified October 26, 2018, https://www.cbc.ca/news/politics/mcccallum-china-trade-human-rights-1.4878455.

trade. Overall, developing countries constitute a far larger share of the Canadian import market than they make up of Canadian exports.

Given the important demographic shifts that are taking place across much of the developing world, these markets represent significant commercial opportunities which corporate Canada is losing out on. For instance, the African continent, with its growing middle-class and a population that is expected to double by 2050, led by a 'youth bulge', could be an attractive market for Canadian exporters in industries such as agriculture and clean technology. Even if these markets seem small today, positioning for the future could go a long way in terms of yielding longer-term results for Canadian competitiveness. Seizing opportunities requires foresight and creativity.

Fastest Growing Export Markets for Canada Among Developing Countries[17]

Country	Total Exports from Canada in CAD$ Millions (2017)	Export Growth Rate (CAGR Calculated from 2010 - 2017)
India	$4277 M	+12%
Indonesia	$1730 M	+11%
Vietnam	$1053 M	+22%
Philippines	$842 M	+5%
Pakistan	$746 M	+5%
Bangladesh	$730 M	+3%
Nigeria	$435 M	+10%
Morocco	$395 M	+32%
Egypt	$290 M	-9%
Ukraine	$268 M	+9%
Ghana	$245 M	+6%
Sri Lanka	$208 M	-7%
Kenya	$171 M	+13%
Guatemala	$115 M	+8%

Export Growth (2010 - 2017)

- Canadian exports to low- and lower middle-income countries (LICs, LMICs) (2017): **$13 billion**
- Composition of exports to LICs and LMICs is very different fromthe composition of overall Canadian exports. Agriculture and agri-food sectors make up **42%** Canadian exports to LICs and LMICs.
- Growth rate of Canadian exports to high income countries: **4.8%**
- Growth rate of Canadian exports to developing countries: **7.9%**

[17] The bar graphic covers the largest Canadian export markets among low- and lower middle-income countries (above a $100 million export threshold). Agriculture and agri-food sectors Include cereals; edible foods, fruits and vegetables; fertilizer, oil seeds, etc. For reference, oil and gas and other natural resources, and auto sector exports (primarily to the US) dominate overall Canadian exports. As indicated, the growth rate of Canadian exports to this group of developing countries is signifi cantly higher than the growth rate of Canadian exports to high income countries and the overall growth rate of Canadian exports (approximately 5%, 2010 - 2017).

2018 Fall Economic Update: Canada's New Export Diversification Strategy[18]

The 2018 Fall Economic Update launched a new Export Diversification Strategy with an investment of $1.1billion to increase exports by 50% by 2025.

Putting This Target in Perspective: Increasing exports by 50% by 2025, i.e. over seven years, sounds like an impressive target but how does it compare with recent trends?

- Over the past seven years (since 2010), Canadian exports grew at a CAGR of approximately **5%**.
- This means total exports in 2017 were approximately **41%** higher than they were in 2010.
- In this context, a 50% target by 2025 is somewhat plausible and, in fact, not that impressive (the target implies an export growth rate, or CAGR, of approximately **6%** over the next seven years – not that far off from the trend over the last seven years).

However, couple of qualifiers are worth keeping in mind:

- The past seven years also include part of the recovery from the financial crisis, which significantly hit Canadian exports. Therefore, 2010 was a lower than normal starting level and the trend since then includes some of the recovery from crisis lows, which may or may not be repeatable.
- Longer run Canadian export growth (over 15 years, going back to 2002) is closer to **3%**.

Linking Trade and Development Objectives More Strategically

Quantitative Analysis

Our research into the linkages between Canadian ODA and export competitiveness in developing countries, using an augmented gravity model, finds a positive and statistically significant association between Canadian exports and ODA. While this does not suggest causality, for a subset of Canadian ODA-recipient countries over the period 1989 to 2015, our study found that the elasticity of Canadian goods exports to gross ODA was 0.063% and statistically significant (at 0.01). The average return over the period in question on a dollar in gross ODA was $1.10 in exports.[19] The effects suggest that, in addition to the core moral and humanitarian purpose of aid, an added benefit over time may be that the same investment has the effect of boosting Canadian exports to aid recipient countries.[20]

Qualitative Case Studies

Furthermore, three case studies[21] – two in the renewable energy sector (in Burkina Faso and Jordan) and one on trade related technical assistance (in Costa Rica) – further lend support to the main finding that strategic linkages between Canadian ODA and Canadian trade are possible and potentially plentiful, but, "win-win-win" benefits have thus far been more coincidental than purposeful. For example:

- Activities supported by Canadian ODA can provide invaluable knowledge of the local business environment.
- Development projects can contribute to market creation, expansion, and economic sustainability through procurement, relationship building, knowledge transfer and exchange, and exposure to new technologies.
- Development spending can leverage Canadian expertise in international trade-related best practices, trade regulations, and infrastructure to expand Canada's trade relationships with developing countries.

[18] Department of Finance Canada, "Fall Economic Statement 2018" (report, Ottawa, 2018), https://budget.gc.ca/fes-eea/2018/docs/statement-enonce/toc-tdm-en.html.
[19] Aniket Bhushan and Fanny Siaw-Soegiarto, *Is there a link between Canadian exports and official development assistance?*, Ottawa: Canadian International Development Platform, 2017, http://cidpnsi.ca/canadian-exports-oda-gravity-model.
[20] There is also a fairly extensive literature that finds that aid for trade by ALL donor countries has a positive impact on export performance of recipient countries.
[21] Bridget Steele, *Trade with Developing Countries and Development Assistance* (Ottawa: Canadian International Development Platform, 2018), http://cidpnsi.ca/canadian-exports-oda-case-study.

Foreign Direct Investment and Canada's Investment Climate

Canada remains highly dependent on the US for both inward and outward foreign direct investment (FDI) but the share of inward FDI from the United States and North America has declined over time. For example, the US stock of FDI in Canada was 49% of the overall amount in 2017 compared to 54% in 2010. The share of Asia in inbound Canadian FDI has more than doubled from 4.5% in 2000, to over 10% by 2017.

North America remains the main destination of Canada's outward FDI, but its share is declining, while those of Asia and Europe are growing. Countries in Central America and the Caribbean also hold significant amounts of Canadian FDI as a result of the presence of low-tax jurisdictions, or offshore financial centers, such as Barbados and the Cayman Islands which rank among the top destinations for Canadian FDI globally.[22]

While there is controversy surrounding the role of FDI in offshore financial centers, it is important to recognize that these have been shown to increase Canadian exports (globally) and employment.

For all the talk of Africa emerging and being a focus of Canadian outward FDI, Africa's share has remained virtually static and made up only 0.65% in 2017, which is virtually the same level as in 1996.

Key Measures on FDI Promotion

Since 2016 the Liberal government has instituted a set of key measures to make Canada more attractive to investors. These include:[23]

- Guidelines on the application of national security provisions of the Investment Canada Act.
- An increase in the review threshold under the Investment Canada Act to CAD $1 billion for foreign acquisition of Canadian businesses.
- The creation of an "Invest in Canada Hub."

Considering these and other recommendations of the Minister of Finance's Advisory Council on Economic Growth (which spent considerable time and effort on investment, including the above measures), it is worth asking how Canada's FDI performance has fared in recent years.

Putting Recent FDI Performance in Perspective

Growth of outbound Canadian FDI has slowed:

- From 2010 to 2015, outbound Canadian FDI grew (CAGR) at approximately 10.3% (annually).
- From 2015 to 2017, the pace of outbound FDI growth slowed to approximately 3.6% (annually).

Growth of inbound FDI into Canada has declined markedly:

- From 2010 to 2015, inbound FDI into Canada grew (CAGR) at approximately 5.7% (annually).
- From 2015 to 2017, the pace of inbound FDI into Canada slowed to approximately 2.6% (annually).

How good are Canada's policies at attracting FDI? The simple answer is that it is unclear. Canada's ability to attract FDI varies according to the framework of assessment used and the comparators Canada is compared with.

2018 A.T. Kearney FDI Confidence Index

For example, the 2018 A.T. Kearney FDI Confidence Index ranked Canada in 2nd position (below the United States), which is an improvement from 2017 when it was 5th.

[22] Walid Hejazi, *Offshore Financial Centers and the Canadian Economy* (Toronto: Rotman School of Management, University of Toronto, 2007), http://fmgmt-02.rotman.utoronto.ca/facbios/file/Hejazi%20Barbados%20Study%20Rotman%20Website.pdf; Walid Hejazi, *Foreign Investment in Canada's Telecom Sector will Enhance Canadian Prosperity* (Toronto: Rotman School of Management, University of Toronto, 2010), https://www.ic.gc.ca/eic/site/smt-gst.nsf/vwapj/GlobaliveRelatedDocuments.pdf/$FILE/GlobaliveRelatedDocuments.pdf.

[23] Other recent measures include: creation of the Canada Infrastructure Bank, support for enhanced public private partnerships and FDI in the same, CAD$950 million investment in the 'Innovation Supercluster Initiative' (ISI).

According to the index, Canada was the highest positive mover among major economies analyzed. The index is based on an annual survey of global business executives that rank markets likely to attract the most investment in the next three years. It is constructed using primary data from a proprietary survey of more than 500 senior executives of the world's leading corporations from 29 countries, spanning all sectors (revenues of $500 million or more).

Net optimism for Canada's investment prospects was also one of the highest among large developed markets according to the same index. However, two points are noteworthy. The first is timing: the survey was likely conducted in 2016 or 2017 when new measures on FDI were being put in place by the government, and likely predates negativity surrounding trade negotiations with the US. Second, as the data above clearly show, investor intentions do not always reflect reality. Inbound FDI into Canada slowed markedly since 2015 and much of the decline in recent years has resulted from lower investment (if not disinvestment) in the oil and gas and resources sectors.

OECD FDI Restrictiveness Index

Another way of looking at the investment climate is from the perspective of openness or restrictiveness to foreign investment. The OECD FDI Regulatory Restrictiveness Index places Canada as the worst performer among G7 countries in 2017 and below the OECD average. This index measures statutory restrictions on FDI and focuses on four types of measures: equity restrictions, screening and approval requirements, restrictions on foreign key personnel, and other operational restrictions such as limits on the repatriation of profits.[24]

Among all OECD countries, only New Zealand, Mexico and Iceland are more restrictive than Canada. Restrictions on FDI in the Media, Radio and TV Broadcasting, and telecoms, sectors contribute significantly to Canada's poor performance.

Conference Board of Canada Inward Greenfield FDI Performance Index

The Conference Board of Canada's Inward Greenfield FDI Performance Index captures the relative success of a region in attracting global greenfield FDI – which refers to the expansion of an existing production facility or investments in a new facility. The choice of greenfield FDI instead of total FDI flows is driven by data availability. Greenfield FDI is the chosen metric because the Conference Board is also interested in the performance of different Canadian provinces, and Greenfield FDI data is available at the provincial level but not total FDI data. Using 2016 data, Canada is ranked sixth when compared to 16 peer countries.

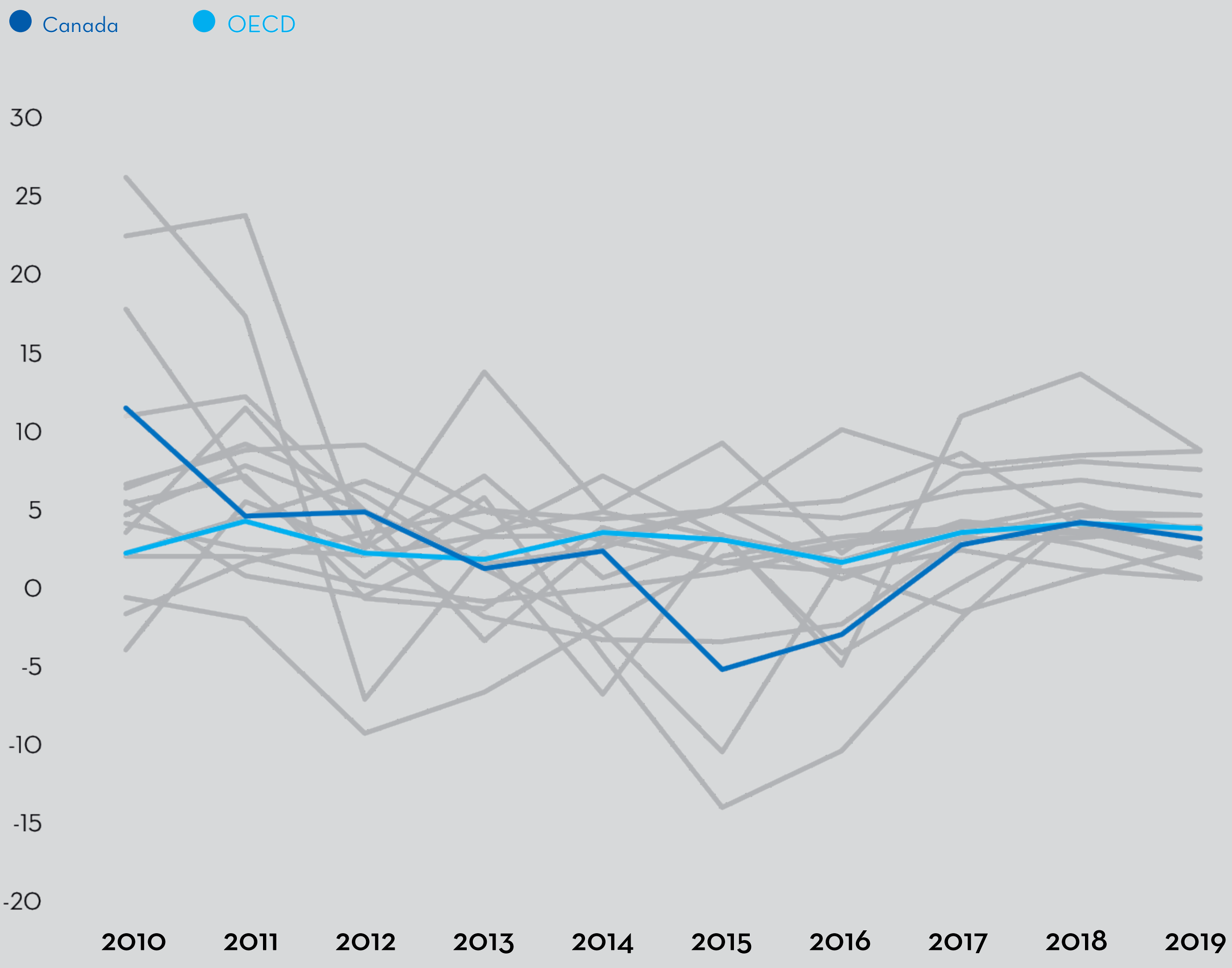
[24] Blanka Kalinova, Angel Palerm and Stephen Thomsen, "OECD's FDI Restrictiveness Index: 2010 Update," *OECD Working Papers on International OECD Investment 2010/03* (2010), http://dx.doi.org/10.1787/5km91p02zj7g-en.

Assessing Canada's Overall Investment Climate: Not an Exact Science, But the Data Point to Significant Deterioration

Gross fixed capital formation or investment growth is an objective measure of the investment climate. On this front Canada's performance has deteriorated markedly in recent years. From 2010-15 Canada's performance tracked the OECD average and was among the top half of G20 countries. With the oil downturn in 2015, investment growth slipped to -5.1%, among the lowest in the G20. Investment performance deviated significantly from the OECD trend, and over the 2015-2017 period averaged -1.8%, the worst performance among G7 countries. While some improvement is projected, the new normal is that Canada will remain in the bottom half of the G20 countries in terms of investment growth.

Canada's Investment Climate[25]

Investment (Gross Fixed Capital Formation - GFCF), Annual Growth Rates (2010 - 2017 actual; 2018/2019 projected)



[25] OECD, "Investment (GFCF) (indicator)," https://data.oecd.org/gdp/investment-gfcf.htm.

Data from the World Bank's Doing Business rankings confirm this picture further. Canada's ranking slipped four places to 22nd in 2018 from 18th in 2017. Key factors that impacted Canada's performance negatively include: contract enforcement, dealing with permits and cross border trade issues.

Factors affecting the investment climate:

1. **Government policies and regulation vs. perception of policies and regulation, and competitive pressures:** In addition to the FDI measures mentioned, the government has undertaken other steps to enhance the investment climate, for example, creation of the Canada Infrastructure Bank, support for enhanced public private partnerships and FDI in the same, CAD$950 million investment in the 'Innovation Supercluster Initiative' (ISI). But policy positions have been perceived as increasingly incoherent and contradictory. This is most obvious in the case of pipelines. Each of the three major pipeline projects – Northern Gateway, Energy East and Trans Mountain – have collapsed. While the federal government has positioned itself as a climate champion and introduced the 'Pan Canadian Framework on Clean Growth and Climate Change' (which has met with strong resistance at the provincial level in several cases), this seems to contradict its decision to buy an ageing pipeline (Trans Mountain) the expansion and upgrade of which would add significantly to Canada's carbon emissions. According to estimates, in 2016-2017 alone, seven large international energy companies sold $37billion worth of Canadian oil and gas assets.[26] In addition, the two Canadian companies, Enbridge and Trans Canada, that saw their pipeline bids fail (Northern Gateway and Energy East) instead invested approximately $38 billion overseas (buying US assets).

   While there are counterarguments – the decision to go ahead with a $31 billion investment by the LNG Canada consortium, which would be the single biggest FDI in Canadian history – it is unclear whether this represents a real change in what is otherwise a broader trend of investment leaving Canada. Deregulation and reduction in the corporate tax rate in the US have likely further hurt Canadian competitiveness. The clearest example again is in the energy sector not only in terms of the trend of selling Canadian assets and buying US replacements, but also moving corporate headquarters and key functions away from Canada to the US.

2. **Interprovincial barriers and jurisdictional issues:** According to estimates by the Bank of Canada, removal of interprovincial trade barriers would add about the same amount to Canadian output as the CETA. Jurisdictional issues and the patchwork of interprovincial trade barriers has been called a 'tyranny of small variances' that affects everything from transportation standards, to trade in wine and beer, to packaging and labeling and securities regulation. The "burden of government regulation" is the biggest drag on Canada's performance on global rankings such as the World Economic Forum's Global Competitiveness Index, which ranked Canada a respectable 12th in 2018. However, on "burden of regulation" Canada's rank fell to 53rd down from 38th the previous year.[27] These issues were at the forefront in the inability to make progress on any of the major pipeline projects and especially the court's decision to disallow the federal government from proceeding with the Trans Mountain project after it agreed to purchase the same from Kinder Morgan for $4.5 billion.

[26] Ted Morton, "Ted Morton: Another Canadian oil company flees Trudeau and Notley for the U.S.," Financial Post, last modified November 6, 2018, https://business.financialpost.com/opinion/ted-morton-another-canadian-oil-company-flees-trudeau-and-notley-for-the-u-s.

[27] Naomi Powell, "It's not just taxes- here is what's really killing Canada's competitiveness," Financial Post, last modified November 7, 2018, https://business.financialpost.com/news/economy/its-not-just-taxes-here-is-whats-really-killing-canadas-competitiveness.

Canadian Competitiveness in the Cleantech and Climate Finance Space: A Test Case for Sector-Specific Strategies to Drive Trade-Investment-Development Coherence

Total cumulative new investment in renewable energy since 2010:[28] $2.2 trillion

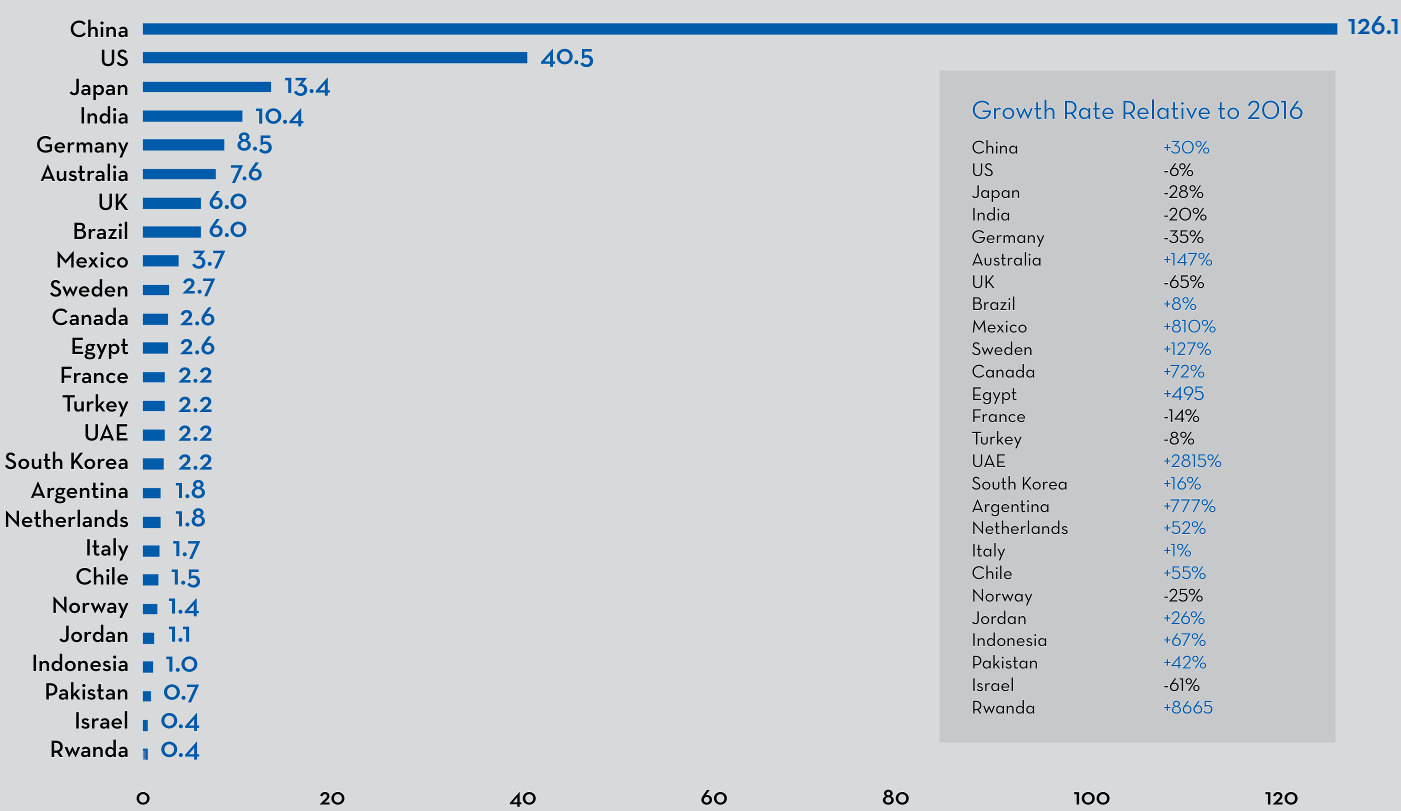
New investment in renewable energy in 2017: $279.8 billion

Total cumulative new investment in renewable energy developed vs. developing countries:

	Developed Countries		Developing Countries
2004 - 2014:	**$1.32 Trillion**	**>**	**$731 Billion**
2015 - 2017:	**$375 Billion**	**<**	**$503 Billion**

Canadian Competitiveness in Cleantech and Climate Finance[29]

New Investment in Renewable Energy, USD$ Billions (2017) | Growth Rate Relative to 2016



Growth Rate Relative to 2016

China	+30%
US	-6%
Japan	-28%
India	-20%
Germany	-35%
Australia	+147%
UK	-65%
Brazil	+8%
Mexico	+810%
Sweden	+127%
Canada	+72%
Egypt	+495
France	-14%
Turkey	-8%
UAE	+2815%
South Korea	+16%
Argentina	+777%
Netherlands	+52%
Italy	+1%
Chile	+55%
Norway	-25%
Jordan	+26%
Indonesia	+67%
Pakistan	+42%
Israel	-61%
Rwanda	+8665

[28 - 29] Frankfurt School-UNEP Centre/BNEF, *Global Trends in Renewable Energy Investment 2018* (Frankfurt: FS-UNEP Collaborating Centre for Climate & Sustainable Energy, 2018), http://www.iberglobal.com/files/2018/renewable_trends.pdf.

Renewable energy investment is growing rapidly, since 2010 the total cumulative investment in this space has been over $2 trillion. Annual new investment levels have exceeded the $250 billion level since 2011. There has also been an important change in the drivers of net new renewable energy investment. Led by China, developing countries are now the major drivers of growth. Some of the fastest growing markets for renewable energy investment are in developing countries; including China, India, Mexico, Egypt, Argentina and UAE. While smaller in size, growth has also been significant in Jordan, Indonesia, Pakistan and Rwanda.

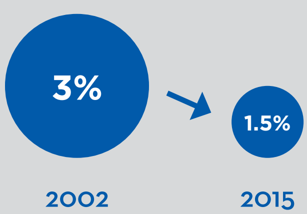
Global Cleantech Trade and Canadian Performance

Global exports of climate-friendly technologies:

$50 - $100 Billion (2002 - 2004) → **$250+ Billion** (Annually Since 2011)

Canada's performance in this high-growth export market has lagged significantly.

Canada's market share in global climate-friendly technologies trade:[30]



Canada ranks 16th (2015) in among global cleantech exporters (far behind leaders China, Germany and the US), and its rank has fallen from 14th (2008).

Combining the above trends – for instance, the rapid growth of developing economies in renewable energy investment which increasingly drives demand for cleantech, and Canada's declining competitiveness in this key export sector and sunrise industry, steps can and should be taken both by government and the private sector to strategically support Canadian competitiveness. Research shows that while Canadian competitiveness has declined, and Canada does not possess a revealed comparative advantage (RCA) overall in the cleantech trade space, there are specific subsegments where Canada has significant potential, for instance: renewable energy equipment (specifically photovoltaic system controllers and other solar tech), energy efficiency equipment including heating and cooling tech, and subsegments of waste management.[31] In addition, a key subsector for future consideration is energy storage tech (in the renewable space, batteries are referred to as the 'new oil').[32]

[30 - 31] Julie Adès and Jacqueline Palladini, *Clean Trade: Canada's Global Opportunities in Climate-Friendly Technologies* (Ottawa: The Conference Board of Canada, 2017), https://www.conferenceboard.ca/temp/fed48f7a-79d0-465e-b1a2-62c9500b77e6/8919_CleanTrade-GlobalOpportunities_BR.pdf.
[32] Paolo D'Aprile, John Newman, and Dickon Pinner, "The new economics of energy storage," McKinsey & Company: Sustainability and Resource Productivity, last modified August 2016, https://www.mckinsey.com/business-functions/sustainability-and-resource-productivity/our-insights/the-new-economics-of-energy-storage.

Making the Linkages Between Development Finance and Canadian Cleantech Competitiveness: A Test Case

Global climate finance has been growing by leaps and bounds. Advanced economies committed to mobilizing $100 billion annually towards adaptation and mitigation needs in developing countries. Canada has committed CAD $2.65 billion to developing country climate finance needs. As of 2016 an estimated $383 billion has been mobilized in climate finance by public and private actors across the developed and developing world.

While there is a lack of rigorous data and research, anecdotal evidence suggests Canadian competitiveness in donor funded cleantech procurement (for example, by multilateral, bilateral and vertical funds) has declined. First and foremost, better data and analyses are needed to inform decision making. This is a low-hanging fruit for government to invest in. There is a clear need to better understand competitive dynamics in this complex space. Secondly, if supported by the research and practices in other donor markets, Canada should consider strategic utilization of public resources (including climate ODA) to ensure Canadian companies in this strategically important sunrise sector are competing on a level playing field in developing and emerging economies, which are not only among the main beneficiaries of global climate finance but furthermore as the data above show, are also the major drivers of incremental renewable energy investment overall.

Policy Ideas: Strategic Repositioning

Coherent Overarching Trade and Investment Diversification Strategy

There have been various attempts over time (for example, the 2005 International Policy Statement and the 2013 Global Markets Action Plan)[33] to enhance and diversify Canada's global commercial footprint. The new "Progressive Trade Agenda" is perhaps the latest iteration. However, Canada still lacks an integrated framework that addresses global markets in a differentiated manner – for instance, established vs. emerging and frontier markets; mature vs. transitional vs. sunrise sectors. Such an approach could strengthen trade, investment and development coherence by balancing Canadian interests with global opportunities.

Need to Move from Talk to Concrete Actions to Address Interprovincial and Jurisdictional Barriers

The intergovernmental trade agreement to reduce trade and investment barriers and improve labour mobility has been in force for more than a year and yet to deliver substantive gains – much like its predecessor the Agreement on Internal Trade (AIT).[34] Streamlining provincial standards and removing regulations that impede interprovincial trade requires leadership by the federal government because history has shown provinces unwilling to take the necessary steps because of provincial politics. Australia, having introduced mutual recognition of regulations in 1993, has allowed for goods to move freely across the country and for members of registered occupations to work in equivalent occupations in other states and territories. This could be an interesting reference for the Canadian context.

More FTAs and FIPPAs but a More Balanced Approach

Evidence suggests that FTAs lead to higher trade over time,[35] but the challenge for most countries is the so-called "spaghetti bowl" effect that results from the desire to sign FTAs and investment agreements with as many countries as possible. As a result, an FTA signed with a particular country may quickly lose its relative "preferential" importance and not yield the same level of expected gains if that partner country in turn signs an FTA with one of Canada's important trading partners. Thus, Canada cannot afford to be complacent and must continue to pursue FTAs with more countries. It must also be pragmatic and ready to concede that some elements of its progressive trade agenda will be non-starters in FTA negotiations with certain countries.

Specific Geographic and Sector Strategies to Ensure Trade and Investment Agreements are Leveraged

In specific sectors like cleantech, there is a good case for, and the opportunity to plan, more strategically around sector, market, and geographic strategies. Rather than getting bogged down in old 'tied aid' debates, moving proactively to develop and harness such opportunities, including by ensuring Canadian global competitiveness in priority sunrise sectors, makes sense from both a commercial and developmental perspective.

[33] Government of Canada, *A role of pride and influence in the world - diplomacy: Canada's international policy statement* (Ottawa: Foreign Affairs Canada, 2005), www.publications.gc.ca/site/eng/272595/publication.html; Global Affairs Canada, "Global Markets Action Plan," last modified December 9, 2016, http://international.gc.ca/global-markets-marches-mondiaux/plan.aspx.

[34] The Canadian Free Trade Agreement is an internal free trade agreement that entered into force on July 1st, 2017. Its objective is to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services, and investments within Canada and to establish an open efficient, and stable domestic market; "Canadian Free Trade Agreement," 2017, https://www.cfta-alec.ca.

[35] Example: Scott L. Baier and Jeffrey H. Bergstrand, "Do free trade agreements actually increase members' international trade?," *Journal of International Economics* 71, no. 1: 72-95.

Deepening Ground-game in Emerging and Frontier Markets

Lower income developing countries and frontier markets are not of sufficient size (or lack economic complexity and diversity) to be viable as commercial partners for Canada today. However, the pace of transition – as seen in cases like Vietnam, Indonesia and even Kenya, Ghana, Ethiopia, Rwanda, Bangladesh, Peru and Colombia among others – should not be underestimated. Graduation from primarily developmental to increasingly commercial relations requires building new links and opportunities for connectivity between domains on the ground in emerging and frontier markets today.

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MIGRATION, REMITTANCES AND SHARING THE GLOBAL REFUGEE BURDEN

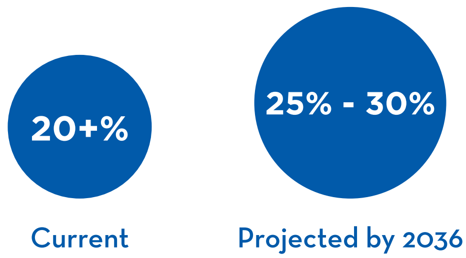
A Country of Immigrants, Newcomers are Key to Canada's Economic Prospects:

Are We Doing Enough to Make the Most of this Canadian Comparative Advantage?

Canada is a country of immigrants. Migration, especially economic migration, is key to Canada's economic prospects. Given the geographic composition of where newcomers are and will increasingly come to Canada from, immigration is a key development issue for Canada. This section argues Canada needs a broad-based strategy that links immigrant intake targets not only with economic factors but also integration capacity. The decision to settle a significant number of Syrian refugees was celebrated both internationally and at home. Our analysis provides a comparative perspective on Canada's contribution to sharing the global refugee burden. More can be done to help facilitate both brain circulation and drive down remittance costs (that are still high by global standards). However, closing known data and informational gaps is a necessary starting point.

A Country of Immigrants: Opening the Door to Greater Numbers

Foreign-born population as a share of total Canadian population:



Canada is a country of immigrants. Over 20% of Canada's population is now foreign-born, placing it second (after Australia) on this measure among advanced Western economies. According to projections by Statistics Canada, that number could reach between 25% and 30% by 2036.[1]

At the recommendation of the Advisory Council on Economic Growth the Liberal government has sought to increase immigration levels. While the Advisory Council's recommendation was of annual levels of 450,000 by 2021, the government decided to proceed more cautiously to ensure newcomers are well integrated.

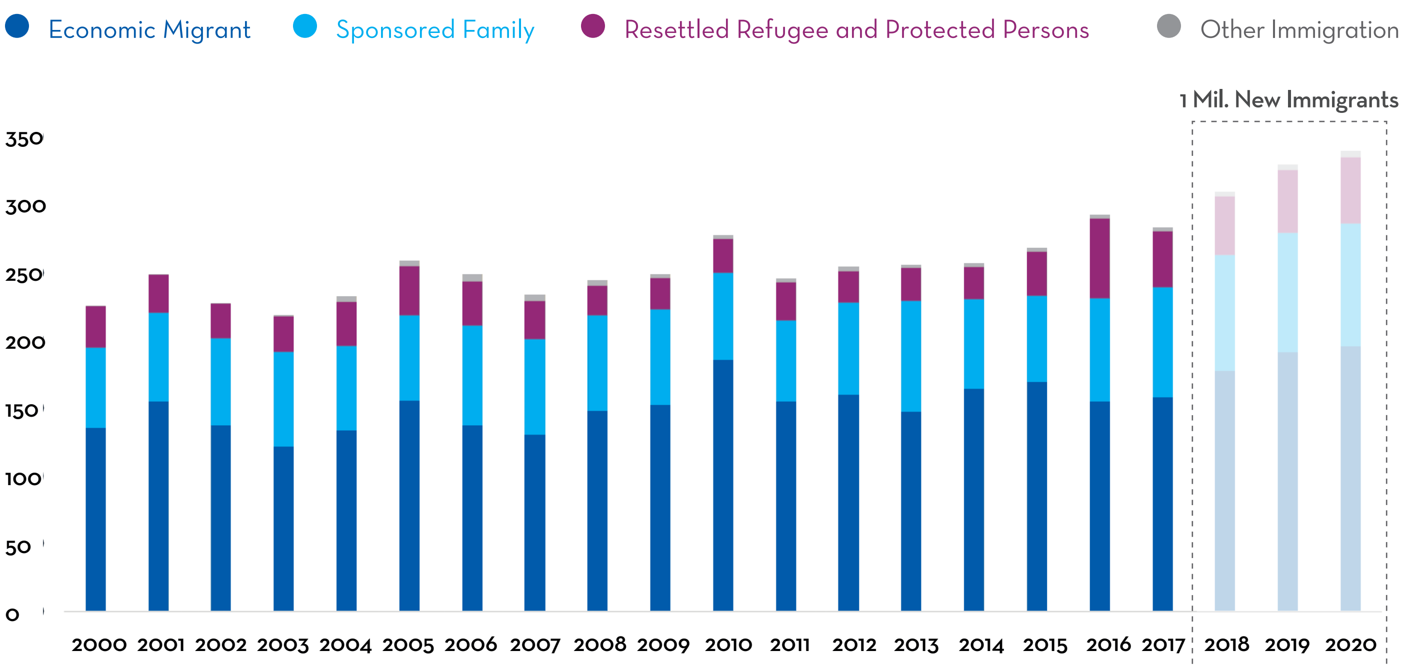
Nevertheless, the change is significant for Canada. Permanent resident intake levels have been nearly static for several years, ranging between 220,000 and 275,000 during the 2000 to 2015 period.

In 2017, the Liberal government announced that it would welcome close to 1 million immigrants from 2018 to 2020.

After coming into power, the Liberal government increased annual immigration levels quickly to 300,000 the following year.[2] The increase included resettlement of high numbers of Syrian refugees as part of a campaign promise

Admissions of Permanent Residents to Canada[3]

In Thousands of Persons (2000 - 2020)



[1] Statistics Canada, "Number and proportion of foreign-born population in Canada, 1871 to 2036," last modified October 25, 2017, https://www.statcan.gc.ca/eng/dai/btd/othervisuals/other006.

[2] Our focus in this section is on permanent migrants. Temporary migration has also gone up significantly in recent years, driven by higher numbers of foreign workers and international students (from low- and middle-countries, including China).

[3] Immigration, Refugees and Citizenship Canada (IRCC) (Special Data Request); Immigration, Refugees and Citizenship Canada, "Additional Information to 2017 Annual Report to Parliament on Immigration," (report, Ottawa, 2018); IRCC, "Supplementary Information 2018-2020 Immigration Levels Plan" (report, Ottawa, 2018).

by the Liberals. The proposed numbers towards meeting the 1 million new immigrants target are 310,000 in 2018, 330,000 in 2019 and 340,000 in 2020.[4] These translate into rates of 0.8% to 0.9% of Canada's population.

Who Immigrates to Canada?

The Majority of Immigrants are Economic Migrants

While a lot of the focus and public discussion about immigration has focused on the refugee crisis, the majority of immigrants to Canada are, and will continue to be, economic migrants.

Almost 60% of the new migrants for 2018-2020 will come from the "economic class" category.

The remainder will be the result of family reunification (about 27%) and 15% will come in as "refugees, protected persons, humanitarian." Given recent trends,[5] it is also likely that the increase in immigration targets will be met by the transition from temporary worker and international student status to that of permanent resident.

More New Immigrants from Developing Countries

More and more immigrants will originate from developing countries, a phenomenon that is already happening as countries such as China, India, Iran, Pakistan and the Philippines have been among the biggest source countries in recent years. These five countries alone accounted for more than 40% of permanent residents to Canada in 2016; when Syria is added to the mix, that number rises to over 50%.

China, India, Iran, Pakistan, Philippines and Syria accounted for over 50% of new permanent residents that entered Canada in 2016.

The Link Between Migration and Canada's Economic Prospects

In 2017, Approximately 37% of ICT Jobs in Canada Were Held by Immigrants

There is wide consensus on the importance of immigration to Canada's economic prospects. This is clearest in the case of economic growth. In the context of an aging population, low fertility rates, and skills gaps in key sectors, it makes sense for Canada to raise immigration levels, and especially those belonging to the "economic class".

Evidence shows that without immigration Canada would be unable to maintain its current level of growth. El-Assal and Fields, using simple extrapolations from population and GDP projections, demonstrate that growth would be constrained due to a shrinking population and labor force under a no-immigration scenario.[6] As a result, fewer taxpayers would have to be taxed at higher levels and it would be difficult to pay for necessary services such as health care. While public and private investments could substitute for lack of growth in the labor force to increase productivity, this is unlikely in a low-growth and higher-tax environment.

Moreover, even in the context of low unemployment, key skills gaps in specific high-growth sectors and sub-sectors implies high-skill labour demand outstrips supply. Such gaps constrain Canada's growth potential.

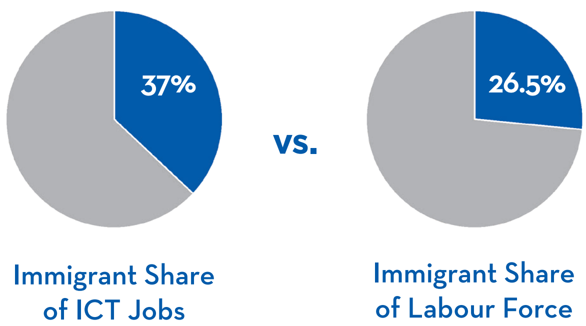
[4] A recent article mentions that the target for 2021 will be 350,000. The Canadian Press, "Canada to increase annual immigration admissions to 350,000 by 2021," CBC News, last modified November 1, 2018, https://www.cbc.ca/news/politics/canada-immigration-increase-350000-1.4886546.

[5] Yuqian Lu and Feng Hou, "International students who become permanent residents in Canada,"(report, Ottawa, 2015), https://www150.statcan.gc.ca/n1/pub/75-006-x/2015001/article/14299-eng.pdf; Yuqian Lu and Feng Hou, "International Students, Immigration and Earnings Growth: The Effect of a Pre-immigration Canadian University Education," (report, Ottawa, 2017), https://www150.statcan.gc.ca/n1/pub/11f0019m/11f0019m2017395-eng.htm.

[6] Kareem El-Assal and Daniel Fields, *Canada 2040: No Immigration Versus More Immigration* (Ottawa: The Conference Board of Canada, 2018), https://www.conferenceboard.ca/e-library/abstract.aspx?did=9678.

In 2017, 37% of ICT Jobs Were Held by Immigrants

Far higher than the 26.5% of the labour force that immigrants make up generally, and up from 30% in 2007.[7]



- This figure is as high as **57%** for Ontario.
- The unemployment rate in the ICT sector (**2.6%**) is consistently well below the national average.
- This implies immigration plays a key role in fulfilling incremental labour force demand in this high-growth high-skill sector.

The emergence of new technologies – ranging from Virtual Reality (VR) and Augmented Reality (AR) to 3D printing, blockchain, AI and 5G – will require 216,000 new jobs to be filled in the tech sector alone by 2021. Given the aging of current ICT workers and shortage of younger talent in Canada, skilled digital workers will have to be attracted worldwide to keep up with the demands of the sector.[8] Other sectors and industries that face labor shortages include the skilled trades and healthcare, as well as semi- or lower-skilled occupations such as agriculture and agri-food.

Immigration Levels and Growth Scenarios

El-Assal and Fields forecast that real GDP per capita growth for Canada under status-quo, medium increase and high immigration scenarios.[9]

- *Status-quo*: Current immigration rates of 0.82% of Canada's population.
- *Medium immigration growth*: Gradual increase to 1% of Canada's population by 2040.
- *High immigration growth*: 450,000 newcomers per year by 2025 and maintained at 1.1% of population over the next 15 years.

Real per capita GDP forecasts:

- Status-quo: 1.85%
- Medium: 1.94%
- High: 2.05%

Given the underlying prospects for the Canadian economy these differences are non-trivial. Not only would growth increase but higher immigration levels contribute more to growth. While the increase in *real per capita GDP* is slightly higher under the status quo, the medium and high scenarios would address the economic and fiscal problems resulting from an aging population and low birth rate by reducing the dependency ratio and health care costs as a percentage of provincial revenues. More immigrants (and workers) would add to government revenues and allow the government to allocate spending to other priorities.

The Key Variable is Integration

To be sure, a larger population as a result of more immigrants would require higher social spending. El-Assal and Fields argue that higher immigration levels will be beneficial only if new immigrants are better integrated into the labor market.[10] It is well known that many newcomers face difficulties to have their credentials recognized.[11]

[7-8] Information and Communications Technology Council (ICTC), *Digital Economy Annual Review* (Ottawa: The Information and Communications Technology Council, 2017), https://www.ictc-ctic.ca/wp-content/uploads/2018/02/ICTC-Annual-Review-2017-EN.pdf.
[9-10] Kareem El-Assal and Daniel Fields, *Increasing Canada's Immigration Levels Depends on Improving Job Outcomes for Newcomers* (Ottawa: The Conference Board of Canada, 2017), https://www.conferenceboard.ca/commentaries/immigration/default/hot-topics-in-immigration/2017/10/02/Increasing_Canada_s_Immigration_Levels_Depends_on_Improving_Job_Outcomes_for_Newcomers.aspx.
[11] For example, Michael Grant, *Brain Gain 2015: The State of Canada's Learning Recognition System* (Ottawa: The Conference Board of Canada, 2016), https://www.conferenceboard.ca/e-library/abstract.aspx?did=7607.

Estimated cost to Canada of the lack of recognition of foreign credentials of new immigrants (only) ranges between CAD$8 billion to CAD$10 billion.[12]

Taken together, these studies show that integration of new immigrants is a serious challenge and will likely increase as immigration levels continue to rise in the future, and especially if the necessary resources are not there. Integration is also going to be more complicated as a result of technological progress such as automation and artificial intelligence. The full impact of these trends on the future of work remains unclear. It depends on many factors that include the speed at which technologies are adopted and the extent to which tasks can be automated; but effects are balanced by the fact that technological progress will also create new types of jobs.[13] What is clear, however, is that the worker of the future will need skills that can help them adapt to a very dynamic economy. This is a challenge for any new entrant into the labour force, but one that is exacerbated for newcomers unfamiliar with the Canadian context.

International Students

From 2006 to 2016, the rate of growth of international students from developing countries entering Canada has outstripped the overall international student growth rate.

8% vs. **13%**

Overall Growth Rate of International Students Entering Canada
(2006 - 2016)

Growth Rate of International Students Entering Canada From Developing Countries
(2006 - 2016)

Total international students entering Canada from developing countries:

58,515 (2006) → **197,715** (2016)

Average tuition rates (full-time undergraduate) for international students is approximately 4x tuition rates for Canadian students:[14]

$6,838 (2018) vs. **$27,159** (2018)

Approximate tuition revenue generated from international students entering Canada in 2017 was $6.3 billion – of which, tuition revenue generated from international students from developing countries was approximately **$4.7 billion**.[15] By comparison, total foreign assistance from Canada to developing countries in 2017 was approximately **$5.6 billion**.

$4.7B vs. **$5.6B**

Tuition Revenue from International Students from Developing Countries

Total Foreign Assistance from Canada to Developing Countries

Canada has aggressively positioned itself as an attractive education destination for international students, and as a reaction to the demographic transition that will mean fewer domestic students attending universities and colleges in the coming years. This strategy shows some success as international students are one of the fastest growing categories of temporary migration to Canada. Moreover, international students are also more likely to transition to permanent status and become new immigrants, and, given prior Canadian experience, they are expected to integrate more easily.

[12] Estimate based on Grant (2015) is limited only to immigrants (as credential recognition also affects Canadians e.g. across provinces).
[13] For a more detailed discussion of the impact of automation on jobs, see David H. Autor, "Why Are There Still So Many Jobs? The History and Future of Workplace Automation," *Journal of Economic Perspectives* 29, no. 3 (2015).
[14] Statistics Canada, "Tuition fees for degree programs, 2018/2019," (report, Ottawa, 2018), https://www150.statcan.gc.ca/n1/daily-quotidien/180905/dq180905b-eng.htm.
[15] International student tuition revenue is calculated using total number of international students entering Canada in 2017 and latest available tuition rates.

Here again, the net contribution of developing countries to Canada is significant.[16] The rate of growth of international students from developing countries far outstrips that of international students overall. Moreover, as is widely know, international students pay substantially higher fees compared to Canadian students. At the undergraduate and graduate levels, the differences are particularly stark with international students on average paying three to four times the tuition that Canadian students pay for full-time undergraduate programs.

Our brief comparison shows that international student tuition generated from those coming from developing countries in 2017 alone, at approximately $4.7 billion, rivals total Canadian foreign aid to developing countries.

Estimating Canada's Share of the Global Refugee Burden

The global refugee population, as measured by the UNHCR population of concern (refugee category only), has grown spectacularly in recent years. Between 2012 and 2017 the global refugee population nearly doubled from approximately 10 million to 19.9 million. The conflict in Syria is, of course, one of the major drivers but not the only driver. For example, the crisis in South Sudan, which caused over 1 million people to flee their homes in 2017 alone, was a bigger driver in that year than Syria. In another instance, the approximately 655,500 refugees resulting from the Rohingya crisis placed Myanmar a close third, after Syria (745,200), in terms of new refugees in 2017. Furthermore, while the link between climate change and migration is complex, there is increasing concern that higher frequencies of extreme weather events will lead to more migration within and across countries over time.

Canada admitted a record number of refugees in 2016. This was largely driven by the Liberal government's campaign promise to admit 25,000 Syrian refugees in which was met in 2016.

Is Canada Doing Enough to Share the Global Refugee Burden?

While this oft-repeated question seems objective, it is anything but straightforward to answer. Part of the challenge is the underlying data. There are two main ways to approach the data:

- **Refugees resettled:** This approach measures the actual resettlement of refugees in the new home country. The advantage is that it captures a more permanent change in status from refugee to new resident/citizen. The disadvantage is that the total global number of resettled refugees is a small fraction of total refugees. For example, in 2017 while the total number of refugees globally was approximately 19.9 million, the total number of resettled refugees was approximately 102,519. The resettled refugee figure is only about 0.5% of the total global refugee figure. Resettlement is defined by the UNHCR as "the transfer of refugees from an asylum country to another state that has agreed to admit them and ultimately grant them permanent settlement." One problem with resettlement data is that countries have very different policies on how they resettle refugees, which in turn affects how they count and report on the same.

- **Refugees hosted:** This approach measures the total number of refugees hosted outside the borders of the country from which refugees originate. This figure is more indicative of the global refugee situation and more generally referenced when talking about relative burden shares. However, the disadvantage is that it does not reflect a permanent change in status and may include long-term refugees that are hosted in countries outside of their country of origin yet unable to fully settle with permanent status in the host country.

In order to estimate burden-share it is important to utilize both perspectives and data.

[16] Just two countries, China and India, account for approx. 49.1% of international students entering Canada in 2016.

Resettlement Perspective

Canada ranks second in refugee resettlement, and lags only behind the US on this measure. According to UNHCR data, Canada accounted for approximately 26% of resettled refugees globally in 2017.[17] The previous year, 2016, was an exception in terms of total refugees resettled (largely due to resettlement of a high number of Syrian refugees not only in Canada but also globally). Canada ranked second in 2016 and resettled approximately 46,646 refugees (25%).

Hosting Refugees

The global burden of hosting refugees is borne mostly by developing, and not rich, countries. The top host countries in 2017 were Turkey (by far) accounting for 17.4%, followed by Pakistan 6.9%, Uganda 6.7%, Lebanon 5% and Iran 4.9%. Among rich Western economies, highest placed in 2017 were Germany (6th, 4.8%) France (15th, 1.7%) and the United States (18th, 1.4%). Canada ranks only 32nd by this measure and hosted 0.53% of global refugees.

In 2017, Germany hosted almost 1 million refugees but only reported approximately 3,000 resettlements in that year. This goes to show the magnitude of the difference between resettlement and hosting refugees.

The high refugee burden that countries such as Turkey have had to carry is a result of their geography and the fact that they are next to neighboring countries that are facing wars, and economic and natural crises. By the end of 2018, it is expected that Member States of the United Nations will adopt a Global Compact for Refugees that should allow them to better share the responsibility for refugees globally. However, critics have already pointed out that the compact, in addition to being non-binding, is more focused on providing humanitarian assistance to countries that are hosting large numbers of refugees rather than dealing with resettlement seriously.

A Back-of-the-Envelope Assessment of Relative Burden Shares

Since the question of burden-share is an important one, a relatively simplistic approach to provide a sense of comparison is by estimating refugee burden share relative to share of global population. Since hosting refugees gets closer to the scale of the global burden the more appropriate data point for this purpose is the hosting (as opposed to resettlement) figure.

How does Canada compare with some of its peers on this measure of refugee burden share?[18]

Based on share of global refugees hosted (2017) relative to share of global population (2018)

Country	Share of Global Refugees Hosted	Share of Global Population	Refugee Burden Share
Canada	0.53%	0.48%	**1.1x**
Germany	4.8%	1.08%	**4.4x**
France	1.7%	0.85%	**2x**
Sweden	1.2%	0.18%	**6.6x**
Norway	0.3%	0.07%	**4.2x**
Italy	0.84%	0.78%	**1.07x**

[17] UN Population Statistics, "Resettlement," United Nations (2018), http://popstats.unhcr.org/en/resettlement.
[18] For this simple calculation, 2017 is used for share of refugees and the latest available figure is used for share of global population; UN Population Statistics, "Resettlement," United Nations (2018), http://popstats.unhcr.org/en/resettlement.

As the preceding comparisons indicate, on this simplistic measure, and compared to a selective peer group, Canada performs well. However, neither does it outperform expectation relative to its share of global population, nor does it come anywhere near the ratio of peers like Sweden, Germany, Norway, France and others. Compared to other G7 peers, however, Canada performs better than the US, UK and Japan.

Diasporas and Two-Way Flows

In 2017, remittances to developing countries were more than three times the foreign aid flows.

Immigration is not only positive for Canada as a "host" country. It also benefits the "home" countries of migrants through remittances, brain circulation and the impact of diaspora networks. It is well-known that migrants send significant amounts of remittances to their home countries. The World Bank estimates that officially recorded remittances to low- and middle- income countries were $466 billion in 2017, with the top recipients being India, China, the Philippines, Mexico and Nigeria. The Bank also notes that continued efforts must be made to reduce the costs of remitting. Foreign aid flows from official donors for the same year were $146.6 billion, which means that remittances to low- and middle-income countries were more than three times that amount.

Research has shown that remittances can lead to improvements in welfare and development through various channels that include investments in health and education. While the earlier view on immigration saw migrants permanently integrating in the host country and severing all ties with the home country, thus raising concerns about the consequences of brain drain, return migration is now commonly observed. This so-called brain circulation refers to the temporary or permanent return migration of professionals and other skilled workers to their countries of origin. In addition to brain circulation, migrants can also facilitate the development of business and commercial networks between source and host countries. Thus, the diaspora can facilitate the transfer of knowledge and technology, and also trade and investment flows.

For instance, in examining the role of the diaspora in development in Africa, the World Bank (2011) found that diasporas facilitate cross-border trade (by exchanging market information about trade and regulations) and investment (by providing expertise to multinational firms), as well as providing access to technology and skills. One implication for developing countries keen to harness diaspora contributions is to ensure that they provide a supportive business climate, including voting rights and dual citizenship to migrants. For developed countries such as Canada, the contribution of the diaspora is regularly brought up in discussions about building trade and investment linkages, but these are not well articulated in government policy frameworks.

Remittances vs. Aid Flows

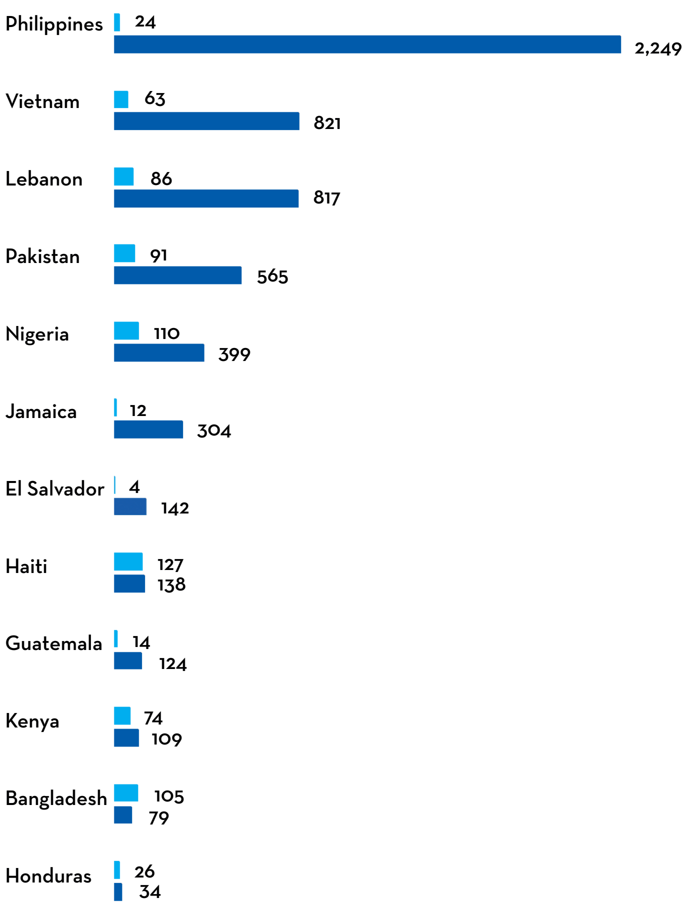
Remittances from Canada relative to Canadian aid flows tend to follow a similar pattern to what can be observed globally.

In 2016, about $15.9 billion (64%) of outbound remittances from Canada went to low- and middle-income countries.

When we add the amounts remitted from Canada to developed countries, the total rises to more than $20 billion and has been at that level in the last few years. Not only are remittance flows much higher than Canada's overall development assistance, they are also higher for some of the main recipients of Canadian ODA such as Pakistan, Haiti, Nigeria and several others. China, India, the Philippines and Lebanon are the largest recipients of remittances from Canada.

Remittance vs. Foreign Assistance from Canada[19]

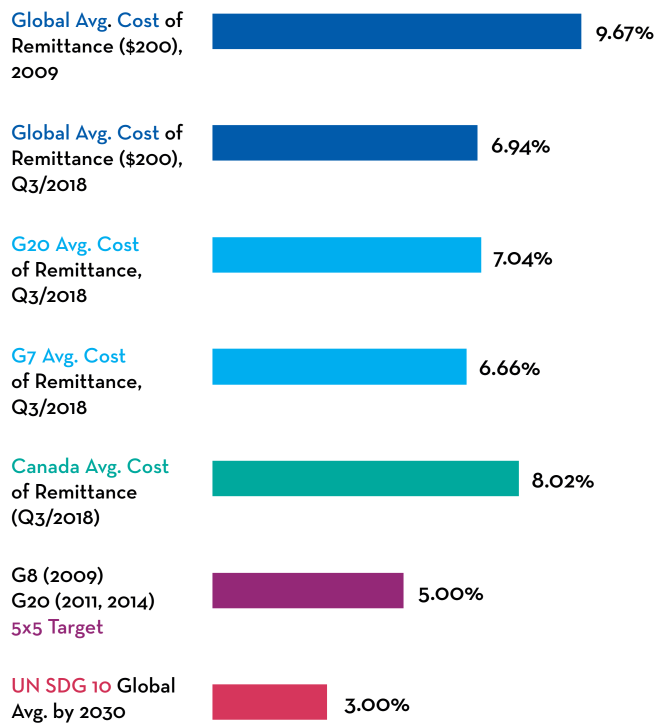
Foreign Aid from Canada in CAD$ Millions (2016)
Remittances from Canada in USD$ Millions (2017)



Remittance Prices: More Can Be Done to Spur Innovation

A key policy issue in the remittance space is the cost of sending remittances or remittance prices. Reducing remittance prices has been a key goal of global policy. For example, the G8 adopted the 5x5 target which aims to bring down average remittance cost to 5% back in 2009. The same target was re-endorsed by the G20 in 2011 and 2014. The UN SDGs (target 10.c) in 2015 adopted an even more ambitious target of reduction in remittance prices to an average of 3% by 2030.

The global remittance price average has been trending lower. It has declined from 9.6% in 2009 to 6.9% in Q3/2018. The G20 and G7 averages are close to that figure at 7% and 6.6% respectively based on the most recent data.[20]



The average cost of remittances from Canada however is higher than the global average as well as the G20 and G7 averages.

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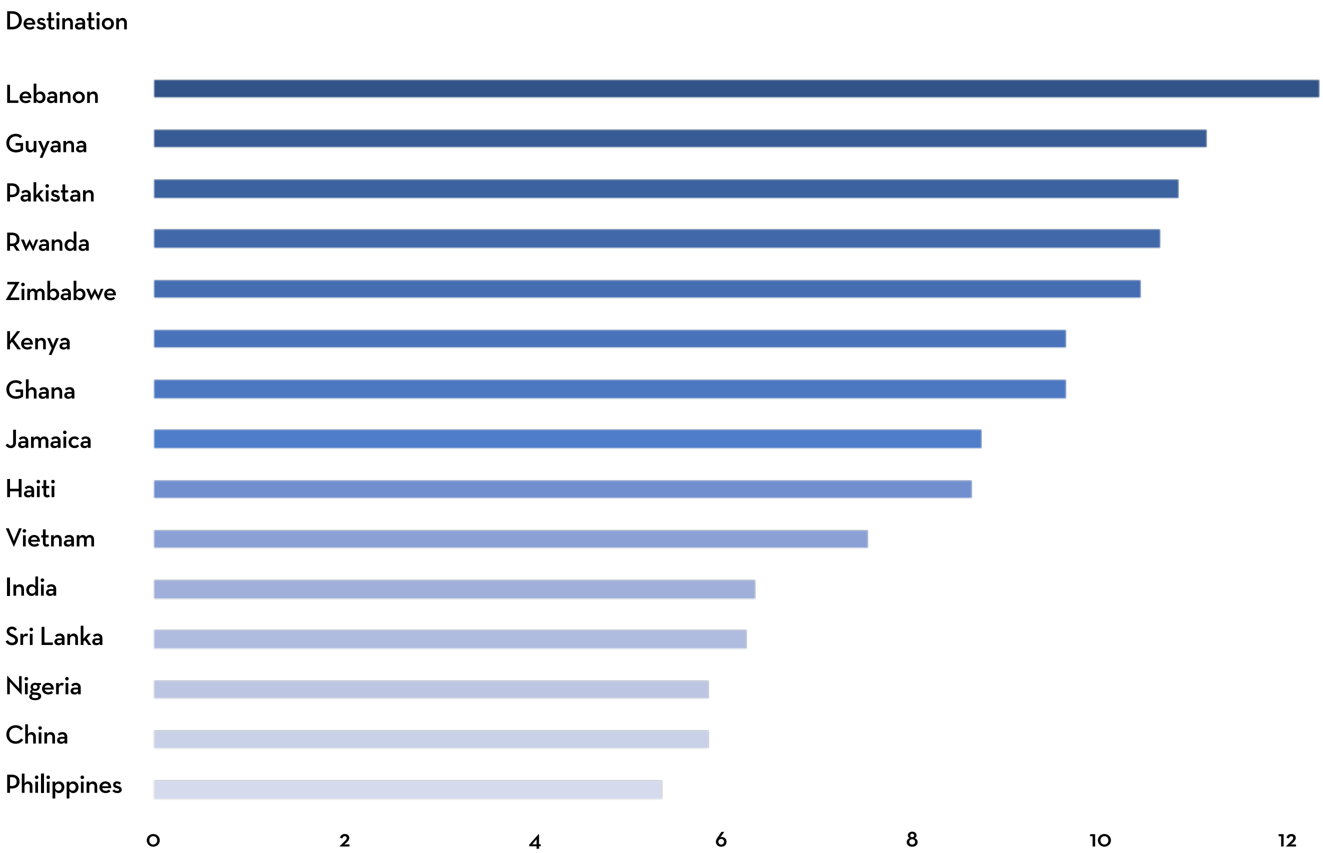
[19] Global Affairs Canada, "Statistical Report on International Assistance 2016-2017," (report, Ottawa, 2018), http://www.international.gc.ca/gac-amc/publications/odaaa-lrmado/sria-rsai.aspx; World Bank, "Bilateral Remittance Matrix 2016," http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data.
[20] World Bank, "Remittance Prices Worldwide," https://remittanceprices.worldbank.org/en/about-remittance-prices-worldwide.

The average cost of remittances from Canada, however, is higher than the global average as well as the G20 and G7 averages.

In Q3/2018 the average cost of sending remittances from Canada was approximately 8%. However, there is significant variance across country corridors and the type of firm used to remit. In general, remittance prices among banks are higher than those charged by money transfer operators (MTOs). Higher volume corridors which generally give consumers more options also report lower prices. A mix of innovation in the fintech space,[21] higher volumes and policy measure can and already has driven costs down. Ultimately, volume, competition and innovation are the main factors that will drive evolution of the remittance market. Policy measures to drive further innovation, specifically taking account of development considerations, and engaging both fintech disruptors as well as more traditional financial institutions and capital markets, could accelerate this process.

What is the Average Cost of Remittance from Canada?[22]

Average Total Cost (%) of Remitting $200 (Q3/2018)



[21] CBC Radio, "The tech that helps send money back home," CBC News, last modified July 28, 2017, https://www.cbc.ca/radio/spark/327-working-less-social-credit-scores-and-more-1.3762032/the-tech-that-helps-send-money-back-home-1.4124692.
[22] World Bank, "Remittance Prices Worldwide," https://remittanceprices.worldbank.org/en/about-remittance-prices-worldwide.

Estimating the Impact of Remittance Price Reduction from Canada[23]

Back of the envelope calculations suggest that at the current average remittance cost for Canada (8%) and total estimated remittances to developing countries ($15.9 billion), the total implied cost to Canada's developing country diasporas remitting to home countries is approximately $1.27 billion. This is a significant figure.

Overall, if Canada's average remittance cost fell to the G8/G20 target of 5% this would imply a savings of **$477 million**.

If Canada's average remittance cost fell to the UN SDG target of 3% this would imply a savings of **$795 million.**

Since remittance costs and levels vary across corridors, the impact of reductions will also be differentiated across countries.

Which Canadian corridors have the highest implied cost? How do these compare, with Canadian aid flows to the same countries?

- Philippines: **$121.4 million** vs. aid flows: **$23.5 million**
- Lebanon: **$100 million** vs. aid flows: **$85.6 million**
- Vietnam: **$62.3 million** vs. aid flows: **$62.8 million**
- Pakistan: **$61.5 million** vs. aid flows: **$91.1 million**

What would be the savings to Canadian diasporas if remittance costs fell to the 5% target?

- Lebanon: **$59 million**
- Pakistan: **$33 million**
- Vietnam: **$21 million**
- Jamaica: **$11 million**

What would be the savings to Canadian diasporas if remittance costs fell to the 3% target?

- Lebanon: **$76 million**
- Philippines: **$54 million**
- Pakistan: **$44 million**
- Vietnam: **$38 million**
- Jamaica: **$17 million**

[23] These calculations take the latest available figures for both data points. As such, they may not be for the same period. However, as an approximation, they are very close since all figures range between 2016 and 2018 – a short enough time period over which changes in remittance costs or levels are not very significant. Remittances are in USD$ while aid flows are in CAD$.

What is the Average Cost of Remittance from Canada through Different Firms?[24]

Average Total Cost (%) of Remitting $200 (Q3/2018)

Category	Firm	Lebanon	Pakistan	Kenya	Ghana	Jamaica	Haiti	Vietnam	India	Nigeria	China	Philippines
		Destination										
BANK	ScotiaBank	23.3		10.4	8.9	8.6	8.2	7.0	15.5		8.3	7.1
BANK	Royal Bank of Canada	8.9		8.9	9.2	8.9	9.1	8.9	9.1			8.9
BANK	Toronto Dominion Bank	17.6		17.6	18.1				17.8			
	CIBC							20.8				
	PNB Global Remit											
	ICICI Bank								6.5			6.8
	Bank of China										5.5	
	State Bank of India								5.5			
	IN Money					5.1						
MONEY TRANSFER OPERATOR	MoneyGram	8.9	10.8	11.7	9.7	11.8	9.7	9.6	5.9	9.7	6.1	5.7
MONEY TRANSFER OPERATOR	Western Union	9.9	14.4	13.9	11.2	10.7	9.5	7.5	5.9		8.3	7.1
MONEY TRANSFER OPERATOR	WorldRemit	8.1	8.8	3.6	7.3	8.1	10.0	3.9	3.0	5.9		5.0
MONEY TRANSFER OPERATOR	Ria		11.7	1.7	5.4	7.1			5.8		6.6	4.3
MONEY TRANSFER OPERATOR	Small World		7.3	8.7		8.5			8.3	7.2		4.0
MONEY TRANSFER OPERATOR	Xpress Money		10.6	7.0	6.1					7.5		
MONEY TRANSFER OPERATOR	ZipZap								3.2		3.6	3.3
MONEY TRANSFER OPERATOR	Dollar Links		9.2									
MONEY TRANSFER OPERATOR	Unitransfer						8.5					
MONEY TRANSFER OPERATOR	LeGoiTienLe							7.7				
MONEY TRANSFER OPERATOR	Skrill							2.0	4.3			
MONEY TRANSFER OPERATOR	Remitly								2.1			4.0
MONEY TRANSFER OPERATOR	RemitBee							3.1	2.9			
MONEY TRANSFER OPERATOR	iRemit											5.6
MONEY TRANSFER OPERATOR	CAM						5.2					
MONEY TRANSFER OPERATOR	Trans Fast									5.0		
MONEY TRANSFER OPERATOR	Reliable Peso Remit											4.6
MONEY TRANSFER OPERATOR	Transfast								1.3			3.3
MONEY TRANSFER OPERATOR	Metro Remittance											4.4
MONEY TRANSFER OPERATOR	Wave		4.4									
MONEY TRANSFER OPERATOR	Remit2India.com								2.9			
MONEY TRANSFER OPERATOR	Transferwise									2.0		
MONEY TRANSFER OPERATOR	MoneyTT										0.3	

[24] The World Bank, "Remittance Prices Worldwide," https://remittanceprices.worldbank.org/en/about-remittance-prices-worldwide.

Policy Ideas: Leverage Canada's Comparative Advantage

The Case for Higher Immigration is Compelling, Only If Balanced with the Demands of Integration

The case of higher levels of immigration contributing to Canadian economic growth in the context of an aging population, low fertility rates, and skills gaps in key sectors is quite compelling. Making sure that immigrants are well-integrated and can enjoy positive economic outcomes is even more important than increasing immigration levels. Rapid changes in technology means that the workers of the future will require skills that enable them to adapt to a more dynamic economy. Current debates about raising immigration levels in the Canadian context would be better served if they integrated discussions about technology and the future of work. Similarly, while immigration strategy overall is largely the domain of the federal government, integration issues and challenges are more prevalent at other levels – from provincial to regional to city and municipal. Integration could be better addressed if there were an end-to-end assessment of resource gaps and needs and a multi-level strategy to address the same.

Addressing Data and Informational Gaps

Too often, governments and politicians of all persuasions tend to see issues like immigration and associated policy domains such as remittances in a purely utilitarian manner. New immigrants after all are also new voters. Such perspectives are often devoid of the nuance needed when it comes to engaging the diaspora. There are important political, ideological, cultural and philosophical limitations to diaspora engagement. These are somewhat natural as diasporas are comprised of individuals and groups that have voluntarily or under duress left their home countries. Engaging diasporas on home-country issues is fraught with challenges. Not all members of the community may feel the same way about their home country or want to be involved in an active manner. In some cases, even well-intentioned host government initiatives may be seen a threating or overly intrusive. These nuances are important.

A more appropriate role of government is to act as a platform or facilitator for diaspora interests and connections. Data and informational gaps are a key reason why policy measures often lack nuance. For example, lack of data and key behavioral information have been a key hindrance to analysis of the Canadian remittance market. This is inexcusable given the size of Canada's foreign-born population and scale of remittances.

The contribution of Canadian remittances in developing economies is an area where more research is needed. Unlike aid flows, which are scrutinized and evaluated, we do not have a good understanding of how Canadian outbound remittance flows are being used in receiving countries. We also do not have a proper understanding of brain circulation in the Canadian context, and nor have we made much effort to harness the potential contributions that the Canadian diaspora could make to both Canada and the developing world.

A better understanding of the different systems that people are using to transfer money abroad, and a systematic examination of what these funds are being used for, are paramount. We therefore welcome the recent partnership between Statistics Canada and GAC, to collect detailed survey data on the "why, how, how much and use" of remittance flows and look forward to the data generated (which hopefully will be available in the public domain).[25]

[25] Statistics Canada, "Sending money home," last modified May 16, 2018, https://www.statcan.gc.ca/eng/blog/cs/sending-money.

Fostering Innovation Through Competition

As discussed, Canadian remittance prices are high compared to the global average. There is a need to address this area if Canada is to meet its own international commitments both at the G8/20 and towards the UN SDGs.

With the emergence of new fintech players and entirely new payment systems and technologies (blockchain based and beyond) the space is ripe for disruption. However, banks and large financial institutions like MTOs are not going to give up a multi-billion-dollar space to emerging players. Nor are customers going to easily overcome trust barriers associated with new technologies.

Most recognize the need and potential for innovation. A key question is how best to facilitate the same. One idea is to build linkages and networks via competitions. For example, the tech sector is host to both the tools and techniques that will drive payment systems innovation and is an important sector as far as high-skill new immigrant employment is concerned. The government could establish specific funding to catalyze innovation to (a) better understand consumer behaviour, (b) drive innovation to improve user-experience and lower costs and (c) develop new products, solutions and opportunities.

The latter should also include new financial products. For example, diasporas may want to and be able to invest directly in their home countries but may lack credible investment products. Similarly, for home countries there is a need to channel some level of remittances from consumption to investment. Some countries (such as Israel and India) have successfully tapped their global diasporas via targeted diaspora bonds. However, the track-record elsewhere is less compelling (especially in the case of Africa).[26] This implies there is room for greater innovation, including and especially by directly engaging the financial sector and capital markets.

Increasing Awareness About Canada's Development Priorities, Plans and Financing Amongst Diaspora

There is a clear need for the Canadian government, likely via GAC, to invest in increasing awareness among diasporas about Canada's development plans, priorities and financing options that are targeted at their home countries. The gaps in this area are most evident at times of humanitarian emergencies. For example, during the Nepal earthquakes the Canadian-Nepali diaspora was well organized and positioned to provide support, ranging from financial to operational and informational. Often diasporas have the best access to fast-changing information which is critical in emergency contexts. In this case the diaspora found no meaningful channels via which to engage with official Canadian respondent agencies. These gaps need to be overcome to harness the diaspora meaningfully in development strategy.

[26] For example, the Ethiopian diaspora bond effort was largely a failure and prospects for other large African economies such as Nigeria and Kenya, despite large and well-to-do diasporas, remain unconvincing; Michael Famoroti, "The Potential of Diaspora Bonds in Africa," Africa at LSE, last modified April 17, 2017, http://blogs.lse.ac.uk/africaatlse/2017/04/12/the-potential-of-diaspora-bonds-in-africa.

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